

The Korea Business Interview Series:

# “Transforming Lives, Shaping the Future: Innovation in Korea and Beyond”

with **Rob Everett**, Managing Director of *Kimberly-Clark*'s Innovation Center Asia located in Korea, and the company's Global Director of Discovery Research.

Transcript of the interview by KBC's Tom Tucker on Aug 13, 2010.

**Tom:** Hi, and thanks for joining us today for the Korea Business Interview Series produced by KoreaBusinessCentral.com, the premier information and networking site for conducting business in Korea. My name is Tom Tucker, and I'm the host of today's interview. Today's topic is “Transforming Lives, Shaping the Future: Innovation in Korea and Beyond.”

Joining us to talk about this is our guest today, Rob Everett. Rob is the managing director of Kimberly-Clark's Asia Innovation Center and the company's global director of discovery research. Kimberly-Clark is a 138-year-old American multinational corporation whose products and brands are a core part of the fast-moving consumer goods industry – also known as the FMCG industry – as well as the health care sector.

With a Master of Science degree in chemical engineering from Michigan Technological University, Rob has 21 years of experience, including the last 13 with Kimberly-Clark. He joined the company as a product development manager in 1997, and soon was promoted to become director of the company's North American Innovation Center. From July 2007 to the present, Rob has been in his current role as managing director of Kimberly-Clark's Asia Innovation Center in Korea, and serves concurrently as the company's global director of discovery research.

Rob, welcome, and thanks for joining us today. It's great to have you as our guest.

**Rob:** Thank you. It's great to be here.

**Tom:** Rob, tell us a little bit more about yourself, your background, your experience in Korea and overseas. How did you end up leading the Kimberly-Clark Innovation Center in Korea?

**Rob:** Thanks, Tom. I've been working for Kimberly-Clark for about 21 years now, and joined KC after graduating from Michigan Tech, as you mentioned, with my Master's Degree in

chemical engineering. The opportunity to come here to Korea was my first chance to live overseas, although I've had quite a bit of experience working overseas in the past.

Throughout my career, I've had a lot of interesting global business experiences, and also really felt that long-term research was an area that could have a huge impact on companies' results, but often times wasn't valued as highly as it could be. So when I became aware that this position was being established, I made sure to express my interest in it, and fortunately was given the position.

The first time I came to Korea was shortly after I learned about the position, but I had had a chance to work with our joint venture here, Yuhan-Kimberly, some prior to that.

**Tom:** So where's home originally?

**Rob:** Originally, I'm from the Midwest part of the United States, in a small town north of Chicago, and that's where my sons – I have three sons – would call home.

**Tom:** Okay. So the three sons, are they with you now or are they back just outside Chicago?

**Rob:** No, they're with me. We've got one in elementary school, one in middle school, and one in high school right now here, so they're living with us here.

**Tom:** So they're all spread out in age, it sounds like, and I'm sure they keep you quite busy.

**Rob:** Oh, yeah. There's plenty going on with them.

**Tom:** Well, good for you. After talking a little bit about some of the personal things here, let's talk a little bit about Kimberly-Clark's Innovation Center in Asia. Tell us a little bit more generally – first to begin with – about Kimberly-Clark, how many employees it has. Talk a little bit maybe about its global operations, and in particular from your area of expertise, why innovation is such a big part of the company culture and how Korea fits into this as well. I know that's a lot there, but go ahead and jump in.

**Rob:** Sure. Kimberly-Clark, as you mentioned, is a global company in the fast-moving consumer goods industry. This year, we expect to have close to (US)\$20 billion in sales across four business segments. We're in personal care, consumer tissue, what we call Kimberly-Clark Professional, and health care.

Globally we have about 53,000 employees and sell our products in more than 150 countries. Here in Korea, we have a very successful joint venture that I think most people in Korea are very familiar with, and that's Yuhan-Kimberly. They operate our on-going businesses here, and have consistently been recognized as one of the leading companies in Korea.

Why is innovation so important to Kimberly-Clark? We operate in an area with a lot of heavy competition in products that people use on a regular basis, but they're also fairly mature markets

generally. Things like diapers and feminine care products have been around for quite a while, and a lot of people can get into that competitively.

