Unilever: Through the sustainability lens – leading people authentically

Large corporations with long historical legacies are increasingly unfashionable. According to one recent and influential book, those companies approaching $40 billion are at risk of hitting a 'stall point' from which three out of four never fully recover.[1] Many would say it is typical of the 'Polman era' that just as Unilever is approaching the 'danger zone' of where research indicates most companies stall, the influential CEO of Unilever should set a target of doubling revenues to 80 billion euros.

The focus on improvement under Polman has been unrelenting: first, a focus on leadership; then the birth of the 'Compass Strategy' underpinned by the 'Unilever Sustainable Living Plan', where new alternative operating models were sought to avoid just taking from society and the environment; followed by the 'turbo-charging' of the business underpinned by making more strategic choices and a new organisational structure; with the current focus now on ensuring the organisation is fit and agile in order to double the size of revenues.

Coming to terms with a VUCA world

According to Unilever, all this is taking place against anything but predictable conditions, with the company identifying three 'mega-trends' all worthy of our attention: the end of conventional capitalism and the shift to a more sustainable version of capitalism brought about by the recognition that there was and is a crisis of ethics, reflected in and probably the root cause of the financial crisis leading to the over-gearing of our economy and of our planet; second, an increasing distrust of governments and large organisations on the scale such as Unilever; which, third, has led to consumers demanding change much faster than large companies can deliver it. Doug Baillie, Chief Human Resources Officer, explains:

'In Unilever we call this the 'VUCA' world, which is a phrase that comes from the American army. It means the world we live in is increasingly volatile, uncertain, complicated and ambiguous. This has become the new normal. I would go as far as to suggest that if you had stable economies and stable currencies, we wouldn't know what to do anymore because we are so used to the turmoil we now live in.'

Doing well by doing good

What makes Unilever interesting is their highly distinctive response to tackling the problems of the global economy head on. Baillie continues:

'Our response to this is interesting. Fundamentally, we can no longer be spectators in the world. We have got to be part of the solution. We can no longer look at the communities and societies in which we operate by taking things out of them in order to grow our businesses profitably and sustainably. We should be saying what can we put into our communities and the societies we serve in order to grow our businesses more sustainably and profitably to ensure we become part of the solution? So you have to do "more than" – which is more than run a business for shareholder value. When Paul came in he started doing quite dramatic things. We no longer give guidance. We only report profit every six months – we are running the business for the long term. Consistent, sustainable profit and growth is the metric we talk about.'

These are audacious plans. Not only is revenue set to double, but for a business whose products are used by 2 billion people across the globe each day, a new goal lies in decoupling growth from the impact the business has on the environment and the reduction of the footprint on sustainability by making a difference to more than a billion people in the world through social impact. This is not a branding exercise but at the heart of what Unilever stands for. As Baillie was anxious to clarify:

'this is our business model: it's called the Unilever Sustainable Living Plan. It's not a CSR initiative. It's how we run the business. Everything we do, every single part of our business goes through the sustainability lens and we drive the business through that and it touches every part of the business.'

How well?

Of course, we have been here before. Many a company has tried to hose itself down in environmental colours only to be later exposed as doing no more than 'greenwashing' where the operational reality underneath has been found somewhat short of the environmental rhetoric. It is here where an analytical approach has helped Unilever to reach a new level of transparency both internally and externally on both a corporate and people-based level.

In terms of the corporate paybacks, Unilever has been unequivocal in publicly stating its targets and reporting traction against them.

'The Unilever Sustainable Living Plan has three big goals: to improve health and well-being, reduce environmental impact and enhance livelihoods. Supporting these goals are nine commitments underpinned by targets spanning our social, environmental and economic performance across the value chain. We produced an integrated annual report this year, so we not only did the financial numbers but we put all of it together in one report.'

It is with Unilever's talent strategy where the Compass Strategy really appears to be paying dividends for the company. This defines the point at which the company is integrating its Compass Strategy and Sustainable Living Plan with underpinning talent interventions.

