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Achieving a Sustainable Competitive Advantage through People: AB InBev's Performance Culture

Patrick Massot
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ABSTRACT

The rapid growth of globalization and the subsequent increase in international competition have resulted in a number of companies searching for new sources of competitive advantage. There is much research on how firms can utilize their human resources in differentiating themselves from their competition, yet many of these companies still see their employees as expendable resources. This research paper identifies several competitive strategies, competitive advantage models and human resource practices that can have a significant impact on employee and organizational performance. Specifically, I will look at why international conglomerates should use their organizational culture and human resource policies to achieve a sustainable competitive advantage through their employees. AB InBev, headquartered in Belgium and the largest beer company in the world, will be used to exemplify the benefits of utilizing a firm's workforce in achieving organizational effectiveness. The company has been able to recruit, develop and train a highly competent workforce that is committed to the organization and its goals. They have also created a corporate culture that has catapulted them to the top of the industry; a performance that has not been matched by their major competitors. This paper will ultimately conclude that developing a sustainable competitive advantage through people is necessary for long term success and lists important criterion that managers should apply when developing their human resource strategy.

INTRODUCTION

AB InBev is a company that has always differentiated itself on two platforms: the competence and skill of their employees and a deep cost effective culture. The workforce is seen as their main source of maintaining a sustainable competitive advantage and the driving force behind AB InBev's successful beer brands around the world. The company uses cost effectiveness to stay ahead of its competitors, re-inject freed resources within the organization and fund future expansions. AB InBev uses these two components to create massive changes in newly acquired companies, achieved through the fundamental restructuring of the company's internal composition and culture.

History of Beer in Belgium

Beer is the first alcoholic beverage known to civilization, which can help explain humankind's fondness of the drink. The brewing of beer has a rich history and can be traced back more than ten thousand years to the time of the Sumerians and Babylonians, where the privileged in society offered it to the gods (AB InBev, 2010c). As time passed, the popularity and integration of beer into modern civilization grew considerably. Nearly every culture has developed their own particular beer using different grains, climates and brewing techniques native to their region.

Beer was introduced in Belgium around two thousand years ago, when women in the cottage industry started the brewing of barley beer. The church took control of Belgium after the fall of the Roman Empire and the monks set up breweries in every abbey. This tradition is carried on today by the extremely popular Trappist Monks in Flanders: their beer has been named the best in the world (Castle, 2005). There are approximately 125 breweries in the country, ranging from small microbreweries to international conglomerates. Beer is deeply embedded in Belgium pop culture; many residents have strong feelings and take great pride in their prestigious brewers (Miller, 2010). In the past decade, beer companies in Belgium have become global leaders in the industry. The largest beer company in the world, which is headquartered in Leuven, is AB InBev.

History of AB InBev

AB Inbev's roots can be traced back to the Den Hoorn Brewery in Leuven, which began making beer in 1366. Den Hoorn was acquired by Sebaastian Artois in 1717 and the company name was changed to Artois. Artois was a privately owned company held for centuries by a local family, the De Spoelberch Clan (AB InBev, 2010c).

The firm's domestic expansion began in 1954, soon followed by international mergers with breweries in the countries surrounding Belgium. Artois had developed an effective multi-brand strategy by buying competitors, yet retaining the subsidiaries' divergent cultures and brands, a strategy that is still used today. The year 1995 marked Interbrew's entrance into the highly competitive North American market through the acquisition of Labatt, a major Canadian brewer (AB InBev, 2010c).

In a few short years, the company transformed itself into one of the largest beer companies in the world. Their strategy was to operate as a local brewer in every country by decentralizing power and decision making. The company took advantage of their international presence by recruiting and hiring the best employees around the world.

The beer industry was consolidating fairly rapidly at this point due to the effects of globalization and increase in competition. To continue their sustainable growth, Interbrew invested heavily in their employees while increasing its cost effectiveness throughout their operations. In 2004, Interbrew and AmBev (Brazil) merged, creating the world's second largest brewer: InBev (AB InBev, 2010c). The deal brought together centuries of brewery experience with a highly successful Brazilian executive team; the merger created enormous potential for the company. They began refining their corporate culture: aggressively reducing costs while attracting the world's best and brightest people.

On November 18th, 2008, InBev acquired Anheuser-Busch in a hostile takeover. The deal was highly leveraged, valued at fifty two billion USD. Carlos Brito, current CEO of AB InBev, said "[by] bringing together these two great businesses, we created a stronger, more competitive global company...we look forward to leveraging the operational and cultural strengths of both companies" (AB InBev, 2010d). AB InBev is now the largest brewer in the world. They have managed to make it to the top of a very aggressive industry through their cost effectiveness and performance culture.

The following is an analysis of AB InBev and how they have used their workforce in producing a sustainable competitive advantage. I will use Porter's theory on competitive strategy to illustrate how the company is able to defend its positioning in the highly aggressive beer industry. CEO Carlos Brito's performance culture illustrates the importance of having a good executive team and strong leadership. His performance culture is broken down using Jeffery Pfeffer's (1994) sixteen practices for achieving a competitive advantage through people and why they are effective in building a strong organization. The recruitment, training and development programs of AB InBev are explored in depth; they are the

foundation of their human resource (HR) policies. Finally, I will use the Harvard Model (Beer, Walton and Spector, 1984) to demonstrate the importance of using short term measurement tools in achieving long term success.

