



At C Level:

Robert J. Lawless
Chairman and CEO



By Tony Bingham
and Pat Galagan

Growing *Talent and Sales at McCormick*

**SUCCESSION PLANNING ACROSS ALL
LEVELS OF THE COMPANY SPAWNS
LEADERSHIP DEVELOPMENT.**

A sign on Bob Lawless's desk says "The puck stops here."

A few decades after playing competitive hockey in Canada, Lawless is still a recreational hockey player. Although he admits to having slowed down a bit, he still thinks he can beat a younger employee who has challenged him to a 100-meter dash. She thinks she will beat him; he's sure she won't.

That confidence in the face of a challenge characterizes Lawless's approach to leading the 7,200 employees of McCormick & Company, the 119-year-old purveyor of spices and flavorings to food manufacturers, restaurant businesses, and grocery stores around the world. McCormick had a tough year in 2005 when Hurricane Katrina and a collapsing market for vanilla took their toll, but during Lawless's tenure as chairman and CEO, the company's recovery has been remarkably strong. Net sales and the gross profit margin both increased in 2006, and the company expects to increase sales by 4 percent in 2007. *T+D* talked with Lawless about how the company's learning efforts support its key strategies.

Q McCormick has ambitious growth plans for 2007. How does employee development support these strategic goals?

A One key area is a leadership development program known as multiple management boards, or MMB. It's an action learning program that combines developing talent with achieving actual company goals. McCormick has been operating the program for 75 years, and it is unique. The people in the MMB group learn how to lead while working on projects for the company around the globe.

I believe learning is part of what makes a person successful at McCormick.

Q What are the company's key strategies?

A We have only four main strategies: to grow our sales, innovate, and manage our cost base. The fourth one, which supersedes everything, is succession planning. Part of my compensation every year is based on having a robust succession plan with good development goals for my direct reports and their direct reports. Every year, our board asks how succession planning is linked to how we're growing as a company. So it's something we pay attention to.

I've been working on a succession plan for myself because at some point I will retire. My view is that world-class companies develop their own talent. And if we have a company that's running well, we can develop our own talent. We have committed to our employees that provided they get the appropriate training and development, they can become successors to all the leaders in this company.

“Leaders shouldn't be afraid to make tough decisions fast. You can't be liked all the time.”

All company presidents worldwide have come from within. We have sent some of them to work in Canada. It's our training and development ground because it's a microcosm of McCormick worldwide. It radiates our culture.

We believe that by having a process whereby we can grow our people internally, we're going to end up with a competitive advantage. The only way we can do that is to give them opportunities to grow their careers. We have to challenge them and allow them to learn and develop. If we don't, they're go-

ing to leave and find a company that gives them the tools for advancement.

I see learning and development, along with career growth, as part of the succession planning process. These days, nobody comes from a college or university with the tools to be a CEO or executive vice president of finance. They come with intellectual ability but not the tools. That's why we created learning centers and a network of learning and development professionals.

Q What do you look for in future leaders?

A At the top level there are five criteria. Number one, can the person understand and fit into the culture and lead here? McCormick is a family company, and it's very unique. When I became CEO back in 1996, I was kidding around in a meeting saying, "I'm the CEO." And some people said "Not yet!" They wanted me to understand that I'd been appointed but they hadn't endorsed me yet. That's the culture we live in.

Second is the ability to lead and get out in front. Leaders shouldn't be afraid to make tough decisions fast. You can't be liked all the time.

The third thing leaders here have to understand is that we're all equal at McCormick. You've got to treat people fairly.

The fourth thing we look for in a leader is an understanding that we cater to the shareholders and the employees. I read about CEOs who say "I'm here for the shareholders." I'm here for the shareholders too, but if our people don't grow, develop, and learn, and if we don't appreciate them, I won't have the job of serving the shareholders. Employees are the people who make a difference.

The people in our organization are more important to me than shareholders. And I believe they know that. That's very unique. I can tell you story after story about how, in a crisis situation, we're the best company in the world.

The fifth criterion for leadership is an understanding that we must maintain a competitive advantage in the marketplace. That means we have to make tough business decisions and tough decisions about product categories and overall innovation. So there's a little bit of tough love required for leadership at McCormick.

So that's what we stand for: accountability, performance, an unbelievable work ethic, and fairness.

Q How do you identify your future leaders?

A Each year I hold a full review with the board of directors, the vice president of HR, and the top person from RHR International, a firm we've worked with for 29 years on performance evaluation. With the board I review development needs, goals, objectives, performance, and the recent training and development for the top people in the organization. I do that with the board and then I cascade it down through our organization. Over the past eight or nine years, we've become much more performance-oriented.

Q When you talk about performance, are you talking about shareholder value?

A That's part of it. We all have objectives, goals, strategies, and measures. My focus is on earnings per share and succession planning. The board reviews them with me at the end of the year. Even the shareholders have access to that information. It's connected to the compensation metrics and it means real accountability relative to performance goals.

Q What about measures related to learning?

A Those goals have changed over the last few years. We used to look closely at how many people had moved up in the organization, how many had gone to the learning and development center, how many were in the MMB, and other measures like that. Now we're looking at what we need for the future.

