

## Interview with John Helferich Vice President, Research & Development, retired Mars Incorporated



In 2005, John Helferich was appointed to the position of Vice President of University Research for Masterfoods USA, the US division of Mars, Incorporated. He was responsible for creating and managing links between leading management thinkers and strategic problems at Masterfoods. In 1995, he was appointed Vice President of R&D for Masterfoods.

Currently, John is Executive in Residence of The College of Business Administration at Northeastern University and a Batten Fellow at the Darden School of the University of Virginia. John's work now focuses on executive education, consulting on new ventures for established companies, and researching new applications of social networks to business. A summary of John's public work is posted at [www.johnhelferich.net](http://www.johnhelferich.net). John can be reached at [helfejoh@gmail.com](mailto:helfejoh@gmail.com)

Interview conducted by Doug Berger, INNOVATE LLC. [doug@innovate1st.com](mailto:doug@innovate1st.com)

Doug: Let's start the conversation with a few words of background on Mars and the trigger for this area of new growth innovation.

John: Mars Incorporated is almost 100 years old. Frank Mars started the company in 1911 as a confection company. It is global and still privately held. Over the years, it has branched into pet food and rice. In the late 1990's, the owners were concerned about the corporation's rate of growth. For almost 30 years, the company based its growth on geographic expansion - taking the Mars' brands global. They were now operating effectively in Poland and Russia, and had a foothold in China, but were beginning to see the end of that geographic growth. They wanted more growth out of the already established markets. They wanted to continue growing at about six percent a year. Well, the problem with growing at a six percent rate in developed markets is that you are trying to grow faster than the market rate, and the competitors are just not going to let you do that. The question then became, where were those extra points of growth going to come from? For a company in the confection business of its size in the U.S., that was almost \$100 million of totally new volume every year - a significant increase.

In the late 1990's, the solution was to reorganize - break the bigger units down into smaller business units, focusing on individual categories. The idea was that through focus we would get more growth. While that helped, it did not achieve the desired growth. The question remained, "who is going to go out and get those extra points of growth?" In 1999-2000, some of us in leadership made the recommendation to create a new venture unit.

The answer came back "Ok, we'll shoehorn new ventures into the newly created business units." Well, that was not going to happen. The business units were focused on growing today's business - they had no time for tomorrow's business. That's exactly what the textbooks say,

and that's exactly what happened. There was no place to get growth going outside of the core. There was no senior executive in charge, no resource and no focus. Consequently, it didn't happen.

In 2003, a group in R&D had developed some technology to customize M&Ms. This was really neat, but we couldn't find it a home. The current brand people on M&Ms said, "Not a big idea – don't see the point of being able to print people's names on M&Ms." Every time we made custom printed M&Ms however, and sent them to the daughter of some senior executive who was having a wedding, it was a huge hit. So, we continued to do some internal marketing and we put them at in-house weddings and retirement parties. It was expensive and hard to do, but we did it. You could tell that there was a real demand there, but there was no organizational structure to pull it through the market. Coincidentally, we had a corporate visioning session to focus on pioneering. Each unit around the world had to come up with some pioneering effort to show that they were in-sync with the vision. Some people went out and planted trees. Some people built homes. I proposed to the management team that we start this "MY M&Ms" business in 60 days. We had a two-month lead-time from idea to execution, and the whole management team said, "Yeah, that's a pretty good idea." The North America president and I had discussed how to get it started a number of times. We decided to use this event as our way to force it through the organization. We took the budget, which would otherwise have been spent on planting trees or the like, and spent it on establishing this business. We were able to cobble together a system in 60 days in order to fulfill internal orders. We did a beta test with associates inside the company, and we started taking orders. Right away, we got a gazillion orders from people. It was spring, so it was all graduations and weddings. It took about another year to get it out to consumers and it started working reasonably well with no advertising. People just found out. We put a link on the M&M's website. Through word-of-mouth and people just finding it on their own, it started to gain some traction.

There were many questions as to whether the organization was capable of pulling off any growth at all outside the core. This showed Mars that we actually could do a new venture. That was a big psychological breakthrough.

Doug: What else triggered growth outside the core?