An example may be like China and feminine care, where there are literally hundreds of companies producing feminine care products in that market. If you don't have something on the shelf that's differentiated to the consumer, then you're going to get lost in that shelf and you're going to start to lose brand awareness. Typically, what that means is you're going to start losing margin and your ability to maintain good price on the shelf.

**Tom:** Why did Kimberly-Clark locate in Korea versus other Asian markets?

**Rob:** Historically, all of our research centers or innovation centers have been located in North America. Historically, that made sense for us as a company, because most of our developments were done internally – and that's where our largest market was.

However, as we expanded globally and started to look outside of the company more for innovation ideas, we recognized that we needed to have innovation capability outside of just North America.

As we started to look at that, it was easy to say that Asia should be a place for us to do that, and then we started looking at what specific countries in Asia we should locate in. Korea really came to the forefront. The primary reasons for that – one was the availability of talent here. As you're aware, Korea invests a great amount in technical and scientific training and has a pretty large number of potential employees available in the market.

We felt like we would have a good access to those through the brand recognition that we can borrow from Yuhan-Kimberly, and the presence they have in the market here. So that was a big, big factor for us.

Another one was that Korea is a very fast-moving marketplace, so we had the opportunity to work with Yuhan-Kimberly to evaluate new products here in the market and new technologies that we're developing and work closely with that business to identify things that could be successful in the market here in Korea. Typically – if they're successful here in Korea – there's a good opportunity that they'll be successful elsewhere within Asia.

Then from a technology standpoint, technology development being located here in Seoul gives us to good access to places like Osaka, Tokyo, Beijing, Shanghai, Taiwan, Singapore, and even Australia. We have some relationships with companies in Australia, based here in Korea.

**Tom:** How long has the center been established in Korea, the innovation center, and where is it located?

**Rob:** Our center is located about 25 miles south of Seoul, and we've been here for three years. We were first open in March of 2007.

**Tom:** OK. Do you have other innovation centers in Asia and globally?

**Rob:** Our other two primary innovation centers are both in North America. One is in the Chicago area, or Neenah, Wisconsin, which is where I was located before, and the other one is just outside of Atlanta, Georgia. But this is our first outside of North America.

**Tom:** How are these centers organized in terms of project collaboration and work sharing? What role does the Korea center play in this global network?

**Rob:** The way that we organize – which is maybe a little bit different than a lot of the R&D centers in Korea – is that the innovation center here, we're really part of a global organization. The teams here are part of two global organizations. One is corporate research and engineering; the other is our innovation design group.

They are part of teams that have members here in Korea as well as in North America, and they work very closely with those teams. So just about every team member here is working on projects in collaboration with team members in North America.

**Tom:** Talking about those teams, how many expats and local staff do you have in the innovation center?

**Rob:** At this time, we only have one expat, that's myself, here at the facility. The team here is about 40 people. Everybody else has been hired locally here. We do have one team member who just joined us who was born and grew up about the first 10 years here in Korea, but then lived in the U.S. for the last about 10 years, and moved back to Korea after getting her degree from Georgia Tech. But everybody here is a Korean national.

To provide training, one of the big issues that we had starting a new innovation center is that we have a lot of team members joining us who have not had much experience either in industry or certainly within Kimberly-Clark, so we've invested a lot within communication technologies and travel, and have a high level of engagement between the teams here and the teams in North America.

**Tom:** What are the strengths of your team, and what do you think might be some of the development opportunities for your team?

**Rob:** One of the clear strengths of the team here is the technical training. The team members here have really been able to set themselves apart – or been well recognized for the technical excellence – and I think that's based on the excellent training they've had here in the university system. That's been a real strong selling point for the facility here.

Probably where we've had the most opportunities for training – or had to help the team understand more – is the cultural differences between a traditional Korea company and the way we operate, which is more of a U.S. kind of culture or global culture. The biggest part of that is

that in our organization there is less hierarchy, and we look more for ideas to come from throughout the organization and for people even at relatively junior levels to lead projects and to share their ideas.

**Tom:** Some people would question whether Korea could be a center for innovation, and some might say that the educational system and the culture there stifle innovation. How would you respond to that, and what kind of corporate culture and/or cultural differences do you find in Kimberly-Clark's regional innovation center in Korea?

