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1 February 2011: Let's zoom in on a cold, crisp, blue-skied day in central London, to an impressive neoclassical art-deco style office building overlooking the Thames: Unilever House. Appearances are deceptive. Proceeding through the doors, flanked by heavy ionic pillars, visitors and employees enter a thoroughly modern glass-fitted atrium that allows light and color to pervade the building on multiple stories. The building symbolizes the evolution of the historically patriarchal soap-making company, Lever Brothers, into Unilever in 1930, around which time Unilever House was built as the UK base of this Anglo-Dutch fast-moving consumer goods giant. In this millennium, the company has carefully honed a new and shiny modern image in tune with successes and challenges of the twenty-first century.

A conversation in a top-floor office also reflected new realities. Paul Polman, CEO of Unilever since 2009, was briefing Douglas (Doug) Baillie on his first day as Unilever's new chief human resources officer (CHRO). In November 2010 the company had set out the Unilever Sustainable Living Plan (the USLP), committing to a 10-year journey toward sustainable growth as the organization's core strategy. This meant doubling its growth to €80 billion while greatly reducing its negative environmental and social impacts.

Baillie was not new to Unilever, a company in an industry that stood out for the career longevity of senior executives within firms. A marketing and sales executive by training, he had been with the company for 35 years, in multiple posts, including managing transformational change in post-apartheid South Africa. Polman looked keenly at Baillie:

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Here's the thing, Doug. For me the talent and leadership agenda is a key component for the USLP's strategic success. Question is: Can HR be ahead of the business, laying the road before we arrive on our growth trajectory...or will it be – as HR departments are prone to be – behind it, filling in the cracks? To be successful, we need to be "ahead of the posse" at every level. HR's role is crucial. That is our – and your – challenge.

Polman: Aiming to Buck the Mega-trends

On 1 January 2009, Paul Polman succeeded Patrick Cescau as CEO of Unilever. Polman was hired "from the outside," a somewhat unusual move in a company better known for promoting its own executives to senior positions from the inside. Polman had previously worked as chief financial officer and executive vice president for the Americas at Nestlé and had also held positions at Procter & Gamble and other companies.

Polman was a man with a mission. He had strong beliefs about the role of business in a resource-restricted world pervaded with social inequity. He had deeply reflected on global megatrends and their implications for business as well as for the planet and humanity. Having worked in industries dependent on natural resources and social equity for growth, he had witnessed a marked shift from abundance to increased scarcity in the course of his career.

He knew the world's population would reach a landmark seven billion by 2011, and over two billion more people would inhabit the planet by 2050. This was both a risk and an opportunity for Unilever. The growth and aging of world populations had increased the strain on natural resources and social welfare systems. Polman had long realized that this had implications for driving future growth and improvements to quality of life upon which his company had built its business model. People had become more mobile, which fueled urbanization. Some 70 % of people were expected to live in urban areas by 2050, which meant that they would be increasingly dependent on companies like Unilever for their food and personal care products. However, these shifts – particularly in emerging and developing economies such as China and India – were increasing the demand for water, food, minerals, metal, agricultural land and energy. This also meant an increasing waste problem, deforestation, soil degradation through inefficient agricultural methods and linked threats to habitats and biodiversity worldwide.¹

From an economic standpoint, Polman was convinced that political and economic systems were failing and that capitalism needed to be reframed for the common good. His view was that too many companies had prospered at the expense of society and nature, and that companies had a business imperative to be successful while giving back to society and supporting ecosystems and biodiversity. He felt that the writing was on the wall for what he called a "new kind of capitalism". Whilst he supported management incentives that encouraged a longer-term focus, a broader form of stakeholder driven capitalism, and stronger and better-informed

¹ <http://www.youtube.com/watch?v=S0yQ4pmlPCk>

boards of directors, he also believed that these shifts alone would not be sufficient for transformational change:

Changes in policy will mean little if not accompanied by changes in behavior. That's why we need a different approach to business – a new model led by a generation of leaders with the mind-set and the courage to tackle the challenges of the future.²

Polman also felt that companies failing to respond to the obvious social and environmental challenges of the modern era risked going out of business. He spoke eloquently about what he termed a VUCA³ world, one that had become more Volatile, Uncertain, Complex and Ambiguous:

We have increasing income disparity within the developed world. We have a political system that barely functions after the economic and financial crisis. So continuing the way we are going is simply not a solution. Increasingly consumers are asking for a different way of doing business and building society for the long term together.⁴

“Full Steam Ahead!”

