The 3G Way: Dream, People, and Culture

An introduction to the management style of Jorge Paulo Lemann, Marcel Telles, and Beto Sicupira, owners of some of the biggest icons of American capitalism

FRANCISCO S. HOMEM DE MELLO
The 3G Way:
Dream, People,
and Culture
“Two years ago my friend, Jorge Paulo Lemann, asked Berkshire to join his 3G Capital group in the acquisition of Heinz. My affirmative response was a no-brainer: I knew immediately that this partnership would work well from both a personal and financial standpoint. And it most definitely has.

“We expect to partner with 3G in more activities. Whatever the structure, we feel good when working with Jorge Paulo.”

− Warren Buffet

“This is a management team that does not require shareholder activists.”

− Bill Ackman

"Having studied the development of some of the most extraordinary business stories of all time, and the entrepreneurs and leaders who built them, I can say definitely that this story – rising from such humble beginnings to global prominence – is one of which Brazilians should be immensely proud. It stands in the same league as great visionaries like Walt Disney, Henry Ford, Sam Walton, Akio Morita, and Steve Jobs. And it is a story that leaders from around the world should know, as a source of learning and inspiration.”

− Jim Collins

“The traditional factors of production—land, labor, and capital—are becoming restraints rather than driving forces. Knowledge is becoming the one critical factor of production.”

− Peter F. Drucker
Foreword on People

A company’s biggest asset is good people working as a team, growing in proportion to their talent and being recognized for that. Employee compensation has to be aligned with shareholders’ interests.

— The 18 Commandments

Our commitment to recruiting, training, and retaining our best people is a key element of our strategic initiatives. We know the AmBev People are our greatest competitive advantage.

— AmBev’s 2003 Annual Report

We’re a one-trick-pony: our trick is to leverage people. That’s what we know how to do. Find people that have talent, a spark in their eyes, and a desire to grow, and open up their path, to help them get ahead.

— Marcel Telles

According to Carlos Brito, in his “View from the Top” presentation at Stanford in 2011, “Great people are what forms great companies.” For a company to be great, the majority of its people have to be great: there is no other magical ingredient.
It sounds incredibly simple. But it is not!

In order to have great people, a company has to invest in several fronts:

- Foster an environment where great people feel great.
- Create a constant pipeline for great people to enter and climb the company’s ranks.
- Compensate great people disproportionately.
- Get rid of the poorest performers, so that the average talent pool improves constantly.

According to Brito, great people like working for companies that have three key traits:

- Meritocracy: the best are recognized and the worst are driven out of the system.
- Informality: hierarchy is not imposed, but earned, and where they can express their opinions openly without peer pressure and political concerns.
**Qulture.Rocks**

- Candor: there are no hidden agendas. Fact-based discussions and a clear notion of where people stand in the company is the rule and not the exception.

Besides having an environment that pleases great people, it is very important that the company has a constant pipeline of talent in all its ranks. That’s done in many ways.

First of all, supply the base of the pyramid with fresh talent via internship, trainee, and MBA programs, all over the globe. AB InBev’s senior management all get involved in the final steps of the recruiting process, ensuring cultural fit and getting the best people on board personally.

The best people move up from the base quickly, being constantly rewarded for their top-notch performance and receiving loads of training related to these new responsibilities. Leaders are all required to have at least two team members identified as potential successors, from which at
least one must be ready to take on the position within the next six months. This ensures that most of the higher-ups running AB InBev today were at the bottom of the organizational chart at one point, and that they are 100% fit for the company’s unique culture.

As simple and straightforward as these concepts sound to business managers, their implementation takes utmost discipline and focus.

Especially during the transition toward an informal, candid meritocracy, those people Carlos Brito refers to as mediocre (a harsh but candid term) will be very displeased with the new way of doing things. Nice people who have worked for a company for a very long time will no longer feel safe and warm in their corners, and others won’t like the competitive environment, in which employees constantly challenge their peer’s views and assumptions. Again, it is always easier to kick the can down the road and maintain the status quo,
but these changes are the foundation of a great company.
Meritocracy: Easy to grasp, hard to execute

Meritocracy: *a system in which the talented are chosen and moved ahead on the basis of their achievement.*

− Merriam-Webster Dictionary

True meritocracy is probably the most important and distinctive aspect of the trio’s management style, and can best be understood as treating differently-performing people differently, compensating the best disproportionately, and dealing honestly with poor performers, either by coaching them to improve, or by firing them.

