The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Q&A: Clear Messages Crucial to Nestle Chief's Success

By Peter Hobson

October 17, 2013



Expecting quick returns in Russia is not a good policy, Patarnello said. **Vladimir Filonov**

Anyone plowing through a Moscow restaurant guide will notice the predominance of Italian options over other European cuisines. Nestle Russia's chief executive, Maurizio Patarnello, could give some insight into why Russians have developed such a penchant for his home country's food.

First, he credits Russians with a strong preference for quality. Next is a psychological affinity. Russians and Italians are both extremely emotional, he says. Perhaps this is the reason for rocketing pasta sales.

Maurizio Patarnello

Education

1990 — Bologna University, undergraduate degree in Business
1992 — STOA Business School, Naples University, MBA

Work experience

1993 — Finance controller, Nestle, Italy
1995 — Nestle France, Regional finance controller from 1997
2001 — Head of Nestle Waters in Lebanon and Jordan
2004 — Head of Nestle Waters, Zone Africa, Oceania and Asia
2010 — Chief Executive, Nestle Ukraine and Moldova
2012 — Chief Executive, Nestle Russia — Eurasia

Favorite book: A biography of Alexander the Great

Reading now: A biography of Odysseus

Favorite film: Once upon a time in America, 1984, Sergio Leone

Favorite Moscow restaurant : Reka, 6 Bersenevskaya Ultisa

Weekend getaway location: Six Senses Resort, Oman

But despite having so much in common, Patarnello has learned that subtlety here will get you nowhere.

"Forget about nuances: deliver clear messages, and people will follow you," he said, in reference to personal and market leadership.

Nestle has taken Patarnello, 47, around the world. He spent six years with the company in Paris, four years in Beirut, six years in Dubai, two years in Kiev, and one year at Nestle Russia, where he heads an operation with 13 production facilities, 10,000 employees and a vast distribution network. Nestle has invested $1.2 billion in this country in the last two decades.

He is passionately enthusiastic about Nestle. He loves the human element of management, and the speed and unpredictability of the fast moving consumer goods sector — in which the company is a giant. The ability to continuously adapt, he said, in an interview with The Moscow Times, is a part of his character.

His two daughters, born abroad, he said, "coped with me until a certain point, and then decided to repatriate ... to discover a little bit the country where they are from." Patarnello feels no such pull. His work excites him, and "home," he says, "is where I live."

Over the years he has found himself in very different environments. In Beirut, where he moved in 2001 to head Nestle Waters in Lebanon and Jordan, Nestle came in as minority shareholders in a family business. For the couple of months, the newcomers worked in the family office.

In Dubai from 2004, he helped Nestle set up a new office. Nestle in Ukraine was, when Patarnello arrived in 2010, already established and corporate. The Russian operation is similar, he says, but bigger. "You feel the power," he said, "you feel the strength."

This interview has been edited for length and clarity.

Q: What was it like arriving last fall in Russia?

A: I always remember the first day I landed in a country. I remember the first time landing in Paris and the smell of the place. Dubai shone — it was 40 degrees and there was construction everywhere. I landed in Kiev in October. It was raining. Cold. There you see stability, compared with the dynamism of Dubai. Russia is different — you land in Moscow and you feel the big city.

I did not realize how vibrant and active Moscow is. And the scale — it reminds me of landing in Shanghai. Only when you are really here you realize the challenge you have.

Q: In what way is managing Russians different from managing other foreigners you have worked with?

A: The culture and character is completely different, from, for example, Lebanon, which is a very small country while Russia is the largest country in the world.

The secret is to be yourself, while adapting the skills learned over the years to varying situations.

And you cannot pretend to understand perfectly the Lebanese or the Russians or the Ukrainians in two years. It would be arrogant to believe that. In a new culture, a new country, you make steps and the people make steps and you meet in the middle.

It is a natural evolution. You are with people every day for long hours, you adapt to them and they adapt to you.

Q: What are your impressions of consumer culture in Russia?

