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KIMBERLY-CLARK ANDEAN REGION: CREATING A WINNING CULTURE

The culture is innocent. It is really difficult when you are a grown-up to be a kid again.

—Sandra Benavides, Peru

The new generations have different expectations, they have been exposed to new information and trends; they are more inclined to think in terms of people than the generation we grew up in.

—Sergio Nacach, Head of Kimberly-Clark, Andean Region

Sergio not only has done a terrific job in his own region, he became the evangelist, if you will, the missionary for the remaining countries and sub-regions in Latin American Operations.

—Ramiro Garces, Vice President for Human Resources, LAO

In the summer of 2008, Ramiro Garces, vice president of human resources for the Latin American region of Kimberly-Clark, the large consumer products company, was thinking about the many management changes spreading through the company almost like a virus. Less than a decade earlier, Kimberly-Clark had hired an Argentinean, Sergio Nacach, from Unilever. Nacach's first job had been to run Kimberly-Clark's operations in the small Central American country of El Salvador. Now, Nacach was running the Andean region for K-C and producing impressive business results. Because of his outstanding results, outgoing personality and willingness to talk to others about what he and his colleagues were doing, his management approach was generating interest throughout the company and particularly influencing its operations in Latin America. Kimberly-Clark already had in its Latin American operations an organizational culture and leadership approach that was largely consistent with Nacach's management style, so he did not have to struggle to implement his ideas.

To make this different way of managing sustainable, the company needed to understand the essential keys of the Andean success. There was also the issue, articulated by another Kimberly-Clark executive not working in the Andean region, concerning the extent to which this success was largely a function of the leader's personality and leadership style, or whether the basic philosophy and management approach could be transferred to other parts of the company—or even to another company in the absence of such a leader.

Megan Anderson prepared this case under the supervision of Professor Jeffrey Pfeffer as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Nacach also faced some challenges of his own. First of all, even within the Andean region, there was the question of what his team could do to keep the momentum and energy going—to surmount the so-called “Hawthorne effect,” the idea that almost any positive change would work for a while until its effects diminished as the novelty wore off. Second, Nacach was also thinking about whether this specific management style, which was very warm and emotional—Latin—in its essence, really would work in other places and parts of the world characterized by more interpersonal reserve. And third, there was the question of what lessons could be drawn from the experience to help others build a winning culture.

KIMBERLY-CLARK IN LATIN AMERICA AND THE ANDEAN REGION

In 2008, Juan Ernesto de Bedout, the group president for Kimberly-Clark’s Latin American Operations (LAO) to whom Nacach reported, oversaw Central and South America and the Caribbean (except K-C Mexico, which was a separate, publicly traded company). This large presence in Latin America represented a huge change from where the company had been just a couple of decades earlier, a transformation accomplished through the efforts of de Bedout and his colleagues. When Juan Ernesto, who holds bachelors and masters degrees in industrial engineering from Purdue, had joined Kimberly-Clark in the early 1980s, the company was a tiny player in Latin America. Market shares for K-C’s products in many countries were in the lower single digits.

Juan Ernesto de Bedout began his career for Kimberly-Clark working under Claudio Gonzalez, who was based in Mexico. Although K-C de Mexico was a thriving operation, in South and Central America, Kimberly-Clark’s principal competitors, such as Johnson & Johnson and Procter and Gamble, had been operating for many years and had by far the leading market share. There were also a lot of entrepreneurial companies making similar products, often for one or just a few markets.

Kimberly-Clark had ambitions to build a much bigger organization with far greater business success, which it did over time by completing more than 30 merger and acquisition deals with different entities as well as growing organically. As de Bedout explained, “Some were buyouts, some were partnerships, some were 50/50 equity arrangements—a whole array of combinations,” because Kimberly-Clark was competing for these deals with other key players. Initially, K-C offered the purchased firms and their leaders a great deal of autonomy, but then the corporation felt the necessity to bring the different pieces under more control so that marketing and manufacturing could be aligned and the company could benefit from various economies of scale in both production and distribution. Juan Ernesto explained, “We re-engineered and reduced our footprint from roughly 50 to 25 plants, introduced an SAP financial management and control system, and initially transitioned to a matrix organizational structure organized by geography and product lines.