The backbone of a meritocracy is a variable compensation system backed by individualized goals and performance reviews. Variable...
compensation comes in two forms: money and promotions/responsibility.

**Meritocracy in school and sports**

According to Brito, we are introduced to meritocracies early on, in school. Grades are usually public and very objective, and people have to pull their own weight to get ahead. Later on, we get involved with sports, which are also meritocracies: we get to play if we are good; we get to sit on the bench if we are mediocre. Coaches offer constant feedback and apply a healthy dose of pressure.

**The corporate world: where meritocracy gets disrupted**

Executives, on the other hand, often take a host of other factors into account when managing their employees: time on the job, personal ties of friendship, and loyalty to the company. But this works like a cancer, because it shows people that
regardless of how much great work they produce, they are not going to be recognized for it. What follows is a deathly spiral, as the performance of the majority of associates degenerates significantly. The feedback loop feeds itself into an obit certificate\(^1\).

According to Carlos Brito, being meritocratic is not easy. Dealing with poor performance, for example, takes manager discipline to face the facts, confront the employee, and fire him or her after three feedback sessions have not brought about the intended performance improvement. But it is what’s best, for both the company \textit{and} the employee: the company will be able to promote a performer to fill the vacant role, while the employee will be able to tweak his or her career to pursue work that is a better personal fit. Still

\(^1\) Not only are the wrong employees frequently promoted, but the good employees feel so demotivated that they leave to other companies, intensifying the problem.
referring to poor performances, Brito states, “Yes, there will be people at the bottom. And that’s the idea; that people at the bottom feel bad, and they want to go to the top.” Letting employees know how their performance relates to their colleagues’ achievements fosters healthy competition.

Jack Welch, a huge influence to AB InBev’s culture, seems to agree, as can be seen in his 2002 GE Annual Report:

Not removing that bottom 10% [of worse performers] early in their careers is not only a management failure, but false kindness as well – a form of cruelty – because inevitably a new leader will come into a business and take out that bottom 10% right away, leaving them – sometimes midway through a career – stranded and having to start over somewhere else.

What is merit?

Defining merit is tough. At first glance, merit is “delivering the numbers,” which is basically hitting
your goals. But that’s only a third of the tripod used to define the key traits of an ideal leader:

![Figure 5: Leadership and merit.](image)

**Making the numbers**

Delivery is a very objective concept that is widely measured within the company. What’s the employee’s weighted average of goals hit? Different goals have different weights, and each employee’s goal has a percentage of completion measured by the start of every performance review.
When the employee doesn’t hit his numbers (70% is the absolute minimum), it’s up to his or her leader to assess if he or she needs training, if the goals were not set appropriately, or if the employee is just plain wrong for the function.

**Teamwork**

Teamwork is measured by leaders and a formal 360-degree annual review. What’s the professional’s ability to work with a team, motivate their direct reports, create no trouble, and breed talent within the ranks?

Those who have teamwork issues but do deliver the numbers and have cultural fit may be directed to specific training programs directed at “prima donnas.” They're given some time to work on their weaknesses.

**Cultural fit**
Cultural fit is the only leg of the tripod that is absolutely non-negotiable. Values such as integrity, meritocracy, ownership mindset, and the pursuit of excellence are not a matter of training, and are deal breakers.

GE, again in its 2002 Annual Report, explains a framework very much alike AB InBev’s:

*It’s about the four ‘types’ that represent the way we evaluate and deal with our existing leaders.*

**Type I:** shares our values; makes the numbers – sky’s the limit!

**Type II:** doesn’t share the values; doesn’t make the numbers – gone.

**Type III:** shares the values; misses the numbers – typically, another chance, or two.

None of these three are tough calls, but Type IV is the toughest call of all: the manager who doesn’t share the values, but delivers the numbers; the ‘go-to’ manager,
the hammer, who delivers the bacon but does it on the backs of people, often “kissing up and kicking down” during the process. This type is the toughest to part with because organizations always want to deliver – it’s in the blood – and to let someone go who gets the job done is yet another unnatural act. But we have to remove these Type IVs because they have the power, by themselves, to destroy the open, informal, trust-based culture we need to win today and tomorrow.