1. PORTER'S COMPETITIVE STRATEGY

The beer industry is extremely competitive, with competitors ranging from small microbreweries to a number of large international conglomerates. In recent years, success has shifted from depending solely on financial or technology resources to the utilization of human capital. Human assets are a key source of competitive advantage because their causal ambiguity and systematic information make them inimitable (Barney, 1991). Success in this highly aggressive industry now depends on a firm's ability to innovate its current processes in order to produce a competitive strategy.

Porter defines an organization's competitive strategy as "the positioning of a company in its competitive environment" (Porter, 1985). There are five competitive forces which play a major role in AB InBev's ability to succeed in the beer industry. Figure 1 illustrates the five forces that AB InBev has to contend with. While the collective strength of these five forces determine the performance levels of AB InBev, Porter noted that a business can develop a sustainable competitive advantage by following a cost leadership strategy. This does not simply mean cutting production and manufacturing costs, but involves additional investments in employee skill and development in order to make the workforce more efficient (Porter, 1985).

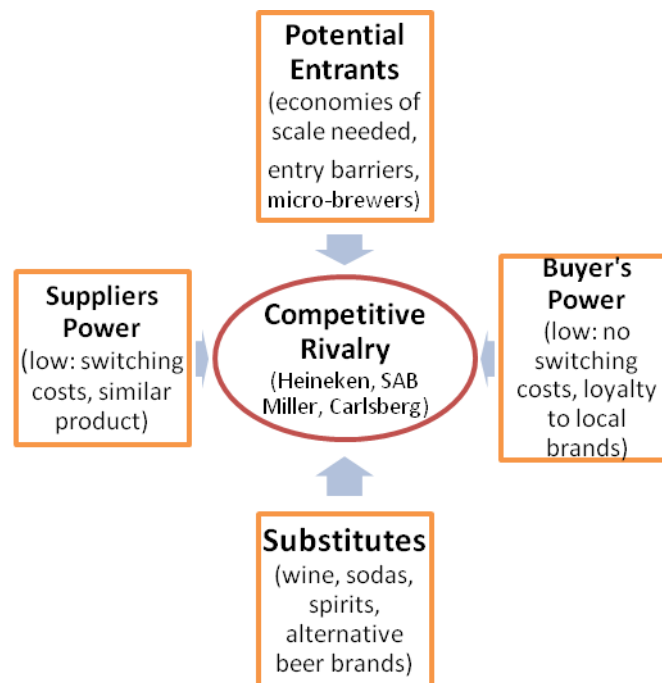


Figure 1 – AB InBev's competitive positioning using Porter's five forces model (Porter, 1985).

I had the pleasure of talking with Al Mitschke, who has worked with Labatt¹ for 29 years. He was the Director of Sales for the Labatt's Western Region before he decided to step back to the regional sales position. His comments reinforce Porter's thoughts on producing a competitive advantage through cost leadership and employee skill development. While discussing AB InBev's strategies, he said:

¹ Labatt has been a subsidiary of AB InBev since 1995.

“The second platform [competitive advantage] is the people side: it’s called zero based budgeting, and they [AB InBev’s management] apply it in strict science. You need to justify from the bottom up all your costs. I’ve never been in a culture where you’ve had to justify your internal costs so religiously, so the company can strategically allocate those resources to people, sales and marketing” (Mitschke, 2010a).

AB InBev has been able to successfully implement a cost reduction strategy, simultaneously developing its human resources and employee capabilities. The organization has innovated the process of selecting and recruiting future employees, thereby creating a unique improvement. Main competitors, such as Coors or SABMiller, have difficulty replicating AB InBev’s processes and its employees’ attitudes, competencies and skills (Exame, 2009). This results in a sustainable competitive advantage. AB InBev has been able to differentiate itself from its major competitors through Carlos Brito’s performance management.

2. PERFORMANCE CULTURE

In order to truly understand the success behind the world’s largest beer company, one does not need to look far. The forces that have moved the company through centuries of historic and cultural evolution are the same ones that are contributing to the accomplishments of AB InBev today: the people. The monks demonstrated the importance of passion, hard work and dedication in crafting quality beer in Belgium hundreds of years ago. This is a tradition the employees at AB InBev carry forward throughout the world. AB InBev has created a performance culture for all of its employees and expects them to follow the standards set by the executive management. The performance culture at AB InBev and the factors influencing it are graphically represented in Figure 2 below.

Carlos Brito (CEO) has created a performance culture at AB InBev to manage the approximately 116,000 employees under his direction (AB InBev, 2010c). A strong leader, his culture provides individuals with a sense of purpose and direction within a larger organization. It impacts what they should do, how they behave, their values and personal performances. It also influences their attitudes and actions within a company. According to Hofstede (1980), culture has two basic meanings: First, it is a way of civilization where peoples’ minds are trained or refined; second, culture is a collective way of thinking, feeling and acting. It is a ‘collective programming of the mind’ (Hofstede, 1980). The practices at AB InBev follow Hofstede’s definition of culture as they actively seek to guide their employees to a common purpose. The aggressive training and development program established around the world is where the company is able to educate its employees on their individual roles; the second function is meant to instil a sense of unity within each worker. AB InBev uses three key elements to achieve their collective goal: dream, people and culture (AB InBev, 2010a).



Figure 2 – Performance culture at AB InBev.

