

The image features two human hands, one on the left and one on the right, reaching towards each other. The hands are positioned as if they are about to shake or are in a gesture of agreement. The background is a light blue color with a grid of thin, white lines that create a sense of depth and perspective, resembling a wireframe or architectural drawing. The overall tone is professional and forward-looking.

Reimagining Business in Changing Times

Harish Manwani - 2017

Reimagining Business in Changing Times

was the subject of the speech, delivered
by Mr Harish Manwani, Chairman,
Hindustan Unilever Limited, at the
Annual General Meeting held on 30 June 2017.

REIMAGINING BUSINESS IN CHANGING TIMES

INTRODUCTION

We live in a time of paradoxes. On the one hand, technology is connecting millions across the globe in real-time, making it possible to collaborate and innovate. The Internet of Things and big-data analytics is setting the stage for a new era termed at the World Economic Forum (WEF), as the fourth Industrial Revolution. On the other hand, we are seeing increasing challenges to globalisation in the form of protectionism, cross-border barriers, control on free trade and push for localisation of workforce and markets.

The 'revolution' started with the advent of the internet when business models underwent a massive change. Internet enabled outsourcing and globally integrated supply chains that significantly reduced costs and accelerated growth. This meant ease of doing business for the developed world and also brought millions in the developing world into the booming middle class. As Boston Consulting Group put it, the familiar model of a single economic pole, a dominating technology, and a single system of governance slowly but surely got replaced by a multipolar, diverse world.

However, further advancement of technology, artificial intelligence and robotics, is now challenging these very models that were created at the turn of the last century. For instance, companies are questioning their earlier decisions of setting up manufacturing in the developing world since advanced robotics is

now making manufacturing simpler and more cost-effective than before. These are big changes that will challenge society, businesses and individuals in a profound way.

In this fast-changing and increasingly complex global environment, companies will have to reimagine not only their business models in terms of what they do and how they do it but more fundamentally their role in society.

THE GLOBAL CHALLENGE

About a year ago, Britain voted to move out of the European Union. 'Brexit' is just one instance that represents the changing tide against globalisation. In many parts of the developed world today, we see rising anti-immigrant sentiment and a demand for protectionist policies and safeguards, triggering political rhetoric that has sharpened the divide. The long-winding US Presidential election and the victory of a nominee who ran on a platform of 'America first' showed just how much the middle class voters remain worried about their own future in a world where growth has slowed and jobs are scarce.

The US and UK, both yesterday's champions of the free-trading world are now leading an 'anti-globalisation' phase and turning back from the very policies that helped open up new opportunities for the developed as well as the developing markets.

At the same time, societies and businesses are raising concerns about technology-driven unemployment, widening income gap between the rich and poor and depleting natural resources across the planet. In the most recent PricewaterhouseCoopers

CEO Survey, business leaders acknowledge these concerns and recognise the importance of “making globalisation work for everyone by engaging even more with society and collaborating to find solutions.”

Resource-challenged world

We are living in an increasingly resource-stressed world. The world's most essential resources – oil, water and food are depleting at a rapid pace. For instance, it is estimated that by 2025, nearly one-third of the world's population may not have access to clean drinking water and by the middle of this century, we may exhaust our oil reserves if our current demand continues. In fact, if the developing world consumed in the future at the rate the developed world consumes today, we would need somewhere between 3-5 planets. Obviously, that is not sustainable.

Governments alone cannot solve these challenges. Businesses have to join hands with governments and societies to create new business models where growth can be more sustainable. World leaders in government and businesses are beginning to take this responsibility seriously. As a part of the United Nation's Sustainable Development Goals, these leaders have made a commitment to address some of the key environmental and societal issues, in the next 15 years. These commitments include, ending poverty, fighting inequality and fixing climate change.

Growing inequality

According to Oxfam, the richest 1% of people in the world own more wealth than the rest. In fact, eight individuals now own the

same amount of wealth as the poorest half of the world! Most worryingly, the median wages have been stagnant for the last 40 years in the US and for 20 years in Japan and Germany. This raises questions on the stability and sustainability of the current economic model.

At a time when the global economy was growing at a healthy pace, the benefits of globalisation, both direct and indirect, far outweighed local populist pressures. This is no longer so.