**Performance reviews: putting meritocracy to practice**

Performance reviews are the foundation of every meritocracy, and at AB InBev, it is divided into three main parts:

1. Monthly numbers review
2. Mid-year formal review
3. Annual formal review and bonus

Monthly numbers reviews are meetings that a leader holds with his or her direct reports, aiming
to review each person’s numbers and goals (including the leader’s), and deciding course corrections for those who are straying from their targets. Colleagues are encouraged to jump into each other’s discussions, suggesting causes and solutions to problems, and sharing best practices.

In the middle of each year, each leader conducts a one-on-one meeting with his or her direct reports, where a more comprehensive discussion of results and goals is performed, as well as any relevant feedback better suited to a private conversation. There are hardly any surprises in these reviews, since the numbers are very openly discussed monthly, so this is a place for deeper feedback, especially negative, and for a recovery action plan, which has to have 5Ws and 1H:

- what is to be done
- by whom
- until when
- where
- why, and finally
- how.

Finally, by year end the formal one-on-one review is undertaken: leader and report sit for another round of results, goals, and feedback, after which the individual performance number will be set. The individual performance number, or index, is the weighted average of the percentage of completion of all of the person’s goals:

Goal 1: Raising sales by 10% (Weight of 70%)

Goal 2: Increasing # of client visits by 5% (Weight of 30%)

Let’s say this hypothetical employee has hit his first goal, but has hit only 50% of the 2nd goal. Her final performance index will be

\[
\text{I.P.} = (100\% \times 70\%) + (50\% \times 30\%) = 70\% + 15\% = 85\%
\]
Qulture Rocks

This process is undertaken by the whole firm, from the CEO down to the lower managerial posts. Reports provide leaders with their goals, results, challenges, and action plans. Leaders then provide reports with feedback, coaching, suggestions, tools, resources, and knowledge.

![Figure 6: Performance review process.](image)

**Variable compensation**

Variable compensation happens differently for different management functions (bonus based on performance reviews) and operational roles (bonus based on collective excellence programs).
Management Bonus

Every year, management employees are eligible to earn a bonus: a product of his/her individual performance, the collective performance of his team, and the overall company performance.

\[
\text{Individual Performance} \times \text{Team Performance} \times \text{Company Performance}
\]

We already know that the Individual Performance index is a function of the employee’s results. Team performance, as we’ll see in further detail on the goals chapter, is how the team as a whole fared relative to its goals. If every professional in the team made his or her numbers, then logically the team will have made its numbers, because individual goals are necessarily broken down from collective goals, which are themselves broken down from firm-wide goals. Firm-wide goals follow the same logic.
So it doesn’t matter if the individual had great performance for the year: he or she will be punished if their team doesn’t collectively make its goals, and the same goes for the firm. This process leads to a great alignment of interests among employees and shareholders, who all ultimately benefit from the same outcomes.

After everyone is graded with their performance indexes (as we saw, the performance index is an overall percentage of goal completion), management goes on to rank all employees in a forced curve, which historically has the shape of a bell graph, to get them their final bonus grades.
Figure 7: The relative performance curve.

At the bottom of the curve are the Ones, who have sub-par performance. Ideally, the bottom 10% should be fired immediately. Their presence there is usually not a matter of circumstance, but of repeated bad performance. Moving them on gives fresh people a try at those jobs, and the employee a shot at finding a better-suited career.

Threes are the core of the company. Their performance is great, but they’re either not ready for a promotion, or are some of those experts who are excellent at what they do, but don’t have many managerial ambitions (great accountants and
lawyers may fit the bill.) Note that if the company is constantly shaving the worst performers, Threes constantly have to improve their relative performance, or risk becoming Ones. This mechanic ensures that the talent pool is constantly striving to improve, fueled with a healthy dose of lateral competition.

Fours are the movers: excellent employees who’re on a path of excelling at everything they tackle, and who are very ambitious about growing within the ranks. These must get an outsized portion of the company’s “love and care” in the form of bonuses, promotions, training, etc.