The three pillars of AB InBev support the company and its goal to continually attract, hire and retain a competitive work force. Mr. Brito told a group of Chinese students in 2007 that, “People are the most valuable assets of our company and our long-term competitive advantage. With faith, we have built diversified ways of talent employment and we keep optimizing our talent pipeline” (CEIBS, 2009a).

The next section will focus on AB InBev's HR practices and policies and how they contribute to its competitive advantage and overall effectiveness. I will use Jeffery Pfeffer's principles of effective management to demonstrate how closely Carlos Brito follows strategic human resource management.

3. COMPETITIVE ADVANTAGE & JEFFREY PFEFFER

In 1994, Jeffery Pfeffer released an article titled *Competitive Advantage through People*, which presented sixteen practices that should be used for achieving competitive success and enabling firms to realize the true potential of their workforce. Essentially, this is done by working with people and not seeing them as cost that can be minimized or avoided. AB InBev's culture is strongly supported by Pfeffer's theory on the effectiveness of managing people and its implication for an organization. "It [competitive success] entails seeking the workforce as a source of strategic advantage, not just as a cost to be minimized or avoided. Firms that take this different perspective are often able to successfully outmanoeuvre and outperform their rivals" (Pfeffer, 2005, p.96). The following is an analysis of AB InBev's use of Pfeffer's practices.

3.1 OVERARCHING PHILOSOPHY

Having an overarching philosophy, or goal, is essential for giving a sense of direction and purpose within an organization. It provides the workforce with an underlying framework for making decisions and doing business. Pfeffer (2005) suggests that a firm's mission provides a way of connecting the various individual practices into a coherent whole. AB InBev uses its goals as a way of communicating and motivating everyone within the company to perform to their best abilities. When everyone is unified and working towards the same goal, it increases efficiency and creates synergies within the organization. During a presentation to MBA students at Stanford last year, Mr. Brito said the following about his company's goals: "Our dream is to become the best beer company in a better world. This dream attracts and energizes the most talented people to come join us, and leads those talented people working together to achieve the dream" (Chandler, 2008). It is evident that AB InBev's corporate mission is very important for reaching organizational effectiveness; dreaming is one of the three pillars to their performance culture.

Dreams are also used as a way of challenging the company. AB InBev has lofty dreams, but they are credible, so the employees will be able to commit. As I mentioned earlier, the leveraged buyout of Anheuser-Busch has left InBev in a lot of debt. The company's new goal is to have the fifty-two billion dollars paid off in five years. It is a very aggressive move, but it inspires their employees to take on the challenge. Mr. Mitschke explained how the dream pushes everyone to work harder, "Our intent is to have that [52 billion] paid off in five years. We will get it done because it's our culture; our stated goal. It is the type of organization that says 'that is the goal, find the way,' and you go at it, go at it, and go at it" (Mitschke, 2010a). Although there is scepticism about the reality of this dream, it motivates internal support and gives everyone a positive mindset on reaching their targets. This is an excellent example of how a goal can be used to create a competitive advantage; specifically, how AB InBev uses its dreams to create a cost effective culture.

3.2 SELECTIVITY IN RECRUITMENT

AB InBev places great importance on hiring the right people, at the right time and for the right reasons. To be effective as an organization, it is important to hire employees who are productive and suit the characteristics of the job. This is why AB InBev has a comprehensive recruitment program in all the countries it operates. The company aggressively recruits younger people, usually in their last year of

undergraduate studies or completing their MBA (CEIBS, 2009a). They search for the brightest and sharpest minds from the top universities around the world. The company focuses a lot of energy on the recruitment of young talent because they want people who have the potential to build a better company with their fresh ideas.

Mr. Brito emphasizes that recruiting the very best talent and building a talent pipeline is a critical factor to AB InBev's sustainable success and advantage over its competitors.

"Our dream attracts and energizes the most talented people to join us [...]. We generally recruit final year MBA students who can't wait to make a difference in a dynamic company with a long heritage, yet a completely fresh approach" (CEIBS, 2009b).

Al Mitschke stressed the importance of having the right human resource flows, achieved through their managerial program, to make the company successful over the long term. The rigorous selection process at AB InBev has a symbolic aspect as well: it makes the person feel that they are joining an elite organization and high expectations are created (Pfeffer, 2005). AB InBev has developed a comprehensive recruitment strategy that is very hard to imitate, which is an element in their competitive advantage over their competitors.

3.3 INCENTIVE PAY

AB InBev is a company that has an aggressive cost-cutting culture and demands a certain level of performance from its employees. Meritocracy is deeply embedded in the organization's culture because it rewards those who work hard and acts as an incentive for everyone else. The recent success of AB InBev cost cutting culture has been driven from its management team who receive bonuses based on their lofty bottom-line goals (DeMoss, 2009).

To keep the organization motivated and moving forward, they reward the employees who perform the best. For example, "the maximum bonus a sales representative on the street [in the industry] can earn on their salary was 20%. Now, it's 45% - the salary base is a bit less, but you're paid on results" (Mitschke, 2010a). If people are responsible for enhanced levels of performance and profitability, they will want a share of the profits. Furthermore, it encourages employees to identify with the whole firm. The evaluation methods used at AB InBev allow for a fair allocation of bonuses. This creates an effective organizational culture as the employees are motivated to achieve the company's long-term goals.