Following the maxim “start as you mean to go on,” Polman took some controversial first steps as Unilever's CEO. Exasperated by the short-term perspective dictated by what he termed “Wall Street,” in 2009 he abolished earnings guidance and quarterly reporting for investors, and was vocal about the fact that short-term oriented hedge funds, for example, were not the company's most welcome investors. These were ambitious moves that created shock waves in the global press at a time when the banking and finance industry was under increasing scrutiny because of multiple scandals and scams.

Then, in 2010, he launched an ambitious plan to double revenue to €80 billion while halving the company's environmental footprint and increasing positive social impacts considerably over the same period. This was not the first time that Unilever had set itself an ambitious objective. In 1997, in partnership with the conservation organization WWF, Unilever had created the Marine Stewardship Council (MSC) and committed to source 100 % of its fish from sustainable, certified fisheries by 2005. In fact, by 2005 it had reached only 70 % of the overall goal. However, it had been a bold and effective move, which set the MSC on a trajectory that would see some of the world's biggest retailers, such as Walmart, agree to include MSC products in their product mixes. Unilever later sold its fish business but the

²http://www.mckinsey.com/features/capitalism/paul_polman

³The concept of a VUCA world – one that is volatile, uncertain, complex, and ambiguous – was introduced by the US military as the Cold War ended and as the United States looked out over the emergence of a multilateral, rather than a bilateral, global landscape. The VUCA concept gained currency in the private sector with the onset of the financial crisis in 2008/09, when companies and organizations all over the world suddenly found themselves faced with turbulence in their business environments and, subsequently, in their business models.

⁴<http://www.theguardian.com/sustainable-business/unilever-ceo-paul-polman-interview>

company-specific goal that it had achieved went way beyond what any other company had ever done. Even then, executives at the company felt that setting the stretch goals had been a highly effective way of accelerating innovation and aggressive target setting within the organization.

At the Helm of a New Strategy: The Unilever Compass

Like any new CEO, Polman wanted to define a fresh vision and purpose for the company, a vision that would act as a beacon to the strategy. He was determined that ongoing pressures – economic, social and environmental – would frame the approach to Unilever’s core business strategy and model. The Unilever Compass (see text box below) was born. It was a concise summary that set the course to lead Unilever closer to a long-term visionary business perspective. It outlined an ambitious vision and purpose and defined four so called “winning with” pillars that would leverage profitable volume growth, stimulate innovation and create efficiencies.⁵ They were: (1) winning with brands and innovation; (2) winning in the market place; (3) winning through continuous improvement; and, finally, (4) winning with people (Fig. 29.1).

Fig. 29.1 The Unilever compass: developing a business model behind the strategy



⁵ <http://www.unilever.com/sustainable-living/ourapproach/ourcompassstrategy/>

Our brands: Strong brands and innovation are central to our ambition to double in size. We are investing in brand equity, finding and strengthening the connections between consumers and the products they buy. Where equity is strong, we are leveraging it – creating efficiencies by focusing on fewer, bigger projects that enhance margins. And we are seeking superior products which consumers will prefer, driving profitable growth.

Our operations: On any given day two billion consumers use our products and we want to reach many more, by developing innovative products that address different consumer needs at different price points. To do this we use our global scale to help deliver sustainable, profitable growth by seeking to add value at every step in the value chain by enhancing product quality and customer service, and rolling out innovations faster across all markets.

Our people: Sustainable, profitable growth can only be achieved with the right people working in an organization that is fit to win, with a culture in which performance is aligned with values. We are increasingly an agile and diverse business with people motivated by doing good while doing well. We are building capability and leadership among our people and attracting some of the best talent in the market place.

Sustainable living: For us, sustainable, equitable growth is the only acceptable business model. Business needs to be a regenerative force in the system that gives it life. For example, by reducing waste, we create efficiencies and reduce costs, helping to improve margins while reducing risk. Meanwhile, looking at more sustainable ways of developing products, sourcing and manufacturing opens up opportunities for innovation while improving the livelihoods of our suppliers.

