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McKinsey conversations with global leaders: Paul Polman of Unilever

Unilever's chief executive reflects on lessons learned at three major consumer goods companies, including how to manage people in a global context, the obligations corporations have to society, and why you should never waste a good crisis.



When Paul Polman took on the role of CEO of Unilever in January 2009, during the eye of the financial storm, he brought with him years of experience from holding high positions at both P&G and Nestlé. Polman's move to Unilever now gives him the rare vantage point of one who's served as an executive at three of the world's largest fast-moving consumer goods companies.

In this video transcript, the latest in our interview series *McKinsey conversations with global leaders*, Polman reflects on the opportunities and challenges of being a new CEO in volatile times, the importance he places on corporate social responsibility and values-based management, and the future he sees ahead for the consumer goods industry. Adam Bird, a director in McKinsey's Munich office, conducted this interview in London in September 2009.

The downturn: Never waste a good crisis

Adam Bird: *The question on everyone's mind is: where does the world economy go? How do you see it evolving over the next two or three years? And what does it mean for your sector and, more specifically, for Unilever?*

Paul Polman: I think there's a broad consensus that it has sort of bottomed out, but at the same time, I've been on the record for a long time that I think we'll be in for a slow and long recovery, to be honest. You look at the deleveraging that needs to happen in the economy. And the US government—\$20 trillion debt now over ten years, 70 percent of GDP. Companies need to deleverage. Financial institutions need to deleverage. So I think, personally, that we will be in for a long and slow recovery and we'll plan our business accordingly.

What does it mean for us? Obviously, it's a different business environment. Some people talk about a reset. We definitely will see slower growth in many of our markets and actually start to see that already. [How a] different role of government will affect us, different consumer expectations, and all these things have to be taken into account as we sharpen our business strategies moving forward.

Adam Bird: One of the overused phrases of this cycle is, "Don't let a recession go to waste." What are the silver linings for Unilever in these challenging times?

Paul Polman: Well, I think there are many opportunities in this, as you say. And obviously, you have to peel the onion and get very close to the consumer. And you see many opportunities for anybody that understands change and can actually lead that change, can turn it into a competitive advantage.

We clearly see different consumer behaviors coming out of this recession, which has been the deepest since the Second World War. And we actually turn that into an advantage once we understand those. It is clear that big-ticket items are being postponed in purchase. Fortunately, we're not in that business.

We see changes in lifestyle—people not going to movies, but watching at home; not eating out, but eating at home—and that obviously benefits us through products like Hellmann's or our savory products, and we capitalize on that trend. We definitely see a switch from discretionary items. People are not going anymore for the premium skin care products or perhaps Starbucks. Again, that benefits us. We've just started introducing in the US products like P. F. Chang's meals at home or Starbucks ice cream.

And then last but not least are our own categories, which are the daily necessities, which is basically where we have the bulk of our business. And frankly, there, you really have to look at different parts of the world. The US and Europe require one set of actions. But in the developing markets, which clearly have seen a decoupling, I think we will need a slightly different strategy to be successful there.

As you say, never waste a good crisis. I think it could not have come at a better time for me, personally. Because not long ago, I put myself at ease that I wasn't the cause of this crisis. And coming in new as the CEO of Unilever, it's an ideal chance to galvanize a little bit more the change that we still need to be truly competitive.

Adam Bird: *You've commented many times about the need to increase the metabolic rate, or the execution ability, of Unilever. Many struggle with that. How are you going about it?*

Paul Polman: I've always said execution is strategy in our business. This is consumer goods. I cannot speak for other industries, but for us, execution is strategy. It's absolutely important. In fact, the strategies that we have as companies might differ a little bit, but that's 5 percent or 10 percent of the work. And then the other 90 percent is execution.

I've seldom met a consumer—and I go to a lot of home visits or go around with shoppers—and I've seldom met a consumer who buys our wonderful Knorr products or Lipton or Omo or Skippy because they like our strategy. And so, our business is a very simple one of getting the right products at the right place at the right quality at the right price—all the time.

And in our industry, share movements are often happening because of lack of execution on the other side. So, this is a very, very important part of us. Now, organizations normally don't tend to gravitate towards execution, because strategy is the sexy part of all of this. So, we make it very clear that execution is important here, and we celebrate that. Obviously,

we drive in the discipline. We have the accountability as part of driving the performance culture. And I think all these elements that we're putting in place right now will help us drive that execution, our element, higher in the organization.