A: The country is moving very rapidly towards Western European standards of trade organization. The consumer culture is adapting. The open marketplace, which was the way of shopping in Soviet times, and even later, is disappearing and being replaced by Magnit, by Dixi, by X5. And this is not only about Western retailers, not just Auchan and Metro. Maybe that was the beginning, but not now. The market leaders are not Western. Magnit, X5 Group, Dixy are Russian. But they are adopting, and adapting to, the Western way of retailing,

and fast. The Russian shops are clean, well-organized, convenient and affordable.

Everywhere I have been, this is what I have found.

That said, the market will not become as consolidated as fast as we think. The retail universe has shrunk by about 5 percent in 5 years. That is not much. Due to the size of the country it will take a very long time to reach the level of concentration that you see in Germany, where there four or five retailers, or even in the U.S. The market is still very open for newcomers.

Q: How do you see market consolidation evolving?

A: The formula of market consolidation is still missing a few things. First of all, Russians still love brands. In Western Europe they love a lot of generic labels, the retailer's brand. Russians still do not trust them. It is going to take a long time before they do. I am not even sure that it will ever happen. The logistics and culture here is such that people do not trust unbranded products. Without this in the equation it will take more time for retailers to establish themselves and consolidate. And, given the size of the country, you really have to have thousands and thousands of stores if you want to replace the produkti. Eventually it will happen, but not to the same degree as in other countries.

Russian consumers are very alert and aware. It is about the quality of the brand versus the value, not about Western versus Russian.

Q: How can Russian companies inspire kind of loyalty that Nestle has in you?

A: Russia is a relatively new country to the market economy, so the young generation wants to experiment and try different things. They also believe, and sometimes they are right, that by moving from one company to another your career moves faster. This has to do with one generation. Over time, once we see Russian companies established and perhaps with an international network — this is happening and will happen more and more — and establishing real values, more young Russian talent will stay for longer in Russian companies.

Q: What is the Italian perspective on Moscow?

A: In general Italians are quite adaptable to the Russian environment. I see a lot of Italians being successful in this country — small entrepreneurs, not necessarily top managers. There is a fit in character between Russians and Italians, which may seem strange in terms of geography. It seems to me that Russians are extremely emotional. And Italians are emotional as well. Here we are talking about Slavic countries. The weather is cold but the people inside are not cold.

You have to break the ice, but once you do there is a lot of emotion in this country. It may not be obvious, as in other countries, but still I believe that there is a lot to discover in Russian emotions. It is probably from the culture, from Soviet times when people may have been wary even to say good morning.

Q: How do you view the local cuisine and eating habits?

A: The country is adapting a lot to cuisine coming from abroad, because it is receptive.

Of course tradition says that you have to have your borshch or your shchi as a starter, and then you are probably going to have your pelmeni or shashlik. But pasta is a growing business in this country — incredible! And I do not think it is part of the Russian tradition.

Habits will change, blending a lot with foreign cuisine, as we have seen in so many other countries. Very few countries have such a strong cuisine as France or Italy — or China! Or even Japan — that they export cuisine abroad. The majority of countries import cuisine and eating habits. Germans, British — and Russians are no different.

Italy has made cuisine a way of living. That's why we call it 'living Italian.' But how many countries have this? Living Italian implies having good food, family, Sunday lunch or dinner, where there is this pleasure in eating specialties, eating gourmet.

Not many countries really take pleasure in this. France perhaps ... The majority of countries simply want to eat just well enough. If they want to have a good dinner they will go out. There is no culture of family meals, and I do not think it will ever happen in Russia. What we will have is a country with a culture of eating well — of good food.

Q: How does Russian infrastructure meet the demands of Nestle's product distribution?

A: Nestle is not just waiting for the country to build infrastructure, but has also built its own. We have 11 factories here. We have distribution centers and sales offices created by Nestle. We have intangible infrastructure — a network of good suppliers, with whom we cooperate to establish quality standards. Most of them are local manufacturers, local suppliers. We do not come here just to import and distribute products from France or Italy or the U.S.