**Rob:** So far we've been very successful, so I think from our experience it's very possible to set up a successful innovation organization here in Korea. The team has demonstrated some great capabilities and had some great success. The key ways that we've achieved that is we've really focused on what we as Kimberly-Clark think are important cultural elements for innovation.

Those are things, like I mentioned, of having a culture in an organization where ideas can come from anywhere within that organization and are valued when they come from anywhere within the organization. People have different viewpoints, different visions about a project, and being able to bring those all together and pick the best ones is really important.

Working in cross-functional teams, so we have people from mechanical engineering backgrounds and biology backgrounds working together, and the intersection of those ideas tends to be where we get the best ideas. Then also having a compensation promotion system that's based on performance much more than seniority we feel are all key parts to having a good innovation culture.

The key thing for us to be successful here is finding team members who want to work in that kind of environment and can be successful in that kind of environment, and we've been fortunate to be able to do that.

**Tom:** What about this idea, though, that the educational system and the culture stifle innovation? Do you find that to be the case in Korea? If so, how so, and if not, why not?

**Rob:** I think that the traditional Korean company – and the very heavy hierarchical kind of approach – can stifle innovation, because you aren't aligning with those cultural expectations that we think are important. Primarily, that is that ideas can come from anywhere in the organization, and quite often somebody at some of the most junior levels may be closest to something, and therefore have the best the ideas. So I think that a very hierarchical system can have a negative impact.

Similarly, within the educational system, not having the opportunity to work in projects more, having team-based work assignments and things, I wouldn't say hinders innovation, but that is an experience that not a lot of our team members have had and one that we try to give them right away so that they can improve their innovation capability.

So, I think those are some areas for opportunity, but we've been able to find people who have maybe had experiences elsewhere globally, maybe a postdoc in the U.S. or Europe, and that's helped them make that transition quite easily. So I think the capability's here, it's just a matter of finding it and helping the development.

**Tom:** How does the innovation center there work with businesses in Korea and around the world?

**Rob:** We work quite closely with Yuhan-Kimberly, our joint venture here. They work on consumer understanding and market understanding and identify where there's technology or science opportunities. Then we work to develop those, and we'll transition those to the business teams when they're to a point where they're ready for commercialization.

We work that way with our joint venture here in Yuhan-Kimberly, but we also work that way with businesses throughout the globe. We're working in that same way with our businesses in Latin America, in North America, in Europe, in Australia. We work with just about every region that Kimberly-Clark has businesses in right now.

**Tom:** Of the projects that you're doing right now, could you give an estimate on the countries or regions which the center in Korea is servicing? For example, maybe 45% of your projects are relating to clients in the States, 25% in China. Can you give us a breakdown that way?

**Rob:** Most of our team members here are working on global projects, and they tend to be longer-term projects, so projects that are probably three to even 10 years away from commercialization. They tend to be applicable broadly, so there's not a real specific region that they're applied to. I'd say about 80% or more of our projects fit into that category.

The remaining projects are pretty evenly split between the different regions. We have active projects with, as I mentioned, Latin America right now, North America, Europe, and certainly here in Asia.

**Tom:** How have your Asia Innovation Center's results been to date? Moments ago you talked about some successes in the innovation center. Can you talk about results? Can you talk about what you would classify as a success for the Innovation Center?

**Rob:** Sure. Even though we've been here three years, it's still fairly early in our growth and establishing ourselves within the company, but so far we've been very satisfied with the first three years. One of the first indicators of the technologies that we've been able to develop is our patent filings. We've had team members here included on more than ten patent applications that have been filed globally, so that's a good sign.

In addition, there are a number of products that are on the market now, about 10 different products, where team members here at the Innovation Center Asia have actively been part of that team that's implemented those products. Many of them are more focused here in Asia, but some

of them launched on a global basis, and some of them launched in a limited manner here in Asia, but are rapidly expanding to other locations globally.

**Tom:** Rob, in your opinion, when and why did innovation start becoming a buzzword in Korean business?

**Rob:** From my experience, innovation really starts to become important when markets start to mature, and the growth rates of the market slow. Like all emerging markets, the growth of the Korean market has largely been based on macroeconomic expansion over – let’s say – the last 20 years, and a lot of that expansion has been based on importing ideas from other markets such as Japan.