3.4 SYMBOLIC EGALITARIANISM

Carlos Brito made it a priority to decentralize decision-making, break down any barriers to communication and seek help from his employees in an effort to move the company forward. His efforts in creating an open environment are connected to the notion of symbolic egalitarianism, which Pfeffer defines as a "way of signalling to both insiders and outsiders that there is a comparative equality and it is not the case that some think and others do" (Pfeffer, 2005). Carlos has created an informal environment by removing obstructions and flattening the organizational hierarchy. Mr. Mitschke discussed the effect of symbolic egalitarianism on the organization:

"It's a different culture. In our national office it's a completely open environment; everyone is side by side. You could be sitting at a desk next to the president of the company. The goal is to break down the walls – it's not about 7000 emails and hiding behind your desk – you walk up to anyone and ask them the question. It's meant to foster synergies. All the top offices were

dismantled and put into an open environment. It is a very informal structure; our corporate culture wipes out the mentality of hierarchies.” (Mitschke, 2010a)

Carlos Brito leads by example: he has no personal secretary, desk or company car. He also wears jeans and a polo shirt to work every day (St. Louis Post-Dispatch, 2009). After the merger with AB, one of his first orders was to dismantle the fancy executive offices in St. Louis in an effort to remove power distances.

Hofstede (1980) identified a number of cultural dimensions that exist around the world. One of the cultural dimensions was power distances and the amount of perceived equality within an organization. Removing the hierarchical structure at AB InBev creates an environment where everyone is treated as an equal. This has differentiated them from a number of their competitors and it is another element in their ability to use people as a competitive advantage.

3.5 PROMOTION FROM WITHIN

AB InBev has a very aggressive succession plan, where almost all management positions are replaced with people from within the company. This facilitates decentralization, participation and delegation while providing extrinsic motivation to the employees. At any given time, AB InBev has 20% of its people who are mobile and actively pursuing a more senior position within the company (Mitschke, 2010a). This strategy means that people taking on new management positions know a lot about the business, the operations and what needs to be done; there isn't a need to re-train someone.

3.6 TRAINING AND SKILL DEVELOPMENT (cross-training and utilization)

The people who are selected for a position with AB InBev will go through a comprehensive training and skill development program, which is an integral part of their work systems. Job training provides numerous benefits when employees are given the opportunity to use what they learned. Recruits for management positions spend an entire year in every single department: finance, production, sales, marketing and logistics, to name a few (Mitschke, 2010a). Even summer students are put through a comprehensive training program. I had a chance to talk to Madison Mitschke, who worked with Labatt for two years as a summer sales representative (Appendix B). Afterwards, she worked as a promotions coordinator with Mosaic doing promotions for Labatt. Madison's training ensured that she would be highly qualified for her job:

“For the summer sales rep I was flown out to Edmonton with people from across Canada. We had a variety of different training while at this retreat. We had presenters come and motivate us, we performed group activities and had classroom sections. We were encouraged to ask lots of questions – it was very interactive. In Toronto, they taught us broad skills that can be applicable to a wide variety of things: we learned how to time manage ourselves, manage other people, and organize events. This was effective in making me perform better because it motivates you.” (Mitschke, 2010b)

The training at AB InBev is meant to enrich their work experience and foster commitment to the company; training and development never stops. Employees participate in a very deep and aggressive mentorship program and have access to subsequent training on a regular basis. Madison had a lot of freedom with what she did, but there was always someone there that provided advice and assistance. Talking about her experiences at work, she said:

“They [her mentor] let you run with it, but if they see you slipping they’ll coach you and develop you to give you guidance. Once a week we would have meetings just to address questions, such as ‘how are you doing? What do you need help with? What can I do?’ Sometimes my boss would tell me about a seminar going on that she thought would help me.” (Mitschke, 2010b)

Through Madison’s experience with Labatt, it is evident that AB InBev places a high priority in ensuring their employees have the best tools and resources available and at their disposal. Furthermore, training and development is never a one-time thing; they are continually shaping and improving the capabilities of their workforce. Wright, McMahan and McWilliams (1994) have showed that one of the human resource practices for competitive advantage is investing and continuing investing in skill development of its human capital. AB InBev’s employees are its greatest assets and not considered an expense; development is a core strategy for creating and improving their sustainable competitive advantage.

4. COMPETITIVE ADVANTAGE & THE HARVARD MODEL

The Harvard Model, developed by Beer et al. (1984), illustrates the immediate effect that AB InBev’s stakeholders and situational factors have on the company, what human resource policies are used and what are the immediate and long-term organizational outcomes. The Harvard Model will be used to analyze the effectiveness and appropriateness of their human resource strategy and its long term consequences.

4.1 STAKEHOLDERS

AB InBev has many different stakeholders that they need to consider when implementing their HR strategy. Particular importance is placed on those that have the greatest amount of power, urgency and legitimacy with the organization. Management, employees and shareholders hold the most power with AB InBev because their decisions guide the future direction of the company. A number of shareholders at AmBev are comprised mostly of cut-throat Brazilian investment bankers. These shareholders demand exceptional cost effectiveness throughout the company’s operational areas which have a large impact on their HR policy choices and outcomes (Exame, 2009).

Beer et al. (1984) argued that human resource policies should be influenced by all stakeholders; if not, the enterprise will fail to meet the needs of their stakeholders in the long run and it will fail as an institution. For the largest beer company in the world, AB InBev must find harmony between their divergent interests groups and the company. They engage their stakeholders through their corporate social responsibility reports, involvement in many communities and participation in national programs (AB InBev, 2010b). This extends the scope of the firm and puts its managers in a position to integrate the knowledge they acquire into practical HRM strategies. Managers can proactively use this knowledge in deciding what policies to implement and their long term consequences, effectively solving any issues before they become major problems.