Adam Bird: *For you as the CEO, how are you signaling the importance beyond communicating? Are there other tools that you're using to drive home the importance of execution?*

Paul Polman: You have to walk the talk here as well. So, when we go to store visits or in-home visits, we do roll up our sleeves. We talk to consumers, and we put the products on the shelf that are needed. Obviously, we rigorously look at some of the KPIs¹ that we find important behind the execution and follow up on those, hold people accountable. So, all these things you need to do. And not surprisingly, you'll get results fairly quickly.

A good example of that for us would be customer service levels. We were at best average—we declared it absolutely a priority. If you cannot deliver the goods to the retailer, it's unlikely that the retailer will work with you longer term. So we've put organizational structures in place, which obviously is where the CEO comes in, put reward structures and measurements in place. And then, rigorously following through and holding people accountable. And you see the results.

In the industry: The crystal ball

Adam Bird: *Despite all the disruption that we're seeing in the world economy, the sector has been reasonably resilient or relatively resilient. How do you see margin evolution—the profit pool, if you will—for the industry growing? Can margins continue to grow the way they've been growing?*

Paul Polman: Well, first of all, this is a very competitive industry, despite what people think. But the pressure on continuous improvement—it's never good enough—in this industry is higher than I've seen it anywhere else. I like that, personally. It's a three-dimensional chess, and I like the competitiveness of it.

But the main reason I like that is, actually the consumer benefits from that. I've been to too many countries in the world where brands were not able to compete. And, without any exception, the consumer suffers. And we all know the countries or the geographies. And unfortunately, we still have too many of those in the world where that is the case.

I think if the industry continues to innovate well, there is no reason why you cannot have continuous margin expansion. This is an industry, I think, that gives a very decent return to its shareholders and has been good to its shareholders over a longer period of time. And there's no reason why that should not continue.

¹ Key performance indicators.

The world population will be growing, if we like it or not, from the current six-and-a-half billion to about eight billion by 2030. And that will not only give you more people, but it will also—as they improve their standard of living—create other opportunities for products to expand.

The consumer will continuously look, even after today's crisis, for products that are more convenient, that are healthier—"vitality," we call it. Those trends are not going to disappear. And again, [products] that will provide opportunities to create value. And that should, ultimately, translate into margin expansion for the industry.

Adam Bird: *A lot has changed for the average consumer over the last many decades. There's an explosion of choice in terms of the products that you're offering. But what's also interesting is, the way that you communicate and engage with consumers has also changed. The media is completely different. What does that mean for Unilever? What does that mean for the way that you think about marketing and engaging with consumers?*

Paul Polman: It is definitely more difficult to reach consumers now and engage with consumers. And marketing has rapidly changed from what you might call "the push model" to a model that you reach consumers when and where they are receptive. It is also true that there is quite a lot of choice out there, partly driven by the desire to innovate in this industry and segment the consumers, obviously. I think there will be a trend back, a little bit, toward fewer brands, bigger brands. Especially in this economic uncertainty, we see that gravitating back. I call it "cocooning." A little retro to the brands they trust.

And interestingly, especially people that are most affected by this crisis—the people concerned about unemployment or their long-term wealth—actually tend to gravitate even more back to brands, simply because they cannot afford to take the risk to experiment with other things. So, I think there will be a premium on fewer, bigger global brands.

Adam Bird: *To continue on the theme, though, of marketing, what does that imply for the marketing function? If you look at the brand manager as a key unit within a consumer goods organization, what does that mean for them with this explosion of choice and media and so forth?*

Paul Polman: The job of a brand manager has become more complicated. There is absolutely no doubt about that. Different media to reach consumers. If you now look at a campaign like, for example, Axe, over half of our spending there would already be in digital. And the digital space is evolving so fast. You know, what was YouTube yesterday is Twitter today is an unknown thing tomorrow.

So, it requires a brand manager that is in tune with society; that is agile, very close to new technologies; frankly, increasingly more global, and doing that with a broader perspective than just selling the brand from the brand benefits. As we talked before, lots of the social missions of the brand coming in are different stakeholders. So, it is becoming a job that is a little bit broader and more of global scope. And that's why we've created in Unilever the global categories now.

Adam Bird: *In terms of Western Europe: it is, on the one hand, a very, very important market for you and for many of your peers. On the other hand, it's been a very challenging market to capture growth, also for you and for your peers. How do you see Western Europe evolving?*

Paul Polman: There's absolutely no doubt that this is a region where we have to create and can create shareholder value. As I've said many times before, Europeans are consumers also. And they're also human beings. And frankly, if you provide a consumer with a good value proposition, they're also able to take that. And value is not only price. That's obviously an important component of it, but value is overall performance and experience of a product.

