

Levers@75

Hindustan Unilever, which is celebrating its 75th year in India, is known as much for mentoring its employees as for marketing its brands.

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Any institution that becomes an icon must suffer the glare of public scrutiny in periods of rousing success as well as downturns; and it is bound to attract a wide range of reactions. As an enduring market leader in many categories of its core business, however, Hindustan Unilever Ltd (HUL) does command our attention and respect, if not admiration. So I decided to ask a few distinguished old boys of this universally acknowledged school for CEOs and leaders, to name the one quality that makes the company so special.

Nihal Kaviratne, who rose to become Chairman of PT Unilever Indonesia and won many accolades, including a CBE and the *Business Week* Star of Asia award, was unequivocal: It was integrity; the company would rather walk away from a lucrative deal than go ahead if it required something underhand to be done or paid. R. Gopalakrishnan, a contemporary, and a former Vice-Chairman of HLL, now a Director of Tata Sons, member of the top rung of the Tata group, puts people-orientation at the top. "The company hired graduates and transformed them into leaders - by teaching them to work proudly at the frontline and by instilling in them that their most important resource is 'people'."

Indeed, the mentoring and concern for learning in the young is echoed by S. L. Rao, who began his career too in the coveted management trainee track, and went on to head NCAER, and became the first Chairman of the Central Electricity Authority. Rao recalls fondly that the twelve years he spent with the company were a focused learning experience, made special by the mentoring of young people, for him by R. Ramaswami, himself a lifelong Lever man who became a Vice-Chairman in the early phase of Indianisation. Sir David Orr, later to head the British Council worldwide, was another. I can confirm that even the salesmen at the lowest rung of the ladder, recalled years later David Orr as Director touring small towns with them. His care, affection, attention to detail and a prodigious memory for places and people are specially remembered.

BUILDING PEOPLE & BRANDS

The company was as much ahead of its time in its people development practices as it was in developing and marketing of brands. It saw earlier than most the opportunity for a wider, regular re-distribution mechanism, which has since been much emulated by many companies. It set the standard for the journey cycle, frequency of visits, control and planning of stocks, later followed by the Japanese in manufacturing as well. The accent on availability was a key ingredient in ensuring steady volumes, which suited the habitually purchased household products.

Similarly, it experimented with rural van selling and cinema advertising, as well as door-to-door sampling and demonstration as a way of creating demand where none existed - for the detergent (and the bucket wash) and the use of a quality cooking medium such as vanaspati. The company had the wisdom never to overcome the natural characteristics of the Indian bazaar but turn its low-cost and ubiquitous presence to its advantage. The village *shandy* or *haar* had been used to stage the household brands years before rural marketing came into vogue. The women's self-help groups and Project Shakti of today are but natural extensions of this thrust which began seventy years ago.

A youthful and idea-friendly culture, encouraging sustained learning was always the hallmark of Levers. It is not an accident that successive generations of Chairmen and board directors have nearly all been home-grown, hand-reared from a greenhorn entering at age 23. Being a management trainee meant assuming responsibility very early in life and there was no mollycoddling. It was



an ordeal by fire initially, and yet it always encouraged anyone who had a good idea if one could find a way to express it.

INSPIRING COACHES

Some general managers produced by the system in turn proved to be inspiring coaches and leaders such as Rajesh Bahadur, who led the youthful Toilet Preparations team with a flair all his own, suited for the small size then dwarfed by the Foods and Soaps divisions. Nihal Kaviratne recalls the time he was General Sales Manager/Marketing Manager in the 1970s, and Hrishu Bhattacharyya was Senior Brand Manager. They used to gather first thing every morning for half an hour in Rajesh's office for a chat over a cup of tea. Passing around the pages of *The Times of India*, and joking about matrimonial advertisements, all of which demanded a "fair" or "wheatish" complexion led them to wonder if they could launch a brand which lightened the skin, where the promise would be "a better marriage". Nihal continues, "It had to be very safe to use, since mothers would start using it on their baby daughters from day one! The skin-lightening products available in the market were unsafe, mercury- or hydroquinone-based. We leapt to the telephone, and spoke with Dr Subba Rao at Research. He told us about a half-finished nugget which he had on the shelf, a combination of UV-stats (sunscreens) and Niacinamide (a form of Vitamin B) which together would provide the desired effect safely. What was more, it would only work as long as you continued to use it!" And so was born one of the most successful innovations of the Indian operations in recent times - the Fair & Lovely cream. HUL had the soul of a small company, in the body of an increasingly large one, at that time.

One memory that stands out for Gopalakrishnan is relationships for a lifetime. The first stockists he met were Mulchand G. Shah at Parel and Agrawal and Co at Nashik, who, incredibly, are still in touch after 40 years - and as memorable as college friends.

Another instance of using every opportunity to coach the young was when S. L. Rao had advertised in 1959 for "smart young women" in Hyderabad to work as Surf demonstrators. He received a phone call from K. T. Chandy, who introduced himself as Director of HLL. Says Rao, he came "to see me where I was staying and told me gently that 'smart' in referring to young women was likely to be misunderstood. A year later he flew from Bombay to Bangalore to attend my marriage. He was not even my direct boss. I do not know of many top executives who would handle a situation in this way".

