



The CEO as Social Architect

An Interview with Pascal Houdayer, CEO of NAOS

by Carolyn Lutz and Nick Harris

Pascal Houdayer began his career at Procter & Gamble, taking on increasingly senior marketing and general management roles over an 18-year tenure. He moved to Henkel in 2011 and spent 6 years with the group, latterly as EVP Beauty Care & Executive Committee Member. Since 2018, he serves as CEO of NAOS, a globally active family business founded by Jean-Noël Thorel that develops highly innovative skin care and personal care products under the Bioderma, Institut Esthederm and Etat Pur brands.

AvS – International Trusted Advisors: You have worked in 3 very different companies – the US publicly-listed multinational P&G, the established German family business Henkel, and now the first-generation French company NAOS. How would you characterise the differences in terms of management style?

Pascal Houdayer: P&G is very structured, it places a premium on IQ, and innovation is bottom-up because it is consumer-driven. Henkel is a family business, also highly structured; there are clear delegations of authority and strategy is rather top-down. NAOS is very entrepreneurial, the organisation gives a lot of freedom to individuals to be themselves, and the way we do things is more important than what we do; decision we make are driven both by the brain and the heart.

Established brands are losing share to more nimble ‘upstarts’. Is the scale of a group like P&G now a disadvantage, a barrier to growth and innovation?

Scale still retains some advantages: it gives investment power for innovation, enables you to go global easily, and helps search & reapply in ways that small companies have more difficulties to reach. But the scale of a large group also holds some clear disadvantages in terms of a lack of agility and speed, as we see today a lot of smaller, more nimble and digital business models that



act faster than larger physical ones. Smaller companies have faster decision-making because there is no need to navigate up the chain of command, from local to regional, and regional to corporate HQ, and back down again. In my experience, P&L management can be very complex in big companies, thus you might lose personal ownership because of complex matrix structures.

How has your own management style evolved? What was the biggest change that you had to make and what triggered it?

The biggest change in my management style was to move from IQ to EQ, then EQ to AQ. My initial focus was on IQ, as the P&G school places a premium on it with emphasis on analytical and strategic thinking. Then my first learning was to extend IQ to Emotional Intelligence (EQ), leveraging more human emotions and empathy, driven by the need to manage and lead bigger teams. I then observed that in today's VUCA world, IQ and EQ are not enough anymore, and that you need now an Adaptability Quotient (AQ): the capacity to constantly learn – to absorb all the signals from consumers, retailers, insights, trends – and adapt. The shift to AQ started when I first travelled to places like Palo Alto and saw digital start-ups. It wasn't always the smartest entrepreneurs who were the most successful, but the ones who could adapt and be fast. The world now is a village, new ideas come from everywhere and there is no single recipe for success. We have to open our minds to lifelong learning and try to anticipate what comes next.

'Agile Leadership' can mean different things to different people. What does it mean for you?

I define Agile Leadership as having no mental patterns, no pre-conceived ideas on what should be. Having an agile and open way of looking at things, recognising what you don't know, accepting that you have to constantly learn, and adapt to change – or ideally lead it!

What role should the CEO play in terms of Agile Leadership? Does the CEO have to lead from the front, or 'let go' and devolve power?

The CEO has to be a role model, he/she has to display agility in action not just in speech. The role of a CEO is not anymore the one of 'a boss': I see myself as a 'social architect', putting focus on nurturing the culture, the environment, taking care of the people, the organisation design so that we can create together the future of the company. This is very different from the traditional CEO mainly focused on next month turnover, finance, reviewing past results, planning, the 90-day cycle... I believe today's CEO has to genuinely be in touch with all the employees, all the markets, all the functions, immersing in the communities he/she serves. For instance, I spend a lot of time in the market with dermatologists, doctors and pharmacists discussing how they see the evolution of healthcare; also with consumers trying to understand their decision-making process, and thereby map the future moving from products to services to experiences. As a CEO, I believe you should spend more time in the homes of consumers than in meeting rooms at headquarters!

