

People matters

Leading People
Building Organizations



Vol. 1, Issue 1, February 2010

Rs. 75



THE LEADERSHIP FACTORY

**Top Companies for Leaders
- Hewitt Associates Study**

BUILDING EXCELLENCE
Rajesh Nambiar

THE SCIENCE OF LEADERSHIP DEVELOPMENT
Ajay Soni

LEADERSHIP CODE
Dave Ulrich & Norm Smallwood

HIGH PERFORMING TEAMS
Tiger Tyagarajan



Institutionalizing LEADERSHIP

An organization that is serious about leadership development makes it a way of life

Hindustan Unilever has been consistently producing CEOs and corporate leaders for India INC for more than 25 years now; the leadership development process at Levers is more of a tradition, institutionalised over the last many decades. With more than 1000 alumni sitting on boards globally, HUL is a source of inspiration for many companies.

The key tenets of this solid tradition have been – commitment from top leadership, a robust and consistent process, strong linkage between individual development and level of exposure offered, mentoring, training – all fostered in a culture of transparency and equal opportunity. The company uses what it calls a “70-20-10” model for developing its workforce: 70% of learning happens on the job, 20% through mentoring, and 10% through training and coursework.

Leadership development is one of the core tasks of the Management Committee at Hindustan Unilever. “Senior management devotes enormous time in the leadership development process,” says Leena Nair, Executive Director HR. In every fortnightly management review meeting, talent review session is an integral part of the overall agenda. Top management at Hindustan Unilever invests anywhere between 30 to 40% of their time in grooming and mentoring leaders for the future. They get involved at various stages – from redefining the talent identification process, to identifying talent, to grooming and coaching, to creating opportunities for growth and exposure.

The critical role of a “leader” at HUL is to create talent and capability for the future. Each identified leader is expected to create leaders within and draft their succession plan. “As Head of Human Resources, I need to ensure that I have identified and am grooming a couple of people who can take over my role today, another couple who could take over my role in 2

to 3 years and in 5 to 7 years – that is my responsibility as a leader,” says Leena Nair.

In the process of identifying leadership talent, Performance and Behaviour are considered equally important. “You need to be delivering great performance, but just that is not sufficient. The demonstrated behaviours or ‘Standards of Leadership’ as we call them at Unilever, will also determine your potential for future growth and success,” says Leena. Unilever uses the Leadership Differentiation Tool (LDT), a 3x3 grid of performance vs potential to differentiate amongst its talent pool. These principles are applied to around 5,000 people as part of talent assessment across the company.

Information on performance is taken from the appraisal review process & KRAs on the job, while information on behaviours and potential is taken from multiple sources: a 360 degree profiling (done once every two years), behaviours demonstrated on the job & GPS (Global People Survey)

HEWITT'S PERSPECTIVE

Hindustan Unilever Limited (HUL) is widely known as the ‘training ground for potential CEOs and Senior Executives’. The Company has supplied almost 450 CEOs and Chairmen to other companies and almost 1000 Senior Leaders who occupy board-level positions in other organizations.

HUL's edge in this space is because it began systematically investing in leadership development way ahead of the market. HUL focuses on early identification of Top talent, rigorous and multi-source assessment, significant width of opportunities including global movements for development and finally, institutionalizing these processes such that they are self-sustaining and replenishing. HUL may err on the side of creating too many leaders, but never too few.

- Shivani Nigam, TCFL Module Lead, West

results. GPS is an employee survey that captures insights into employee engagement levels across various teams, thus giving information and feedback at the organizational level.

LDT & the assessment of future potential of employees leads to identifying High Potential (HP) and Sustained High Performers (SHP) talent pool. "We identify 15% of our talent pool as HP & another 10% as SHP," says Leena. From this point onwards, this select pool receives differentiated inputs when it comes to training and development, career opportunities, coaching, compensation etc.

The leadership development has a very strong component of learning, as emphasised in the 10% of the 70-20-10 principle. The e-learning options for employees are exhaustive. Senior leaders, identified as High Potential also have access to training at Unilever's exclusive training center in London, *Four Acres* and programs at top business schools across the world.

The process also incorporates job rotation- the 70% part of the learning principle. "People learn by exposure to a vari-

ety of jobs, there are career paths defined based on the potential future role identified for the individual," says Leena Nair. Employees identified in the talent pool will go through planned moves to ensure that they get the right skills and exposure required for the next level of responsibility. "We believe in building individual capability by providing opportunities to deliver in a wide range of roles which get broader in scope and responsibility. These are roles with huge responsibilities and bring with them opportunities for personal growth," says Leena.

There is also this interesting concept at HUL called "Hot Jobs for Hot People". Every year the management committee identifies around 50 jobs that could be the most impactful jobs for the year, either because it is an area of growth or a strategic pursuit for the group. "We identify the hot jobs & hot people on an annual basis, roughly 7-10% of jobs based on their complexity & impact to the business" says Leena Nair. "Hot Jobs are opportunities with very high visibility in the company and provide a chance to the employees in HP/SHP pool to create an impact at the organizational level. The HP/SHP pool is a dynamic pool since about 20% of managers in this would move into new roles every year.