However, at some point that’s no longer successful, and it’s critical to bring new ideas to the market and consumers to be successful, so you start having to target those consumers that are in the market. I believe that innovation’s becoming so important in Korea now, because the economy and market have reached that point.

Similarly, several companies in Korea have done an outstanding job of entering into successful and rapid-growing industries, such as electronics. However, even those markets are starting to mature, and being able to differentiate oneself from the competition is becoming more and more important – or again – you start to see an erosion in margins and prices.

**Tom:** In which markets did the focus on innovation start, and how has it developed into where it is today?

**Rob:** One of the things that I didn’t expect to see when I first came to Korea – but that I’ve seen as a real strong part of the innovation here in Korea – is the focus on design. That’s been a real strong thing. I think Korea’s developed a real strong infrastructure here, and we’ve been able to leverage that in several projects that we’ve been working on, and as I mentioned, we have a design here.

As far as which markets, it’s hard to say which markets. I think that all markets require innovation to be successful, but the kind of innovation that you’re going to do is going to be very different depending on what the consumers need in that market. Consumers are going to be motivated by different things in different markets, and the key to being successful is understanding what’s going to motivate those consumers.

**Tom:** From a general standpoint, what types of innovation are the major Korean companies currently focusing on?

**Rob:** It’s such a wide range of different things that I see.

**Tom:** How about maybe some particular industries in which innovation is being seen as playing a much more significant role?

**Rob:** I think if you look at lot of the industries where I see that innovation is really playing a role, you've got a lot of industries in Korea that have grown as fast followers in that marketplace. Samsung was very focused on catching Sony throughout much of their history, and now have caught them – and I think most people would say have passed them.

So then the question becomes, okay, what do you do you now? Now you're the leader in that marketplace, so you have to bring the innovation. You have to bring the new ideas to the marketplace, to continue to have that success and that growth.

A lot of the markets that I see in Korea, that's the situation. They've been very successful at following, but now are finding themselves in a position of leadership, and transitioning into that leadership role is really important.

**Tom:** Many look to companies such as Kimberly-Clark – maybe 3M and GE – as being global innovation leaders. Why is this the case, and do these multinationals have a common DNA which allows them to be so innovative?

**Rob:** I think the common thing amongst all those companies – if you look at those companies, and all of them are long-standing companies that have been in existence for more than 100 years, and you look at where they started – I don't believe any of those companies is still doing what they started out. I know Kimberly-Clark started as a small newsprint manufacturer using cotton rags as feedstock. If we were still doing that, we wouldn't have an innovation center in Asia, and we wouldn't be a very successful company.

So I think the common DNA is a recognition that the markets around them, the dynamics around the company is going to change, and the company has to change to be successful in the future. That ability to change effectively is what's really important. Different companies do it in very different ways, but I think that's the common element.

**Tom:** What are some other Korean companies that you feel also share this DNA?

**Rob:** I see it in a lot of the organizations we work with, both large and small companies and even universities. I've been quite impressed by how aware a lot of the leaders are in some of the companies that we're working with, and again the universities at what's going on around them. They're well connected, not just within Korea but globally, at what the dynamics are and are always looking for how they can best position themselves to be successful within that Korean market or the global market.

**Tom:** Can you name some Korean companies that might be similar in this way?

**Rob:** A great example is Samsung. I know that Samsung started importing sugar and then was very active in textiles. A lot of people really challenged the idea of moving into electronics. You see a lot of companies that are doing that same kind of thing – redefining themselves based on what their capabilities are and where they believe future success in the market's going to be.

**Tom:** The Korean government talks a lot about innovation. Does Korean business have what it takes to become leaders from the standpoint of global innovation, and if so, are Korean companies at this point, and if not, how many years will it take to get there? What do they need to do to reach that point?

**Rob:** I absolutely believe that the capability exists within Korea for innovation organizations and global R&D organizations to be successful here, and I think our success to-date is indicative of that. The quality of the labor force here I think is very high, and we feel very good about the team members that we've been able to recruit here, and how competitive they are within our global organization.

The Korean government is very actively promoting foreign direct investment. I expect that'll continue. A lot of that's focused on manufacturing, and I believe there's an opportunity to focus more on R&D organizations in Korea.