Q You mentioned that innovation is one of the company's four main strategies. How do you approach that?

A We have technical innovation centers for our scientists. They are the equivalent of the learning and development centers that we have for other leaders. We have a ladder program and a whole process for developing people to be top scientists in the company.

We also have a creative center where people try out ideas all day long—trying to think four or five years ahead.

One of our best sources of innovation is our sensory panel program. They're made up of people from the surrounding area of Maryland, where our headquarters is located. We pay them to come in and taste our products. Some have great savory palates. Some have sweet palates. Some have sour palates. They

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help us figure out what the consumer really likes, and this is a competitive advantage for McCormick. When our flavors leave these buildings and go to McDonald's, or Yum! Brands, or Frito Lay, they're already consumer-tested. They're consumer-preferred.

Q In 2005, when McCormick had a rough year, what happened to learning? Was it cut?

A We didn't do that. In June of 2005 we accepted that we had business issues to deal with. We'd made a big purchase of vanilla just before the world market for vanilla fell for the first time in decades. And then in August, Hurricane Katrina hurt our business in the Southern United States. We knew that our earnings were going to be below our standard at about 4 percent, but we still stayed the course on learning.

We cut all bonuses worldwide that year due to our performance. We are a performance- and accountability-oriented company. Our philosophy is that if you're in for the long-term, you have to endure the peaks and valleys. You can't be paranoid. That year the stock price went down from \$39 to \$29. I convinced the leadership team and the board that 2005 was an anomaly made up of two one-time events and that we would come back in 2006. And our team did it.

Q The company has been changing its business model and is making some acquisitions to focus on key commercial customers, such as McDonald's and Yum! Brands, who themselves are changing. Does that push requirements for new skills in your workforce, and if that's true, how are you handling that?

A It does change requirements. For example, we are changing the way our salespeople work. Rather than being really wide, they're going to be really



deep. It's a very different sell, and it's going to take longer and require different skills.

The competition for talent, including hourly people, is tough today. If we don't offer something beyond benefits, pay, and vacation, we don't attract and keep the best. We don't perform at the top of the food industry with average talent. The only way you keep people is to offer them something no one else offers, such as our multiple management board and the learning and development centers, which I believe are second to none.

The MMB has a tough evaluation process. Members are ranked by their peers every six months so they learn quickly what the business is all about. They learn what coaching and teamwork are all about. And they learn about performance real fast.

“I look for leaders who understand leadership and teaching and who understand it's all about somebody besides themselves. I have a *measure* that I use for candidates for leadership roles. If somebody uses ‘I’ more than five times in an interview, they don't get hired.”

Q How do you decide McCormick's appropriate level of investment in learning?

A We invest every penny we can. There isn't a benchmark. Money is not a restriction. Learning is driven by only one thing: strategy. We do business in China and Europe, and we are going into India. So we have a training and development strategy and a process for that. That's not a place to cut investment.

Rick Frattali, our director of learning and development, has built his training department into a team of performance consultants who serve the needs of the business. He helps us look at how to provide that in an efficient and cost-effective way.

Q Are your leaders serving as teachers?

A I firmly believe we're all teachers and mentors. I call it leading by example. We hope we're teaching good things and learning from the bad things that sometimes happen in a business environment. That's what I expect our people to do. That's part of the development program that the board has for me.

I look for leaders who understand leadership and teaching and who understand it's all about somebody besides themselves. I have a measure that I use for candidates. If somebody uses “I” more than five times in an interview, they don't get hired.

Q As McCormick's strategy has changed, how has learning evolved to support that?

A We know what capabilities we need, what skills we need, and what we have.

We've got to be the best in the industry. If we're going to expect people to perform, then we better give them the tools to perform in the top echelon. That means they've got to learn new skills.

Here's an example. We just implemented SAP software in the majority of our locations. We did it without a hitch. We're in the top 10 of SAP installations. How do you think we were able to do that?

The president of SAP advised me to do three things: listen, don't get involved, and spend more money on training than you ever anticipated. We did all three. The money we spent on training for SAP was phenomenal—in the tens of millions.

Q If you could advise other CEOs about how to leverage learning in their organizations to support strategy, what would you say?

A Make sure you overinvest both in capabilities and resources. Second, pick the best person you can find to lead your learning efforts. That person must have business acumen and the ability to link that to strategies and the learning that's required to achieve them. And that person must be able to sell their programs and to deliver.

Q You said “overinvest.” Can you elaborate on that?

A Our board clearly understands that if there's a good business case for an expenditure in the learning area, we will do it. That's a credit to the vice president of HR and to Rick, who have created something that has tremendous value. Now, conversely, I'm not going to give Rick \$150 million unless he can prove to me and the business leaders that it will take us to another level.

I believe that if you do it right and give people tools and capabilities, you can make it all happen. You can't short-term the investment. **T+D**

Robert J. Lawless was interviewed by Tony Bingham, president and CEO, ASTD, and Pat Galagan, executive editor, ASTD; pgalagan@astd.org.



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