

Name:

Nitin Paranjpe

Age:

48

Designation:

Chief Executive Officer,
Hindustan Unilever

The Challenge:

To reignite growth at
India's largest consumer
goods company


What He Has Achieved:

Sales have grown by a third,
while profits are up 17
percent. The company's
market cap is up nearly 60
percent to Rs. 84,020 crore

How He Did It:

He got employees to
focus on both short-term
and long-term goals





'To win, you must have the capacity to fail'

HUL CEO Nitin Paranjpe believes that when you set your ambitions way beyond the resources available to you, you eliminate the fear of failure

In 1999, the late C.K. Prahlad, who was on the board of Hindustan Unilever, had chosen to mentor some of us. During the course of the mentorship, he asked me the difference between an entrepreneur and a manager. I had given him the most obvious answer with which he wasn't pleased.

According to him, the only difference between the two is the relationship between ambition and resources. Managers have a mindset that manages resources. So, ambition (A) equals resources (R), which is a steady state condition. There is no entrepreneur who starts off with $A=R$. He has virtually no resources, but he has big dreams and there is a mismatch between ambition and resources. Ambition is substantially greater than resources.

I kept reflecting on this and it led me to conclude that the only driver of innovation is a mismatch between ambition and resources. You can either constrain resources or dramatically increase ambition. What we've tried to do in this business is to help people understand this.

Let's take for example our drive to treble our rural direct distribution

coverage. Over the years, we had been adding a small number of outlets and patting ourselves on the back saying we were ahead of our competitors. But our competitors were narrowing these gaps.

I quickly discovered that most people don't achieve much when you give them a slightly higher target because they operate out of a fear of failure. So, we came up with an ambitious plan to add 500,000 more outlets in a year. This at a time when we had been adding just 15,000-20,000 outlets a year. In hindsight, it was the most irrational decision, but look at what we achieved.

When you increase the target so dramatically it becomes impossible to have a rational dialogue. The trick lies in getting people to suspend belief and judgement for a while and paint them a picture that in theory it could happen. How would it feel to do what no one has ever done before? How would it feel to get there?

He [the employee] knows that if he gets 400,000 instead of 500,000 he will be a hero and everyone in the company will think he is a hero. Now, if I had asked him to do 25,000 and he had reached 20,000, I would

have thought he had failed and he too. The big trick in many of these things is to think in terms of targets that put ambition so much in excess of resources that you just eliminate the fear of failure. Another change we've made is in incorporating the culture of 'and'. The day you are able to get two seemingly incompatible things together, you create even superior value. People often talk about the choice between topline and bottom line. To me that is a false choice. It is always both.

Most people say we either need to do short term or long term. I say we have to run the business with a bifocal lens. Part of it is looking at this week, this month and this quarter and the other part is how do I shape this business and make it 'future-proof' five years from today. Both have to be done.

We found a way to speak for the business in the short term but 'tangibilised' it for the long term. For this, we needed to articulate in a compelling manner what we need to do for the long term and the actions that we need to do now.

Let's see how this works. We have two tasks. First is to make sure that every brand is competitive in every geography. The second thing we said is, if we have to win in the India of tomorrow we have to first start with a point of view of the India of tomorrow. We start with a point of view of the consumer, segments, channels, geographies and categories that will become large.

If you have a point of view that says that many of the categories are small today, but I can see that many of the trends and consumers, channels will become large, then it is crucial that our shares in these categories and channels and segments of tomorrow have to be higher than the average.

We called up 12 sub-categories and said you can be sure they are going to

be big categories of tomorrow — face wash and conditioners are one of them. It made us realise that the pace at which these develop might be faster than we imagine and so the resources and the intensity with which we market them need to be different and get a different sense of urgency.

We introduced a simple phrase, 'get tailwinds'. Which means the moment I am stronger in the things that are going to be winning tomorrow, automatically, even if I hold my position in other categories, my weighted average keeps moving upwards. That is what I mean by business gets a tailwind.

While fixing the business today is important, if you are just obsessed with that, you will

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never be doing anything for the future and your business will face headwinds. Everyone must be obsessed with doing things that will generate tailwinds. That's another example of a bifocal lens.

Through all this, you've got to ensure that as you go through a business cycle, at a particularly challenging time, you never lose sight of the belief. A leader who has lost sight of the belief has lost his right to lead in many ways.

However challenging the time is, it is critical that you reflect, introspect, but you must always have belief. One of the things I have tried to do in my career is, whenever there is a challenging time, never doubt your ability. Addressing the issue is not as difficult as you think. It is about confronting the problem and being honest about it.

I faced such a situation in the middle of 2009. There were two quarters when we didn't grow volume. In fact, we had a volume decline. It was very early in my CEO tenure. In that period, we had some choices and we could have addressed [the situation] that arose when we were bringing prices down and stock was with the wholesaler. We thought it would work itself through, but it didn't. I wish we had taken a call earlier to take it back. That's a lesson learned.

But through the entire period we were brutal in our assessment. We took the actions that were required.

Brutal honesty simply means that you confront the facts as they are. Don't try and justify why what you did was right, what you could have done differently. If you have a team which has that intellectual honesty and confidence, then it becomes easy. And, of course, it requires the humility to say, 'yeah this went wrong'.

Organisations like ours recognise that there are several areas where we can learn and keep risks minimal and manage to learn at relatively low cost by restricting it to geography and learn the way we want to. But in this, rigour and speed are important. There is no trade-off. I want both.

I don't have an issue with failing. But if you fail, please fail early so that it doesn't become too expensive and you learn from that failure. If we are able to learn from the mistakes and failure and we never make the same mistake again, I think the failure is well worth it and organisations must find ways by which we can get these learning experiences relatively cheap.

Many people ask me, 'do you encourage failure?' Absolutely not! I want to encourage winning, but to win you must also have the capacity to fail. I accept that to win you will also fail sometimes.

(As told to Samar Srivastava)