The Unilever Sustainable Living Plan (USLP)

Now, what Unilever needed was the development of a robust business model to back up the pillars. In November 2010, the company set out its Unilever Sustainable Living Plan (the USLP), committing to a 10-year journey toward sustainable growth by doubling growth, halving its environmental footprint and increasing positive social impacts significantly (Fig. 29.2).

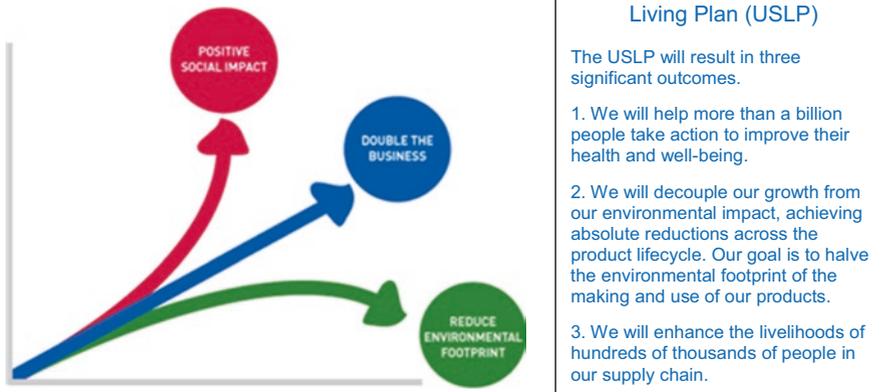


Fig. 29.2 The Unilever Sustainable Living Plan (USLP) objectives

The strategic approach reached across the entire Unilever value chain. The company proposed taking responsibility not just for its own direct operations but for its suppliers, distributors and – crucially – for how its consumers were using its brands.⁶

The ambitious goals sent shock waves throughout the company, and the strategy attracted considerable interest from corporate stakeholders such as NGOs and sustainability “think tanks” which had recently struggled to convince companies to move beyond the “low-hanging fruits” with their sustainability strategies. What’s more, Paul Polman set off on a highly public campaign to advertise these goals. Convinced that to achieve them, others would have to come on board, he embarked on a virtual “crusade” to persuade governments, NGOs and other stakeholders to help get policy instruments implemented to enable progress.

A Navigation Challenge for the Chief Sustainability Officer

Gavin Neath, the CSO who had accompanied Unilever on many ambitious sustainability journeys, retired from Unilever in 2010. Gail Klintworth was recruited as his successor. Klintworth was a South African with over 25 years of experience with varied challenges in human resources, sales and marketing, across Unilever’s Foods, Home Care and Personal Care businesses. She had a no-nonsense business head and had achieved success as CEO of Unilever South Africa from 2007 to 2010, a time of great social change in the country. Commenting on why she was selected to steer this new challenge, Klintworth said:

At the end of the day, this is a change management challenge. I had already led large-scale change within Unilever, plus I had a huge personal passion as well as a strong strategic

⁶<http://www.youtube.com/watch?v=d8gMdGLTqPY>

belief that this is a future we have to embrace. It was about the right time. The challenge was now to embed sustainability into the core of the business.

She went on to explain where this passion came from:

I grew up in South Africa, during apartheid, and finished university as a strong believer that things needed to be different. I played an active role in promoting the move to a different society. After 1995 I took on Business Leadership South Africa, a joint private/public partnership addressing some of the key issues that we needed to tackle to make the transition from apartheid, autocratic society to more social equity. If you look at where we are today against where it could have been, we have achieved a lot. I crafted the business to address environmental issues and meet social needs since you simply have to make that part of the business in South Africa. I was fortunate that I grew up in this space.

Klintonworth knew that the strategy had to be integrated throughout the company:

I know that there are crucial units to bring on board with the strategy. However, the role of the HR unit in driving such an ambitious change program is critical and is often what has been missed in terms of driving through sustainable business issues. Because of this, we miss opportunities related to people/human rights and change of behaviors and mindsets. We need to bring that more on board now!