By 2008, the regional organizational model had evolved substantially and Kimberly-Clark had become a leading player in most Latin American markets, building its competitive advantage by being close to the market and not operating in as centralized a fashion as some of the competition—an approach referred to by many senior executives as “freedom within a framework.” K-C was present in all countries on the South American continent as well as throughout Central America

and many Caribbean countries, and in many instances had market shares for its products exceeding 50 percent, quite an accomplishment considering the entrenched competition and the relatively short time during which this had been accomplished. In parallel, the company culture and employee engagement were rated very high even though the Latin American operations had gone through a lot of restructuring and consolidation. Ramiro Garces noted:

Over the past years, we have built very high engagement throughout the Andean region. As a matter of fact, according to the Great Place to Work Institute, K-C Peru and K-C Ecuador were rated #1 and K-C Colombia #4 (2007 results) in their own countries compared to all the other companies (local and multinational) in those countries. This is no accident, as results this good have been consistent over the last years.

The Andean Region

In 2009, Kimberly-Clark's Andean region consisted of the five countries of Peru, Ecuador, Bolivia, Venezuela, and Colombia. These five countries faced the same oil and raw material price increases as everyone else, while they additionally confronted their own political and economic issues. In Venezuela, Hugo Chavez was trying to be the next political leader of the region and was using the country's oil wealth to exert political influence and quarrel with the United States and the Bush administration, and Venezuela's economy and its infrastructure were having problems. In Bolivia, there were calls for more regional autonomy within the country, accompanied by massive demonstrations, occasional street violence, and economic conflict. There were cross-border disputes and military confrontations within Colombia, which had a leftist guerilla movement, and tensions between Colombia and its neighbors. Although some of the countries had natural resources, this was not a wealthy area and certainly it had neither the size nor the apparent economic vitality of, for instance, Brazil. Nonetheless, for Kimberly-Clark the Andean region was very economically successful. In 2007, the Andean region accounted for a significant share of the growth in net operating income for the entire Kimberly-Clark Corporation. (**Exhibit 1** shows recent financial results for the Andean region and the five countries within it.)

The Andean region's headquarters in Lima, Peru, were in an office building in a suburb. The operation in Peru had been one of those purchased as part of the wave of acquisitions, and initially the people running the original company had stayed in charge. Although the Peruvian company was very profitable, by 2004 growth was slowing because of the company's already large market share. Mario Escudero, a senior manager who had been with the company since he began his work career, described the culture at that time:

It was a culture where costs were always controlled.... The solution was always to come from better products and better advertising. The sales function was considered sort of a necessary mechanism, but by no means the most glamorous.... Decisions were top-down and the senior positions had all of the power.

When Nacach arrived to run Peru and Bolivia in 2004, two previous attempts to put together an integrated Andean region had encountered problems. There was great diversity in management

style and approach among the country managers in the region, and there was some doubt that Nacach could be successful in building a region-wide organization while creating growth and a winning culture.

SERGIO NACACH

Sergio Nacach came from a lower-income middle class family in Argentina. From an early age he played competitive sports such as volleyball and soccer and commented that he thought these activities were where he began to build his competitive drive. His parents were unable to pay for private schooling so he was educated at both the high school and university levels in public institutions. He graduated with a degree in accounting and joined Unilever, a large, international consumer products company. Getting a job at Unilever was difficult for Nacach because there were scores of applicants for each opening as it was considered a great place to begin one's career—approximately 5,000 or so applicants for 5 or 6 job openings. One of the requirements at that time for being hired at a large multinational like Unilever was having good English skills. Despite his poor English skills, Sergio was given the opportunity to join Unilever. The company was growing about 20 percent a year in Argentina where the economy was doing well. Consequently, Nacach became accustomed to being part of something that was succeeding and increasing in size.