People, place and performance: a new social analytics?

According to Leena Nair, Senior Vice President of Leadership and Organisation Development, Unilever's HR vision calls it 'People, Place and Performance.' This essentially represents a three-fold challenge around how Unilever secures the best talent; how to make Unilever the best place to work; and ensuring people are performing to their productive best:

'Are they being engaged and is all of their potential being unleashed?'

People: future-proofing

There is an unrelenting analytical eye cast on the business through current, three year and five year lenses. The question under analysis, however, is always the same, as Nair outlines:

'We have spent an enormous amount of time examining whether we have the talent engine to sustain an 80 billion euro revenue business. There is a significant amount of talent analytics done around the kinds of people we have, the quality, quantity, where the gaps are, how we're going to close the gap, etc. We track and see how we are doing across all of these areas. We examine the skills, talent and culture to see if we have what it takes to be the 80 billion euro business we want to be. This is one of the essential roles HR plays in the business by ensuring any gaps in the skills, talent or culture across the business that might harm our 80 billion euro aspirations are covered. It's all about three years from now; five years from now. We are future-proofing the business.'

Place: branding the employee value proposition

A second element outlined by Nair turns on the detailed and extensive work being undertaken in the new social media analytical space to ensure the development of the company's employee value proposition.

'Our model is one of 70% of our talent is "built" and the other 30% is "buy-in". We are a very marketing oriented business so our marketing expertise is leveraged to help build our employee brand in terms of it being a great place to work, with great people to work with, a winning business with sustainability at its heart.'

A new 'authentic leadership' programme with an unrelenting focus on ensuring the talent under development is aligned with the future strategy and underpinning business model of Unilever is also in place.

But a global business operating in 190 countries throughout the world needs a highly diversified marketing strategy and talent, too, is incorporated into a sophisticated approach to brand development. Using analytics helps Unilever to sense-check their messages in different marketplaces while maintaining the same underlining value proposition underpinning the organisation's overarching brand:

'We have broadly the same story which we activate it in all of our markets. But we activate our story in different ways by making it relevant to where they are located. The core of the brand remains the same but we activate it in line with all the local nuances we have.'

Of course this is where the power and scale of a company like Unilever comes to the fore. By gathering data across the stated preferences of potential employees, mapping these against the movements and activities of potential recruits on the webpages of Unilever's competitors, the company has built up an unrivalled talent-branding machine that enables it to position its employee value proposition across the 290 million users currently registered on LinkedIn:

'We recruit about 850 graduates at any one time from around 45 markets into our Unilever Future Leaders Program and we are in the top three employers in 37 countries and the number one employer of choice in 28 countries at the moment. In 2009 this was just three. This is not an internal survey but one done by an external provider across 60,000 graduates and is fully audited. We look at the quality of the hire and we look at the attractiveness of the brand, which again is very measurable.'

Branding, of course, is second nature to a fast-moving consumer goods-oriented business like Unilever.

Baillie illustrates how Unilever views the importance of the synergy between branding and people in the story he told us about how, as an executive who used to head up the European arm of the business and with no prior experience in HR, his CEO convinced him of the strategic importance of an effective human capital strategy merged with the powerful brands owned by Unilever:

'Paul sat me down and said: "we're in the business of brands and innovation – delighting the consumer every day; and it's about people. The two assets we have are brands and innovation; and people. And all of the other elements, such as the execution, efficiencies, fall behind this. You can have the best strategies in the world, but unless you get your people agenda right, you're not going to make it work effectively."

And, of course, that was quite appealing to me. My own personal view is that as you look forward into the next 10 or 20 years, the position of the CHRO will become more and more strategic, and more and more important around that boardroom table because you are talking about all of those issues around that VUCA world and the people agenda of this is never going to return to "normal": this is how it is. It's almost a level playing field in terms of innovation and technology. It's the people that apply that innovation and technology that makes the difference. And he said to me, "Those are the assets: brands and people – simple." So that's what persuaded me to step over: Get the people agenda right.'

