

Great To Good

Lessons in Leadership

Harish Manwani - 2018



Great To Good - Lessons in Leadership

was the subject of the speech, delivered
by Mr Harish Manwani, Chairman,
Hindustan Unilever Limited, at the
Annual General Meeting held on 29 June 2018.

Great to Good

Lessons in Leadership

Introduction

We live in times of unprecedented change. In the last few decades, science and technology have unleashed waves of innovation transforming society and business. Globalisation has helped to rebalance economic power in an increasingly multipolar world. Connectivity and democratised access to information have given a stronger voice to individuals and communities. Quality of life has vastly improved and in the last 50 years, the world has halved the number of people living below the poverty line.

Yet, there is more inequality in the world than ever before. This has led to a rising tide of scepticism towards business as well as governments. Unfortunately, it is also driving a strong anti-globalisation sentiment.

The key question being asked is whether business can continue to operate exclusively in its own self-interest and what really should be the role of business in today's world.

In the early days, corporations were established to bring together people and capital so that they could deliver what individuals separately could not achieve. Business served people and in doing so, it also made a profit.

The idea is captured in some powerful examples. When asked what the purpose of the Ford Motor Company was, Henry Ford said, “To do as much possible for everybody concerned... and incidentally to make money...business is a service, not a bonanza.”

In the 1800s, when Mr William Hesketh Lever founded the enterprise that has become the Unilever of today, he launched the first branded soap Sunlight with a vision to foster cleanliness and hygiene in Victorian England. He also built the village of Port Sunlight in north-west England with housing for workers, a small hospital, a school and an art gallery. Purpose led. Profits followed. A corporation built along these lines engendered trust and won the societal license to operate.

Since then, corporations have grown in size, geographical reach and influence, primarily driven by advances in technology and access to global markets. Globalisation generated incomes in the developing world and brought the benefit of lower costs to the developed world. In fact, when the global economy was growing at a healthy pace, the benefits of globalisation outweighed local populist pressures. This is no longer so. The perception of the common man is that the rewards of globalisation have not been evenly distributed. In 2017, the richest 1% of the world bagged 82% of the wealth created, as per an Oxfam report.

This comes alongside the rising power of the large corporations and a series of corporate scandals that have raised fundamental questions on the quality of governance, supervision and integrity of people in positions of leadership and authority.

Charles Handy, the well-known philosopher and management author in a Harvard Business Review piece titled *What's a Business For?* said, "...capitalism will continue to be seen as the rich man's game, serving mainly itself and its agents. High-minded talent may start to shun it and customers desert it. Worse, democratic pressures may force governments to shackle corporations, limiting their independence and regulating the smallest details of their operations. And we shall all be the losers."

From Great to Good

Noted American author Jim Collins talks about how companies need to transition from being '*Good to Great*' in his blockbuster book titled the same. However, in the current context, to win back the trust of society, companies need to move to a new paradigm of 'great to good' – running a business that delivers great performance and is also good for society.

Going from 'great to good' requires business to embrace a larger purpose that goes beyond just generating short-term

financial results. A corporate purpose that is relatable, a purpose that goes beyond physical products and services, and makes a real difference to society.

Let me illustrate this with an example. On the very first day of my work-life, I walked in to Hindustan Lever Limited and my boss asked me, "Do you know why you are here?" I said, "I am here to sell soap." And he said, "No, you are here to change lives. You are here to serve our communities with brands that make their lives a little better every day." There has always been a conviction in the Company that our brands and our actions can make a meaningful impact in society.

Hindustan Unilever Limited – Leading the Way

I began my career with Hindustan Unilever Limited (HUL) over four decades ago. HUL was then a ₹ 200-crore firm; last year, our revenues exceeded ₹ 34,000 crore. Back then, it was one of India's most valuable companies and decades later, it still is one of India's top five most valuable companies, with a market capitalisation now exceeding USD 50 billion. Most importantly, when I joined, HUL was an employer of choice and today it is still the 'Dream Employer' among business school students across the country. Throughout its history, HUL has sustained its reputation for being, not just a high performing company, but also a company with the highest levels of integrity and governance.