John: The obesity epidemic in the U.S. is a big threat to the candy business. Through another spate of reorganization, we created a business unit dedicated to health and nutrition products. It brought *Cocoavia*, a heart healthy chocolate, to market. This organization really established itself through the beta test. They had a product to sell. Through other efforts, they launched three other kinds of healthy snack efforts.

Then, as senior management, we worked with Professor Marc Meyer at Northeastern University, to develop a new venture business process. His business process really does provide for senior level leadership, resources and a level of executive intervention, which, at critical phases, is important to get things going. Once we got to that point and people started committing to growth out of that unit, things really started to move.

Now, there are five or six new ventures in development that are new business models for Mars. So this was the story of how we got from, "Gee, we need to grow a couple of percent faster," to actually creating and developing a business unit and a business process to get these new venture ideas to market.

Doug: What would you identify as some of the key pillars necessary for putting in place growth beyond the core?

John: **Pillar No. 1:** Get the top executive behind it. Bob Gamgort, President, was very much behind this idea. He and I had shared this vision, so when I came up with the idea of jump-starting My M&Ms, Bob got the rest of the management team involved. It was not enough to have one member of the senior management team on-board. We needed the CFO to be supportive in several ways. We needed him to be comfortable with a different business model and a P&L that took a different shape. More importantly, the staff who reported to him needed to be comfortable and not apply the old metrics from a mature business to a new business. The CFO was also working hard to free up cash from some operations in the business for funding. He was a critical player.

**Pillar No. 2:** Have a really good idea to start. The “MY M&Ms” idea is very compelling. The business is large now, growing like a weed, and it’s profitable. It was a really good idea. That helps to pave the way for lining up the organization.

**Pillar No. 3:** Find the right leaders. Being the right leader is different from being a line manager who operates an existing business, and it’s different from being an entrepreneur. It requires someone who has the patience to work the organization, but also has a sense of urgency to drive results.

**Pillar No. 4:** Have the right structure and business processes in place. The right structure means keeping it away from the core business, but not too far away. It means reporting to the same leadership team, but not in the same line as the brands. The brand will suck up all of the resources and choke off new investment. It means having the right process with hard gates and little executive intervention in between the gates, yet having the gates be only about three or four months apart. The emphasis of the process is on what you don’t know, getting just enough money to answer the key questions, getting to another gate review, then iterating and releasing another round of money to answer the next important questions.

After that, you’re pretty much ready to go to market and move into a launch and learn mode. This is very different from a national launch with a Super Bowl ad and 100 percent mass outlet distribution in the U.S.

Those were the pillars were fundamental in getting this off the ground. They don’t ensure success, but without them, you can be sure that you are not going to be successful.

Doug: So that people have an appreciation of approach, please summarize the different kinds of growth ventures that Mars has actually brought to market over the last several years.

John: In addition to “MY M&Ms”, there is Cocomo. It is based on research that Mars has done on the health benefits of cocoa, both with regard to vascular health and cardiovascular health. It’s an oxymoron, healthy chocolate, but nonetheless, it tastes pretty good.

They also have GOAT, which stands for the Greatest of All Time - a line of snacks supported by Muhammad Ali, which sells on college campuses. They have a product called Kids Did-Its, a healthy snack made for kids, designed by kids, approved by Mom. That was one that didn’t work out - it was a good idea but it just didn’t get off the ground.

On the indulgent side, they’re re-launching their retail chocolate business, called Ethel M. It’s now being test-marketed in Chicago as a range of chocolate lounges, like a Starbucks of chocolate. You go in, buy some chocolate, sit down, and have a chat.

There is also a reinvention of the pet feeding experience - a product called Whole Meal. It goes back to the native instinct of the animal, which has a much longer eating experience. Dogs

usually wolf down a bowl of Kibble. Whole Meal takes them half-an-hour to eat, so that they get a lot of satisfaction from eating as well as getting the nutrition.

Doug: There has been much talk in the innovation arena about the critical need for consumer insight at front end. You and I have talked about execution as it relates to the latter stages or the sheparding of the idea. What would you say is the most challenging stage of these new growth projects?