You may be wondering about the missing 5%, or the Two category on the graph: these are the employees that have been at their jobs for less than six months, and thus are not eligible for performance reviews. The company gives them leeway to settle into their new jobs and get their grips.
A very similar practice can be found in GE, a great inspiration for the trio, as is made clear by the company’s 2002 Annual Report:

In every evaluation and reward system, we break our population down into three categories: the top 20%, the high-performance middle 70% and the bottom 10%. The top 20% must be loved, nurtured, and rewarded in the soul and wallet, because they are the ones who make magic happen. Losing one of these people must be held up as a leadership sin – a real failing.

The top 20% and middle 70% are not permanent labels. People move between them all the time. However, the bottom 10%, in our experience, tend to remain there. A company that bets its future on its people must remove that lower 10%, and keep removing it every year: always raising the bar of performance and increasing the quality of its leadership.

At AB InBev, as at GE, losing a top performer is a sin, and there’s a company-wide goal of top performer retention. In a recent case of a top
performer leaving Burger King, the employee was amazed at how much people tried to dissuade him from leaving once he announced his decision. He had only recently been put into a “Future Promises” list of high potential employees that were expected to take leadership positions within the company in the near future.

**The bonus pool**

The bonus pool is the total amount of cash available for distribution at year-end. It’s also called the size of the pie, and is a function of the company’s Economic Value Added:

\[ \text{Pie} = \text{EVA} \times X\% \]

\[ \text{EVA} = \text{Nopat} - \text{Cost of Capital} \]

Where:

\[ \text{Nopat} = \text{Net Operating Profit After Taxes} \]

\[ \text{Cost of Capital} = \text{Invested Capital} \times \text{WACC} \]
Invested Capital = Operating Assets

WACC = Weighted Average Cost of Capital

To get the potential bonus per employee, which is a factor that multiplies annual salary, we divide the pie by the company’s monthly payroll:

Potential Bonus = Pie / Monthly Payroll

We then know that the available bonus is, for instance, four months’ salary for each employee; but the actual amount earned is given by the employee’s position in the bell curve, as we saw in Figure 7.

Excellence Programs

Employees not eligible for management bonuses take part in the company’s various Excellence Programs, which are organized within different regions and divisions. AB InBev took inspiration from Anheuser-Busch on these initiatives, which
are basically competitions between factories, sales teams, and distribution centers.

Excellence programs entail a group of usually five collective goals for each unit, which are actively pursued by the teams. As we can grasp from AmBev’s 2003 Annual Report:

These programs were created to maximize efficiency within different units, that compete with each other for the greatest scores based on the achievement of several goals and procedures. Employees on winning units make extra compensation, and the title of “Ambassadors” if they win the contests for more than three times. Beyond motivating people, excellence programs are the backbone of our cost cutting initiatives.

A specific example is the Sales Excellence Program. Each sales team competes with its regional peers for the prize, which is calculated as a multiplier of the Profit Sharing Program (a very similar logic to the size of the pie and potential bonus.)
for example, has cut deals with most of the unions active in the brewing industry so they are able to use this strategy. They pay down to no profit sharing at all to losing units, and pay up to three times the profit sharing amount to winning units.
Informality

Talented people like simplicity. That’s where they thrive.

- Carlos Brito, 2012 Endeavor CEO Summit

We also believe in keeping it simple: with decisions based on clear, agreed-upon approaches and common sense. That means constantly rooting out complexity, and streamlining processes that get in the way of decision-making and execution.

- AB InBev’s 2014 Annual Report

The second pillar of the pro-talent work environment is informality, which can be seen in a number of different settings and occasions.

An informal workplace fosters communication and transparency, ensures the approachability of senior executives, and is a backbone of meritocracy, since it makes it difficult for mediocre people to hide behind closed doors and corner offices. Great people also like to wear informal clothes, which impose no false status, and appreciate an environment where the best argument wins, with
no attention to rank or seniority, but only to facts and data.

**Open floor plans**

As Carlos Brito said in his Stanford presentation, “I have no office. I sit with my direct reports at a big bench—my marketing guy on my right, my operations guy at my left, and my finance guy on my back.”

There are great advantages to having everyone sit close together with no walls between them. First of all, teams can talk to each other without having to move around the office, which increases information flow and efficiency. Brito has said he constantly holds one- to five-minute meetings with his key aides, changing topics quickly and making decisions without the need to check schedules and physically move to a meeting room with (often) a host of unnecessary people.
Another advantage of open floor plans is that they prevent people from hiding behind doors. Carlos said in the same presentation, “Offices are for mediocre people who like to hide behind their doors and play games, et cetera.” As harsh as this statement may sound, it is mostly true. People are in the office to work. Workers who want privacy may leave their tables and look for a quiet place to deal with their personal lives, but that must be the exception, not the rule. When work requires privacy, as in the case of confidential matters, staff can use conference rooms.