R. R. Nair, head of Organisation Development for several regions within Unilever in Asia and Latin America attests to HLL's "openness to new ideas", among other qualities. Within six months of joining the company, he conducted an organisational climate survey, the findings of which were sent to his boss, Dr Ranjan Banerjee, the Personnel Director. Soon after came summons from the Chairman's office. T. Thomas had a formidable reputation for difficult interviews. He commented on Nair's taking a major step without the due process of discussions, but thawed enough to say that he was glad that at last Personnel were getting themselves involved in the real issues of the organisation, sensitising senior people to the expectations of the organisation at large.

"He thereafter gave me time and support whenever I needed it for all my initiatives in future years," recalls Nair. "Some years later I was offered the plum job of head of personnel in another multinational organisation. It was my wife who said to me: Why do you want to leave such a good company? Where else will I get such a nice group of people, wives of colleagues with whom we get on so well? So I stayed. And I have not regretted it

one bit. Such are the unexpected benefits of a great people culture."

A NATIONAL LAB

If Levers in India had not been around, we would have had to invent another way of preparing general managers and potential chief executives, particularly before the 1980s and before the early crop of MBAs grew up to positions on boards of corporate India. So pervasive has the influence of the company been that even the Planning Commission, State Trading Corporation and Hindustan Steel, besides the boards of several IITs and IIMs, have had alumni of the Levers school as Directors and Chairmen.

R. T. Narayanan, who joined HLL when it acquired Ponds, and has been vice-president at Brooke Bond and CEO of Nepal Lever, finds the company can not only sponsor competition but nurture it so that the outcome is most acceptable both to the company and the individual: "I am saying this not only because of those managers who made it to the top within. The people who left and went to new pastures have managed to do just as well as or even better than those they left behind in HUL. Those trainees who left within, say, the first ten years have lost practically nothing at all and have risen spectacularly elsewhere. This really means that the so-called experience they got in HUL was so good that it was marketable anywhere! So, can we say HUL has been supplying the Indian economy professional managers for more than 50 years! It was not, I am sure, in the HUL agenda in the first place!"

The two things that to my mind reflect the spirit of the company, where I spent the first few years of my own career, above all else is meritocracy and a professional, market-linked business approach. Of course, there have been cases of slipping back from the high levels of professional marketing success that it has been known for. The most publicly visible and well-remembered was the battering in the detergent market thanks to the low-priced, local competition. There is no doubt that the sheen went off its visage after the debacle. It also suffered reverses of poor judgement and timing in new products

and businesses that only a company of that size could have coped with. The baby food and dehydrated foods businesses, the ice-cream business, the temporary foray into the hard-core chemical business and several other individual categories were examples that are often discussed as case studies. To my mind, though, this does not detract from the merit of the company as a whole but is a reflection of the market conditions and the leadership at a certain phase in its history. Certainly it is true that the company has never been as strong a contender in the foods business as it is in other areas. Indeed, the largest single brand that it ever developed locally was Dalda, which is really a cooking medium and not a food. Considering it was more common to import British products as they were, developing an indigenous product and brand was no mean achievement.

As with any famous institution, the company will have its foibles and, of course, its detractors. It is also a truism that most of its current mega brands are indeed the very old ones. Rin is the youngest and nearly 40 years old. Others are mainly soap brands - Lux, Lifebuoy, Sunlight, Pears, Surf and Vim, while Pepsodent, and even the far smaller Rexona have been around almost before the current directors of the company were in kindergarten! The failure of the company to do well in toiletries and cosmetics has long been a sore point with the enthusiasts. It could never get a look in the talcum powder segment until it took over Ponds. At one time Colgate was unassailable in the dental preparations field and only a Herculean effort over decades has resulted in the clutch of HUL brands making a dent in its market share.

A significant exception in the past 15 years, especially since the focus on manufacturing for other Unilever markets, exports and importing of less-expensive ingredients have become possible, is the progress on a number of new brands in the Sunsilk, Clinic and Fair & Lovely range of products. Besides these, Dove and Axe are some examples of luxury products that might once have been considered too small, flimsy and irrelevant for a mass market giant. Even to this day the style of distribution with emphasis on volumes, scale, width and depth of distribution is ill-suited to some businesses, which are by nature either localised, or small or of limited reach in the population.

The company continues to experiment with ways of dealing with the variety and complexity while keeping its profit and turnover growth record intact. During the early years of this decade, the earlier growth drive through aggressive diversification became exposed - and unravelled. The tea and ice-cream businesses are still not on all fours with the traditional personal care and household products.

Another significant worry for a company of this scale, all over the world, is how to handle increasing brand proliferation and business complexity, without the ill-effects of size and bureaucracy. Thus, one will continue to see reorganisation and restructuring playing with the variables of business group, function and geography.

Today, however, the wheel has come full circle as far as successful people development is concerned. We now have a foreigner as CEO of the Indian subsidiary, for the first time since 1960. Meanwhile, of course, scores of Indian professionals run other important divisions and country operations elsewhere in the world, besides playing critical role in the central governance of the mammoth corporation.

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▶ The two things that reflect HUL's spirit are its meritocracy and a professional, market-linked business approach.