

Building a Future Ready Organisation

Harish Manwani - 2014



Hindustan Unilever Limited

Building a Future Ready Organisation

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BUILDING A FUTURE READY ORGANISATION

Section One: Introduction

We live in an increasingly interconnected world that is changing faster than ever before. In fact, change is 'the new normal' and if anything the pace of change in future will be even faster than it is today.

Take connectivity for instance. It took almost 50 years after the invention of the telegraph before the first telephone was invented. It was another 50 years before we saw the television. But in less than half the time it took to move from the telegraph to the television, we witnessed the rise of computers, the invention of the mobile phone and the advent of the Internet. Now we have the power of the telegraph, telephone, radio, television, computer and Internet all in one device that can fit in our palm.

The pace at which these technologies have been adopted in India is unprecedented. The spread of mobile connections is a telling example. The first mobile phone call was made in 1995. In less than 20 years, mobile connections are now all pervasive and have in fact far surpassed landline connections, a service that started more than a century earlier.

Last year, I had spoken about the volatile, uncertain, complex and ambiguous, or VUCA world, we operate in. This VUCA environment marked by continuous and dramatic change

poses opportunities and challenges for businesses. It requires companies to change the way they operate and constantly reinvent themselves.

The list of those who failed to reinvent themselves and succumbed to the VUCA environment is long and instructive. The Eastman Kodak Company is just one on that list. The iconic brand that was synonymous with photography in the era of darkrooms and films actually invented the first digital camera, but later filed for bankruptcy after failing to fully respond to the sweeping changes of the digital era.

On the other hand, there have been companies that have continuously innovated to meet the requirements of our fast-changing times and thrived. For example, Apple and Google have grown and cemented their leadership positions on a wave of innovations. Innovations like Google Glass, a wearable computing device and Google Fiber, an Internet service with a speed of 1Gbps are already looking ahead to meet consumer needs of the future. Apple's latest offering of the iBeacon allows a phone to direct a driver to the nearest open spot in a parking garage or the shortest line at a food counter in a crowded theatre.

Section Two: India at the forefront of change

In developing countries like India, the last couple of decades have been marked by momentous change. Over the last 20 years, GDP per capita in India has nearly tripled from USD 517 to USD 1415. Poverty levels have halved from 45% in 1994 to 22% in 2012. In

spite of recent economic challenges, India is poised to become the third largest economy in the world by 2030. About 25 years ago, only 3% of India's 600,000 villages enjoyed telephone services. For urgent communication, people would rely on what was commonly known as the 'taar', the telegraph service. Today, there are over 875 million mobile phone subscribers in India and the 'taar' is history, with the telegraph service shuttered last year. In fact, today the penetration of mobile phone is higher than any traditional media in many rural areas.

This connectivity is allowing India to leapfrog. It is increasing the productivity of our farmers by providing easy access to agriculture-related information, eliminating intermediary non-value adding players and opening opportunities for micro-enterprises, thus fundamentally improving everyday life for millions of people. It is therefore not surprising that the country's digital and e-commerce market is booming. In fact, in 2013, the Indian e-commerce market grew at a staggering 88% according to a survey by The Associated Chambers of Commerce and Industry of India. With the growing penetration, accessibility and affordability of smartphones, over 25% of the total Internet transactions in India are done via mobile devices.

Companies that have tapped into this evolving class of Internet savvy consumers experienced unprecedented growth. Case in point: five years ago, Bengaluru based e-commerce website, Flipkart, began as a start-up with an investment of just INR four lakh and today, reportedly generates USD one billion in

annual sales. The success of such e-commerce portals is spawning an online retail revolution in India.

Technology and easier access to information and knowledge have opened up employment opportunities resulting in a new wave of people entering the consumption cycle. We are witnessing a significant increase in the earning power of consumers at the bottom-of-the-pyramid as they join the increasing middle class population in India. The traditional socio-economic pyramid is rapidly transforming itself into a diamond with a burgeoning middle class and a decreasing number of low-income consumers. This is increasingly true of India and many other developing economies and offers huge opportunities for business.

A company that is future ready will not only be able to seize the opportunities these changes present, but also protect itself from the challenges of the VUCA world.

Section Three: Building a future ready organisation

Being future ready means having the vision and the capabilities to compete in the world of tomorrow, and having a larger purpose to remain relevant to society.

