

# IN THE FIELD

## WITH ROYAL DSM



BY PROFESSOR  
WOLFGANG ULAGA  
AND  
RESEARCH ASSOCIATE  
ATHANASIOS KONDIS

### How can the chief marketing officer (CMO) raise corporate marketing's stature in a diverse, decentralized organization?

In 2010 the CEO of Royal DSM decided that the company needed to become more customer focused across its different businesses and geographies. During the previous decade, DSM had evolved from a supplier of bulk chemicals to a leader in health, nutrition and specialized materials. This dramatic transformation called for a change in the way the company created and delivered value to its customers. The CEO envisaged a dedicated corporate marketing team to work with the various business units to elevate the organization's capabilities. An internal leader with a proven track record was asked to take on the challenging role of CMO with the mandate: Make DSM best-in-class in marketing and sales.

The new CMO inherited a small corporate marketing team – responsible for a few strategic but scattered programs – and a challenging legacy. Business group heads were skeptical about the capabilities of this team and its capacity to have a business impact. What is more, the CMO was the third person appointed to this top position. Each of the previous two candidates had not lasted for more than a year. Could the new leader be the exception and deliver the mandate?

#### The broader issue

It is a narrative frequently encountered in the business press: A global B2B company sets out to become more customer-centric, to place greater emphasis

#### At a glance

- A diversified industrial manufacturer embarked on an ambitious marketing excellence initiative, driven by the HQ-based CMO.
- The company's technology-focused heritage and a culture of decentralization slowed the project down.
- Over the next three years the CMO and his team adopted a new strategy and turned the tide.
- Royal DSM's venture highlights four focal points for CMOs aspiring to lead marketing and sales change inside their organization.

on listening to customers, and to develop products and services that add more value. The decision is usually driven by internal and/or external factors linked to a major change in the corporate strategy, increased competition, or the emergence of new trends and technologies in the marketplace. Corporate marketing is typically called to lead or co-steer this strategic initiative.

Most CMOs we work with who have been involved in such an undertaking tell us that it is a Herculean task. It is a major transformation project that requires multiple stakeholder engagement, a long-term view and total commitment from the top. Furthermore, many international manufacturers serve a diverse profile of industries and operate under a decentralized organizational structure. As a result, the CMO, acting as a forceful change agent, has to navigate through a landscape of autonomous and powerful business units that differ widely in structure, processes and behaviors. And what exacerbates the challenge is that, more often than not, leaders in companies that are highly decentralized and technology-centric do not believe in the value of corporate marketing – at least at first, as we discovered during our fieldwork with DSM.

## Moving up the value chain

DSM's rapid evolution, its diversified market and product portfolio, and a corporate strategy that favored decentralization had led to the creation of highly autonomous business units, which had full profit and loss responsibility and decided on all aspects of running the business. There was little interaction or best-practice sharing between the different businesses groups (BGs).

In the past, marketing and sales strategies were designed and implemented at the local level and were rather technical and transactional in nature. The strategic shift from low-margin commodity chemicals to higher-margin, specialized materials meant that DSM had to move from features selling to value selling, and from cost-plus pricing to value pricing. It also had to improve on collecting market data and generating customer insights, building brand

OLD DSM	NEW DSM
Chemicals	Life Sciences and specialized materials
R&D, product-driven	Customer-focused
Technical and transactional marketing	Cultivating customer relationships
Business groups with high autonomy	Coordinated approach

From features selling to value selling, from cost-plus pricing to value pricing

loyalty and managing customer relationships, and it had to operate in a consistent and centrally coordinated way.

## The first year

Early on, the CMO launched a Marketing & Sales (M&S) Excellence diagnostic project. It assessed the capabilities of every BG across 12 dimensions (e.g. strategic marketing, tactical marketing, account management, analytical tools) and included a benchmark against best practices relative to DSM's peers. The results were an eye opener. Overall, DSM's marketing and sales capabilities were ranked in the bottom quartile compared with a benchmark of 73 chemical companies. This called for immediate action.

The CMO and his team spent considerable time designing a tailored roadmap for each BG, which included projects across all 12 marketing and sales dimensions. Concurrently, they modified the portfolio of services offered and started to build expertise in new areas such as key account management, people performance and digital marketing. They rebranded the team as DSM Excellence in Marketing and Sales (DEMS) and embarked on the implementation journey, only to encounter a sobering reality.