Another important pro of open floor plans is what I will call approachability. Open setups enhance constant communication between different hierarchical levels. Corner offices, or just walled offices, impose a kind of respect that is detrimental; it imposes fear and shame on workers if they “interrupt” superiors’ privacy. But talking to your boss is not, and should not be seen, as
interruption. It is an essential part of a healthy work environment.

Casual dress code

The trio’s management informality is enhanced by allowing employees to wear mostly casual clothing to work. It reinforces the value of open floor plans in that it also fosters equality between hierarchical levels. Bosses should not use their position or their clothing to impose respect; they should earn their team’s respect through example, performance, and argument.

Carlos Brito is always seen in jeans, with shirts embroidered with logos of AB Inbev’s brands. The same outfit serves Marcel and Beto, who are rarely seen in suits, and the brewery’s salesmen and executives alike. Jorge Paulo adopted the uniform of khaki pants and short-sleeve shirts in Garantia times, and has never dropped it.
Horizontal organizational structure

Informal companies foster environments where the best argument, not the highest hierarchy, drives decisions. Employees of all levels are welcome to join discussions if they have fact-based, well-rounded opinions that add to the topics at hand. In such an environment, leaders cannot hide beneath their titles, and enjoy the full benefit of having hired and nurtured talent better than themselves.

Simplicity

*Common sense is as good as fancy concepts. Simple is better than complicated.*

- Garantia’s 18 Commandments

The last cornerstone of an informal culture is simplicity, as evident in the very down-to-earth manner with which the trio, and their companies’ executives, run their businesses, and conduct their personal lives.
As is evident to anyone who takes the time to watch their keynotes online, the language chosen by Jorge Paulo Lemann, Marcel Telles, and Carlos Brito (those whose talks are most abundant) is incredibly simple and understated. They always refer to employees as “people” and not associates or human capital; they talk about owner mindset, and not empowerment or accountability; and they talk about being great, good or mediocre—very straight to the point.

The language and content of their management principles are also very enlightening: they praise copying what’s best instead of trying to reinvent the wheel, as well as hard work and knowing the operations firsthand. These are very old-school, working-class values with which anyone can relate. AB InBev’s leaders firmly believe great people can understand matters so thoroughly that they can distill complex concepts into simple, approachable explanations that the whole company can easily grasp.
Candor

Transparency and free information flow ease decision-making and minimize conflicts.

- Garantia’s 18 Commandments

We believe common sense and simplicity are usually better guidelines than unnecessary sophistication and complexity.

- AB InBev’s 10 Principles

In big companies, only good news arrives at the top.

- Carlos Brito, Endeavor CEO Summit

The third and last pillar of an environment where great talent feels at home is a candid one, where people discuss topics openly, with little tolerance for internal politics, hidden agendas, and opacity.

Candor is intimately related to informality, and could even be discussed as one topic. But I choose to stay with Carlos Brito’s three pillars for the sake of fidelity to the company’s internal understanding of its culture.
According to Brito, a candid environment is one where “everyone in the company can speak up as long as they are respectful and constructive,” and where “people know where they stand” in terms of their performance and the company’s plans for them.

A worker can and must disagree with colleagues and superiors if he or she believes that the topic at hand is being misunderstood or that the plan of action being taken is wrong.

According to Vicente Falconi, encouraging employees to speak up brings them great enthusiasm, since they’re able to persuade colleagues and take an active part in the direction taken by the company.

Jack Welch touched the same subject in his 2000 Annual Report at GE:

2 From Brito’s “View from the Top” talks at Stanford.
Informality is not generally seen as a particularly important characteristic in most large institutions, but it is in ours. Informality is more than just being a first-name company; it’s not just a sense of managers parading around the factory floor in suits, or of reserved parking spaces or other trappings of rank and status. It’s deeper than that. At GE it’s an atmosphere in which anyone can deliver a view, an idea, to anyone else, and it will be listened to and valued, regardless of the seniority of any party involved. Leaders today must be equally comfortable making a sales call or sitting in a boardroom: informality is an operating philosophy as well as a cultural characteristic.