Overhauling the Engines: The HR Mega-challenge

After leaving Polman's office on that cold February day in 2011, Baillie remarked to a senior colleague back at his own office:

To ensure that HR is ahead of Unilever's growth ambition, there are three things that will keep me awake at night: First, where am I going to find, grow, develop and keep the right talent, in the right place, at the right time, to build a new Unilever? Second, linked to that, as I look at the next 5 to 10 years, what will leaders of Unilever look like in 2020? What are the unique skills required to operate effectively in a VUCA world? What are the unique competencies that are going to help executives a) manage that world and b) get competitive advantage for Unilever within it? Third, how do I help evolve a performance culture that truly drives inclusion, with the richness of full diversity in our business, to allow our leaders to contribute fully to this new and integrated sustainable business agenda? That is our opportunity, and my challenge.

Case Analysis: What Shifts Culture in Corporate Organizations?

There are a number of factors that shift cultures in organizations. One lever is leadership engagement; those who have engaged and are advocates at the leadership level can drive the change and embed it as a way of thinking and operating.

However, Unilever as an organization needed to explore the value systems and characteristics of corporate culture to be put in place and/or reinforced to induce leaders and managers to change and facilitate its USLP strategy implementation and alignment. Baillie and his senior colleagues needed to get to the bottom of how

Unilever could promote and enhance the optimum corporate culture and value systems for USLP strategy alignment. Baillie himself, as senior HR officer, needed to unlock the key to a new role for the human resources function, in recruitment/selection, policy-making, training and in developing reward/recognition systems that reinforce culture and value systems that best promote success with the USLP.

New Expectations from Senior Human Resources Officers

C- Suite roles can and should evolve over time in corporate organizations. Polman's conversation with Baillie was indicative of evolving new leadership expectations of Chief Human Resources Officer (CHRO) in the VUCA world. It is increasingly clear that CHROs will need more general management skills with broader business perspectives than human resources management itself. The role will most probably evolve towards more of a strategic leadership mindset. The reason for this is that talent management, in a complex business context, in a complex world, will become an instrument for business transformation. Optimally in the future, the CHRO will be the "chief change officer" for his or her organization.

For organizations that are advanced with their sustainability strategies – such as Unilever – a CHRO could in the future replace many of the previous expectations of a Chief Sustainability Officer (CSO). For example, HR can take a lead role in the development of a culture to support delivery of any ambitious embedded sustainability driven strategy such as the USLP. Currently, few HR departments are set up to take on this challenge.

Any HR department can draw on various tools to diversify its approaches and "hardwire" its involvement and perceived support in strategy delivery. First, they can draw on defined principles (corporate values/principles) and frameworks that executives can apply in real day-to-day life. Second, they can bring HR insight to the types of skills and competencies that are needed to succeed in delivering sustainability objectives. Third, they can focus on defining the recruitment and induction or training requirements to bring the right people on board. Fourth they can play a significant role in developing ways of measuring performance more holistically against broader strategic expectations and – in a closed loop system – ensuring that such new criteria are incorporated in the selection of leaders for promotion.

Paradoxically, many HR departments do not actually perceive that they have the potential to play such an important strategic role. The result is that – instead - they actually become a "drag" on the strategy, rather than promoting it and building organizational capability to tackle the challenges head on. This mistaken perception is a substantial barrier to change, as is the fact that HR departments are not necessarily equipped to take on these new tasks. Some large and global organizations have skeletal teams that do not correspond to the immensity of the challenges of shifting organizations to entirely new cultures and value systems and to new ways and means of achieving objectives. Organizations have usually not have even thought about how to empower their CHRO and HR department to bring expected changes. And yet, whilst business unit leaders and ambassadors for the strategy

throughout the corporation are catalyzers for action throughout organizations, the HR department's role is as a crucial enabler.

Getting the Requisite Managerial Profiles on Board

Perhaps because of its historical evolution as a company, Unilever arguably had a head start in terms of getting the right values in place to make the USLP a success. Sustainability leadership had been a part of its "corporate DNA" for a very long time. The long history of sustainability leadership and the existence of this corporate DNA made Unilever one of the few companies capable of making sustainability leadership an integrated part of the way it did business and be the market leader in realizing the challenging goals it had set itself related to the triple bottom – line.

