



Kendall J. Powell

EDITORS' NOTE In September 2007, Ken Powell became CEO of General Mills and Chairman of the Board in May of 2008. He had been elected President and Chief Operating Officer in June 2006. Powell joined General Mills in 1979 as a marketing assistant and advanced through a series of assignments of increasing responsibility including positions in the Yoplait, Betty Crocker, and Big G cereal divisions, as well as Cereal Partners Worldwide. Powell graduated from Harvard with a bachelor's degree in 1976 and earned his M.B.A. from Stanford in 1979.

COMPANY BRIEF General Mills operates in more than 100 countries and markets more than 100 consumer brands, including Cheerios, Häagen-Dazs, Nature Valley, Betty Crocker, Pillsbury, Green Giant, Old El Paso, Progresso, Yoplait, Cascadian Farm, Muir Glen, and others. The company (generalmills.com) is headquartered in Minneapolis, Minnesota.

What makes this company so special?

It starts with a very strong commitment to people over a very long period of time, and the values that we support of integrity and playing the right way – what I would call high-character values. It also involves a sense of urgency around innovation. There is a winning ethic here that is very strong.

We have an important objective of being truly innovative. If you look at our portfolio of products in whatever category, General Mills has the most innovative and differentiated portfolio of cereal products, and by far the most innovative portfolio of healthy grain snacking products. Our record of innovation, particularly over the past 10 years, has been spectacular.

We created the yogurt category in the U.S. with products that were very highly differentiated. If you scroll through our categories and the places we compete, the brands are typically number one or a close number two.

In addition to our focus on people, our very significant focus on true differentiation and

Nourishing Lives

An Interview with Kendall J. Powell, Chairman and Chief Executive Officer, General Mills

record innovation over a very long period of time have made this company special.

Is the innovation on the product side about looking at current brands and enhancing them, or is the focus on new products and categories?

It's both. One of the interesting aspects of the food business is that food is very much a part of the culture. If you refresh brands and keep them relevant, they can go for a long time.

We keep cereals fresh by adding health benefits to them over time, be it fiber or whole grains or protein. In this decade, we are still selling Cheerios but we're making them relevant to new generations.

Core brand renovation has been essential for General Mills because consumer trends and behaviors evolve over time.

Also, the new product element is vital for us. We're going to launch \$500-million worth of new items this year and probably something comparable to that next year.

As you grow to a significant size and scale, does it get harder to maintain an innovative edge?

It's a challenge. One of the things we're focusing on now is keeping the innovation mindset and processes as contemporary and dynamic as they can be.

We spend a lot of time studying innovation and entrepreneurs, those people who successfully and sequentially start up small businesses that become successful. We're learning that there is a big difference between the way entrepreneurs develop ideas and the way big companies do it. Big companies do big tests and have big labs; they handle a lot of data and they move sequentially. So the people who are supposed to be your internal entrepreneurs become separated from the consumer they're trying to please with a process that is cumbersome and slow.

We're now working to strip all of those slow, cumbersome elements out of our approach to new products. We're starting to put a few marketing people and a few food scientists into the kitchens with the consumers we're trying to please and telling our people to develop something for them really fast and see if they like it. We're moving away from testing in favor of real-world learning with consumers. If they do like it, great; if they don't, then change it, evolve it rapidly, and try again. This is basically how entrepreneurs actually develop products. They do everything on intuition.

It's a very interesting area for us and we're changing most of the innovation processes that we have in the company to address how to stay on our game.

Are you still optimistic for the opportunities that exist in international and emerging markets?

There will be bumps, but around 50 percent of the world's consumers by 2030 are going to be emerging middle class families in emerging markets, so the opportunity is gigantic.

In places like China, Brazil, India, and South Asia, as consumers enter the middle class with a new income level, one of the very first things they do is look for ways to improve their diet or have more convenience. Typically at that point, the woman is working, so more convenient and higher quality food is one of the very first things they spend extra money on.

It's not going to be perfect, predictable growth every year but, over the long run, it's a fantastic opportunity for us.

Even though there is talk of a slowing in China, they're going to figure out how to shift that from an investment-led economy to a more consumer-led economy, and we win either way.

Where is the technology impacting the business and how critical is it when you look at it as a differentiator?

There is every mechanical, IT, and electrical issue you can imagine going on at our production sites. We constantly apply new technology to the process of making our products to improve their quality and the reliability of those systems.