Falconi, the consultant, also speaks about the obsession for always seeking the “truth” through facts and data-based discussions, where the best argument must always win, despite seniority levels, years with the company, or other subjective factors that are not related to the “truth” of the matter.
A final aspect of candor is that, according to Brito, “great people like to know where they stand.” This relates to two things: first, leaders must always provide reports with open, candid feedback that allows them to improve their weaknesses and enhance their strengths. Second, great people like to know if the company has great plans for them. They like to know they’re ripe for a promotion, or that certain steps are between them and a significant career move.
Growth

The most competitive companies in the world frequently boast about their “up or out” cultures: employees either move up, as a reward for high performance and a way to clear space for up-and-coming juniors, or leave the company altogether, spit out by the system.

But in order for upward mobility to happen, the top positions of a company (which, because of the pyramid shape of organizations, are usually few) must be frequently recycled. But isn’t turnover at the top bad for organizations, causing loss of knowledge and experience (frequently to competitors) and slack?

The answer to this conundrum lies in growth. If we analyze AB InBev’s history, the company has grown steadily and sharply since it all started with
the Brazil-based Brahma. Since the trio believes their only really sustainable competitive advantage is their management style, they sought to chase growth by purchasing “mature businesses, with pulverized (and/or weak) ownership, strong, recognized brands and poor management,” where “external and internal owners could make a difference,” in the words of Marcel Telles. Acquisitions supplied top-line growth, and management turnaround supplied earnings growth, a combination that pleased ambitious employees and shareholders alike.

Acquisitions enabled Antarctica—then AmBev and finally InBev—to export talented individuals to a number of M&A-created positions (the Brazilians secretly pride themselves in having “taken over” much of AB InBev’s management structure) around the globe. That is the upward mobility that enabled them to compensate armies of great executives with increased authority, responsibility,
and promotions, without the much-feared turnover at the top of its ranks.
The talent factory

_We always nurtured a colossal pipeline of brilliant, ambitious, entrepreneurial people._

- Marcel Telles, Endeavor CEO Summit

_We hire people with the potential to be better than we are, ensure that our leaders engage them fully, and challenge them to perform at their best. At the same time, we invest heavily in attracting the best people, developing their potential, and enriching their opportunities through a range of programs and initiatives. We have continued to refine and enhance our talent recruitment, learning and development initiatives to build a pipeline of talent, meet the changing needs of a growing business, and cultivate the next generation of leaders._

- AB InBev’s 2014 Annual Report

It’s hard to know what comes first: a great pool of talent, or sharp growth. But the fact is that growth and talent must walk hand-in-hand, or everything falls apart. Understanding how AB InBev’s talent factory works is in great measure an understanding
of the core of its management culture, which is so heavily based on people.

The Global Management Trainee program

Young people are idealists by nature. When you try to recruit some older professional, he’s already been through a lot, a lot of situations that’ve made him kind of cynical. He’s heard all those promises, but has also seen firsthand that most people say them, but don’t practice them.3

- Marcel Telles, Endeavor CEO Summit

A trademark of the 3G management style is their quick implementation of comprehensive trainee programs.

Hiring at the base of the pyramid is of the essence. According to Jim Collins, author of Built to Last: Successful Habits of Visionary Companies, with whom AB InBev’s board of directors consults yearly, hiring at the bottom is a trait of the most successful companies, because it allows thorough cultural

---

3 Translation by the author.
indoctrination and minimizes the hiring of people who have been contaminated with other culture’s weaknesses.

The most straightforward way to do this is through a comprehensive trainee program (or several, in the case with AB InBev.)

The company holds an annual recruitment process that spans almost six months, beginning with a senior management roadshow to the world’s top undergraduate programs (Marcel Telles did these university presentations for a long time; Carlos Brito does a number of them nowadays, as do other C-level executives), a practice they believe enables them to attract much better talent than their large competitors, who send HR people to do recruiting. According to Marcel Telles at Endeavor’s CEO Summit:

*I would recruit against the large corporate behemoths, head-to-head. The only difference is that [AmBev] sent*
its owners recruiting, whereas our competitors sent John Doe, from HR\(^4\).