Performance: gauging traction

The huge volumes of data collated by Unilever are fed into the ongoing process of evaluating the talent of the current workforce. As Nair outlines:

'We look at the skills you have now and the skills you need three years from now, so we are really future-proofing the business. We look at the skills Anthony has in terms of the services he provides, and then as a function we examine what we need to cover. We look at an entire function as well as the individual. There are individual skill assessments, collective skills assessments which map out individual gaps and collective gaps. This is how we bridge the gap between where we want to be three years from now and

where we are today. We have a one-page plan for every area of the business. Clearly some parts of the business need this more than others.'

Baillie sees this level of analytics and their role in formulating and aligning the human capital strategy of the business with the overarching strategies of the business as a whole as a distinctive strength.

'The power of this is that it starts with the country and the category strategy in each country, so you walk out with an HR strategy plan that drives the business. It's the best tool I've seen as a business guy. Here's the company strategy, here's the category strategy, and here's the HR strategy.'

Interestingly, when challenged how Baillie knows his interventions work, he makes three powerful observations. Each relates to the Valuing your Talent Framework in very precise ways. The first starts with the outcomes, or what Baillie refers to as the 'macro or big picture':

'First, if you take the very macro big picture, it says, "Wow! The business has gone through a trajectory from 3–4% growth to 6–8% growth."

The profit is growing and the cash is growing – all of the key financial metrics are going in the right direction and you have definitely seen a step up in Unilever. You have seen a re-evaluation in terms of its share price – and our total shareholder return has been at 98% over the last three to five years.'

The second is more complex in terms of establishing the role of talent inputs in shaping the performance of the business. Nevertheless, Baillie is convinced views in the investment community are changing:

'you've also seen, and this is the more qualitative, if you start following some of the analysts, the clever analysts – I actually did part of the IR Roadshow in my first year as CHRO, which caused quite a stir. I knew a lot of them because I'd run Europe as my last job and I was actually going out to discuss the performance we had in Europe. The really smart analysts spent 10 minutes talking to me about our business results and spend 40–50 minutes talking about people. I know analysts with models of leadership capability and on those we have shifted to having one of the strongest leadership teams. I take their qualitative judgements as evidence that ideas we have implemented are paying off in terms of investments. There are not a lot of analysts who go out and talk about people. But when I did that roadshow, maybe two out of the six or eight spent quite a bit of time on the people agenda and not spending time filling in the spreadsheet, and some wanted to

talk about our performance culture, how we reward people, our leadership development programme, our branding, and so forth, so that was quite encouraging when you started to see that. So they would be the two qualitative ones that we look at. The analytics we would look at would be things such as productivity per employee, headcount, those types of things to say, is this organisation becoming more effective?'

The third justification, again difficult to capture analytically, turns on the improvement in the asset we call talent. Baillie again had another powerful story to outline the impact of his team's activities and the outputs generated in terms of the depth and breadth in the quality of the composition of the workforce:

'Are we further down the road? How do we quantify it? If you look at it in terms of shift on our balance sheet, you can look at it in terms of churn. Attrition is one of the metrics we look at. Our attrition has been lower than the rest of the markets for the last three years. So, that's a good sign because it means we are keeping our people, and getting a better return from our investment. We also know that our people are highly engaged. Our employee engagement continues to rise, and in the last five years, we have seen an increase of 1,000 basis points[157]. Our valuable people are staying and they are engaged, and these are leading indicators of business performance.'

References

1. Olsen, M.O. and Van Bever, D. (2008) Stall Points (London: Yale University Press), p. 6

This case study was written by Dr Anthony Hesketh, Senior Lecturer at Lancaster University Management School. The original version of this case study can be found in the report *Managing the value of your talent: a new framework for human capital measurement* (CIPD, 2014).