



Managing Shareholder Activism

David Comeau, Criticaleye Board Mentor and former President of Asia Pacific Biscuits at Mondelēz International, shares his story on the potential impact of activist shareholders joining the Board. **Mary-Anne Baldwin** reports

How and why did Mondelēz International start?

Having worked at the US food giant Kraft for 25 years, I participated in the full spectrum of category portfolio development as we built the top market positions in 28 food categories, many of which were land-locked in the US.

In 2012, we realised we needed to focus on core global category growth,

so we spun off 24 food categories and named the new company Mondelēz International. We identified ourselves to investors and employees as a strategic growth company with a focus on snacking.

What were the first signs activist shareholders were circling?

Two years into our newly named company, it was clear that our objectives of four to six percent top line growth were not

materialising. This raised investor concerns and led to pressure from several recently invested and well-known activist shareholders who saw risk in the accelerated growth strategy.

These investors took sizeable share holdings in Mondelēz International and with that, several levered their way onto the board of directors. While their investment numbers have shifted, they are still there today. >



How did the leadership team react to the new investors' strategy?

We initially thought we could grow our way out of the issues our investors were raising, but it quickly became clear that we had competitive market issues, which if not fixed, would leave us in a weakened competitive state and could also be detrimental to the interests of our shareholders.

We decided that we'd have to reposition ourselves as an efficient company with great brands and a good growth story; but not growth that would change the world as we'd initially intended.

It took about eight quarters for the whole leadership team to recognise that the pure play growth story was not working out. With any situation like this there is an emotional process, which causes a delay in recognising the problem, however once you are over that hump, developing and enacting a new game plan can re-energise an organisation.

How did you communicate this change of direction to external stakeholders?

It wasn't until we looked externally that we realised it wasn't just an issue with Mondelēz, it was an industry-wide concern. That was a compelling part of our new story to stakeholders. Benchmarking our organisation against others in our peer group helped drive home the need to stay competitive, lean, and to think on our feet.

One of the obvious phenomena with large corporates is that they tend to be internally focused, so are often late to

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grasp what's happening in the whole marketplace. In this instance, many food companies were going through a similar awakening. Today, many food companies turn to a low cost model driven by the likes of activist investors such as 3G.

How did you engage staff in this new direction?

The external leadership challenge was to sell the new approach to our investors. The internal challenge was to guide employees – who had already committed to a relatively new proposition of building a global growth company – to a much leaner and slower growth environment.

Therefore, the leadership imperative was to communicate and engage employees in a positive way, and to lead by example as we pursued this new path. To counter any risk of an image whereby activists were forcing the change, we had to communicate often and engage employee sentiment, feeding back openly.

When we created Mondelēz International, we retrained our organisation to work under a global category model driven by a culture of broad collaboration. Yet, when growth wasn't achieved and we switched to a leaner model, a lot of those new ways of working fell away. We had to learn to work smarter.

You have to communicate often and confidently that you're steering the ship. The quicker management acknowledges changing seas, the more credible they are.

Leadership is a journey, practice letting go of pre-conceived strategies and retool your team and organisation to drive that winning culture. ■



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David's most recent executive role was as President of the Asia Pacific region for Mondelēz International, where he was responsible for a \$1.5 billion portfolio.

He was directly responsible for developing iconic brands such as Oreo, Chips Ahoy! and Belvita and has over 28 years in the consumer food industry.

Along with his broad C-suite experience, David has specific expertise in geographic expansion strategies, joint ventures and acquisitions, new product development, scaling-up and growth strategies, marketing and sales.

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