The Flavor Paradox: Flavorists in a Consumer-Goods Company

By Robert C. Lijana, The Procter & Gamble Co., Cincinnati, OH

A paradox is a seeming contradiction. In the flavor industry, a tantalizing paradox is the combination of internal flavor houses (flavorists in a consumer-goods company) and external flavor houses (flavorists in a flavor-creation company). Surely one or the other can suffice. One can certainly win with solely internally created flavors, or one can succeed with solely externally created flavors. But the odds of winning big are immensely increased by leveraging the flavor paradox: sharing key value-added formulation steps between internal and external flavor houses working in partnership. Winning big means the creation of breakthrough aesthetics systems.

Breakthrough Aesthetics

Breakthrough aesthetics are taste, aroma, and mouthfeel attributes purposefully designed into products to make them clearly consumer-preferred. These provide enjoyable experiences for the consumer and are aligned perfectly with the product's positioning and equity. Note that the product could be a specialty chemical, a key or accord, a finished flavor, or a finished consumer product. A breakthrough product is one in which the breakthrough aesthetics merge seamlessly with the product's benefits and with the consumer's needs (Figure 1).

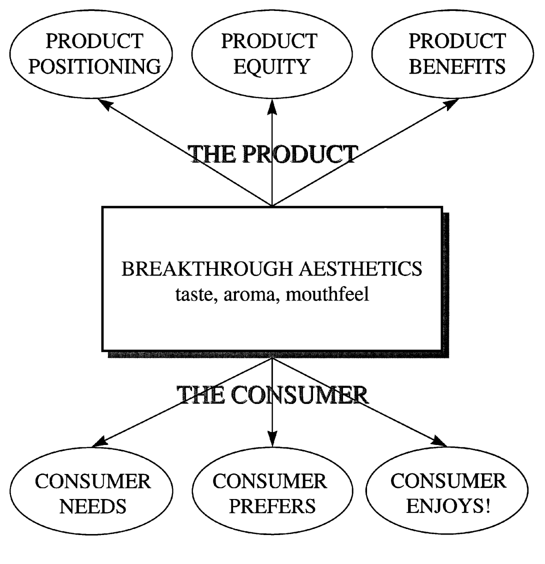

Figure 1. Consumer/product breakthroughs

Breakthrough Attitudes

Personal and corporate attitudes can get in the way of breakthrough aesthetics. For example, some finished-product people believe that laying their flavor development totally in the hands of an external company gives away too much control, delays timelines, and puts an unnecessary barrier between the creation process and the needs of the consumer. Some finished-product people also believe that external flavorists have unfair advantages in being able to test prototypes more quickly and more often than they can, enabling them to tip the odds back by withholding information.

On the other hand, some finished-flavor people believe that internal flavor houses keep things to themselves just to save money and not give away proprietary information. Some also believe that internal flavorists have unfair advantages in not having to worry about profit margins and in having access to the developers and market information. In addition, two implicit assumptions of some external flavor houses are that they must sell complete, finished flavors to the internal companies in order to win, and they need the internal company to have a winning product before they can win.

Take note of all the barriers that arise, wittingly or otherwise. Can breakthrough innovation really occur with these attitudes? Let's instead look at how the internal and the external can, and should, develop far more trust in each other.

Internal Flavor Houses

A key advantage of the internal flavor houses is their direct connection to the consumer. Having deep and broad consumer research systems, the knowledge of how to use them to design products and skill in influencing consumers' purchases are some costly advantages. External companies cannot afford this. The internal flavor houses also have a direct connection to a project's timeline (formulas can be finalized with fewer iterations), to the project's finances (low costs with high value), and to a product's processing conditions and complete formula. Internal flavorists thus have the best chance to be co-formulators with their company's base developers. Essentially, the internal flavorists are the gate-keepers; breakthrough success can only be achieved if the gate is opened.

External Flavor Houses

A key advantage of the external flavor houses is that they have access to, if not inventory of, every flavor raw material imaginable. For these companies, carrying this inventory and the knowledge of how to use it are costs of doing business. Internal companies cannot afford this. In addition, under one roof are flavorists who have a vast knowledge of an array of product matrices, from foods to beverages to pharmaceuticals, and an intimate knowledge of how the materials can be successfully combined in each of those areas. Many of these companies also have major R&D organizations where they are pushing the edge of new molecular discovery and expanding the understanding of taste/aroma physiology and psychology. This is research that internal companies cannot typically afford either. Essentially, the external flavorists are the key-holders — breakthrough success can only be achieved if the treasure chest is opened.