But many companies do not have that advantage. The short term pressure that companies are put under clashes with the longer term perspectives and goals required for being successful with strategies such as the USLP. And even at Unilever, there can be expectations gaps. By this we mean that there may be a general internal nervousness about the fact that the external world has high expectations and that these expectations might not be easily met internally. Although a light tension between what is communicated and where a company is internally is healthy and will challenge the company in the right direction – it is important to ensure that the gap between expectations and realizations does not become too wide.

Given its history, it is easy to take for granted even at Unilever that an implicit set of values will convert into corporate action around the USLP. Whilst the "implicit" corporate DNA/culture may be very well understood by long-standing members of staff, it still very definitely needs to be made much more "explicit" for all, but most especially for new leaders coming on board. Changes in the business leading to more throughput of senior managers may produce a shift in the corporate culture that might eventually filter towards a stepping away from the company's traditional values. To hardwire the corporate culture that will help achieve long term sustainability objectives, more explicitness will allow new leaders to unlock the corporate code for sustainability leadership more quickly. Also – interestingly – this will help to impede a potentially divisive "them" (longer term executives) vs "us" (new generation managers) culture from emerging.

Moreover, regional differences highlight the fact that in many areas a 'one-size-fits-all' approach is not relevant. Explicit regional differences at Unilever, for example, relate to (a) talent availability and quality; (b) governmental involvement and regulations; (c) skills and competencies maturity; and (d) market maturity related to sustainability questions.

Globally Relevant Opportunities for Change

In considering the key opportunities for change when implementing an ambitious sustainability strategy, five areas currently need most attention. Two of these relate more to the ‘hardware’ of the organization; two to the software and one opportunity is right at the heart of both, as summarized in the model below (Fig. 29.3):

Software: Top Leadership Alignment

By aligning top leadership on the organization’s sustainability strategy, it becomes possible for “leading by example” in a consistent way to take hold. This is a fundamental requirement for the success of the strategy. Many managers hear ambitious claims in speeches from “the top”, but never in their day to day discussions with their direct reports where they are focusing on other topics; so called “regular” topics such as meeting bottom line objectives and optimizing prices and so on. A good understanding of the “dis-connects” that exist within the organization on these issues will be necessary in order to address and close them, and to establish more cohesive leadership.

Software: Winning Hearts and Minds

Winning hearts and minds of executives within all managerial layers and all functional areas is increasingly not a “given”. There can be regional differences that impede this from happening. Interestingly, senior executives at Unilever found that talented managers from China or South Africa have either grown up with or been exposed early in their careers to severe impacts of social and environmental issues and are thus more likely to have (a) higher awareness than European or US managers of their economic business relevance and (b) a greater passion and understanding of the roadmap to implementing a strategic vision that addresses these very issues.

To counter this, Unilever is increasingly looking at introducing experiential learning programs. In fact, experiential learning will in future be an essential part of training sustainability leaders, especially where those leaders have no explicit experience on the ground of sustainability issues and impacts. Developing differentiated

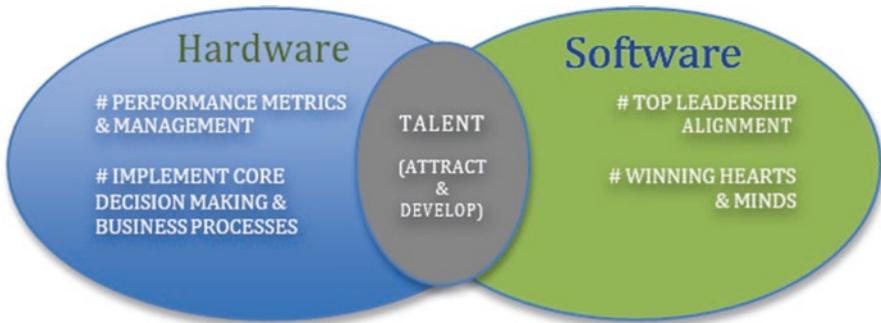


Fig. 29.3 Key opportunities for change to leverage the USLP

leadership training to respond to regional differences will also be required. To win all “hearts and minds”, the senior leadership team will always be important role models. Consistent communication, creation of sustainability “champions” or “ambassadors” and best practice/success story sharing are also essential elements for success.

