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How Nielsen fixates on value creation to drive growth: An interview with Steve Hasker

Outgoing Nielsen CEO discusses the three rules that have guided Neilsen's growth journey.

Steve Hasker with Barr Seitz

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Sustained growth depends on a number of factors, including an ability to know where to focus one's efforts, driving productivity to unlock savings to fund those initiatives, and staying as close as possible to the client. Nielsen's outgoing global president and chief operating officer Steve Hasker shares his insights on growth with McKinsey's Barr Seitz.

McKinsey: What are the "growth rules" Nielsen applies in helping clients improve growth prospects and productivity?

Steve Hasker: The first rule is to be obsessed with our clients' needs, and that means several things.

The first is aspiring to understand our clients' businesses as well as they do, which is a pretty high bar when they're doing what they do all day, every day. We base decisions about where to focus our growth and product-development efforts on two factors. The first is an exhaustive and ongoing set of client conversations, from the top of the organization down into the bowels of the research and analytics groups.

The second thing is understanding the decisions they're making and translating them into the data we provide.

The third thing is figuring out what not to do and staying focused on the places where we can create profitable growth for our shareholders and value for our clients. In the syndicated information and data business, it's not always easy to discern the profitability of different products and services, because many of the costs are fixed. We need to understand the competitive dynamics both today and what they're likely to be when we launch, because a typical gestation period, from ideation to product launch, can last 6 to 12 months or more.

I think it's really important to play to your strengths, but it can be a double-edged sword. If you only stick to those things you know, then growth gets harder and harder to find in many competitive industries. But it always worries me when the growth conversation starts to get two or three steps away from the core capabilities of an organization.

McKinsey: How has Nielsen used productivity as a tool to fund its own growth?

Steve Hasker: For a public company like ours, you need to create a productivity engine that both gives some assurance you're going to meet your quarterly guidance and generates the freedom to invest in new products.

Nielsen, under CEO Dave Calhoun's leadership [2006–13], created a tremendous productivity engine that took out between $1 billion and $1.5 billion in costs, which represented about 25 to 30 percent of our cost base. And we actively reinvested a very significant portion of that back into the business, in the form of talent and new-product development, both hardware and software.

In the last seven or eight years, the target-setting process heading into every operating plan cycle has been rigorous and pretty tough, which creates downward pressure to generate productivity. We've focused exhaustively on our internal costs, particularly those that are heavily people-dependent. For a while, we did a lot of labor arbitrage and shipped a lot of activities offshore to lower-cost locations. That was highly productive, and the cash it generated enabled us to truly become an "Investor" in new products.

However, you can't stop there. I think what we've been able to do is play that game and then start to ask, “Okay, what’s the next wave of productivity?” The reason that the Investor and Creator are both so important, in my view, is that if you’re not continually looking for those productivity opportunities to fund new investment, you can’t invest, unless you live in some parallel universe.

Secondly, unless you’re a successful Creator, you end up having to resort to cost cutting rather than productivity, right? And there’s a fundamental difference between the two. Typically, there’s no shame in cost cutting. But if it’s required in order to meet your financial objectives, then it’s different from productivity. Productivity is about fundamentally improving an underlying process. And be it a commercial activity or an operations delivery activity, it results in a streamlined process, lower cost to serve, better quality, faster cycle times and happier clients.

McKinsey: How do you decide which growth initiatives to fund?

Steve Hasker: To begin with, we had a process that was very democratic. Nobody wanted to offend anyone, so everyone got a little bit of money. The benefit of that approach is you get lots of ideas and lots of initiatives. But the cost associated with it is that some executives are better at identifying profitable growth opportunities and at reading client and market needs than others.

I think we’ve become better over time at understanding where those opportunities lie and which members of our senior team are better at identifying and pursuing those opportunities. Because the problem with the democratic approach is you tend to starve what turn out to be very good ideas and fund what turn out to be pretty dumb ideas.

McKinsey: What’s Nielsen’s approach to attracting and managing the right talent to keep the growth engine running?

Steve Hasker: The main thing we have worked hard at doing, and been reasonably successful at, is making sure that we keep the right people in place with deep domain expertise.

But we continually replenish that pool with new and fresh talent from different walks of life. So rather than hiring only people with a PhD in statistics and analytic research, we have social scientists, mathematicians, software engineers, and even art history majors, and so forth. Because we want to make sure we’ve got a really interesting pipeline of talent with a single connecting thread: an interest in data.

McKinsey: What do you consider the most important tools in making growth the focus of a company’s culture?

Steve Hasker: There are several things I do to stay focused on growth, and the first is to keep it simple. You need a simple, consistent set of messages, otherwise nobody knows what we stand for. The first message is clients, clients, clients. Every conversation has to start with a client need, or preferably, a set of clients’ needs. A conversation that starts with a Nielsen need, or a cost imperative or a financial-growth imperative, is just not as interesting.

The second thing we’ve done with quite a lot of success is to make sure that the products we’re looking to invest in are really grounded in economic opportunity, both in terms of client impact and our profitability.

The third thing is to make sure that we elevate those growth opportunities we're pursuing and consistently talk about them, quarter in, quarter out—and if they fail, continue to talk about them. Don't sort of scurry away and pretend it didn't happen. Of course we talk about successes, but that's easy to do. It's also important to talk about the failures and what we learned from them.

Steve Hasker is Nielsen's outgoing global president and chief operating officer. The interview was conducted by **Barr Seitz** of Digital McKinsey and McKinsey's Marketing & Sales Practice.