

## A Story of Sustainable Growth and Transformation in Hindustan Unilever Limited

Nilanjan Sengupta & Mousumi Sengupta

### Introduction

Many large companies have started in a small way to become large companies and have made their global footprint to emerge as large business conglomerates. Each of the companies have had their own share of successes and failures and have faced many challenges to emerge as sustainable business entities. For many of them, the struggle has been indeed, long and trying. They have had to face many challenges and the problems related to not only managing growth, but also become sustainable business entities.

The story of Hindustan Unilever Limited (HUL) is a case in the point. It has retained the dominant position as a major player for the last 70 odd years in the FMCG sector which has been marked by tremendous changes and growth. The sector has grown rapidly providing at once opportunities and challenges to the players as changing needs of consumers along with rise in disposable income in countries like India have altered the needs and preferences of customers. It shows the company's ability to address many issues which comes with growth opportunities and the changes that need to be addressed once it decides to become a truly sustainable business entity, ready to face a plethora of problems and issues that accompany the growth trajectory in the journey of becoming a great company. Strong employee-friendly policies coupled with providing customers value-based products, and investment in people by providing career development options and training in a systematic manner, coupled with a strong corporate governance policy has helped the company to become a sustainable and growth-oriented mammoth organization with a global footprint. This case study will try to highlight some of these aspects and as such can provide students and other academic fraternity to discuss various issues related to HR, governance policies and change management strategies in the classroom situations.



Copyright © 2019 Shri Dharmasthala Manjunatheshwara Research Centre for Management Studies (SDMRCMS), SDMIMD, Mysore. This case is published as a part of 'Cases in Management Volume 8 (2019)' with ISBN 978-93-83302-44-4.

The case writer(s) Nilanjan Sengupta, Professor - OB/HRM & Chairman-CDS may be reached at [nilanjan@sdmimd.ac.in](mailto:nilanjan@sdmimd.ac.in) & Mousumi Sengupta, Professor - OB/HRM & Chairperson – RCMS, SDMIMD, Mysore may be reached at [mousumi@sdmimd.ac.in](mailto:mousumi@sdmimd.ac.in) Author(s) have prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case is related to a sector and a specific company. The case is based on the information available in the public domain. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of SDMRCMS, SDMIMD, Mysore. For Teaching Notes please contact [sdmrcms@sdmimd.ac.in](mailto:sdmrcms@sdmimd.ac.in).

## 2 • CASES IN MANAGEMENT

This case study will be discussed in four sections:

Section A : Brief overview and state of FMCG sector in India

Section B: Overview of HUL.

Section C: The Story of Growth, Challenges and Transformation in HUL

Section D: Authors' remarks and observations

A teaching note with pointers to generate discussions in various aspects of management domain and strategic issues by students / program participants in the classroom in management programs and in Business studies programs by instructors have also been provided with the case.

### **Section A: Brief overview of the FMCG sector in India**

FMCG with Household and Personal care segment contributing 50% of FMCG sales has emerged as the fourth largest sector in the Indian economy. Certain growth drivers which have propelled this sector are growing awareness, easier access and changing lifestyles among consumers, especially in the urban areas with a revenue share of 55% which stands out as the largest contributor to the overall revenue generated by the FMCG sector in India. In recent times this segment has shown rapid growth in semi-urban and rural areas where FMCG products are accounting for 50% of the total rural spending in India (<https://www.ibef.org/industry/fmcg.aspx>).

#### **Market Size**

The Retail market in India is estimated to touch US\$ 1.1 trillion by 2020 from US\$ 840 billion in 2017, due to growth in modern trade estimated to grow at the rate of 20 per cent - 25 per cent per annum, which in turn is expected to boost the revenues of FMCG companies. Revenues of FMCG sector reached Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18 and are expected to touch US\$ 103.7 billion in 2020. This sector witnessed a growth of 16.5 per cent in value terms between July-September 2018 due to contributing factors such as moderate inflation, increase in private consumption and rural income (<https://www.ibef.org/industry/fmcg.aspx>).

#### **Government Initiatives**

Some of the major initiatives taken by the government to promote the FMCG sector in India are as follows (<https://www.ibef.org/industry/fmcg.aspx>):

- The minimum capitalization for foreign FMCG companies to invest in India is US\$100 million.
- Approval of 100 per cent Foreign Direct Investment (FDI) in the cash and carry segment and

in single-brand retail along with 51 per cent FDI in multi-brand retail by Government of India.

- Drafting of a new consumer protection Bill by government with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.
- Reduction of GST rates to 18% from the previous 23-24 per cent rate for products, such as, Soap, Toothpaste and Hair oil will benefit the FMCG sector.
- The GST is expected to usher in a transformation in logistics in the FMCG sector by making it more modern and efficient with all major corporations starting to re-model their operations foraying into larger logistics and warehousing.