Candidates are screened through multiple tests and interviews, after which they meet again, now on a more personalized basis, with top executives, who give their final sign-off on the most promising candidates. This ensures culture fit, and tips the scale towards AB InBev if the candidate has competing offers.

In 2014, AB InBev’s Global Management Trainee (GMT) program had a class of 147 young professionals, chosen from a pool of more than 94,000 candidates. It’s a massive and quite selective program. According to AmBev’s 2014 Annual Report:

_The trainee program was created to develop young talented professionals with an ample, generalist view of the industry and the skills that enable them to_

\(^4\) Translation by the author.
undertake key management roles within the company on the short and medium-terms. The recruiting process encompasses seven steps, from the sign-up to online quizzes, to a final interview with members of our C-suite. The selected few go through ten months of training. In the first five months, the focus is on acquiring a strategic view of our business, working through manufacturing, sales, and corporate functions. In the second part, they focus on one specific area of the company, after being thoroughly followed by our People Development team.

In addition to the GMT program, AmBev also has a specific manufacturing trainee program, focused on developing industrial engineers and brewing masters, for technically-oriented undergrads. Finally, there’s an internship program that hires students before their graduation for part-time or summer-vacation positions.

---

5 Translation by the author.
MBAs

AB InBev and the other companies owned by the trio also hire top-tier MBAs. It all started with Carlos Brito, who was the first student to have his MBA financed by Jorge Paulo Lemann, in the 1980s. After his Stanford program ended, Brito was hired at Garantia, and went on to Brahma after the acquisition. Lemann and his two main partners then founded Fundação Estudar, a charity focused on handing out merit-based loans to promising graduate and undergraduate Brazilian students.

Fundação Estudar gave the trio an unprecedented pipeline of high-quality postgraduate students (since then, the NGO has extended its program to undergrads), a great number of which were hired within the trio’s companies.

MBAs from the world’s top business schools are selected for summer internships, and the top performers are then extended full-time offers, very
much like what happens at Wall Street firms. As the 2014 AB InBev Annual Report explains,

Our global MBA program draws qualified candidates from such top business schools as Harvard, Stanford, Chicago-Booth, MIT Sloan, Columbia, Wharton and Kellogg in the U.S., as well as London Business School and IESE in Europe and CEIBS in Hong Kong. In 2014, we selected 21 MBAs for the program from a pool of 642 applicants.

Promotions and “people chess”

With the base of the pyramid thoroughly supplied by internships, trainee programs, and MBA hires, the company goes on to nurture the talent funnel all the way to the top, through promotions, formal training, strategic career moves, and fast-tracks for the most promising.

Training, as we’ll see further down the road, is widespread through AB InBev; that started its
corporate university program in the 1990s with the founding of Brahma University.

AB InBev is very strategic in how it handles promotions. As mentioned previously, every year leaders are required to name two possible successors who have (or are going to have in the near future) the suitable skills to take on their roles should they be promoted (or leave the company.) These promotions are discussed, at least at AmBev, in a “People Chess” meeting, where the company’s leaders, alongside the People and Management Department, discuss who’s being promoted, and to which functions.

The company strongly encourages lateral moves that take people out of their comfort zones. According to Brito’s View from the Top talk:

_We like taking people out of their comfort zones. We do a lot of that; and it’s been working fine. We get someone who’s been at a position for three, four years,_
for example in finance, and suddenly throw him into sales.

We’ve learned that people only grow when taken out of their comfort zones, in the same way that companies only grow when taken out of their comfort zones. The company only grows when its people grow.

These moves are all decided in these People Chess meetings, where management discusses how future promotions can enhance employee skills. Replacement costs are minimized, since there’s always someone ready to take on the newly-opened position.

**People bets**

Another important tool are “People Bets.” People bets are high-potential employees chosen for their exceptional performance and culture fit, who are informally stamped as “bets,” and thus given more intense love and care in the form of growth opportunities and training.
People Bets were initially called “high-potentials,” but the company learned that some people became entitled and lost some of their motivation to keep working hard. Retention of People Bets is a company-wide goal.
All the videos cited throughout the book are available at the book’s website:

http://www.the3Gway.com

There you’ll also find other books cited here that will enable you to deepen your understanding of the trio’s management culture.

Please also leave the book a review. It is really important to us.