Nacach's initial career took him through a number of different functions including purchasing and sales, as well as to different parts of Argentina. It was during his time at Unilever that he heard people complain about those in other operations—that sales could not make its numbers because of problems in manufacturing and supply, that manufacturing was having problems because purchasing had not done its job, and so forth. And he was exposed to the practice of people looking out for themselves and their own departments and pointing fingers elsewhere as the cause of problems. Nacach believed that this experience helped him understand how important it was to build a culture that was focused on doing what is best for the company as a whole.

Nacach worked at Unilever from about 1992 to 2001, when he joined Kimberly-Clark. As Garces explained, "We were looking for somebody with a lot of energy, someone who could bring new ideas... we found Sergio, and the rest is history."

One of the attractions for Nacach in joining Kimberly-Clark was that it was somewhat decentralized and still in its entrepreneurial growth phase. After his first two-and-a-half-year assignment in El Salvador, in 2004 he moved to Peru to take over the management of Peru and Bolivia—his first two countries in the Andean sub-region of Kimberly-Clark. The other three countries were being managed by somebody else from Colombia when Nacach first joined. Soon after, however, de Bedout decided to put everything under Nacach's leadership.

Nacach had always loved people and was very much at ease with individuals from all sorts of cultures and backgrounds. His leadership style entailed reducing the barriers between himself and the other people in the company, being open, friendly, and caring. Mario Escudero recalled how Nacach began his tenure at K-C:

He arrived in February, and in the first days of March he had a conference with the top 100 individuals in his organization. The meeting was open to leaders from human resources, supply chain, systems, marketing, and so forth. We went to a very nice but simple location, four hours outside of Lima. We went river rafting and did some other team building activities.

I think what impressed people the most was Sergio's first slide in his presentation. It was about who he was. That was years ago and I still remember it. He showed us pictures of his youth, of his wife—who also worked for Kimberly-Clark—and pictures of his passion, sports. And he told us a story. He said, "My wife is pregnant so in a few months I'll have a Peruvian daughter." That won us over.

Sandra Benavides, who had been in sales with the Andean region before returning to school to get a master's degree in marketing, also commented about Nacach's way with people:

He was not a leader that was way above you that you could not communicate with. He was always available. He always invited you to his office. And when you got there, he would drop what he was doing to talk to you. He would never say he didn't have time to speak to you. I don't know how he did it.... There was no distance between him and the others in the company.

THE CULTURAL TRANSFORMATION

When Nacach arrived to manage Peru and Bolivia, he had a larger playing field than he had in El Salvador; bigger opportunities but also bigger challenges. He had been somewhat emboldened by his success in El Salvador to do things even more differently and to build an even greater level of success. The starting point for his leadership team was to institute management practices and a culture that would address the three biggest business challenges the region was facing.

One challenge was the sub-optimization that frequently occurred inside companies as a natural result of different units having different goals and measurements and even, in many instances, incompatible financial rewards. So one of the team's objectives was to get sales to work effectively with marketing—in the past, marketing had done promotions and sales had not necessarily even been informed. Similarly, purchasing needed to work with manufacturing, and manufacturing needed to coordinate with sales so that sufficient inventory would be available but inventory levels would not be excessive. The Andean team wanted this coordination to occur on as decentralized and local as possible so that the company's competitive advantage could come from being closer and more responsive to the customers. As several Kimberly-Clark executives explained, even within these relatively small countries there were important regional differences in things ranging from language and dialect to the feast days and other holidays. To be successful, it was useful to tailor marketing campaigns and sales promotions to these local cultural variations.

Another challenge was to get people to set higher aspirations for what they could achieve, both for themselves and the company. The company had hired a greater number of younger, college-educated employees who were ready for a challenge. At the same time, many people who had worked for K-C for a while were used to operating in a more traditional structure and many did

not have advanced degrees and did not necessarily have big goals for themselves in terms of advancing through the management ranks or driving an outstanding level of success.