In addition to this, I believe there is an opportunity to work with the leading Korean universities to develop a curriculum that is specifically targeted to those students who hope to work in organizations like ours, either within Korea or elsewhere, and give them some of the experiences that we're trying to train our team members with as they join – things like more opportunities to work in open-ended projects, more projects in joint work with other students earlier in their academic career, and things like that.

**Tom:** Do you see Korea right now as a global leader in innovation?

**Rob:** I think that Korea has all the capabilities necessary to be a global leader in innovation. It takes awhile to be viewed as that. If you look at the *Business Week* "Most Innovative Companies in the World," there are several Korean companies that are in that list, so that's a good indicator. I think there's even more opportunity here in the future for Korea.

**Tom:** Do you see different innovation patterns within Korean companies than you might see in other parts of Asia such as Japan, China, or Taiwan?

**Rob:** There are differences, but I think those differences are primarily driven by the market, and it's hard to lump together from a market standpoint Japan, Korea, and China, for instance. In Japan, you have a relatively mature marketplace – where innovation becomes very, very important – because most of the markets there are mature and there's not opportunity for just growth through penetration.

You look at the other end of that in China, where there's still a lot of opportunity just for penetration, and at least now several companies can be successful by just putting "me, too" or undifferentiated products on the market. But I think that's going to change pretty rapidly in China, and you already see that changing in the more developed areas like Shanghai and Beijing.

To me, Korea falls in the middle, probably more towards the end of the markets maturing here, and innovation becoming more and more important. But still, at the end of the day, what's important in innovation is how you're able to differentiate your offering to the consumer, and that's what really needs to be the focus.

**Tom:** How does innovation in a Korean context differ from innovation in the West?

**Rob:** As far as the marketplace and things like that, the key essence of innovation, it's not much different. I do think that there are maybe different approaches in the West and can speak more to my experience in the U.S. There are a lot of ideas, and they tend to come with maybe out-of-the-blue... Out-of-the-box thinking is very normal, maybe even too much at times, because people haven't done the background work, and trying things out and having them fail fast is quite common.

I think in Korea – what I've seen – is more focused on a better understanding of what's going on in the marketplace, really, a fundamental background, a scientific understanding, a marketplace understanding, and then executing against that. I think – when you can take advantage of both of those together – you have a very strong innovation culture.

**Tom:** Many people say that Korea is a good test bed for innovations which are then applied elsewhere. This has been especially true with information technology, thanks to the early-adopter attitude Koreans have toward the latest technology. Can you give us examples of innovations developed in Kimberly-Clark's operations in Korea, that the company's been able to apply to other markets?

**Rob:** I think we see the same kind of thing. A good example of that is our diaper market. Our diaper business is growing quite successfully in China now. That business there is really based on the business strategy that we implemented here in Korea several years ago, and we actually started that business by importing product into China from Korea. That's been a very successful model for us, and we continue to look for opportunities like that, where we could take innovations that have been successful in Korea and apply them to other locations in Asia.

**Tom:** So with that answer, I think that means you would answer “Yes” to this next question, and that is I assume you do see Korea as a good test bed and market for your product development elsewhere in Asia – and particularly, maybe China – just as you alluded to.

**Rob:** Yeah, I think it is. It depends on what your strategy is in China. If you're targeting the bottom of the pyramid or the low-income consumers, that's maybe a little bit more challenging of a comparison to make. But if you're looking at the higher-end consumer in the more developed areas such as Beijing and Shanghai, then there seems to be a lot of consistency in those markets in the consumer segments that you go after.

**Tom:** In what sectors is Korea an innovation leader, and in what areas would you say Korea is an innovation laggard?

**Rob:** I'd say that the industries that get a lot of press or a lot of visibility are the electronics, ship-building, and automobiles. They get a lot of visibility in those areas. But I see it happening with a lot of the other companies that we work with here, who have very good ideas and understand how they're differentiated from the marketplace, are aggressively going after new products, understand the global trends, and how they can fit into those.

Even though there are some industries where maybe it's a little bit more prominent, I don't really feel like it's an industry thing. I think it's company by company, and those companies that are successful are the ones that understand how they innovate within their context.

**Tom:** What makes for a knowledge worker in Korea who will be adept at developing and harnessing innovation within his or her company?