So, I look at Europe as a gross market, to be honest. In one of my previous employers, one of their fastest-growing brands was an espresso, and it was doing that in Europe. And I can give you many examples ourselves. We just launched Magnum Temptation ice cream, and our Lipton pyramid tea bags. So, when we innovate and do that with the consumer in mind, also the European consumer, you can grow your business.

I've been in many presentations in the different companies that I've worked for and others where you first have to listen to how terrible the economic situation is. Then, you have to listen to how tough the government is. Then that the retailers are totally unreasonable. Then the private label, this or that, and then the chart comes up that your business is down 5 percent, and we should sigh a sigh of relief that it's only 5 percent. That's not the mentality, I think, that you need in Europe. And you can grow, and you should grow. But, you know, part of leadership is to look reality in the eye. So, I think you have to be realistic about the growth rates. And probably in the low end of the 2, 3, 4 percent range for companies like ours would be very good.

Management lessons: Values and people

Adam Bird: *You have been a top executive, now CEO of Unilever. You were at the very top of Nestlé, and also had a long career and very successful career at P&G. What have you picked up from each one of those different places?*

Paul Polman: I think the main thing is that these are all great companies, driven by strong values. And these are companies increasingly more appreciated for what they do to

the economy, even more so than before. So, I think these values permit these companies: doing the right thing for the long term, operating with a high level of integrity and trust, investing in their people, wanting the communities [where they operate] to be as successful as the companies themselves. So, these values permeated.

Then obviously, you have differences. Differences depending on where the origin is, which often affects the culture. Difference in mix—of how you run it, organizational models driven by the brands that you sell. So these differences are there.

We try to benchmark not against one company or another; we just try to benchmark against the best in class. On manufacturing, I might look at Toyota. On supply chain, I might look at Federal Express. And likewise for some of our competitors, if it's who we respect a lot.

Adam Bird: *If you were to isolate a lesson—a key lesson—that you've learned as a manager, what would it be and how did you learn it?*

Paul Polman: There are different lessons, I think, to be learned. I think the first thing is [to be] purpose driven and [to have] values—that, I think, is very important. And [what] I think over my career is, if your values, your personal values, are aligned with the company's values, you're probably going to be more successful longer term than if they are not. If they are not, it requires you to be an actor when you go to work or to be a split personality. If these values are totally aligned ... We all know that work–life balance has more and more become a life balance of which work is part of. So, it's very, very important.

The second lesson, I think, that permeates all of this is the importance of people. At the end of the day, especially where we are sitting right now in positions of leadership, it is the quality of the people, the investment in people. And long ago—I think I have understood perhaps a little bit later in my career than you normally want—in the beginning, you're self-centered. But at the end, you understand that if you invest in people, they invest in you, and your business is going to be successful.

Business in society: The statue of responsibility

Adam Bird: *A key element of a values-driven corporation is contributing to society and a broad range of stakeholders. And you, personally, are also very engaged in a number of social causes. How do you see that role evolving?*

Paul Polman: Well, I think it is absolutely crucial, and even more important in today's environment. I think you've learned the lessons from the last year and a half—what greed and mismanagement, to some extent, can lead to. And here, in some sectors, how it can affect society at large and, often, people that cannot do anything about it themselves.

It was Viktor Frankl who was an unfortunate victim of Nazi Germany and survived, and he wrote his book *Man's Search for Meaning*. And in his book he said, "What we forgot to do when we erected the Statue of Liberty on the East Coast is to erect a Statue of Responsibility on the West Coast."

And it is very clear that this world has tremendous challenges. The challenges of poverty, of water, of global warming, climate change. And businesses like ours have a role to play in that. And frankly, to me, very appealing. We have every day, in our business, about two billion consumers that use our brands, and so [there is] a tremendous opportunity to touch many consumers. And if we do the right thing, leveraging that tremendous skill, we can actually make major progress in society.

At Unilever, we've translated that very simply into our brands. Because at the end of day, our brands need to grow, but we think it's very important that our brands have what we call "the social missions." Ben and Jerry's is a good example of that—a key fighter against climate change and nuclear weapons. But we have other brands: Lipton with the Rainforest Alignment on sustainable tea, and Dove with women's health awareness, so the list goes on. So, brands have a very important role to play. And increasingly, obviously the organization itself, the brand Unilever—or for other companies, their brand—is becoming increasingly important as well.

And we see the consumer asking for this, to be honest, in today's environment. Again, the consumer's trust in business, unfortunately, is lower than we would like it to be. And the standards that the consumer sets—the expectations, her own proactiveness and influencing with her purchase decisions, and her own beliefs—are only going to increase as we move forward, I believe. So, companies with a strong social mission will be companies that are more successful long term.