The third challenge was to fully tap into all of the employee's ideas and abilities, to involve them more fully and completely in the company, and by so doing, to build a deeper, more emotional connection with the workforce and increase the degree of employee engagement. The idea was to build a company that felt and operated like a community, where people would care for and about each other, as well as the organization, and where there were bonds of friendship and respect as well as the more typical organizational titles and hierarchical levels.

As Harold Mongrut, another senior manager who in 2008 moved from Peru to Colombia, commented, "Sergio is an individual who likes to start things without necessarily having them all finished on paper. He wanted us to make an attempt. We could do it and learn from the process. From the very first moment he changed many things and started doing a lot on a trial-and-error basis—do it, and then make it better."

Much, maybe even all, of what Nacach and his leadership team did to transform the Andean region was, by his own admission, reasonably simple and plain common sense, yet it seemed to work very well.

Winning Culture

Everyone in the Andean region of Kimberly-Clark agreed that in that company, the culture came first. Harold Mongrut noted, "It is a people-oriented culture. Culture is always first in our decisions. The people from the company know that when they have a problem that has to do with people—such as payments or rewards or bonus—the company is now taking care of the people first. Culture is not just on paper, but something that we live every day." The results of the culture were evident not just in the business results but in the recognition the company had received from the Great Place to Work Institute. In Ecuador and Peru in 2007, Kimberly-Clark was ranked number one on the best places to work list, and in Colombia, it was number four.

Alberto Paredes, a supply chain manager, described the culture as being open:

It is a culture of sincerity where anyone can say whatever crosses his or her mind. There is a culture to achieve and exceed the goals, a winning culture of people totally committed to the results. Our people always want more. Achieving the goal generates a new challenge, and that creates a virtuous circle.

(Exhibit 2 shows the values that constituted the culture of Kimberly-Clark in the Andean region.)

Two aspects of the culture seemed particularly noteworthy and unusual. The first cultural dimension was embodied in the ideas of empathy and community and had to do with how people related to and took care of each other. For instance, Sandra Benavides, who had formerly been with Andean sales before returning to school, related the following:

After two years, I had a really big family problem and everyone was so supportive. They cared about me. My numbers and business were complicated, but they let me leave when I needed to. They told me not to worry about vacation time. I was seen as a person, not a number. When I was having a bad time, they had a bad time with me, supporting me all along.

The second aspect was related, in that the company also wanted to take care of the communities in which it operated. So, an initiative called K-C 360 was launched that would become soon after a strategic pillar with a much larger scope. As Harold Mongrut noted:

All the work that has been with the community has been amazing—with our employees, their families, and all the people that live around us. In Ecuador, the company will invest money in the neighborhood so it looks better. Or in Peru, the company invested money in the hospitals so the mill workers will have better care. We are really taking steps to give back to the surrounding communities. There are 40 or 50 examples of things we are doing that make the community stronger, and we are so proud of them.

Hiring the Right People

Sergio Nacach and his team had the objective to create a winning region out of the Andean countries. In order to do that, they needed the right people. This entailed hiring both more skilled people and people who fit the culture. Rafael Ravettino, the initial Andean HR director, noted that the company changed its entire sales force:

There was a time here in Latin America when sales people did not have a college degree. All their experience came from the interaction with clients or it was gained in the field. We progressively replaced our sales force, primarily with students from the top third of their class graduating from the best Peruvian universities. That was a radical change, because sales was not attractive for them. So we created a plan to show them that it was a good path towards professional development.... They became advisors for our clients, and their presence gave a big boost to our company.

Celebrations and Meetings

Starting in the first year, and beginning even as he joined the company, Nacach organized events that brought people together and celebrated the company's success. For instance, there was an annual meeting for the top leaders in the company—about 130 people—and each year's meeting had its own theme. One year, the theme was “together, we can do anything.” In December, 2007, the meeting's theme was “creating our legacy.” The meeting extended over four days and typically entailed traveling to a nice location and a combination of both fun and serious business.