In terms of infrastructure that the government makes available for Nestle to do business — a lot has been done. The country is coming from where it is coming from, and there is no need to go on about that. But when I listen to Putin at the St Petersburg Economic Forum about how much they are planning to do with infrastructure, I am impressed. The country recognizes that there is an infrastructure gap and seems willing to fill it. And it has the advantage of being one of the countries with the lowest government debt in the world. Something like 5 percent of GDP, of which that owned by foreigners is 2.5 percent. In Italy it is 136 percent or 135 percent. Russia has the ability to support it, and it seems willing to do so. We have faith that it will happen. But it is a gigantic country, it will take some time.

Q: Has Nestle ever had to deal with corruption here?

A: As far as I know it has never happened in Russia. Because they know it is not going to work. They know that even if we wanted to we would not be in a position to.

They are glad to have us, with our reputation and the jobs and infrastructure we create in the area and the region. They encourage us. We receive requests from regions — 'please come and invest!' Not because they want to get money out of it, but because they want us to create jobs and they want us to create them in the Nestle way.

My experience with this is extremely positive, so far. And it was the same also in Ukraine, which some say is even more corrupt that Russia. It is the same in Africa and in the Middle East. It is a privilege for local authorities to have a company like Nestle because they know

that we have our standards, and they use and adapt to them with enthusiasm. I never have had a case in Russia where the authorities have said 'no if you do not do that then we will make your life difficult.' Never.

Q: Nestle has had its share of controversy. How do the company's values and ethics affect its behavior at such times?

A: Let us not forget one thing. Nestle is a large corporation, and large corporations do not always receive the unanimous acceptance of people. People sometimes see a large corporation and say, this is a large corporation and I am a small individual. There is an imbalance of power, apparently, that creates a sense of being afraid. I think Nestle has to live with this. We have to make sure that it is minimized. It is up do us to make an effort, to make ourselves as compliant as possible, and respond as positively as possible to demands from the people.

Q: Are consumers here interested in corporate social responsibility?

A: The are becoming more and more sensitive about corporate social responsibility, about creating shared values. It may not reach the same level of awareness in, say, Britain, but over time more and more people will ask companies to act more responsibly when it comes to the environment, the way the corporation deals with people, unions, industrial relationships.

Probably local companies are not exposed to this new trend in the rest of the world, so they may not see it coming as fast as we do. But they will be in the thick of it soon.

Q: What challenges have you faced here and what have you learned form them?

A: Russia is no different from any other country in the way we have to work. If you start from good consumer insights, you gain an understanding of consumer needs. If you build around them a strategy of good quality products at an affordable price, it is going to work. There is no doubt.

One thing that I have learned in this country — and it is still early for me to say, because one year is not a long time — the impression I have is that this is not a country of nuances. You have to deliver clear messages to people if you want to be listened to, because there is an initial tendency of people to wait and see. The less clear the message, the more this tendency manifests itself. Forget about nuances, deliver clear messages, and people will follow you. If you do not, they will wait and see.

Q: What advice would you offer to a foreigner in Russia who wanted to invest or expand?

A: This is a big country — do not underestimate the complexity this brings. You have to come with a clear plan, and with money, because this is not a country that allows opportunistic business. Invest, be patient, wait for a return, build around it, continue to invest, and eventually it will pay off. There are still huge opportunities here. But if you come with the idea that it is going to work just like that, it is not going to fly.

Russia has been one of Europe's most stable countries in the last 20 years. At least in the last 15 years, this is a quite stable country. It still is an emerging country, so of course it is less stable than perhaps Germany or France, but when I see what has been happening recently in these countries, the turmoil they are now undergoing ... We should probably reassess

the criteria by which we consider a country stable.

Q: Who or what inspires you?

A: People. Not only do they inspire me, they energize me. I absorb energy from them. I am a battery that is recharged by people.

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