4.2 SITUATIONAL FACTORS

Situational factors are internal and external to AB InBev and influence its HRM policies. Figure 3 provides a road map of the various internal and external forces on a company’s human resource policies and outcomes. AB InBev has aligned these forces to create synergies between different working groups and enforce its sustainable competitive strategy. In the previous section, I discussed the workforce characteristics, management philosophy, business strategy and labour markets.

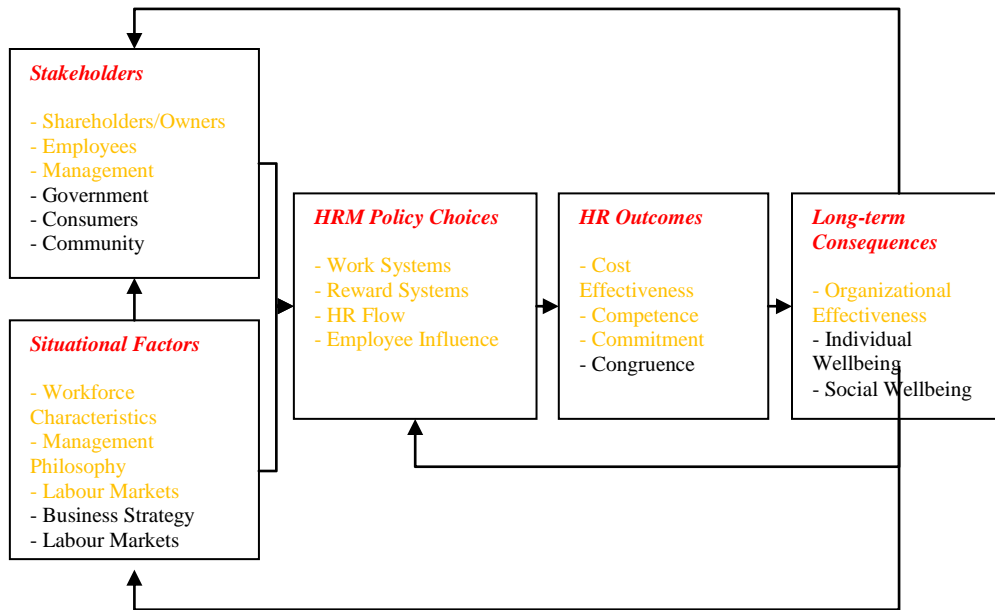


Figure 3 – Beer et al. (1984) developed a map of the human resource territory. External factors, such as an organization’s stakeholders and situational factors, have an impact on the various policy choices a company makes. These in turn affect the short and long term effectiveness of these policies. The orange highlights what is most important for AB InBev.

Unions are another interest group that AB InBev must actively engage. Last year, AB InBev workers went on strike for a week in Belgium due to the company’s intentions of cutting 10% of its workforce in Western Europe (Miller, 2010). This could be a potential problem in the future, as the organization’s cost effective culture can clash with the employees. Consequently, this can also have a negative effect on employee morale and the company’s vibrant culture. Management at AB InBev needs to mitigate these types of actions through their HR policies.

4.3 HRM POLICY CHOICES

The Harvard Model (Beer et al., 1984) outlines four key policy areas that managers should pursue and that have an effect on the future of the firm: human resource flows, reward systems, employee influence and work systems (Figure 4). The human resource system is important because the company would not be successful without its employees. I have discussed AB InBev’s human resources flows and reward systems using Jeffery Pfeffer’s practices. There is a high level of employee influence, seen through their decentralized power structure and a performance culture that gives its employees the freedom and flexibility to achieve their goals. Employees have a union that will bargain collectively on their behalf. Work systems at AB InBev are aligned to create synergies, facilitate development and reduce cost. Management achieves this through the quality of their decisions, coordination between functions and tasks and commitment to employees, among other things.

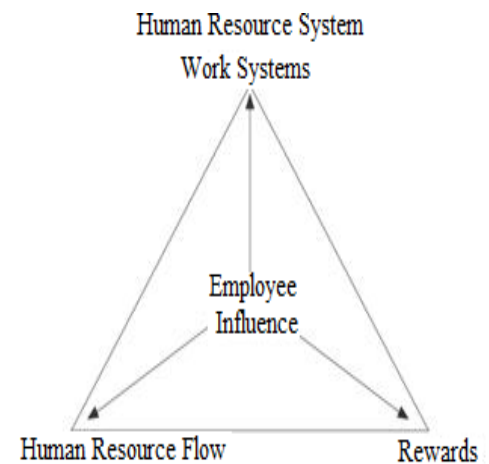


Figure 4 – Human resource systems (Beer et al., 1984).

4.4 MEASURING PERFORMANCE & LONG TERM CONSEQUENCES

In the long run, is important to have high levels of: commitment, competence, congruence and cost effectiveness. These areas will have a profound effect on organizational effectiveness and individual and societal wellbeing:

4.4.1 Commitment

Employee commitment is essential in developing a sustainable competitive advantage. AB InBev has a high level of commitment from its employees, achieved through the amount of energy and resources they invest in their workforce. Mr. Mitschke confirmed his commitment while discussing the restructuring that took place within Labatt in 2007, "Sometimes we stretch them [employees] a bit too much, but you will want to be with the organization. It's been bumpy, I'm not saying it hasn't. Three years ago I was doing a lot of training on the side, but that was my commitment to the organization" (Mitschke, 2010a).