A big innovation and technology focus for us is how we formulate products that are simpler, have shorter ingredient lists, have less fat and less salt or sugar, and still taste good. Consumers want it all. They are concerned about weight management and controlling calories, but if you give them something that tastes like diet food, they will reject it.

We have invested quite a lot of money in how to reduce sodium while still having a taste profile that consumers will like and will repeat purchase.

But we've also made investments in heightening characteristics that consumers want – they want more whole grain, they want the soluble fiber in oats that is associated with heart health. This means investment in agronomy and grain development to come up with more powerful

effective grains to deliver the health benefits consumers are seeking.

Is making lives healthier, easier, and richer at the forefront of everything you do?

It's central to what we do. Our mission is to nourish lives by making the consumer's life healthier, easier, and richer. There is a very specific reason for the choice of these three words – they define the core innovation directions we pursue.

Most of the innovation work and technology development we do is how we make our products healthier and more nutritious in a variety of ways. Convenience is going to continue to be a driving behavior for consumers around the world as the world continues to urbanize, as more women are in the economy and labor force, and we have to help families prepare meals.

There is also a focus on the richness and variety of tastes and flavors. People eat food for pleasure. This slogan defines the wheelhouse of all of our innovation focus at General Mills.

Another central part of how we operate is that, while we have created great shareholder value over long periods of time and we understand our responsibility to our owners, the way we get there is by putting the consumer first and at the center of everything we do. We know the consumer better than anybody else and we know what they want. If we give them what they want in the right ways, we will always win.

How critical is it that your workforce mirrors your customer base?

We have been in Minneapolis for over 100 years. We're dominating the frozen foods markets in China right now for evening meals. The reason we are is because food is deeply cultural, and our team in China is all Chinese. From the top of the house to junior market researchers, our folks in China live and breathe that culture every day. They understand what the Chinese homemaker needs and their standards. This is true anywhere around the world – we have local teams that know how to put the consumer first, and therefore the quality of innovation and product formulation is very high and highly adapted.

The U.S. is also a very diverse and multicultural country, so General Mills looks like the U.S. now. We're people from Minnesota; we're

African-American, Latino, and Asian, and half of us are women – half of our general managers here are women; five members of my board are women.

We don't see how you can be successful in our industry, which is so consumer-focused, unless you have people that really understand the consumers you're trying to reach.

Are the areas you support as part of corporate social responsibility looked at separately or are they aligned with the business?

I think of it as holistic and part of our core strategy of being committed to the people we have been able to recruit, develop, and retain.

As a global food company, we have to be concerned about the sustainability of the agricultural supply in any given place.

But the way we engage in communities is that we encourage our employees to volunteer; over 80 percent of General Mills' employees volunteer in one way or another. When we help a product developer at our lab assist a small food company in Ethiopia by helping them add vitamins and minerals to their products, that kind of experience is very powerful for them. We know that opening the door to our employees to have these volunteer experiences where they can live out their values in other ways greatly strengthens their commitment to our organization.

They like the company, they like what we do, but we link with their values and that's a very powerful connection. This is all very good

for the commitment of our employees and their retention.

The same applies to sustainability. There is a logical and scientific argument for being concerned about the sustainability of the vanilla we source from Madagascar or the cocoa we source from West Africa. But our employees also want us to do these things because it's the right thing to do.

Some of these CSR areas that tie into strategy but are more values-based end up strengthening the fabric of the company and the commitment our employees have to our mission and what we do.

Could you have imagined you would have spent so much of your career here?

The things that have kept me here are that I love the people I work with. They're talented people with the right values that you get to spend time with every day. In addition, the opportunities and challenges kept coming. I spent 12 years in Europe traveling all over the world working for a joint venture, so it has been an unbelievably rich learning and developing experience for me, doing it with people I admire.

Also, over a very long period of time, we have had success as a company – we have created a lot of great products that consumers love and use every day, and we have created a lot of value for shareholders.

Do you take the time to enjoy and celebrate the wins as they happen or is it always about raising the bar?

It's a bit of both. We celebrate our wins here and we love to win. We're not a star system – we're a team system, so we love to recognize winning teams, and we take time out to do that.

On the other hand, people recognize that, while we're not in businesses that are growing at 30 percent a year, this is an industry where you get steady growth over long periods of time. That is how we create value and wealth.

Our people know that the innovation engine has to keep moving and the invention work has to get done, and we need to sustain that year after year. The consumer is changing more than we have ever seen, so we understand the challenges will continue and our shareholders are counting on us to keep growing, which means we're pushing uphill constantly but it keeps us awake. ●

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