

# “We Were Leaders But We Were Not Leading”

**S**ince June 2005, when he took up the mantle of Non-executive Chairman of Hindustan Unilever (then Hindustan Lever), **HARISH MANWANI** has seen three executive leadership changes at the consumer goods major. First, there were two managing directors, Arun Adhikari and S. Ravindranath, under him. Expat Doug Baillie ran HUL between March 2006 and April 2008 preceding current CEO **NITIN PARANJPE**. In 2008, at age 44, Paranjpe became the youngest CEO at HUL. Despite the gap in their ages, the camaraderie between the 57-year-old Manwani and Paranjpe and their shared vision became clear during a two-hour interview with **CHAITANYA KALBAG, SUMAN LAYAK and ANUSHA SUBRAMANIAN**. Edited excerpts:

**HUL contributes just 6.3 per cent to Unilever's global revenues. Where does India stand among emerging markets?**

**Manwani:** Emerging markets are not just important; they are mission critical for our future strategy. We are the only company where 53 or 54 per cent of our total business now comes from developing and emerging markets. It is a very large chunk of our growth. We are going to have 60 per cent plus of our R&D resources and brand development resources in developing and emerging parts in the world. Currently, we have 40 per cent of our R&D

resources in this part of the world. Bangalore, Shanghai – these are going to be a few of the powerhouse R&D [locations] for Unilever.

Developing and emerging markets are a very critical part of our business. We want to go from being 50 per cent emerging market business to 70 per cent for Unilever. Out of the BRIC markets – in Brazil and India, we have businesses that are big, we have market leadership position in most of the regions that we operate in, and without a doubt these are markets in which we will continue to prioritise and continue to strengthen our leadership. Currently, 140

Indian managers are working all over the world in senior positions, in different functions, and we feel very proud of that. [India] is a big provider of talent to Unilever.

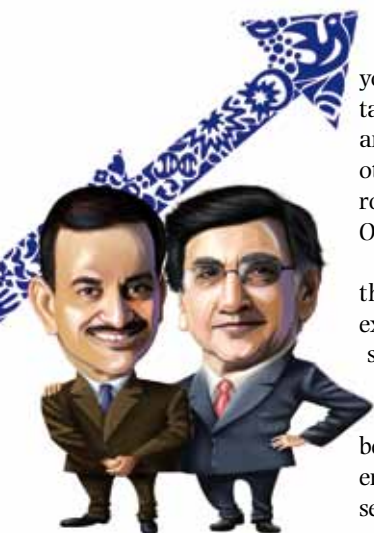
**You have said that innovation was the key to HUL's success. What is innovation for you – new products, tweaking of products or new ways of reaching consumers?**

**Manwani:** In our kind of products, innovation has to be an ongoing process and so we have to look at what we want to bring to the market today and at the same time we should have a pipeline of innovations that should take us through the next three to five years. You have to constantly renovate and refresh your brand. Now, in that process, there are some innovations which will be more destructive, some innovations which will be incremental, and you need both. You need innovation and renovation at the same time.

**Paranjpe:** I would say that 50 per cent of our success has been touched by innovation. Some of them are new products that we have introduced; some are improved products. As our global CEO Paul Polman says, the fast moving consumer goods industry is an industry with continuous improvement. Every day you need to find some way to get a little better than what



**Shared vision:** Paranjpe (L) and Manwani



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you were the previous day. Why is that important? Because, you can't stay still, even if you are a leader today. [For instance,] our gap with others in ketchups fell – as the gap gets narrower the comparative advantage disappears. Our job is to keep creating gaps, widening gaps.

That's one reason. The second reason is that consumer needs keep changing and expectations change. What you want today is suddenly gone into the waste; what delights you now, by tomorrow it is hygiene.

We got to where we were in 75 years because we were pioneers and we were the leaders, but we cannot rest on those laurels. Others see this and copy and they catch up. The period where we lost out was when we were leaders but we were not leading and creating gaps. We had the widest distribution ever because we were leaders but now we are creating gaps and how we are doing that – we created 500,000 new stores in a year. That's big. It is a source of advantage for us. It is a challenge for a company like ours as well to develop economically viable distribution business models.

**I thought with your experience in India you would come up with a model which was exportable to other developing markets.**

**Manwani:** India is one of the leading edges. We are moving from a situation where distribution is seen as a supply side job to saying how do we treat distribution as a demand side job, which is how do we create consumer pull at the point of sale. It is a very important shift in mindset. [What] we are trying to do is segmentation of channels and stores because what we do in a modern trade outlet, or a pharmacy outlet, or a *kirana* store or rural has to be different. There is no rocket science in saying this, doing it is the rocket science.

**Paranjpe:** We shouldn't think the game has played out, the game is beginning and what we want to do is learn to be disciplined and systematic in the manner in which we make and build our brand. You want to build a strong brand. And when you build strong brands you're going to create positions, I keep using an analogy, a chess analogy. We want to make our move such that we are well positioned before the end game is reached. This is not about rushing every pawn too quickly to fourth positions without thinking too much. That tactic is not going to make you win the game eventually. We've to think through how

markets evolved and where will competitive advantage come from, how should we be building our brands, what is the source of long term sustainable advantage that we've got and position ourselves well because this game is still beginning, it has not played out at all.

**Five quarters of double-digit growth. And, Mr Paranjpe, you have been in charge for the last three years?**

**Paranjpe:** I remind everybody in our business that we have to run this business with a bifocal lens. It is about managing today but we would be failing in our responsibilities if we did not take steps which may seem not so important in the scheme of things today but will be mission critical in guaranteeing the success of this business tomorrow. Build a portfolio and capability that is relevant for India tomorrow. Doesn't matter how small it is today but have a point of view. Have a point of view on the consumers of tomorrow, a point of view on the segments that are likely to grow tomorrow, the categories that will grow tomorrow, and the geographies that will grow and be relevant tomorrow.

**Mr Manwani, we understand that Mr Polman is very happy with everyone's performance, with huge bonuses being read about. Do you feel you should be looking at heading the global organisation at some point?**

**Manwani:** First, talking about rewards: in a large company like ours, there is a system. By giving sharper clarity on expected performance from people, targets, jobs to be done, people are happy with transparency and sharpness. We sent people [out] irrespective of where they came from. You could be from a local college, an MBA, Oxford or wherever, you start by picking up your bags, going out and discovering India, spending time in our factories, spending time in our markets. This takes the reach of our products even deeper. We were doing it sharply because we have the best minds. [But] if you keep thinking what you are going to do next, you cannot focus on what you are doing currently. It is about commitment to the company. I have been here for many years, 34 years; the important thing is not that I have spent so many years – what is important is whether you are committed. The most important thing is that you have to get excited about what you do, be committed and have the right values. ♦



Full transcript of the interview and edited audio at [www.businesstoday.in/hul](http://www.businesstoday.in/hul)