At Unilever, we have a five-pronged approach to remain future ready – first, embracing technology and inclusive innovation that meets the needs of consumers across the socio-economic pyramid; second, committing to sustainable and responsible

growth; third, building future ready talent and capabilities; fourth, values-led and purpose-driven leadership; fifth, creating an agile and inclusive work culture.

a) Technology and inclusive innovation

India is a vast nation with widespread socio-economic diversity. Technology and innovation allow us to anticipate and better serve the needs of the many different Indias. There are huge opportunities in meeting the needs of the rising middle class as well as the aspiring low-income consumers.

The urban middle class consumers are changing the way they shop and buy. These consumers are researching brands and products, comparing prices across multiple locations and are open to ordering from anywhere, anytime. These consumers are ready to try new products and services and are willing to spend on brands that match their aspirations.

In India, to be truly future ready, one has to leverage technology to cater not only to the rising middle class but also to consumers at the bottom-of-the-pyramid. As the late Prof C K Prahalad and Dr RA Mashelkar put it, the way forward for companies is inclusive innovation. An enlightening example would be that of Aravind Eye Care, an organisation that has dramatically altered eye care in India by bringing the price of intraocular lenses down to a tenth of international prices and making cataract surgeries affordable for low-income consumers. Today, the company markets its products in more than 130 countries. Similarly, Arunachalam

Muruganantham, a social entrepreneur from a village near Coimbatore, has invented a low cost sanitary pad making machine which can manufacture sanitary pads for less than a third of the cost of conventional commercial pads. Low-cost business models are thus changing the way we serve millions of consumers.

At Unilever, the approach of developing innovations with consumer price as the starting point is at the heart of our inclusive innovation strategy. In Hindustan Unilever Limited (HUL), we have institutionalised a 'challenge cost' mindset where the target price for consumers drives innovation in each segment and category. This has helped us to develop several new market segments in Home Care, Personal Care and Foods. Pureit is a more recent example of this approach.

Pureit addresses one of the biggest technological challenges of the century – that of making safe water accessible and affordable for millions. It provides one litre of 'as safe as boiled'TM water at a running cost of just 28 paise without the hassles of boiling, the need for electricity or continuous tap water supply. Pureit has emerged as the largest selling water purifier brand in India and has now been introduced in several other countries, protecting 58 million lives globally.

Reaching up and reaching wide

We continue to leverage advancements in technology and connectivity to strengthen our collaboration with customers in modern trade and simultaneously expand our distribution reach in deep rural areas. We call this reaching up and reaching wide.

We identified modern trade as a key growth driver over a decade ago when the channel was still at a nascent stage in India and invested in technology and capabilities to strengthen our partnerships with customers.

We launched a state-of-the-art Customer Insight and Innovation Centre that provides us with a platform to collaborate with our customers and co-create marketplace ideas to win with shoppers. We have improved upon our service delivery standards by leveraging technology for demand sensing. We have deployed a collaboration tool with most of our large modern trade customers which has helped us achieve an all-time high on-shelf availability in these stores. The Best Supplier of the Year award bestowed upon us by key modern trade customers is a recognition of our partnership and the value that these initiatives have added to their business.

In 2013, we used technology to expand our direct distribution reach in both urban and rural markets. By GPS tagging retail outlets, we were able to identify and prioritise the geographies that presented an opportunity for direct distribution expansion. We now service over three million retail outlets directly helping to further improve availability and access to our products.

We developed new low-cost distribution models that use technology to leverage the increasing penetration of mobile phones among small retailers. Taking orders through tele-calling saved time and cost, and enabled us to reach outlets which were outside the purview of our traditional distribution

model. Through Project iQ, a technology-based analytics capability, we enabled sales people to make shorter and more effective sales calls.

Similarly, to strengthen our reach in deep rural areas, we deployed a low-cost mobile IT solution that enables thousands of our Shakti Ammas (rural women entrepreneurs) to take and bill orders, and manage inventory in real time. This has made the Shakti Ammas more productive and helped them to further enhance their incomes.

Digital marketing

The Internet is changing the way brands engage with consumers. There is a blurring of lines between advertising and editorial; between 'paid' media in conventional channels and 'owned' and 'earned' media in emerging digital channels. Mobile, social media and big data are transforming the very nature of marketing.

We were early in recognising this trend as a game changer. We have not just significantly increased our investment in digital media but are also innovating to increase our impact in this space. Last year, we launched the 'Media Lab' which helps our brands deliver engaging brand experiences in an effective manner across Internet enabled mobile devices and platforms.