Interdependency

All of this speaks to interdependency which, if one thinks about it, also really defines a "paradox." Interdependency is necessary in a flavor world of great change. There is only so much with which a single company can keep up. A good reminder, for example, is in a recent article[1] on "tomorrow's world." To increase the odds for breakthrough innovation, creativity must be stimulated and harnessed. Leveraging the paradox of the internal and the external does this. Creativity itself can be defined as a paradox. It requires a deep understanding of what is already known, yet it requires a broad ability to think about what is not known. GH Hamel, writing about how good strategies are created in today's industries, once said, "Strategizing depends on creating a rich and complex web of conversations that cut across previously isolated pockets of knowledge and create new and unexpected combinations of insight."[2] Linking the internal and the external can do this. It is to this end, too, that good training programs for flavorists link (and use the services of) both internal and external flavorists and companies.[3]

Interdependency provides the great financial benefit of not having to build or maintain capability in all areas. For example, it is critical to be able to access skills such as creative design, functional formulation, technology, prototyping and measurement.[4] Being able to rely on a partner internal or external company to provide some of this can be quite cost-efficient, if not essential, especially since "…the flavor market again requires technological expertise and continuing R&D investment."[5]

Interdependency also is the foundation for trust and mutual honesty resulting from the external flavor company delivering value to the internal flavor company, and the internal company delivering revenue to the external company. Both parties benefit, as does the consumer. I have tried to capture the rich dynamics of interdependency and shared creativity by an acronym, DART, where D is dependability, A is for accountability, R is for rewards and T is for trust. Integrated smartly across both internal and external companies, the bullseye is easy to hit, and the consumer is the winner. When the consumer wins, we all win.

D is for dependability: All members in the supply chain must be able to depend on each other. Each must promise and each must deliver. Falling short on either is a loss. The chain is obviously much stronger when the internal and the external are linked, including in the creative process. Dependability also means being ready. Most project briefs have such short lead times that the ability of a flavor company to introduce a usable new technology, let alone invent one, is very difficult. Better, the flavor company must be able to anticipate the needs of its customers who in turn have to reveal enough information about their business and/or technical plans to enable the flavor companies to make informed decisions about research and commercial investments. This advanced preparation means that the external company does not need to wait for the internal company to have identified a consumer product win. By definition, the flavor house now helps create it. This is powerful.

Dependability also means that a company's core competency should be preserved as long as it remains a competitive advantage. This is consistent with the principles outlined by JC Collins and JI Porras in their book describing what is underlying the success of many long-lasting companies.[6] "Preserving the core," while at the same time stimulating progress, is critical in order for all partners to be able to rely on each other over the long-term. In addition, this allows each partner to utilize the other's expertise. "An existing business innovates where it has expertise, whether knowledge of market or knowledge of technology," says PF Drucker.[7] This is quite consistent with the suggestions given by B Chadbourne in cajoling the industry to be more proactive at being ready to meet the challenges of the future.[8]

A is for accountability: All members of the supply chain must be accountable for adding value to the product as that product passes through their hands. If they are not adding value, they do not belong in that chain. RD Blackwell, writing about the markets of tomorrow, states, "Partners in winning supply chains will be expected to add value and efficiency to the chain or jeopardize their position in the chain."[9] Adding value in some contexts will mean high-powered innovation to solve a complex problem. It could also require use of very expensive components since they might be the only way to provide a breakthrough aesthetics system. On the other hand, some applications projects only require a small amount of work and creativity. Being able to determine just how much value to add is therefore equally important as adding the value itself. Partners need information from each other in order to make these critical judgments. This is mutual accountability.

An often-underestimated aspect of mutual accountability is one company relying completely on the other to accomplish a given task, rather than doing it itself. This might increase the apparent risk of project success, but clearly and significantly drives interdependency. When both parties are essential to success, people truly feel valued, which increases the odds of breakthrough aesthetics.

In addition, accountability means that all members of the supply chain must be accountable for ensuring that their commercialized finished flavors and finished products are the same year after year, product after product. This means that data must be reproducible. Formulations, processes, and thinking by which these were arrived at must also be reproducible. This helps to ensure high quality and safety for the ultimate consumer of the product, and also ensures compliance with regulations and standards (e.g., GMP's, ISO 9000). Such discipline also facilitates international harmonization from a regulatory perspective.

R is for rewards: The personal and corporate financial rewards for investing in leveraging both internal and external expertise must be greater than those attainable from doing things unilaterally. Making sure both sets of partners understand each other's targets is extremely critical. "Treating key suppliers as partners means being concerned for their continued welfare," states JD Lewis.[10] Doing so increases each partner's odds for success, in that more people are now watching out for the bottom-line. This implies that the strategy-setters and decision-makers must be willing to share what counts to them so that mutual decisions can be made which are fruitful to everyone. If leveraging the paradox will not pay out any more than not doing so, then the exercise should not even be attempted.