In December, 2007, the group gathered at the Lima airport on Monday morning and then flew to the town of Cuzco on several different flights so that everyone would not be on the same plane. After a buffet lunch at a hotel, the group went in buses for guided tours of the town. In the evening, there was a banquet at a venue overlooking the city, complete with a speech by Nacach outlining

the results of the past year—with many exclamations of “bravo!”—and recognition of various leaders and contributors with much applause and emotion and the presentation of plaques and other mementos. The next day, the group got up very early and took the train to Machu Picchu. After guided tours of the ruins and lunch, people took the train back and organized into groups for dinner on their own. On Wednesday, the group flew back to Lima in the morning and went in buses to a hotel on the outskirts of town. That afternoon, there was a personal development seminar led by a Peruvian professor. In the evening there was a group dinner. The following day, Thursday, there was an all-day session on the topics of corporate culture and leadership.

Thursday night people assembled in *Star Wars* costumes (delivered to their rooms while they were in class) for a gala dinner and celebration, complete with sound effects, a video show, music and dancing, and lots of local food and beverages. Friday morning, many people met in business groups to go over business issues and plans, and then the group dispersed as people flew back to their home countries, to where they lived in Lima, or in other parts of Peru. The meeting cost was considered an investment and was extremely well organized and done with consummate style.

Although not as elaborate, similar meetings were held throughout the company at local levels to recognize outstanding individual and team achievements and to celebrate the company’s collective success. Nacach believed these celebrations were important to show that the organization appreciated what had been accomplished and as a way of getting people together to have fun and develop stronger social bonds and networks of relationships. The meetings also helped the various parts of the company come to know and understand each other better. They were an opportunity for personal development and also for communicating and listening.

An important change from past practice was including people from all functions at these events. As Ravettino from human resources noted, “We used to have conferences exclusively for our sales force, but in 2004 we convened all the people working with sales; people from operations, human resources, finance, supply chain, all the areas. In the past, each area presented its goal, but in this cascade [meeting], all the goals were converted into one, to create the same aim for the company.”

Dreams, not Budgets

All of these meetings and celebrations, as well as communications through newsletters and other formats, shared one element in common: although there was usually a review of financial results, the orientation was mostly toward the future, toward what could be done to exceed what the company believed was possible. The word that was often used was “dreams,” and there was a lot of emphasis on reaching for dreams, reaching for the stars, doing what others believed could not be done. In particular, this meant setting high goals and aspirations for what K-C in the Andean region could be and what it could accomplish.

Ramiro Garces, the head of human resources for all of Latin America, commented that throughout the region the emphasis was on, “It’s not how good you are, but how good you want to be.” He noted how Nacach conveyed the idea of high aspirations for success:

He has impacted the organization speaking of dreams. So the language in this culture is such that there are people willing to reach for the stars. People don’t speak a whole

lot about, 'We need to meet our budget numbers.' Well, everybody knows that there are budgets. But the language in this culture is, 'No, we need to reach for dreams.' And dreams exceed what the budget numbers are. During this past month [May 2008], the Andean region exceeded every number imaginable, even those which were considered unreachable. They did it, and it was amazing.

Cascades

For people to feel a part of the company and to make good decisions, they needed to have information. So the company embarked on a process of information sharing. Recognizing that this process needed to be both vigorous and ongoing, they initiated a very intentional, strategic way of cascading information down through the ranks to the lowest level employees. Gustavo Palacio, the Andean supply chain director based in Colombia, explained the rationale for sharing information:

Managers had arrived in the past, introduced a strategy, a manner of working, and important themes, but there was no consensus among the different areas in recognizing the problem. Every time they tried to organize something, a lot of the problems were related to incorrect, unreliable information. They wanted to make changes, but the people did not think the information was credible and did not feel they could depend on it.

Alberto Paredes, another person working in the supply chain function, noted that this previous situation of inadequate information had changed. "Now, even the lowest position knows our sales projection, and we all work together to achieve it, directly or indirectly. We publish monthly reports, via e-mails or wallboards, on sales and revenues, so people develop bigger expectations."