Drawing on the insight that Bollywood-related searches are among the highest online content sought by users in India, HUL has launched Bollywood Buzz on YouTube. Our brands are able

to effectively deliver brand messages to consumers by creatively weaving in brand content with exclusive pre-release film content.

Another example of our brands leveraging digital to effectively engage with consumers is the 'BeBeautiful' initiative. HUL beauty brands have come together to develop and launch 'BeBeautiful' as an online beauty expert platform. The recent vlogging (video-blogging) campaign by 'BeBeautiful' has been a tremendous success achieving 20 million video views in just six months.

Perhaps the most exciting initiative has been the launch of 'Kan Khajura Tesan', a mobile marketing initiative aimed to help our brands engage with low-income rural consumers in media dark areas. 'Kan Khajura Tesan' has been globally recognised with the prestigious Lions Gold awards at Cannes Lions International Festival of Creativity this year.

b) Sustainable and responsible growth

As the less developed economies grow, demand will rise dramatically; but we live in a world with finite resources. Large numbers of people still remain out of the modern day economic system — we still have one billion people going to bed hungry every night, 2.8 billion people short of water and 2.3 billion people living without access to basic sanitation.

We are convinced that businesses that address the needs and aspirations of consumers as well as social and environmental challenges will thrive in the long term. This is the foundation of what it means to be future ready.

Unilever's journey towards building a future ready organisation gained momentum and direction in November 2010 when we launched our ambitious Unilever Sustainable Living Plan (USLP). The Plan aims to double the size of our business while decoupling our growth from our environmental impact and increasing our positive social impact. This thinking lies at the heart of our business and is now being firmly embedded across every part of the organisation.

i) Brands at the forefront of social change

We believe that every brand should serve a purpose in the life of the person who buys it. This belief has been at the forefront of how we build purpose-driven brands and we continue to leverage them to create positive social impact. For instance, Lifebuoy now runs one of the largest handwashing programmes in India.

Last year, we launched the 'Help a Child Reach 5' campaign in Thesgora, a village in Madhya Pradesh, known for having one of the highest rates of diarrhoea in India. The campaign aims to eradicate preventable deaths from diseases like diarrhoea by teaching lifesaving handwashing habits, one village at a time. The results have been tremendous, with a staggering 86% drop in the incidence of diarrhoea in Thesgora. The campaign is now being rolled out to villages across 14 countries.

Another example is Domex, our leading toilet cleaner brand, which launched the Domex Toilet Academy last year with an aim to assist in eradicating open defecation by providing access to

improved sanitation. Our water purifier brand, Pureit in partnership with Population Services International has been working towards providing safe drinking water at a minimal cost to families in rural areas.

ii) Enhancing livelihoods — sustainable agriculture

Being future ready also means caring for your environment and investing in sustainable supply chains. We are working with smallholder farmers to help them implement sustainable methods while significantly improving their crop yields. We help them adopt good agricultural practices like drip irrigation, nutrient management, pest and disease management. In 2013, 80% of the tomatoes used in Kissan ketchup were from sustainable sources. We already source 100% of our palm oil from sustainable sources backed by GreenPalm certificates.

In fact, we have integrated our sustainable sourcing initiatives into the business through our 'Partner to Win' programme. This not only enables our supplier partners to ensure sustainable sourcing across their value chain but also secures our sourcing needs for the long term. As Unilever, we are already sourcing 48% of our global raw materials sustainably and are committed to make this 100% by 2020.

To address the impact of depleting water resources on food, energy and livelihoods, we set up the Hindustan Unilever Foundation (HUF) in 2010. HUF partners with NGOs, government agencies and members of the local community. It currently runs

projects that have a cumulative and collective water conservation potential of 100 billion litres by the end of 2015. We expect to generate more than two lakh person days of employment in more than 180 villages across India. Furthermore, we expect that the increased water conservation would help lead to a 10% rise in crop production in some of the project areas.

iii) Project Sunlight

To renew and reconnect our brands to the larger corporate purpose of making sustainable living commonplace, we launched Project Sunlight in November 2013 to motivate millions of people to live sustainably. We hope to create a movement for sustainable living among consumers and thus help to create a brighter future for children.