Although individual business leaders subscribed to the overall goal, they had very different ideas on how to steer the execution in their units. Some wanted to postpone implementation, while others proposed eliminating some modules

in the roadmap. A few simply refused to engage with DEMS, declaring that they were capable of making progress without its support. One of the most commonly cited reasons was cost, since BGs had to finance their own roadmap projects. Moreover, DEMS was perceived as having an *“I am from HQ and I will tell you what to do”* attitude, which acted as a brake on BG engagement. Implementing such a strategic project was a major change management endeavor that required full-fledged support from the corporate executive suite.

### A new approach

After analyzing the causes of the pushback, the CMO worked to secure stronger backing from the board. This included support with financing DEMS’s projects and more airtime in business reviews and leadership meetings. A stakeholder map was then developed that focused on BGs with the greatest need and most interest in working with DEMS. Next came the rollout of “super-pilot projects” – a number of key projects that could have a significant impact. These included a price scan (analysis of the margin improvement potential), a new key account management program and a comprehensive training curriculum for hundreds of marketing and sales employees.

In the meantime, DEMS evolved its offering into a portfolio of clearly defined modules, hired a small number of experts from the outside and started to

communicate more about its capabilities and achievements. The team adopted a new tag line, “We are DEMS – what can we do for you?” and used language that emphasized its collaborative approach. Gradually, DEMS team members learned how to adjust their role. Depending on the BG and the nature of the assignment, DEMS’s contribution varied from leading to consulting to assisting to simply connecting BGs with internal and external experts.

The CMO monitored progress closely and highlighted the impact in euros for every project. For example, detailed estimates were provided of the upside potential of the price scan project and the operational expenditure (OPEX) benefit of the new CRM system. In some cases, DEMS proposed that it could be paid for its services after the completion of the project – and then only if the client was satisfied with the results.

Additionally, the M&S Excellence Awards were enhanced to promote best-practice sharing and recognize top performers, and an M&S Leadership Team – consisting of a senior representative from every BG – was formed and met frequently.

### Did it work?

By the end of 2012, the implementation rate of most programs had picked up, and positive feedback started to flow in. Senior sales and marketing leaders recognized the positive contribution of DEMS and commented on its practical and tailored approach. In 2013 DSM won the Marketing Company of the Year Award from the Dutch Institute of Marketing – the first B2B company in the country to receive such a distinction. Within DEMS, the mood and energy were upbeat, as demonstrated by the positive employee engagement survey results. A new M&S Excellence

“

IT WAS CRITICAL FOR ALL OF US IN DEMS TO CALIBRATE OUR ROLE IN WHAT IS A UNIQUE AND COMPLEX ORGANIZATION. WE LEARNED THAT APART FROM HAVING THE RIGHT EXPERTISE, WE HAD TO CONNECT WITH THE PEOPLE WHO RUN THE BUSINESS. IF YOU DON'T CONNECT YOU ARE NOT GOING TO BE EFFECTIVE.

”

Mauricio Adade, CMO Royal DSM

---

assessment was conducted in 2014. It showed that DSM as a company had moved from the fourth to the second quartile, and three of its BGs were now qualified as best-in-class in marketing and sales. In 2015 a newly appointed CMO continued the efforts to raise all BGs to the next level and speed up the transformation process.

### Reaping the benefits

CMOs in large decentralized organizations can accomplish their mission if they focus on raising corporate marketing's influence and significance. In doing so, they need to take bold action and:

1. Define the department's business model well – its mission, offering, language, modus operandi and financing should be sound and clear to everyone.
2. Hire the right people with solid expertise in key domains as well as negotiation and selling skills.
3. Demonstrate the monetary value behind every project and commit to outcomes achieved.
4. Be flexible – the ability to alternate effectively between leading, consulting, assisting and brokering roles can be the game changer.

THIS ARTICLE IS BASED ON THE AUTHORS' THREE-PART IMD CASE SERIES: IMD-7-1646 TO IMD-7-1648, 2015, AVAILABLE FROM THE CASE CENTRE AT [WWW.THECASECENTRE.ORG](http://WWW.THECASECENTRE.ORG).



IMD is a top-ranked business school, recognized as the expert in developing global leaders through high-impact executive education. The school is 100% focused on real-world executive development; offers Swiss excellence with a global perspective; and has a flexible, customized and effective approach.

IMD is ranked first in executive education worldwide (*Financial Times*, 2008-2015) and first in open programs worldwide (*Financial Times*, 2012, 2013, 2014 and 2015). IMD is based in Lausanne, Switzerland, and has an Executive Learning Center in Singapore.

No. 2

IMD

Chemin de Bellerive 23

P.O. Box 915

CH-1001 Lausanne

[www.imd.org](http://www.imd.org)

[info@imd.org](mailto:info@imd.org)

+41 21 618 0111