Can Agile Leadership really be practised in big companies that are beyond a certain size? What does it imply for how companies are structured?



I believe so. NAOS is in 100 countries and 75% of our sales are outside of our home country France, so size does affect things, but the principles are the same. The most inspirational leaders I have known, even in big multinationals, spent their time on planes, meeting people, being in touch – and thereby making the right decisions. Structure does have a lot to do with it. At NAOS, we don't believe in hierarchy. The organisation we have designed is flat, our leadership team org chart looks almost like a flower with over-lapping petals. Therefore, the speed of decisions comes from the overlaps and the seamless way we operate.

Are there any in-built advantages that Family Businesses have over other types of company in terms of Agile Leadership?

There are some advantages that FBs have, particularly in taking a long-term view – the idea that they exist for the generations to come, that the harder right is more important than the easier wrong. This is a very different way versus only looking at the next quarter or only looking at TSR (Total Shareholder Return). Secondly, there can be a huge attraction for talent – executives can find meaning in their work, feel they have a purpose and that they can leave a legacy.

What do you see as the implications of Agile Leadership for talent attraction & development?

There are drastic differences in the way we select talent. In the past, it was done in a very functional way, and companies were mainly looking for analytical thinking, creativity, collaboration... Today, at NAOS, we look for a balance between functional expertise and their capacity to give meaning to what they do. We want people with a 'holy fire' inside them. And, as I said earlier, the talents themselves are looking for meaning in what they do. People come to NAOS because of this – we give them more freedom, faster decision-making, they can combine performance and purpose: we call it our 'raison d'être'.

NAOS describes itself as “a purpose-driven company with a mission, inspired by a claimed humanist utopia”. That language is very distinctive and sounds more like the mission statement of an NGO than a business! How does NAOS balance humanism and idealism with commercial reality?

The utopian credo comes from our Founder, Jean-Noël Thorel. NAOS is a movement not just a company. Companies have now the power to change society for the better, which became difficult even for governments. For example, in NAOS we see the skin as an ecosystem, that lives in a human ecosystem, which itself lives in a planet ecosystem. We focus on Human Care and acknowledge that we can't have healthy people if we live on a sick planet. We are challenging this status quo through ecobiology to move from Skin Care to Health Care to Human Care. The factual proof of our approach was given last year by Jean-Noël Thorel, who did an incredible act of faith and donated 100% of his company share ownership to a non-profit shareholder Foundation, which is in France pretty visionary.



Have you had to make any hard choices between values and sales?

Yes. An example would be in the sun product category. There are many ingredients which could be included in sun care products, which are used by many of our competitors and which would have boosted sales for us too. However, some of those ingredients penetrate the skin and the body's ecosystem, so we decided we would not use them and stopped some SKUs. For instance, Esthederm is the only brand whose sun products are not showing any SPF (Sun Protection Factor) because we believe light is the source of life and that we should live harmoniously with it. We have a different philosophy than the big beauty industry, and we see our 'raison d'être' as a fight against what we do not accept, not as a fight vs. competitors.

NAOS proudly states that "for 40 years, we have launched disruptive innovations and registered more than 60 patents". How can a company create a real (and sustainable) innovation culture?

Innovation is in the DNA of our Founder and our company. Our people want to make a difference, to challenge the status quo on products, services or experiences. And externally, we partner with people who also believe in this "4th way" of doing things.

Since you became CEO of NAOS, what leadership messages have you conveyed to the executive team, and what have you learned from them?

I have learned a lot from the NAOS people – they have re-wired my software, evidencing a different meaning: the goal is not to sell more but to improve lives! Towards them, I have tried to share and role model the concept of servant leadership and of the leader as a social architect.

As a final question, if you could go back in time and give your younger, 21-year old self a piece of leadership advice, what would it be? What do you know now that you wish you'd known then?

That the secret of happiness is to constantly learn and be a sponge. Must confess I have done this much more at NAOS and look forward to continue.

Pascal, thank you very much for sharing those insights!



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