4.4.2 Competence

AB InBev actively seeks out the brightest and best from the top universities around the globe. They seek out specific characteristic traits and analytical abilities to ensure they will fit well with the organization and their assigned roles. Each employee at AB InBev is subject to bi-yearly performance reviews to determine where the best fit is within the organization (AB InBev, 2010a).

4.4.3 Cost Effectiveness

Cost effectiveness is at the core of AB InBev's performance culture. They have a highly trained and skilled workforce that is very dynamic. Numerous studies have shown that the most productive employees are about twice as good as the least productive (Schmidt and Hunter, 1983). Although AB InBev uses a lot of resources in attracting and developing their workforce, they gained a long run competitive advantage through cost effectiveness and a capable team.

4.4.4 Congruence

High congruence implies that AB InBev has shaped its policies to coincide with the interests of their various stakeholders. They are able to manage their internal and external climate quite effectively.

AB InBev provides an excellent example of how an organization can mobilize its workforce into a dynamic, well-organized and cohesive work group. They were able to integrate their HR policies within the organization's cost-cutting culture; maintain a level of consistency throughout the organization with their recruitment and training processes; most importantly, treat their employees as valued assets and a source of competitive advantage. AB InBev has found a way to link its performance culture with its HR policy choices by building a committed, competent and cost effective team.

5. IMPLICATIONS

Through my research of AB InBev and various HR tools, models and strategies, I have concluded that the following are essential criteria for managers wanting to achieve competitive advantage through their employees:

5.1 GOALS & DREAMS

Managers need to provide direction and motivation for their teams. Goals need to be clear, have a plan and ensure the workforce has the capabilities necessary to achieve their tasks.

5.2 RECRUITMENT

It is important for managers to look for new human talent that will add value to their organization. Using detailed job analysis and descriptions helps attract the right people to the job.

5.3 TRAINING & SKILL DEVELOPMENT

People are a company's greatest assets and should be treated accordingly. Managers can use training to enrich the workforce and foster commitment to the company. Commitment improves communication, participation and builds trust between an organization and its employees.

5.4 PERFORMANCE MEASUREMENT

This provides managers an opportunity to measure current performance levels and make changes accordingly. Performance measurement also opens communication channels as management can give and receive feedback from employees and improve their current practices.

5.5 COMMITMENT

Managers need to ensure that they and their employees are committed to the organization and its success. This requires a high degree of employee involvement for better decisions and more effective performance.

5.6 REWARD SYSTEM

Managers should design an award system consistent with their responsibilities and design incentives to encourage strong performance.

5.7 POWER DISTANCES

Minimizing the power distances between executives and lower level employees enhances communication and creates an open atmosphere. Managers should show their employees that there is equality in the organization.

5.8 LEADERSHIP

It takes strong executive leadership to bring about positive patterns of employment relationships. The manager must continue to develop himself and also have a commitment to help his employees develop their full potential.

If HR is integrated into strategic plans and its policies are coherent, if line managers have recognised the importance of HR and this is reflected in their behaviour, if the team's aspirations and motivations are considered, if top management are committed, if the business is integrated into a global network and if

employees identify with their firm, then the firm's strategic plan can be implemented successfully (Boxall, 2003).

CONCLUSION

The analysis of AB InBev's HR strategies and policies has demonstrated that it is possible to gain a successful competitive advantage through a company's employees. In order to do so, a firm must start by aligning the firm's competitive strategy and HR policies. Using a HRM model, such as the Harvard Model, can enable the company to focus on their long-term vision while taking into account the impact of their HR policies and external forces. The future is unpredictable, but being well prepared with a competent and committed workforce will give the organization greater flexibility to react to changing market conditions.

Once a HRM model is established, the right people and employee programs must be chosen so that employees are enthusiastic and motivated with their work. Jeffery Pfeffer's sixteen practices can be used in achieving competitive success and realizing the potential of a firm's workforce. As seen by AB InBev and the various theories on strategic human resource management, a competent leader is needed to motivate employees towards the goals and dreams of the organization. The leader must reduce power distances to increase communication and trust between different work groups. The organization must choose the right employees, empower them through training and development, pay them well and promote from within. This increases the competency, productivity and overall effectiveness of a firm's workforce. With the proper work systems, HR flow and reward systems in place, management will be able to face future challenges with a dynamic and capable team.

In an increasingly globalized world where there are many similar products and services, the one factor that can differentiate an organisation from its competitors is employees; they have a significant impact in all of the firm's operations. Consequently, it is vital that they are given the tools and opportunities to make a difference within the organization. As illustrated by AB InBev, people make a positive impact when they are placed in a dynamic environment and given the right skills. Human resources can be used as a long term competitive advantage by effectively using people's talents to achieve the organization's goals and objectives.

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APPENDIX A

Interview with Al Mitschke. The following is a written out version of my Skype conversation with Mr. Mitschke, Labatt Regional Sales Director for British Columbia, dated November 21, 2010.