**Rob:** Clearly the strength we have seen from our team here is excellent technical training and work ethic. This has really allowed the team to create a lot of positive perception within the global teams and management elsewhere within the organization. Really, the focus of our training with the new team members is to help them get comfortable with some of the key philosophies that we believe are critical to effectively innovate.

These are the same things that I mentioned before – really, sharing of ideas and being willing to have everybody in the organization share those ideas, think a lot about what could be as opposed to what currently is or what's currently known, and to test those things out.

Cross-functional teams working together we think is very important, because a lot of times the best solutions come from the interaction of those cross-functional teams. And then being able to reward the best performers through promotion and compensation is really important.

From my experience and discussions with our team members, these are the kind of cultural elements that are not real prominent in traditional Korean companies, and most of the technically trained individuals we have didn't get much exposure to that kind of culture unless they worked overseas for some time.

As I mentioned earlier, one of the things that we've been able to do is hire several people who came back to Korea, and we recruited them while they were still overseas maybe in school, maybe in postdoc, have come back to Korea and joined our company.

**Tom:** What do Korean academia, employers, government, and consumers need to do to encourage innovation in academia, in the workplace, and in society?

**Rob:** I think that being able to prepare team members or prepare prospective employees for the kind of culture that you're going to experience in a global company like Kimberly-Clark is

probably the key thing, especially in the academics. Having some institutions or some programs that are set up – not just with the language skills and things like that – but with programs that allow them to work in more open-ended projects, maybe with industry involvement, more project-based activities or team-based activities where they're working together with people from different disciplines and things like that.

From my experience, the academic experience tends to be very individual focused here, and providing people with more opportunity to work within teams and within projects, I think would create a lot of value.

**Tom:** In your experience, what are the strengths and the weaknesses of Korean knowledge workers in terms of innovation?

**Rob:** Clearly, the biggest strength is the technical capability and the technical training. It's very, very good. Then another major strength is the work ethic here. People are very dedicated to their jobs, and do an excellent job as a result. I see those as very strong strengths and some that we've been able to take advantage of. I think continuing to develop this culture of innovation, sharing of ideas, working within teams is an opportunity for development.

**Tom:** Do you feel the Korean government should take the lead in promoting and fostering innovation through – maybe investment incentives, maybe pushing for educational objectives that match with industry's needs, etc. – or do you see the model for innovation growth in countries developing in some other way?

**Rob:** Personally – and I may be a little bit biased in this – I believe that there is a large opportunity in Korea for global R&D centers to be located here. Again, there's a large workforce available who's very well trained and can be very successful within a global environment. I think a lot of people here would like to be working within a global environment like that.

I think that – as the Korean government looks at areas where they want to focus foreign direct investment – if they decide to focus on R&D, that would be a big opportunity, and to encourage more companies to come here and set up R&D centers and have incentive systems and other systems that promote that.

As I mentioned, I think a lot of the academic organizations I see doing a lot to try to promote this with their relationships with other universities overseas. I think that there's a lot of encouragement of studying overseas and things like that to get exposed to those different cultures. But really targeting some programs or some training to those students who are looking to go into global environments when they graduate and giving them opportunity to work more in a project environment or in a team environment would be very valuable.

**Tom:** Well, you've certainly provided us with a lot of great information and a lot of great and valuable insights. What last thought or two would you give for the members of Korea Business Central before we wrap up our conversation today?

**Rob:** I always enjoy following the discussions on Korea Business Central. I think there's been a lot of interesting discussions in the past about innovation and the innovation culture in Korea. I think that what we're doing – from what I've seen out there – is a little bit unique, but I think there is a great opportunity for Korea to be successful as an R&D and innovation center. We're moving in that direction, and Korea can be quite successful in that way.

**Tom:** We certainly look forward to that happening. Rob, thanks so much for joining us today. We truly appreciate it.

**Rob:** Thank you.

**Tom:** Today's topic has been "Innovation in Korea and Beyond," and our guest has been Rob Everett, who's the managing director of Kimberly-Clark's Asia Innovation Center and the company's global director of discovery research.

I'm your host, Tom Tucker. This has been the latest in our ongoing *Korea Business Interview Series*. I invite you to improve your business results in Korea by joining [KoreaBusinessCentral.com](http://KoreaBusinessCentral.com) today. Thanks for listening, and have a great day.