What's Best for the Company

One way of getting people focused on what was "best for the company" was to make that phrase and what it represented part of the company culture—repeated frequently at events and meetings and in internal communications. But it was also important to make that sentiment real through actual decisions. Ravettino noted that in the very first regional meeting held after Nacach's arrival in 2004, an important discussion and decision occurred:

At that time there was a corporate-wide effort to reduce head count, but if the company was projecting 15 percent growth, that goal was unrealistic. So we opened a discussion on what was best for the company. That discussion is tattooed in everyone's mind and it marked a change of mentality. We were discussing what was best for the company, not what was best for some department or person. We agreed that since we wanted to grow, the head count needed to grow as well. This is how we linked and aligned all goals in one, to avoid conflict.

The Andean team did two other things to try and build a "best for company" decision-making process. One of these was to change the structure and create GBAs—geographic business accountability units. The GBAs were multifunctional teams responsible for the business in a

defined geography. As described in a white paper written by Sergio Nacach and Mario Escudero in 2007:

This ... GBA is led by the sales leader in charge of the geographical area who acts as a country manager for his own geographical area ... he also has to interact with different support areas and the sectors that own the products.... The leader of this geographical team ... has the challenge to manage a multifunctional team for the GBA in order to achieve significant improvements in business aspects.... Unlike the previous structure ... in a GBA, not only sales executives ... are entitled to receive incentives, but all members receive monthly incentives associated with geographic achievement and other associated qualitative drivers.¹

As noted in this passage, emphasis was put on ensuring that the incentives encouraged—or at least did not discourage—coordination across functions and having people take actions consistent with what was good for the business overall. He did this by ensuring that everyone involved in a section of the business received financial rewards from its success.

Increasing Employee Engagement

Many things were done in an effort to increase employee motivation and engagement. Ravettino commented that one important change involved the way the company thought of its leaders: “We used to think that the company leaders were only the local board members, only five or six people. We decided that those five or six people did not have the power to transform the company. We established that any person in charge of even one or three people was a leader in K-C. We developed a plan to motivate those who were moving the wheels of the organization.” One of Nacach’s phrases, repeated often in many different settings, was to “act as a leader.” By talking about many, many people as leaders, by reminding them to act as leaders, and by treating them as leaders, K-C increased the motivation of many of its people.

Another way of motivating people was to invest in their development to encourage a close identification with the company. Ravettino commented, “Four times per year we gathered these leaders to train them in personal and professional development, knowledge that they can take away and use in their daily lives. We also include some business theory or topics to broaden their business skills.”

To create a greater sense of team and individual involvement, many symbolic and substantive changes were made. Alberto Paredes, the supply chain manager, commented on the importance of the change to a norm of casual dress: “Before, all administrators wore suits and ties, and even people at the production plant dressed formally. That created some personal barriers, so as part of this new culture, we eliminated that formality. We are very informal in our clothes and in the way we talk to each other.” The headquarters office in Lima did not have a secured area for the senior people. People called Nacach “Sergio,” and addressing people by their first names was common. All of this was intended to break down the barriers that separated people and impeded the flow of information.

¹ Sergio Nacach and Mario Escudero, “Geographic Business Accountability (GBA): Building Competitive Advantages through Multifunctional Teams with a Market Focus,” unpublished ms., July 2007.

In a larger sense, decentralization and delegation of decision making substantially increased. Fernando Soruco, a business area executive in Bolivia, noted that when he first came to the company as a sales manager, Bolivia was considered a subsidiary of Peru. “We followed what Peru wanted and dictated. All of the supply chain and finance managers were in Peru.” Soruco noted that when Nacach came in, he gave a lot of power to the general managers. “The first change that we felt [despite] having the areas continue to report to Peru, [was that] decisions were now made at the local level.”

Decentralization was considered to be a key dimension providing competitive advantage for K-C, particularly compared to the competition. The Andean region of Kimberly-Clark identified three key initiatives to take advantage of local differences within countries:

In the first place, strategic alliances with local partners that have a strong position in the area where they are originally from and that are valued by the people from the area, but they do not have strong position at the national level. These alliances are intended to transfer the regional identity from the local partners to K-C’s global brands and execution. Secondly, we have the local purchase of local media, targeting inhabitants of a specific region. Lastly ... active participation in regional festivities and celebrations ... leveraging wherever possible the emotional aspect of local culture.²

These initiatives, executed through the GBA structure, allowed Kimberly-Clark to leverage global brands with local insights in each territory, thereby enabling the expansion of its market leadership.