John: The biggest challenge for any organization is to break from their mental model of the current business. It's hard to come at an idea free of the current business processes, current manufacturing, and current distribution. It's easy to see the opportunities from a trend point of view. People are getting older. People are more worried about health. Everybody knows that. Every market has opportunities, and many ideas rattle around the lunch tables. However, the solutions are always locked in - that is the first barrier.

The second barrier is getting the ideas through the business process. I gave a talk to a group of people last week who had tons of ideas, but there was no senior executive in charge of putting them together and managing the portfolio. There was no money available, no business process that involved the senior team and nobody was even writing down the ideas. Plenty of ideas were generated, but they just could not break through and get them tested - try them out - feel comfortable with going down the street and talking to one of their customers and really trying to make it work. Somebody on the senior team had to pick that up and make that happen.

Doug: In the course of the evolution at Mars, did you begin to build an infrastructure that was an enabler for these kinds of new growth opportunities, or was each new growth opportunity handled as one-of-a-kind?

John: Initially, we looked at them on a one at a time basis, but then we started to do quarterly reviews. We would look at all of the portfolio opportunities to see how much volume was involved. Consequently, that became a good method to look at the overall portfolio. One of the mistakes was to make one-off decisions. We needed to step back and ask questions like, "What's our strategy? Which ideas are we going to fund? Which ones are we going to wait on? How long are we going to give these to work? What are we learning from one to take to the next and make it better?" You want executives who have a vested interest to head this review, i.e. the president of the unit, the technical head, the marketing head, and heads of other business units.

Doug: You mentioned learning from one project and transferring the learnings and practices. Was there anything formal put in place? Who were the agents of making that transfer?

John: We started a process based on Edward DeBono's Six Hats, called Black-hat sessions. The last startup team would meet with the next startup team to review their plan and give them all of their advice, from the strategic to the nitty-gritty. That method was extremely effective in continually improving the execution of startups.

Then, to help with the business format as we started to get multiple projects going, we hired Marc Meyer from Northeastern University, to write up a case study of each of our projects. We interviewed people and documented what had happened and what had been done. I shepherded that knowledge transfer, making sure that the stories were building from one to the next, and that there was some sort of training structure behind this business process. We created some training at Northeastern through their executive education. You really do need somebody at the center keeping an eye on it. Eventually, if you want to do it right, you need a core group supporting the new ventures and capturing the learnings, providing perspectives, and providing common shared resources between the teams.

The difficult part of that is determining who pays the overhead. Our solution came from the president of the company who said, "I know there's overhead involved in this. I'll just build this into my overall P&L and I'll carry that cost. I want you guys in the new venture units to make sure that the P&L of your operation works before we'll invest and scale it up. So don't get the budget confused with the P&L."

Doug: What are those few critical parameters that spell the difference between ventures that make it into the marketplace and those that drop out before they get that chance?

John: The leader of the project is critical. They need to have the characteristics of the corporate entrepreneur. They need to understand how the company works, but they also need to understand what entrepreneurship is and how to make that work. Secondly, there needs to be a simple one or two sentence, clear articulation of 'what I'm trying to do is ...' Finally, there needs to be conscious agreement by senior managers that the idea being worked on is a good one. Often, they don't even know that they're discriminating - they like to think that they treat all of their children equally. However, they will give those ideas that they feel good about a break, and the ones that they don't, they'll ask the harder questions, even though they're at the same level of risk and uncertainty. Projects are still going to fail even with those things in place - it's just the nature of the beast. But, those elements make for a higher rate of launch. You'll at least get them to market and let the market decide, rather than killing them internally before they even have a chance.

Doug: In conclusion, is there anything you would like to highlight for our readers?

John: Yes - the relationship between the senior executives. Do they have the relationship necessary to provide the support for these kinds of ventures? Are they on the same page? Do they get along? Do they have a relationship that extends beyond the transactional relationship at work? You need that. At the senior level, you need lateral relationships with your peers - the R&D head with Marketing with Sales, and Operations and Purchasing. Do they have a mutually beneficial, strategic relationship that allows them to sit down and talk constructively, such that the conversation goes something like, "Hey, I have an idea - what do you think? That's interesting - let's talk about it." vs "We can't do that because ..." When it comes time for that moment of truth, and you have to go see one of the other functional heads and knock down some barrier, you already have the relationship in place. That's the magic sauce that makes this work.