Adam Bird: *And you see that as a long-term process? Getting trust back is often a painful, extended effort.*

Paul Polman: Well, I tend to believe that we start from a strong base in Unilever, but it's true that you cannot talk yourself out of things you've behaved yourself into. Trust is easily destroyed and takes a long time to rebuild. We've clearly focused on a few areas that we believe we can make a difference.

We focus on sustainable sourcing. We've made a commitment to go to sustainable palm oil. We're sourcing all of our vegetables sustainably. That's a major need to ensure that we have continuity of sourcing. But palm oil, sustainable palm oil, deforestation is 15 to 20 percent of the global warming. So, there you have a broader influence than just our products. We focus on nutrition and hygiene, for obvious reasons, and then we focus on water. And those are the areas that affect our business, but also the areas where we think we can make a positive contribution.

Adam Bird: *You have a number of interests outside of work, one of which is marathon running. How has marathon running affected your leadership?*

Paul Polman: I just get an incredible amount of motivation out of running, and not only running a marathon but talking to other people that run it. It's incredibly inspiring. And then I run it for a charity that we've started ourselves as a major fundraiser—which keeps me going as well—which ensures that every blind student in East Africa has a Braille machine in his class, which is often for them the only chance for advancement. What for us is the pen and pencil is for a visually impaired person the Braille machine. And thanks to the marathon running, we've been able to place about a thousand Braille machines in East Africa.

So, that's where I get my energy. I call it the difference between being a half person and a full person. I hate to have, the day when I pass on, people talk about me building market share. I'd rather have them talk about me making a difference in society, and running helps me do that.

On leadership: Look to Gandhi and Mandela

Adam Bird: *Some say leadership is a learned skill. And when you think back also to mentors that you've had, mentorship is a key part of that. Who have been great mentors to you as you've evolved?*

Paul Polman: Well, I've always been fortunate to be able to bounce off ideas with people that I respected. And obviously, you have your family members. My first boss, who unfortunately passed on, was a tremendous mentor. I've had people that I looked up to, but obviously also history is full of mentors.

I think if you look at the Gandhis or the Mandelas and the Mother Teresas, I think they exhibit a form of leadership that is very appealing to me, which is to put the interest of others ahead of themselves. It's obvious leadership. Jim Collins talked about level-five leadership in his book, *Good to Great*.² And I think that that these people are actually able to make it come alive.

I'm very inspired by, for example, the Dalai Lama, who said once, "If you seek enlightenment for yourself just to enhance yourself, you missed the purpose. If you seek enlightenment for yourself by helping others, you are with purpose." And I think that's the style of leadership that we increasingly need in today's world.

Adam Bird: *And that is how you would define leadership? That's your personal definition that has emerged for you?*

²Jim Collins, *Good to Great*, New York: HarperCollins, 2001.

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Paul Polman: Well, I don't have a personal leadership definition, because, as I said, there are different styles of leadership. But actually, everybody is a leader, as far as I'm concerned. And my definition of leadership is very simple: if you positively influence someone, you are a leader. I was in Kenya last week, and there was a girl—12 years old—starting a program in her school for the HIV-infected students, which there were quite a lot of. She was a leader.

At the same time, the teacher who took on these responsibilities—often there are less in those places, [people who earn] \$100 a month—she is a leader. And so, there are many, many leaders that we have, that make our society work. And I think the main thing is that people can be themselves. And I do it by a strong, as I said, inner compass and guidance. That is more important than anything else.

Adam Bird: *Although you've had many senior leadership positions, this is your first stint as a CEO. What's changed?*

Paul Polman: Well, a lot. A lot. At least I'm enjoying it, though, and that makes it easier to work 24 hours a day. But it is very clear that, you know, a teacher becoming a headmaster—it's a different profession. And being ultimately responsible obviously brings other pressures with you. I think I've had to learn to set priorities clearer and better, and that's something that comes with the job.

You have a broad range of stakeholders that try to get a share of your attention. You're getting into external activities. That is important. And obviously within the company itself, there is even more of a pressure on you to walk the talk and talk the walk. Your shadow casts quite far, and that brings with it a lot of responsibilities.

Adam Bird: *How would you say the folks at Unilever would describe you as a leader?*

Paul Polman: I'd leave it up to them, to be honest, but I hope that the word *integrity* comes into that. I hope the word *long term* comes into that. I hope the word *caring* comes into that, but *demanding* as well, at the same time. [o](#)