The double-edged sword of technology

Technology has been the major driver of change and the creator of disruptive business models that have benefitted both, the developing and the developed world – the former in terms of employment, and the latter in terms of efficiency and lower costs. However, we are now entering a phase where further advancement of technology has the potential of totally restructuring not just global business models but the nature of work in society. Today, as technology is advancing at a relentless pace, it is successfully replacing skilled labour through robotics and machine learning. Computer software can auto-synthesise news items electronically, replacing journalists; traders in financial markets are being replaced by automated algorithms. We are entering an era of man-less factories, driver-less cars, trader-less financial markets. In short, technology is now replacing skilled people – a phenomenon termed as 'technological unemployment'.

A much-cited study by Oxford University estimates that as many as 80 million jobs in the US and 15 million jobs in the UK could be threatened by this automation wave.

As the technological tsunami begins to have an impact — positive from a consumer lens but challenging from an employment lens, the very nature of work will change. Businesses will need to redefine their business models and their contract with the society in order to remain relevant. Companies will need to stimulate innovation, accelerate digital transition, reduce costs and run their businesses more efficiently to face the challenges of this new world.

INDIA – OPPORTUNITIES AND CHALLENGES

The trend of 'anti-globalisation' has been watched with some anxiety across the emerging economies. While India cannot be insulated from the global winds, the economy is well-poised to register a new phase of growth. In fact, India is uniquely positioned to leapfrog with the technological advances and at the same time avoid the trap holes that the rest of the world has experienced in their journey from 'developing' to 'developed'.

Today, India has a strong and stable government. GDP growth is robust at over 7%. Additionally, the country has one of the youngest population profiles in the world with over 65% of its population below the age of 35. In fact, by 2020, the average age in India will still be a young 29 as compared to 46 years in Europe, 40 in the US and 47 in Japan.

While this can become a demographic dividend for the country, herein also lies India's biggest challenge. The challenge is two-fold: of creating enormous employment generation opportunities and raising the employability and skills of the Indian youth.

Around 1.3 crore youth are entering India's job market every year. We have no shortage of graduates knocking on the doors of companies, but there is a talent crunch especially for jobs that require technical skills.

According to government data, it is estimated that less than 5% of India's total workforce has undergone formal skill training, compared to as high as 90% in the developed world. This is where businesses must step in to lift the capabilities and put as much emphasis on developing shopfloor workers as managerial talent.

Educators, government and businesses have to work together to radically transform the on-the-job training and vocational learning systems in order to develop a workforce that is employable in different parts of the economic value chain. This is not just what India and other emerging economies need, but is increasingly the need of developed nations as well.

REIMAGINING BUSINESS

The world needs growth and so do businesses. And this growth needs to be good for all — consumers, communities, the economy and shareholders alike.

Today, the expectations of consumers and society from businesses are changing. Consumers demand better products and services at lower costs, and society has little tolerance for the pursuance of the bottom line at the expense of all else.

The erstwhile shareholder driven model of growth was one that focussed on the three G's: growth that is consistent, growth that is competitive, and growth that is profitable. These 3Gs are important because without these, a business cannot create economic value.

However, in today's changing times, these alone are not sufficient. We have to move from the 3G model to a 4G model where the 4th G recognises the importance of 'responsible' growth.

The mantra of 4G is quite simple: Business should be able to do well by doing good. Companies cannot afford to be just innocent bystanders in what's happening around in society. They have to play their part in serving the communities that actually sustain them. So, how do businesses grow, remain relevant and at the same time earn their right to exist within the communities?

Innovating for the future

In order to grow, businesses need to constantly innovate. In an increasingly digitised and connected world, old business models are being continually disrupted. In order to avoid a 'Kodak moment', businesses need, not just product innovation but innovation across their value chain.

According to Clayton Christensen of Harvard Business School, to innovate is to do something different that creates value across every part of the organisation. This requires companies to embrace technology and creativity and bring both 'magic and logic' into their product experience and go-to-market models.

In order to achieve this, the key is to stay close to changing consumer behaviour and evolving trends in technology. Companies need to continuously innovate around their core portfolio and simultaneously seed disruptive business models of the future. What people buy, where they buy and where they can be reached is radically changing the consumer goods landscape. At Unilever, we are adopting sophisticated technology solutions to drive competitive advantage for our core portfolio by extending our reach not only in the fast emerging e-commerce channel but also improving our service to millions of small retailers across the length and breadth of India.