Reward structures must also be adjusted, if not radically changed, inside each company. These structures need to be set up to drive the behaviors described here. For example, for the external flavor houses, a significant percentage of a flavorist's salary or bonus could be tied directly to winning complete, finished flavors, but also to achieving the sale of flavor components, specialties, and/or aroma chemicals. Change the reward system; change how success is measured. Success can be increased by changing behaviors. A similar principle can drive how internal flavorists are rewarded.

T is for trust: Success is best achieved with the trust and cooperation of others. This can be extremely difficult in an artistic environment where two artists can paint the same scene differently, yet both create masterpieces. It can also be difficult in a corporate environment that rewards people for individual accomplishments. The ego must be accounted for in both of these cases and must be done in a way in in which the ego is mastered, not in a way in which the ego is the master.

It is possible that at times the best chance to create a masterpiece (i.e., breakthrough aesthetics) comes from having the two artists trusting each other as partners. Perhaps the internal flavorist "paints" the outlines of what the consumer really needs, and the external flavorist "paints" the space within the outlines. Both flavorists can now work together on finalizing the formula and can offer their creativity to each other.

Trust is also essential from a pragmatic business point of view. Team success in the future will be dependent on organizations redesigning their work flow, both internally and externally. This is one of the important precepts espoused by JR Katzenbach and DK Smith in their book devoted to teams.[11] They encourage redesign of cross-functional processes, which must include both internal and external systems. This allows risks to be shared and allows a quicker response to market opportunities.

The heart of the matter clearly becomes one of having both companies (internal and external) being very open and trusting, particularly with confidential and financial information in addition to personal relationships. Breakthrough aesthetics and timelines cannot be achieved otherwise, and, over a short time, one company or the other will lose interest in the endeavor.

Leveraging the Paradox

In summary, leveraging the Flavor Paradox, getting the internal and external to create and innovate together, becomes an excellent way to increase the odds of creating breakthrough aesthetics and products for consumers. This involves making conscious planned choices in advance of starting formulation work. Questions to ask within an organization therefore include the following:

- Does the flavor system need to be good enough (e.g. a match to a target, a re-application into a different base, a change in raw material source), or does the flavor system need to deliver breakthrough aesthetics?
- How much development (prototyping) time is there, and how much "ready-to-go" technology is available?

Linking the internal and the external in many of these situations will be necessary. Done right, this leveraging can save time by getting a final aesthetics system defined sooner, freeing up time for additional/different work, and can enhance creativity by exposing all parties to different approaches and points of view. Additionally, it can enhance profitability by avoiding the need to be "basic" in all areas and by reducing overall product costs. Done right, the entire product-development process is accelerated immensely and delivers even bigger success in the marketplace. It's also a lot more fun and enjoyable, and that is not a paradox.

Acknowledgments: The author wishes to thank James E. Hassel (Givaudan Roure), Dennis Kucharczyk (McCormick & Co.) and Jerry A. Janszen (Procter & Gamble) for their thoughtful review of this paper and for stimulating discussion of its content.

References

Address correspondence to Robert Lijana, The Procter & Gamble Co., 8700 Mason-Montgomery Road, Mason, OH 45040-9462.

1. RS Fenn, Aroma Chemicals in Tomorrow's World, *Perfum Flav* **23**(2)11-20 (1998)
2. GH Hamel, Killer Strategies That Make Shareholders Rich, *Fortune* June 23, 1997, p. 82
3. RC Lijana, The Flavor Parables: How to Train Flavorists, *Perfum Flav* **23**(6)7-12 (1998)
4. RC Lijana, The Flavor Pentacle: How to Win With Flavors, *Perfum Flav* **23**(1)229-30 (1998)
5. EP Grisanti, The Challenges of a United Europe for the Flavor and Fragrance Industry, *Perfum Flav* **18**(1)2-7 (1993)
6. JC Collins & JI Porras, *Built to Last,* HarperBusiness (1997)
7. PF Drucker, *Innovation and Entrepreneurship*, Harper & Row, p. 175 (1985)
8. B Chadbourne, Perfumer: The Future Challenge, Perfum Flav 23(3)27-34 (1998)
9. RD Blackwell, *From Mind To Market,* p. 126, HarperBusiness (1997)
10. JD Lewis, *Partnerships for Profit*, p. 77, The Free Press (1990)
11. JR Katzenbach & DR Smith, *The Wisdom of Teams*, Harvard Business School Press (1993)