The story of HUL is remarkable, having stayed the course right through the immense transformation that India has seen. In a period of sweeping change – from the socialist era to the opening up of the Indian economy; from the so-called Hindu rate of growth to the fastest growing major economy in the world; from a country barely fending off default on its forex obligations to a market flush with foreign investments, India has changed. And so has HUL.

What has enabled HUL to stay on top, to not only remain relevant to its shareholders but also to every stakeholder? What does it take to make a company that is built to last?

According to Jim Collins, ‘To be built to last, you must be built to change.’ HUL has precisely done that. We have changed with the times and yet remained rooted in our purpose and values. Let me share some learnings from my journey in HUL on building companies that last.

I. Serving communities – living our Purpose

At HUL, we believe that what is good for India, is good for HUL. We have always kept communities first. Be it the Integrated Rural Development programme of the 1970s, the Hindustan Unilever Foundation that has created water conservation potential of 450 billion litres across India or the more recent Project Prabhat that has benefitted nearly two million people around our factories through initiatives on

health and hygiene, water and livelihoods, HUL has always believed in doing well by doing good.

At HUL, we are convinced that our brands can and must be at the forefront of social change. Nearly 1.2 million children under the age of five die every year due to diseases that can be prevented with the simple act of washing hands with soap at critical occasions in the day. Lifebuoy helps save lives through the world's largest hand-washing behaviour change programme and has already reached over 400 million people across the globe. Rin uses the best technology to help consumers use less water while washing clothes; Pureit ensures access to safe drinking water and till date has provided 83 billion litres of water to millions of consumers across India; Domex is at the forefront of our sanitation initiative and has helped build over 200,000 toilets in Indian households through the Domex Toilet Academy; Dove empowers and instills confidence in women by championing 'real beauty'; while Kissan and our tea brands actively advocate sustainable farming.

For the Company, it has never been about selling soap or soup, it's about making sure that in the process of doing so, we can change people's lives. Small actions, big difference.

It is not just our brands but also the way we do business that has a meaningful impact in society. Take for instance, Project

Shakti, that empowers nearly 80,000 rural Indian women (we call them Shakti Ammas) across 18 states to become micro-entrepreneurs of HUL products. Is Project Shakti just a business proposition, or a programme of social change? Let me answer this with a personal anecdote. I was visiting a Shakti Amma in a small village in west Uttar Pradesh. As we walked down the narrow lanes of the village to visit some homes and shops, our Shakti Amma led the way confidently, followed by her husband and then by her mother-in-law as the entire village looked on. This was a complete reversal of the social order being played out in front of our eyes. As an entrepreneur and bread earner, she commanded respect in her community and in her home. I was overwhelmed when she later told me that she would want her two-year-old daughter also to become a Shakti Amma when she grows up. It really brought to life what I was told on my first day in the Company – we don't just sell soap and soup, we improve the lives of people and communities.

These and many other actions of the Company can be summed up in our simple purpose – making sustainable living commonplace. We believe, it is the only way of doing business in today's world – one that delivers growth by serving society and preserving our planet. In 2010, we launched the Unilever Sustainable Living Plan (USLP) through which we made a worldwide commitment to grow

our business, whilst decoupling our environmental footprint from our growth and increasing our positive social impact. Since then, our business has grown and we have simultaneously made significant progress on our global USLP goals. Through several initiatives, Unilever has helped over 600 million people improve their health and hygiene. More than half of Unilever's agricultural raw material is sourced sustainably, and we have helped enhance the livelihoods of millions of people, especially the small-holder farmers who work with us, our small-scale retailers and women distributors. In India, we have reduced our greenhouse gas emissions, water usage and waste generation in manufacturing by nearly 55% since 2008. Through the Rin Career Ready Academy and the Fair & Lovely Foundation, we have enhanced the employability of over 600,000 young people. This exemplifies 'great to good', a great business that also does good for society.