Technology is enabling us to better understand our consumers. Unilever's Consumer and Market Insights group has created a People Data Centre that analyses trends from social media, consumer carelines and digital marketing to turn millions of 'conversations' into innovative brand ideas for our core portfolio. We are now able to reach out to more consumers by capturing and analysing their digital footprint, geo-location and in-store purchase behaviour. For example, we are reaching our urban consumers 'on-the-go' through mobile messages and 'geo-tagging' technology to tell them where to buy their favourite ice-

cream. Our digital audio assets like 'Kan Khajura Teshan' and video assets like 'Krispy' reach out to millions of rural consumers on mobile phones in media dark geographies with a combination of relevant brand content and entertainment.

At the same time, we are embracing technology to create new experiences and go-to-market models. Last year, Unilever acquired Dollar Shave Club, an online men's grooming company that in just four years has transformed the shaving category with its lifestyle brand and built a subscription base of over three million members. Similarly, Unilever acquired Dermalogica, a leading online Skincare brand in the US. These brands and business models, albeit at a nascent stage today, are future growth engines with a potential of becoming leading businesses of tomorrow.

In order to sustain this continuous stream of disruptive ideas, we launched Unilever Foundry, a platform that incubates and funds new technologies that could have future relevance to our brands and business. Since its launch, the Foundry has worked on over 100 pilot projects where we've partnered innovative start-ups with our global brands and functions to stimulate and facilitate experimentation within our organisation. Our objective is to build and cultivate strategic partners for the future, which can become transformational for the business. The key learning is that the larger the number of minds connected together in an open network, the freer the flow of ideas and quicker the rate of innovation, breakthrough and change.

Organising for growth

Innovations for the changing world need to be underpinned by an organisational structure that fosters agility, connectivity and diversity.

The idea of a workplace is changing rapidly and companies need to adapt to the needs of the new-age workforce that is connected, innovative and entrepreneurial. Businesses need to embrace enabling technologies and social collaboration tools that help create a flexible work culture more suitable to diversity and inclusiveness.

Companies need to create a non-hierarchical interface that breaks away from traditional silos and matrix structures, and makes way for a seamless work culture that is focussed on outcomes.

Hindustan Unilever Limited's (HUL) 'Winning In Many Indias' is an excellent example of an organisational initiative that has made the business even more agile and responsive to a rapidly evolving marketplace with intensified competition, channel fragmentation and an increasingly segmented consumer base. It has empowered the organisation to get closer to the local consumers and customers while leveraging the corporate might and scale to win in the local marketplace.

More recently, with the launch of C4G (Connected for Growth) Unilever has taken yet another step towards a non-hierarchical and connected organisation focussed on delivering outcomes. Under this structure, country and global category teams have been brought together to promote a culture of collaboration,

experimentation and empowerment, and enable faster decision making with speed and agility.

Unilever's flexible work plan also ensures that we are able to attract and retain diverse talent, particularly in terms of gender. Initiatives such as flexi-working, maternity and paternity policies have earned HUL a place in the 'Top 10 Best Companies for Women in India'.

Developing talent and organisational capabilities

Ultimately, people power organisations. To compete in this connected and networked world, companies need talent that is equipped with the skills and capabilities required for the future.

According to a survey conducted by the WEF, the impact of technological, demographic and socio-economic disruptions on business models has led to transformation in the employment landscape and skills requirements. This has resulted in substantial challenges for recruiting, training and managing talent.

On an average, by 2020 more than a third of the desired core skill sets will have changed and nearly 35% of the core skills required for key roles in future are currently missing from the equivalent roles today.

Developing the right skills for the future is even more important today not only for businesses, but also for the economy. Companies will need to play an important role in developing employability of the future workforce. They need to collaborate with educators and government in order to impart relevant skills.

through large scale apprenticeship programmes and on-the-job training to develop a future-ready workforce. Skill-based vocational courses that focus on developing individual skill sets, will have to replace the 'cookie cutter' college courses.

In Unilever, we have built a holistic approach towards honing our talent pipeline and developing organisational capabilities for the future. Our skills programmes cover all employees from those who work on the shopfloor to those in leadership positions. Importantly, our training programmes are beginning to reflect the needs of the millennials who are going to form 60% of our workforce by 2020. This is because companies of tomorrow will need to create a continuous learning culture to get the best out of the new age employees.