Finally, the last 20% is the coaching and mentoring program. This is accomplished through access to coaches; both external and internal coaches are available depending on the requirement. This also includes the role that Line Managers are expected to play as coaches to their team members.

In terms of compensation, "employees on the top right box of the LDT could be receive between 175% to 200% more shares than the rest of employees at the same level", says Leena Nair. This compensation differential is also reflected in salary revisions, where employees listed could receive double or more than the rest in their base pay revision; similarly, for variable pay the difference can also be 100% or more for talent pool employees.

Transparency is paramount for the success of the process. Managers in the organization are given a capability card after the annual review cycle. This capability card details all the output of the review cycle and highlights the path for development for the coming year.

Leadership development is ingrained in the Hindustan Unilever culture and is aligned to the vision of being a high performance workplace. "The differentiation created around people identified as leaders creates a culture where people are competitive, they want to outperform," says Leena Nair.

The success of HUL leadership program has been proven over decades. The leadership team now tracks metrics like succession plan compliance, listing cover, number of positions with 'ready now' candidates, number of successors for each position, percentage of roles with female successors as potential options etc. The success of the organization's efforts in leadership development is evident in its 80%+ succession plan compliance for key roles. "90% of our senior leaders are groomed internally." Says Leena Nair.

Indeed, Hindustan Unilever is a model example of how taking talent and its management seriously across the organization can create a culture of performance, excellence and leadership.



"WE BELIEVE IN BUILDING INDIVIDUAL CAPABILITY

by providing opportunities to deliver in a wide range of roles which get broader in scope and responsibility"

- LEENA NAIR, EXECUTIVE DIRECTOR-HR, HUL

Nitin Paranjpe discusses what makes HUL a breeding ground for leaders

As a CEO who started off as a Management Trainee 20 years ago, you are an example of HUL's philosophy of grooming leaders. What is that key element of the company's culture that enables this process so successfully?

The key elements would be HUL's values & ethics, the trust that we place in our employees & the Integrity & character which we expect from our leaders.

How do you hone the leadership potential of young talent that you bring in?

HUL recruits management graduates from Top B-schools of the country, like IIMs, FMS Delhi, XLRI, ISB, JBIMS etc every year, in the realm of Marketing, Finance, HR and IT. Apart from this, HUL also recruits engineers from the Tier 1 engineering colleges like the IITs and IT BHU are some of the brightest amongst those who qualify as CA/ICWA. All these recruits are taken into our Business Leadership Trainee Program, which is a robust one year training program, post which they are placed as managers in their respective functions.

The BLT program is an extremely comprehensive training module, designed to groom young talent for taking up challenging roles ahead. They get in-depth functional as well as cross-functional exposure through various stints, travel through the length and breadth of the country and outside, understand company values and ways of working while they undertake live projects in each stint. There are senior coaches, mentors and tutors assigned to each intern, ensuring that the learning objectives of each stint are met, and suggesting any course correction which may be required for a particular intern. All this ensures that our young talent is honed to take up the challenging assignments in the later stages of their career.

What role do you think HR should play in the identification and grooming of potential leaders?

The Leadership program is a business initiative, owned and driven from the board. HR facilitates the process and partners with the leadership team in ensuring objectivity and fairness of the process.

At HUL we have rigorous processes and HR practices in place to identify, monitor and nurture key talent or high potential employees (Listers). The company invests an enormous amount of time in the first 3-5 years of the employee to understand their strengths and identify who needs to be nurtured for the future. Through these processes, we not only identify our 'Hot people' but also ensure that they occupy 'Hot jobs' in the Organization to maximize their potential. We also follow a robust framework called 'Standards of leadership' to nurture our talent and this is completely aligned to our business realities.

Professional aptitude and the ability to generate business and profits can be easily identified. How do you look for the soft aspects of leadership - like ethics, ability to groom others, retaining poise under severe stress?



NITIN PARANJPE, MD & CEO OF HINDUSTAN UNILEVER LIMITED

We at HUL believe that performance and behaviour are equally important. Therefore, as an Organization, we lay equal emphasis on the 'what' and 'how' of performance as we seek to earn respect by our consistent superior performance. But, we strongly believe that we will be loved only if this performance is achieved in consonance with the needs of the society we serve. We must do good and do well. At HUL, we understood and embraced this in our operations long ago, and serving the larger interests of society has been at the core of our work all along. The value of the business goes well beyond the balance sheet it delivers quarter after quarter. The conduct of a business impacts the wider community of stakeholders.

What obstacles have you encountered in identifying, grooming and retaining women leaders in your group?

Our diversity indicators have improved tremendously in the last few years. Today we have 18% of women in management roles. The trend has been increasing for the last ten years. We want those numbers to continue to grow. There are many Best in Class initiatives we have initiated to create more flexibility & greater inclusiveness. We recognise the need for women managers to have a certain amount of flexibility as they grow in their careers. ■