# CONSUMER PRODUCTS INSIGHTS

**Interview with Robert Gamgort, CEO, Pinnacle Foods**

*As part of our continuing series of discussions with prominent consumer products leaders, this issue features Bain partner Ivan Hindshaw's interview with Robert Gamgort, CEO of Pinnacle Foods. Pinnacle's portfolio, which includes category leading brands, such as Birds Eye, Duncan Hines and Vlasic, can be found in 85 percent of American households. Prior to joining Pinnacle in 2009, Gamgort served as the North American president of Mars, managing an $8 billion portfolio of confectionery, food, pet and retail businesses. Under Gamgort's leadership, Pinnacle has completed its acquisition of Birds Eye Foods and grown sales from $1.6 billion in 2009 to $2.5 billion in 2010.*

**BAIN: You've now been the CEO of Pinnacle Foods for 18 months. You're running a business that is about a third the size of the business you ran as president of Mars North America. What differences have you observed in running a smaller consumer products business?**

**GAMGORT:** I've learned that it's not really about large versus small. You can have a large organization with an org structure or culture that allows it to feel small, or a small company that is overly complex or bureaucratic. It's really about running a lean, focused organization.

No matter what size your organization is, your goal as a leader is the same—to make sure that all employees are aligned with the organization's business strategies and that they feel a personal connection to and responsibility for the business results. You can accomplish that through organization structure, culture and process. That's certainly easier to accomplish in a smaller, leaner environment.

A smaller organization like ours is lean out of necessity. It forces us to make trade-offs about where we want to invest our next dollar. Let's be clear about what lean looks like—at Pinnacle, we run on an SG&A that's about one-half to one-third the size of our competitive peer group. Having said that, I'm consistently impressed with how much we're able to accomplish. It's a good reminder that just because you can afford to staff up doesn't mean you should.

**BAIN: You mention the importance of operating in a lean, efficient way. How do you ensure that happens?**

**GAMGORT**: Being a successful, lean organization requires three things:

**Prioritization**—You have to be very clear about your goals and what success looks like. To develop clear priorities, you must have a focused strategic plan and portfolio strategy.

**Streamlined processes** also make it easy to do business within the company. In my past experiences with other organizations, I remember people celebrating the approval of a capital project instead of the completion of that project. It's a clear sign that doing business within the company has become far too challenging and complex.

And you must have **experienced managers**. Nothing beats experience. We're not a training organization. In our organization, highly experienced people operate without bureaucracy. The top three levels in our company—a group of 80 employees—have an average of more than 25 years of experience each in the food and consumer products industry. That experience, operating in that environment, enables real speed and increases the ability to deliver.

**BAIN: What are the benefits of running a business like Pinnacle?**

**GAMGORT:** We have three major advantages. The first is efficiency. The result of that—increased cost savings—allows us to invest more back into the business. The second advantage is a highly engaged workforce. Our employees see the strong connection between their contributions and our business results. The third is speed. Speed gives us our real competitive advantage. It makes us more responsive to our consumers and their needs.

**BAIN: But you must see some situations where being smaller creates a challenge.**

**GAMGORT:** Of course. Scale definitely matters in areas like purchasing, distribution and the ability to have broad sales coverage—that's why we acquired Birds Eye Foods. We were sub-scale in frozen foods, missing out on efficiencies in manufacturing and distribution. By acquiring Birds Eye, we now are one of the top five frozen-food companies in the United States. Our combined scale enables significant synergies, which make us more competitive.

Being smaller also forces us to make more upfront decisions about what's most important and what will enable us to deliver our goals quickly and with impact. That leads to some tough choices about what we *won't* do. We don't pursue some promising ideas or opportunities because of our focus on our priorities and how we've decided to allocate limited resources.

However, while scale has benefits, it can also be an impediment to growth. An organization can become so large that its speed drops, and the connection between actions and results becomes less clear.

Take innovation. The larger you are, the more you look for big innovation ideas to spur growth. I can tell you from experience that there aren't many $200 million or $500 million ideas out there. However, there are a lot of $10 million or $20 million ideas that have the potential to grow larger over time. The larger you are, the tougher it is to have the patience to nurture those ideas. You see this pattern all the time with large food and beverages businesses needing to acquire innovation to sustain growth.

**BAIN: What lessons have you learned from working at Pinnacle that you would apply to a larger environment?**

**GAMGORT:** As I mentioned earlier, no matter what size your organization is, your goal as the leader is the same—to make sure all employees feel a personal connection to the business strategies and results. For most of my career, I'd ask our people, "What would you do if it were your business and your money?" Here at Pinnacle, we all believe this is our business and our money—and we act accordingly.

You can foster more of a personal connection through more creative organization structures and compensation systems; however you have to be careful to avoid layering on complexity and diluting those systems over time.

The other lesson: be careful about adding permanent staff to tackle additional projects or initiatives. As priorities shift and programs succeed or fail, you want to be able to shift your resources to new priorities. There's a real ratchet effect in most organizations. A team is brought on to launch a new initiative and when the project is complete or fails, they look for other work to keep themselves busy. However, that may or may not be the right place to invest resources going forward. The impact builds over time, creating too much complexity and a slower organization.

**BAIN: Would these ideas be pretty straightforward to implement in a larger organization?**

**GAMGORT:** It's possible, but challenging. It's easier to be lean out of necessity, like we are, and much harder to be lean out of choice. A large organization would need to place fewer bets on bigger ideas upfront. It's easier—and tempting—for them to keep more priorities in play, which is where cost and complexity comes in.

Also, the more successful you get, the more you start thinking about protecting what you have instead of being hungry to challenge the status quo and innovate. And somewhere along the way, you switch from playing offense to defense and that mindset spreads across the entire organization. It leads to an environment where all questions have to be thoroughly analyzed and answered, and the focus moves from the external opportunity to internal process. Again, that slows down the speed of the organization.

How many times in sports do we see a successful team with a lead shift to a defensive, conservative game plan and *lose* the game? It's exactly the same in business. Challengers have an attacker's advantage, that's why we like being the challenger.