Lack of understanding of a culture even to newly acquired companies. Acquiring AB is a once in a century opportunity that they took advantage of. Corporate culture did not change whatsoever. The culture has always been a cost culture that's been very deep and that's what has made them so successful. AB was an acquisition. AmBev out of Brazil and Interbrew merged – it wasn't an outright takeover but a merger that can be bust apart in 20 years. It was the culture from AmBev that was instilled in the rest of the company – from the very bright people from Brazil. When they've taken over any other company, it's been a myopic focus on internal cost and remove internal waste. To spend back into the market place to win the market place. It's not taking costs out for all purposes. In NA, there's an entitlement mentality with big corporate board rooms. It's very hierarchal. The second platform is the people side: it's called zero based budgeting, and they apply it in strict science. You need to justify from

the bottom up all your costs. I've never been in a culture where you've had to justify your internal costs, so the company can strategically allocate them into the sales and marketing.

The people side is the next largest part of their platform they have not changed. Every year the company goes to all the universities in the companies we operate in and we aggressively recruit the brightest minds from the top universities in a management trainee program. For example, 2 years ago we brought in 25 people into a 70hour selection process. The people have to be intellectually bright but they have to have the whole element side of the people side. Leadership, it's not all about academics. Last year we did 12. The goal is to have the best and brightest minds but still social (it's our business) because our culture isn't just about costs, but it's about succession.

Six Sigma methodology is used for control management, and it's called the Toyota way. That's another huge part of our cost management and the way we run our companies. It involves deep analysis of problems and it needs to be white, green and black belt certified in statistical analysis – Plan, Do, Check, Act. You need to have the intellectual capacity to do 6sigma in your analysis.

Those trainees spend an entire year in every single department in a training capacity. It's an entire year where they are paid to do this: finance, production, sales, marketing, and logistics. At the end of that period they are placed and it is an expectation within a year and a half (management role) they are moving through the company. That is the basis of their succession plan. It doesn't rely solely on these - Of course we hire other people externally, but they bulk of them come from within. People, training – I've never seen a more aggressive approach to people recruitment (evidence of the management trainee program) and commitment to the training but also by subsequent training that we put people through. It's not just MBA students, but usually undergrads. It's a 70hour – group interactions, 1on1. They have engineering and business backgrounds.

2011 planning meetings and I haven't seen such a commitment to our sales and marketing group in terms of new marketing dynamics going – they are putting the money and talent to it. People misunderstand a bit of the culture: my personal insight is that the US is biased. Where the US is right now is where Canada was 4 years ago. AB was acquired in 2008 via a hostile takeover – the bring minds of Brazil and the Interbrew families out of Belgium orchestrated this. Smaller company acquiring a world leading company. Knowing the US culture it's all about the show, the corporate fancy office, the perks, it's about the things that have gotten the US into the difficulty they're in now. They lost their American Identity, they aren't to happy about that. The corporate culture that exists in every other country has been imposed in the US and they haven't bought into the country yet. When you talk about lack of communication – it was different in the hierarchal structure. It's a different culture. In our national office it's a complete open environment. It's a side by side. You could be sitting at desk next to the president of the company. The goal is to break down the walls – it's not about 7000 emails and hiding behind your email – you walk up to anyone and ask them the question. It's meant to foster synergies but some people can't work like that. There is also the senior management who was used to the perks getting their dry cleaning done, the private driver and people getting their coffee: those are the people most pissed off.

The cost management part – the same thing happened with AB. All the top offices were dismantled, and put into an open environment. I would say 25% of the people working there haven't bought into the culture. Because of the current market conditions they won't leave, even if they don't like their job. InterBrew acquired Labatt in 1995 and that was through a hostile takeover bid, but InterBrew came in as a white night. There are 2 families that own InterBrew brewing beer since the 13th century. All they did at that point in time was install a FO. Fast forward, the one place InterBrew didn't have a presence in the world was South America. AB was going to buy AmBev, but the deal didn't happen and AB walked out

with AmBev laughing and saying 'we're going to buy you! In 2003, InterBrew and AmBev came together in a joint merger to get scale. Ambev were effectively losing control of their company because Interbrew had more shares. What were they getting out of this deal? Labatt was a standalone entity but it reverted back to control to Ambev. AB ImBev is controlled by 51% of InterBrew and the core investment bankers in Ambev.

They are a performance company. For example, for a sales rep on the street, before the maximum bonus you can earn on your salary was 20%. Now, its 45% - even though the base salary is a bit less, but your paid on results. You need to be a part of the performance culture. In the past in didn't matter if you were busting your tail or lollygagging, the difference in your pay wasn't that much different. People were getting pissed off.

There is no time for people who want the perks of the job, they want to be there because they want too. We have a very aggressive succession planning in place. Every year during performance reviews we look at where people's interest lie and we look to remove the lowest 10% of the organization; we replace them with our management training program. Particularly if their attitude isn't correct – sometimes you don't have a fit. We need to have 20% of our people who are mobile and aggressively pursuing a more senior position within our company. If we don't have that, it changes our recruitment a bit. We want 70% of the people who stay in their current roles and our constantly learning.

I've been with Labatt for 29 years – 2 years ago I saw more than half the management team in BC leave because they didn't buy into the culture. I've been through 17 restructuring, I know that change is required. It's around because now what we have are people that want to be here – it's the Brazilian style management. In order to restructure and change people's roles and tasks, we stretch young talent. Sometimes we stretch them a bit too much, but you will want to be with this organization. It's been bumpy, I'm not saying it hasn't, but we're settling down now. 3 years ago it was a guy like me doing a lot of training on the side, but that was my commitment to the organization. Training: we have a very deep and aggressive mentorship program, there's also training and identifying we're the gaps are. For example, we had a lot of new managers who had never done interview skills: it was my role to fill these gaps.