#### **Road Ahead**

Rural consumption has increased, led by a combination of increasing incomes and higher aspiration levels; there is an increased demand for branded products in rural India. The rural FMCG market in India is expected to grow to US\$ 220 billion by 2025 from US\$ 23.6 billion in FY18. In FY18, FMCG's rural segment contributed an estimated 10 per cent of the total income and it is forecasted to contribute 15-16 per cent in FY 19. FMCG sector is forecasted to grow at 12-13 per cent between September-December 2018. It is estimated that 40% of all FMCG consumption in India will be online by 2020. The online market is forecasted to reach US\$ 45 billion in 2020 from US\$ 20 billion in 2017. The number of online users in India is expected to cross 850 million by 2025

(<https://www.elearnmarkets.com/blog/sector-fmcg/>).

#### **Section B: Overview of Hindustan Unilever Limited**

The following shall be highlighted in this section:

- 1) Historical Background and Heritage at HUL
- 2) Company Vision
- 3) Leadership at HUL
- 4) Products and Brands
- 5) Company's Performance
- 6) Human resources management at HUL

#### 4 • CASES IN MANAGEMENT

- 7) HUL Policies
- 8) Sustainable living
- 9) Corporate Governance

(<https://www.hul.co.in/about/who-we-are/introduction-to-hindustan-unilever/> ).

#### 1. Historical background and heritage of HUL

Hindustan Unilever Limited (HUL) is India's largest Fast -Moving Consumer Goods company with a history of more than 80 years in India (<https://www.hul.co.in/about/who-we-are/introduction-to-hindustan-unilever/> ). In 1888, some visitors in Kolkata harbour noticed crates filled with Sunlight soap bars, embossed with the caption "Made in England by Lever Brothers". With this began the era of banded fast-moving consumer goods (FMCG) in India. Some of the most popular brands during the initial era till 1950, include, Lifebuoy, Pears, Lux and Vim, Vanaspati, and Dalda.

In 1931, the first Indian subsidiary of Unilever, Hindustan Vanaspati Manufacturing Company was set up, followed by Lever Brothers India Limited (1933) and United Traders Limited (1935). The three companies were merged together in November 1956 to constitute Hindustan Unilever Limited (HUL). HUL offered 10% of its equity to the Indian public and was among the first of the foreign subsidiaries to do so. Unilever, at present, holds 67.25% equity in the company. The remaining shareholding is distributed approximately among three lakh individual shareholders and financial institutions. In the year 1912, Brooke Bond & Co. India Limited was established. Brooke Bond became part of the Unilever group in 1984 which happened through an international acquisition. In 1972, Lipton was acquired by Unilever 1972 and in the same year Lipton Tea (India) Limited was established. Pond's (India) Limited which was present in India since 1947 joined the Unilever fold through another international acquisition of Chesebrough Pond's USA in the year 1986.

Since its inception, HUL had proactively persuaded a growth-related business strategy. The growth process was always concomitant with a well-thought-out strategy of judicious diversification, keeping in view the Indian opinions and aspirations. With the liberalisation of the Indian economy in 1991, HUL took full advantage of the removal of the restrictions earlier imposed upon by the regulatory framework. The company after this phase never lost an opportunity to explore every single product and opportunity segment, without any constraints on their production capacity. In this era of deregulation, it was easier for the company to go for alliances, acquisitions and mergers. During this period, the erstwhile Tata Oil Mills Company (TOMCO) merged with HUL,

from in April 1, 1993. In 1996, HUL and yet another Tata company, Lakme Limited, formed a 50:50 joint venture, Lakme Unilever Limited, to undertake marketing of Lakme's market-leading cosmetics and other relevant products of both the companies. Subsequently in 1998, HUL bought the brands of Lakme Limited and divested its 50% stake in the joint venture to the company.

HUL formed a 50:50 joint venture with the US-based Kimberly Clark Corporation in 1994 to form Kimberly-Clark Lever Ltd, which market products such as Huggies Diapers and Kotex Sanitary Pads. HUL has also established a subsidiary in Nepal, Unilever Nepal Limited (UNL), and this factory is the largest manufacturing investment of the company in Nepal. The UNL factory manufactures a number of HUL's products such as Soaps, Detergents and Personal Products not only for the domestic market but also for exporting the same to India. Certain notable mergers, acquisitions and alliances which took place in 1990s for the company were mainly in the areas of Food and beverages such as the erstwhile Brooke Bond acquiring Kothari General Foods with interest in Instant coffee in 1992, and Kissan business from the UB Group and the Dollops Ice-cream business from Cadbury India in 1993.

As a part of backward integration strategy of the company, Tea Estates and Doom Dooma, two plantation companies of Unilever, were merged with Brooke Bond to constitute Brooke Bond India and Lipton India (BBLIL) leading to sharper focus and synergy in the traditional beverages business segment. In 1994 the company launched the The Walls range frozen desserts and by the end of the year the company went for a strategic alliance with the Kwality Ice-cream Group families and Milkfood and in this way by 1995 the company acquired 100% Ice-cream marketing and distribution rights. With other internal restructuring the personal care products were also amalgamated for the group to benefit from economies of scale and both in domestic and export markets and enabling it to fund investments necessary for rapidly building new categories.