II. Serving all consumers

Nine out of ten Indian households use HUL products. This is a result of our strong belief that we are in business to serve all consumers from every income strata. We call it 'straddling the pyramid'.

For example, in detergents, we have Surf excel Matic that meets the machine-washing needs of our urban consumers, we have Rin for the middle-income group and Wheel that

offers millions of low-income families access to an affordable and value-for-money detergent. Similarly, in shampoos, we have Dove for the more affluent urban consumers, Sunsilk in the mid-range and Clinic Plus for the lower-income consumers; in Tea, there is Taj Mahal, Red Label and Taaza all at different price points catering to different socio-economic segments.

We have a simple strategy – we start with what our consumers want and then create business models to deliver the product to them at prices they can afford. In the process, we give value to our consumers and create value for the Company.

At HUL, we do not just compete for market share but also focus on building new markets. Throughout our history, we have pioneered new markets like detergents and shampoos by converting consumers from using soaps to shampoos through affordable sachets and, from washing soaps to detergent powders and now to liquids.

In a country as big and diverse as India, it is not enough to just have a relevant portfolio of brands. It has to be matched with a robust and efficient distribution network. Our products are available in over seven million outlets across the length and breadth of our country. From traditional trade, to modern trade and now e-commerce, we endeavour to reach wherever our consumers shop.

III. Talent is key

Developing talent and meritocracy is at the heart of HUL's success. We recruit the best across the country and groom young entrants into responsible business leaders. In fact, we have often been called the CEO factory for building business leaders who have served not only Unilever but the Indian industry over the years.

As part of the 'Indianisation' initiative way back in the 1950s, HUL focussed on attracting, developing and retaining Indian talent. This gave birth to one of the first comprehensive management training programmes in the country. The Company leadership also recognised that it must play an active role in promoting management education in the country. The first Indian Chairman of HUL Mr Prakash Tandon, played a founding role in setting up the Indian Institute of Management, Ahmedabad (IIM-A), a distinguished institution for higher learning. In the 1990s, HUL was again a part of the founding group of yet another fine institution, the Indian School of Business (ISB), Hyderabad.

The talent agenda does not stop with recruitment. Leadership development and learning is a continuous process at every level of the organisation. At HUL, an important part of management development has been an

early exposure to managing operations at the grassroots level in our markets and factories, as well as international assignments. We currently have nearly 150 managers working with Unilever in different parts of the world. Our leadership development programme ensures that our managers are equally comfortable in the dusty bylanes of rural India and in the corridors of Unilever House.

Learning is not restricted to managers, but also encompasses our shopfloor employees, sales teams and even employees of our partners who work with us across the value chain. We have trained thousands of shopfloor employees and distributors' salesmen opening up career opportunities for them, through continuous training and skills development programmes.

However, the cornerstone of our talent development agenda has been our firm commitment to meritocracy as the only criterion for recruitment and advancement. In this respect, HUL reflects middle class values and work ethics – a constant focus on self-improvement and pursuit for excellence.

IV. Embracing change

Change is the only constant and HUL has always recognised this. Mr T Thomas, HUL's former Chairman during his 1978 Annual General Meeting speech said, "Change originates

from vitality, and is a positive and necessary sign of growth and progress. Absence of change should be a matter of concern as it could be a sign of internal decay.”

HUL has navigated many external changes and come out stronger. In the 1970s, the Foreign Exchange regulation severely restricted multinational companies with a foreign majority ownership to expand. The Company ensured that it complied with the regulation without giving up the right to shape its destiny. We steadfastly led the expansion of the consumer business while vertically integrating into chemicals including sodium tri-polyphosphate, a critical but scarce raw material that was not only good for our core detergents business, but this expansion into chemicals, which was defined as a priority sector by the government, also helped the Company’s case for retaining a majority Unilever ownership.