I used to be director of sales for the western region, but I took a step back to the regional sales position. Our director positions are training positions for future succession candidates globally. I've taken a step back; I'm the teacher, mentor, and coach for BC. I prefer to be on the street and working with our young people/talent. I'm also on a lot of special projects.

Going back to what you're seeing in the news articles you've read, I challenge you to find it anywhere else. They are not happy to have all their private offices taken away, their coffee runners are taken away. It's a very informal structure and they're not used to it. Our corporate culture wipes out the mentality of hierarchies. They are at a very tough time within the organization because a tremendous amount of people will be leaving because they're not buying in. People who should leave aren't because they're scared they'll have nothing else to go too. Its making it hard to weed out those people; you need to get rid of those people. They are in a very difficult time as an organization. We went through this around 2006-2007 through our culture change. They're pissed off because they were bought out and secondly this is massive corporate change for them. They've taken the internal stuff away, but they're spending more than ever on marketing, corporate presence, sports teams.

A lot of people are worried about cost management platform – but make no mistake, it is always people first. Management training programs, the 10 principles, we focus on these 10 principals and what they mean to us. What is leadership? This makes us the most powerful organization. When you can get rid of

a lot of those internal costs, it makes you stronger. A lot of companies have taken our lead. Miller. When we're in a global down turn, we're in a better position because we've done our due diligence, it makes us far better surviving going forward – because we have the money.

This leveraged buyout – 52 billion buyout – our intent is to have that fully paid off in 5 years. We will get it done because it's the culture. Think about it, that is our stated goal. Paying of 52 billion dollars in 5 years. We will be in the countries we need to be in, we sold off the theme parks and other non-essentials because those aren't our core competencies. We don't know how to run theme parks. We make beer. It's not in our long-term interest. We've sold off some brewery operations, but those were not in our long-term interest. We will be in China, India and other emerging markets. We don't know if we'll get it done, but it is that type of organization that says "that is the goal, find the way" and you go at it, go at it, go at it. Other people just say it can't be done. Our mindset is "here's the stated goal", we'll do it. It will free up a lot of resources after 5 years. It's aggressive. It is necessary to do it (in America).

Keep the US section in there. Managerial Program – in every country we operate – hiring the brightest and sharpest minds. It's still the people platform that will make us successful over the long-term. Hire the right ones out of the gates first and pay them meritocracy.

APPENDIX B

Interview with Madison Mitschke. The following is a written out version of my Skype conversation with Madison Mitschke, Labatt Sales Representative and Promotions Coordinator, dated November 14, 2010.

I worked for Labatt for two summers as a summer sales representative and then last year I was a Coordinator working for Mosaic, but I was doing Labatt promotions.

For the summer sales rep I was flown out to Edmonton with 15 other people from across Canada with the same roles. We had a variety of different training while at this seminar. We had presenters come in and motivate us, we performed group activities such as skits, we were encouraged to ask lots of questions – it was very interactive. In Toronto they taught us broad skills that can be applicable to a wide variety of things. We learned how to time manage yourself, how to manage people, organize events.

I would start out my mornings at 6am where I would be making calls to Toronto and checking my emails. I would have meetings with my boss in the morning, with my employees and girls. There are lots of training and development sessions you can voluntarily join. Sometimes my boss would be like "hey listen, there's this seminar going on and I really want you to join it because I think it would help you." Then at night you're going out at 5 until who knows when, depending on how many events you're doing. You need to be with the girls to coach them at night, give them direction. I worked a lot of hours in a day – at least 12. I worked on weekends too; it's hard because you're supposed to take days off but it's hard too.

I was given lots of freedom with what I can do. It was effective in making me perform better because it motivates you. The managers managed me by doing a little bit of everything. They let you run with it, but if they see you slipping they'll coach you and develop you to give you guidance. Once a week we would have meetings just to address questions such as "hey how are you doing? What do you need help with? What can we do?" They make themselves available to you all the time. There was 1 manager I reported to. She helped with my professional development through mentoring me.

They are definitely people oriented – work hard play hard environment. The managers have to manage everything, there's so much admin work that you have to do – which I hate – but understand what they have to do. Processes are necessary. There are certain steps they do things, such as the 8 steps to the sales call. They let reps do their own thing but they come back to these steps. Results matter – every morning at Labatt they have sales calls, conference calls and they're going over number and how they're going to reach their targets, how far away.

Reduce costs: A lot of people want to get their events sponsored, but Labatt will only sponsor those events that will be the most beneficial to them. Even materials for merchandising you need to justify. They watch everything and it's up to you to choose how you allocate your resources.

Results matter. Wake up early, meetings with bosses, employees, lots of training and development sessions to join. Optional but some were recommended. At night your going out at 5 – 1 am depending on how many events. You need to coach the girls.

Worked a lot of hours – at least 12 hours. This includes weekends and weekdays – supposed to take time off. People oriented – work hard play hard. Lots of freedom in choices. Increase effectiveness and motivates. They did a little of everything – run with it, they see you sleeping they'll coach you and develop you. Make themselves available. 1 manager. Mentorship and professional development.