DIFFUSION OF THE CULTURAL TRANSFORMATION

Because of its origins and the work done so far, the Latin American region of Kimberly-Clark had a somewhat distinct flavor in terms of culture and entrepreneurial spirit. The region had a 12-person board that included three outside members—a governance arrangement that was unique in the company. Juan Ernesto de Bedout, the head of LAO, commented that setting up such a board was more demanding but provided enormous value with in-depth local insights and healthy discussions prior to key decisions.

Kimberly-Clark was connected to prestigious universities in the United States such as Purdue and Penn State as well as to universities throughout Latin America, and was committed to recruiting the best talent, not always so easy in a business whose products did not have a lot of glamour. K-C had an intern program that included PhDs and MBAs from the best schools. Even though the region’s business results were excellent, de Bedout had approached the author of *Blue Ocean Strategy* to help ensure that the region would move to the next level of performance, and in meetings was always challenging his team to not rest on their laurels but to try and take their operations to an even higher level. There was definitely a spirit of continuous improvement in the management team.

² Nacach and Escudero, op. cit., p. 21.

The region was naturally proud of its results and was particularly pleased by the attention the Andean region was attracting from around the company. Over the years, individual teams from Poland, Spain, Russia, South Africa, the Middle East and South Asia visited the region looking for best practices to replicate but left instead with the conviction that results depended much more on a winning culture, an appropriate organizational structure and the K-C 360 type approach rather than technological breakthroughs or other well-kept secrets. In the summer of 2008, Kimberly-Clark representatives from North Asia, South Asia, the Middle East, Africa, and Eastern Europe came to Peru to see firsthand what was going on with the culture that was producing such excellent results.

Ramiro Garces noted that the outstanding business results were the first thing to attract people's attention, and then they became interested in the culture, the decentralization, the communication strategies, and the idea of really taking care of people and the communities. But as he noted, the ideas and practices did not necessarily spread quickly:

I have to tell you, it's not a process that took place in six months or two weeks. It's a cultural change that's been going on for the last four years. But the more the Andean region was doing these good things, the better the business results were. But you only become a believer once you start doing it. You have to put this into practice. You really have to walk your talk. You have to turn it into practice and believe in this. Otherwise, it's just another program.

WHAT WAS NEXT?

There was no question that Kimberly-Clark had accomplished some remarkable things in the Andean Region, in terms of business results and the way things were done around there. And there was also no question that there was support for Nacach and his team on their management approach from K-C senior leadership.

But the history of such high-performance cultures has not been encouraging. Although such people-centered management cultures had consistently produced outstanding business results and there was an enormous amount of evidence connecting people management practices to various business outcomes, such cultures sometimes did not survive changes in leadership and their diffusion was frequently difficult. Those realities made it important not only to understand the what and the why of the successes in the five countries of the Andean region, but to think about which steps would ensure the continuation and diffusion of a set of management practices that had made such a big difference in such a short time.

Exhibit 1
Financial Results for the Andean Region and the Five Countries on an Index Basis
(2005=100)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Andean Regional (TOTAL)			
Sales (in \$ millions)	100	117	154
Operating Income (in \$ millions)	100	127	225
Country A			
Sales	100	129	167
Operating Income	100	113	174
Country B			
Sales	100	106	145
Operating Income	100	192	451
Country C			
Sales	100	108	121
Operating Income	100	95	103
Country D			
Sales	100	113	138
Operating Income	100	110	146
Country E			
Sales	100	143	219
Operating Income	100	220	563

Exhibit 2

The Core Values of the Kimberly-Clark Andean Region Culture

- Culture is first
- Always do what is best for the company
- Freedom within a framework
- Results oriented
- Customer oriented
- Personal and professional development
- Communication and transparency
- Empathy
- Trust