Change and innovation go hand-in-hand. Our belief has been that innovation must embrace not just products but also business processes. HUL is proactively adopting technology - burgeoning digital connectivity and ubiquity of data, to fundamentally reshape the way we do business. We are leading the digital transformation with significant investments in automation, robotics and artificial intelligence across the value chain. Through advanced data analytics, we are reinventing the way we market our brands

through digital media and our go-to-market models. For example, we are using sophisticated GPS tagging technology to identify and prioritise the geographies that present an opportunity for distribution expansion. We are also adopting global best practices and state-of-the-art technology solutions to drive competitive advantage in the fast-emerging e-commerce channel.

Our guiding principle has always been that we need to keep one foot into the future even as we remain firmly rooted in the present.

V. Non-negotiables

Vision and purpose guide great business, but values are equally important. The emphasis in business is telling people what to do. At HUL, we have always believed that it is also about people understanding what not to do. This is less about prescribing behaviours and more about a culture of ethics and integrity as clear non-negotiables. Let me illustrate this with a conversation that took place in 1965 between the then Unilever Chairman Lord George Cole and a young manager in India. As was customary for a Unilever Chairman visiting India, Lord Cole was addressing a townhall with the Company staff and the floor was thrown open for questions.

“Sir, what are the criteria for appointments to the Board?” the young manager asked the Chairman. “I’m glad you are thinking so far ahead,” Lord Cole replied. And he added, “The criteria for Board appointments are contribution, competence and character. The last takes precedence over the first two.”

It is often said that the true test of leadership comes during adversity. HUL was severely tested when the managers of our Doom Dooma factory in Assam were threatened by a militant organisation in 1991. We decided not to bow down to the irrational demands of the militant group and air-lifted overnight all our managers and their families from the area. We restarted our operations only after law and order had been restored, and importantly, the right to manage our operations was re-established.

Great companies have a clear code of business principles, but they also have an unwritten moral compass – a set of non-negotiables and a collective conscience that binds the organisation together.

My Thoughts – in Conclusion

Our history is one of growth powered by ideas and values. Products, brands and profits followed in their wake. And while we have changed to meet the challenges of our times, our values have not.

‘Doing well by doing good’ is ingrained in the very DNA of HUL. We have always been committed to serving the communities in which we operate. We have believed that if the communities prosper, so will the business. We have created brands that address the needs of each and every Indian, across the economic strata and reached all consumers through our country-wide distribution system. We have been committed to growing our people, nurturing leadership and doing so with transparency, based on merit and recognition.

Business needs to deliver the 3Gs of growth – consistent, competitive and profitable growth. The 3Gs are important because without these, business cannot create economic value. This is essential to create jobs, income and innovation. The 3Gs are necessary, but they are not sufficient. We need the fourth dimension of growth – responsible growth. This fourth G recognises that it is the role of business to not just create economic value but also social value, and to do this in a sustainable way.

This new model of growth also requires a new kind of leadership. Leadership that is purpose-led and values-driven. Leadership that is driven not just by results or by a vision, but equally by a moral compass, a true north. All great leaders recognise that the most precious assets of any organisation are its reputation and its people. That is what they hold themselves responsible for - managing reputation and unleashing energy in their people through purpose. And that is what I learnt about leadership in my 42 years with HUL.

Published by Prasad Pradhan,
Head – Sustainable Business & Communications,
Hindustan Unilever Limited,
Unilever House, B. D. Sawant Marg, Chakala,
Andheri (E), Mumbai - 400 099,
and printed by Kohinoor Printers,
C-7, Laxmi Mills Premises, Kasturchand Mill Compound,
Senapati Bapat Marg, Dadar (West),
Mumbai - 400 028.

The speech can also be accessed on
the company website <http://www.hul.co.in>



Hindustan Unilever Limited

Hindustan Unilever Limited, Unilever House,
B. D. Sawant Marg, Chakala, Andheri (E),
Mumbai - 400 099.