India was one of the five key markets where Unilever launched Project Sunlight on Universal Children's Day last year. The campaign got an overwhelming response in India with over four million people joining the Project Sunlight movement. This year, we will reach out to more people and inspire them to adopt sustainable living practices in their daily life. The first campaign launched this year aims to encourage families to conserve water. We are hopeful that through such campaigns we can continue to increase awareness among people and contribute to our purpose of making sustainable living commonplace.

c) Future ready talent and capabilities

To create a business that addresses the needs of the future

through technology and sustainable models for growth, we need to nurture a continuous learning environment that builds talent and new organisational capabilities.

We have a holistic approach towards honing our talent pipeline and building leadership capabilities in our people. We encourage our people to define their individual purpose in the organisational context and help them realise it through meaningful actions. The Unilever Future Leaders Programme provides us a strong foundation to groom and develop talent from the entry level itself. Large responsibilities early on in the career, open and honest career development discussions, cross-functional and international exposure coupled with coaching and mentoring helps develop a strong leadership pipeline.

We are harnessing technology to prepare our employees to succeed in tomorrow's world. For example, we have created digital passports that are licenses for our marketers to operate in the future. As a part of building awareness and knowledge of our managers on business, managerial and professional areas, we use online e-learning solutions. In 2013 alone our employees completed nearly 50,000 online courses.

Our initiatives such as 'Incite' and 'Food's College' help to build marketing capabilities required for the business to win in the future. These initiatives have also resulted in several successful marketing campaigns such as the Foods experiential marketing programme.

We also believe that learning must be embedded in the organisation at all levels. We have undertaken a host of programmes in the space of capability building on the shopfloor. For example, our Shopfloor Skill Upgrading Programme, 'Sparkle', assesses training needs, skills and the performance of our shopfloor employees. 'Stepping into One' is another programme that develops technical and leadership skills among shopfloor employees, providing them with career advancement opportunities into supervisory roles.

d) Values-led and purpose-driven leadership

Ultimately, the most important asset of any organisation is its reputation. For future ready organisations, we need leaders who will not only build the organisational capabilities to harness technology and new ways of working, but also instil the values to build sustainable and responsible models of growth. These are the leadership principles that we have embedded in our company and they will continue to shape our future as an organisation.

More than ever before we need leaders who are values-led and purpose-driven. These are leaders who recognise that there are some non-negotiables in business and that building organisational character is essential to future success.

In Unilever, we have a common code of business principles and leadership values of integrity, respect, pioneering and responsibility that have to be embraced by every leader in every part of the world.

e) Agile and inclusive work culture

In a world with easy access to information and rapid changes, companies need to move fast to keep up. Speed is the new currency for future ready organisations.

At Unilever, we have ingrained agility and speed in our work culture through initiatives such as 'Project Sunset'. This initiative was pioneered by HUL to facilitate quick decision-making in the organisation. It has been rolled out globally to build a more dynamic and agile culture.

In 2013, we launched a new campaign, 'Winning Together', to reduce complexity across the organisation and empower people to maximise their potential through simplified ways of working, cutting inefficiency and promoting a bias for action. For example, we are driving more effective collaboration in cross-functional teams by using project classification tools and driving behavioural changes amongst employees. This is helping us to increase the pace of innovation by delivering cross-functional projects on time.

Equally, diversity and inclusion is an important aspect of our sustainable business growth agenda and a key to building a future ready organisation. In HUL, we refer to this as 'Winning Balance'.

Over the last three years, we have seen a considerable shift in this area through greater leadership involvement and engagement. For instance, we have been able to recruit women on career

breaks through our 'Career by Choice' Programme that balances personal and professional needs of talent on their return to the workforce. In 2013, we established a Winning Balance Council comprising male and female leaders across functions who champion the diversity agenda in the business. Last year, Unilever's progress on diversity was recognised with the prestigious global Catalyst Award.

We are on the path towards creating the 'ideal' work culture of a simpler, agile and inclusive organisation.

Section Four: Conclusion

We live in an extremely volatile world that is changing faster than ever. Products and services are becoming more accessible with increasing connectivity and improved infrastructure. To succeed in this world we have to develop a high capacity for responsiveness. Organisations will have to adapt to rapidly changing situations and priorities, tolerate ambiguity, and develop new ways of working in order to succeed.

While technology and innovation will be the hardware that drives future ready organisations, it is a values-led and purpose-driven leadership that is the software that must drive sustainable and responsible growth. It is this combination of hardware and software that will shape the corporate winners of tomorrow.

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