Attracting and Developing (Top) Talent

Many younger future executives aspire to having loftier purposes in their careers than spending their time meeting shareholder value expectations. Those that make up Generations X, Y, and increasingly Z will want to make a positive difference in the world. Whilst these generations are increasingly aware of existing risks in areas such as energy, food, health, water, and climate security, they are more likely than the current generations of mid- to senior level executives to tackle those risks by converting them to opportunities, applying entrepreneurship, achieving positive impact and setting up collaborations.

Attracting and retaining these types of people has a two-fold requirement. Firstly it is about understanding and describing explicitly the right profiles for top talent of the future. This needs to happen, not only on an organization-wide basis, but on a function-specific basis – i.e. what does the profile of the marketing leader of the future look like? Then, the organization needs to set about attracting and developing key players for every part of the business. Next, it is about clarifying the necessary skills and competency frameworks that will be needed to deliver the strategy. Subsequently and naturally, it will then mean developing all employees in line with these skills and competency profiles. As one Unilever senior executive put it:

Where do I find the leaders and how can I develop them to be ideal leaders for Unilever in 2020? Where do I find the right people to strive in a world that has nothing to do today with what it will be tomorrow? That is one of my challenges.

Royal DSM, for example, has instigated a new way of engaging its younger employees by launching DSM Next which now has regional hubs around the world. DSM Next is a global network of more than a thousand young professionals that advances professional development, the creation of a unique “one DSM culture agenda” and sustainability. Through the hubs, young professionals are connected, learn about and from each other, and can implement innovation projects that are related to sustainability and other value-adding themes. We do that by organizing social and business related activities through our local hubs. We connect early career professionals inside and outside DSM to learn about DSM and about each other. We provide a platform to contribute the brainpower of our members to DSM, by allowing them to act on their ideas and to start a project, for example in the areas of sustainability or innovation.

Hardware: Performance Metrics and Management

To be successful within the firm, sustainability must be perceived as an enabler of future growth and profitability. So for Unilever, it is important to ask two questions. How does the company define good sustainability performance in terms of business results? What is the quality of these results and do they align with the purpose and values?

Getting performance metrics in place so as to integrate core themes of a strategy within performance management systems so that they are driven forward is a crucial part of the due diligence when it comes to embedding sustainability strategy. This holds managers accountable for their actions and allows progress to be monitored and evaluated properly. If this is ignored – as all too often it is – then cascading a strategy throughout the organization is unlikely to be effective, and approaches will remain slow and fragmented, and essentially non-strategic. It is also important that internal communications ensure that there are no ambiguities, uncertainties or lack of clarity about the systems in place. As senior leaders in Unilever pointed out:

We need all parts of the organization – including crucial units such as marketing, to have sustainability in their targets, against which managers are rewarded. And that's where HR will have an important persuading role. Reward is an important driver of growth. Non-financial metrics related to brands, customer satisfaction and so on must also be considered. We need to find the right ones that are meaningful across the organizations.

Hardware: Implementation in Decision: Making and Core Business Processes

Alignment between strategic intent and decision-making as well as core business processes will also support behavior and mindset change. Most companies are not at all clear on how this can be done. There are standardized business processes in most organizations that deserve a strategic “revisit” in order to align these processes with strategic purpose. At Unilever also, there is broad agreement that longer-term sustainability considerations need to be more embedded into decision-making processes through core internal systems. Interestingly, some executives saw it taking up to 7 years for this embedding to properly take hold within the company; they saw it as that big a challenge. For example, marketers have an important role to play in the strategic decision-making process for longer term considerations and yet it is difficult to get them on board mainly because of hardwired business behaviors and ways and means of attaining traditional objectives that have been honed and rewarded handsomely over many generations.

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Overall, organizations need to challenge the human resources community on what their role is in trying to embed a purpose. In trying to embed strategic purpose when built around a sustainability driven vision and objectives, we will find in the future that human resources will be an important enabler with a crucial leadership mandate to ensure that culture and values align with the organizational strategy. After all, when culture and strategy collide, there is only one winner every time, and that is culture.