We have created digital passports – i.e., learning modules that enable our marketers to win in this technologically advanced world. For our shopfloor employees, we have digitally enabled skill upgrading programmes such as Sparkle that assesses individual training needs, enhances productivity and helps identify high potential shopfloor employees who can be mentored to step into bigger roles at early stages of their career.

Attracting, developing and retaining the best people will always be at the heart of winning organisations. Our ability to do so is reflected in the fact that during 2016, Unilever was the number one FMCG Graduate Employer of Choice in 34 of the 60 countries where we actively recruit. In India, HUL continues to be the 'No. 1 Employer of Choice' by students across premier B-schools in the Nielsen survey for several consecutive years. We are now casting

our net even wider, by launching a digital selection process for graduate hires that uses the latest technology to give access to a wider talent pool and helps select candidates that best meet the Company's future requirements.

Growing responsibly

While innovation, organisation culture and developing talent for the future are essential for businesses to operate in the new world, it is their role in society that will ultimately decide their success in the long run.

The new-age employees are motivated to work in an organisation that has a sense of purpose and gives back to the society that it serves. Also, with concerns about the environment and sustainability continuing to build momentum around the world, consumers are becoming increasingly aware and prefer brands that address these concerns. A Unilever study conducted across five countries shows that a third of consumers are now buying brands they believe are doing social or environmental good. Thus, organisations of the future need to be purpose-driven and values-led.

The need for responsible growth has never been more pronounced. The Unilever Sustainable Living Plan (USLP) is the blueprint for achieving our vision to grow our business, whilst decoupling our environmental footprint from our growth and increasing our positive social impact. The USLP is our contract with communities – that we will serve multiple stakeholders through brands that can do social good, and business processes that are environmentally friendly and improve livelihoods.

We believe that our brands can be at the forefront of social change. Through Lifebuoy, Domex and Pureit, we are contributing towards the nation's WASH (Water, Sanitation and Hygiene) agenda by promoting good health and hygiene practices. In fact, Lifebuoy runs one of the world's largest handwashing behaviour change programmes. Globally, our health and hygiene initiatives have touched over 500 million lives.

In our effort to decouple environmental impact from our manufacturing processes, we have been steadily increasing the use of renewable energy, reusing treated effluent water and harvesting rain water across our factories. In the last five years, per tonne of production, our energy consumption has reduced by over 30% and water consumption has reduced by 40%. Globally, we have successfully reduced waste from our manufacturing by 96% since 2008, and have also been sourcing over 50% of our raw materials sustainably by end of 2016.

We have been striving to enhance livelihoods by developing employable skills of people across our value chain. For example, we have been working with smallholder farmers and suppliers to increase their yields while using sustainable practices that respect the environment on which they, and we, depend. Similarly, the 72,000 Shakti Ammas who distribute HUL products in small villages across India, are trained to become self-employed entrepreneurs.

In and around our factories and other key locations, through Project Prabhat, we are partnering local organisations, government and NGOs on skills development programmes and income-generating opportunities for people in local communities.

Under Prabhat, HUL is running over 100 livelihood and out-reach centres which have so far benefitted over 17,000 people.

In Unilever, we have always believed that we do not just sell soap and soup. Instead, we are committed to helping our consumers enhance their standard of living through our brands and improving the livelihoods of millions of people engaged across our value chain — directly or indirectly.

Businesses, such as ours, can effectively collaborate with other stakeholders to form public-private partnerships that alleviate some of the issues that the society and the environment faces today.

CONCLUSION

We live in a fast-changing world. Technology is both an opportunity and a challenge as established business models and industries are being constantly disrupted. At the same time, pressures on environment and resources, coupled with growing income inequity are posing a serious threat to globalisation.

The key is to reignite growth, but growth that is sustainable and responsible. Closer home, India is well poised to be the fastest growing large economy in the world. However, it must address a two-fold challenge – that of employment and employability of the large young population.

In order to grow, companies need to constantly innovate across their value chain, invest in new business models, create non-hierarchical outcome-based organisational structures and build a diverse talent base that has skills and capabilities to operate in a

digital world. Most importantly, business needs to reimagine its role in society and commit to doing well by doing good. Business is and must be a force for social good and serve multiple stakeholders.

In order to deliver on this agenda, business needs leadership that is visionary but, above all, purpose-driven and values-led.

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