In January 2000, in a historic step, the government decided to award 74 per cent equity in Modern Foods to HUL, which marked the company's strategic entry into bread business and eventually into the wheat business. The remaining take of government in Modern Foods were acquired by HUL in 2002. And the company entered the marine products exports market by acquiring the Cooked Shrimp and Pasteurised Crabmeat business of the Amalgam Group of Companies, a leader in value added Marine Products export.

In the early half of 2000, HUL launched several new business ventures. Among them prominently stands out Project Shakti. This was the way to enter the rural markets where it was not present. At present, there are over 45,000 Shakti entrepreneurs covering over 100,000 villages across 15

## 6 • CASES IN MANAGEMENT

states and reaching to over 3 million homes heralding a win-win situation for both the rural people and the company, keeping its objective of social responsibility, in line with its mission. The company yet again made its presence in the Ayurvedic health & beauty centre category with the introduction of Ayurvedic (herbal) products under brand name of Ayush. Ayush therapy centres were opened up and long with this Hindustan Unilever Network, Direct to home business was launched in 2003 followed by the launch of 'Pureit' water purifier in 2004.

In 2007, the name of the was formally changed to Hindustan Unilever Limited after obtaining the approval of shareholders during the 74th AGM on 18 May 2007. Brooke Bond and Surf Excel was able to reach the Rs 1,000 crore sales mark in the same year followed by Wheel which crossed the Rs.2,000 crore sales mark in 2008.

In January 2010, the HUL head office was shifted from Lever House, Back bay Reclamation, Mumbai to the new campus in Andheri (E), Mumbai. In March 2012 the company's state of the art Learning Centre was inaugurated at the Hindustan Unilever campus at Andheri, Mumbai. In the same year, the Customer Insight & Innovation Centre (CiiC) was inaugurated at the same campus. The company became a 80 year old company in the year 2013.

In 2013, HUL launched 'Prabhat' (Dawn) - a Unilever Sustainable Living Plan (USLP) linked program aimed at engaging with and contributing to the development of local communities around its manufacturing sites. The company's first aerosol plant in Asia was inaugurated in Khamgaon, Maharashtra in 2013.

In 2014, The 'Winning in Many Indias' operating framework, was launched nationally. The number of Sales offices were increased from four to seven with the launch of new offices in Lucknow, Indore and Bangalore in addition to the existing ones in Delhi, Kolkata, Mumbai and Chennai. In 2016, the company unveiled 'Suvidha' a first-of-its-kind urban water, hygiene and sanitation community centre in Azad Nagar, Ghatkopar, which is one of the largest slums in the city of Mumbai.

A new state-of-the-art manufacturing facility was set up in Doom Dooma Industrial Estate, Assam on 11th March 2017. In 2018, an agreement was signed by the company with Vijaykant Dairy and Food Products Limited (VDFPL) and its group company to acquire its ice cream and frozen desserts business, including its flagship brand 'Adityaa Milk', thus getting access to its front end distribution network across geographies ([https://www.hul.co.in/about/who-we-are/our-history/-](https://www.hul.co.in/about/who-we-are/our-history/)).

## 2. Company Vision:

The vision is to grow their business, while decoupling their environmental footprint from their growth and increasing their positive social impact.

Purpose, values & principles: The company's Corporate Purpose states that to succeed requires "the highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact."

Always working with integrity: Conducting their operations with integrity and with respect for their stakeholders (people, organisations and environments) has been considered as a core principle as part of their corporate responsibility.

Positive impact: The company wishes to make a positive impact in several ways: through their brands, their commercial operations and relationships, through voluntary contributions, and through the various other ways in which it engages with society.

Continuous commitment: The company is committed to continuously improve the ways in which it manages its environmental impacts and is working towards certain longer-term goals of developing a sustainable business.

Setting out their aspirations: The Corporate Purpose of HUL sets out the aspirations in running their business. It is governed by their Code of Business Principles which describes the operational standards that everyone at Unilever follows, irrespective of their geographical location in which they operate. The Code also supports their approach to governance and corporate responsibility.

(<https://www.hul.co.in/about/who-we-are/purpose-and-principles/>).

## 3. Leadership at HUL:

The operating model of the company is designed to deliver faster decisions. To help in speedy and effective decision-making HUL has a well laid out organizational structure consisting of the following constituents:

### Board of Directors:

This consists of the following:

Chairman & Managing Director

Executive Director, Finance and IT and Chief Financial Officer

Executive Director, Supply Chain

## 8 • CASES IN MANAGEMENT

Executive Director, Legal and Corporate Affairs & Company Secretary

Independent Directors

Apart from this, there are various committees which have been set up for monitoring the policy level issues in the company, such as, Audit Committee, consisting of Independent directors; Management Committee, consisting of Chairman & Managing Director, Executive Director, Finance and IT and Chief Financial Officer, Executive Director, Supply Chain and other Independent Directors; Nomination & Remuneration committee, consists of Chairman and Managing Director and Independent Directors; Corporate Social Responsibility Committee, comprises of the Chairman and Managing Director, Executive Director, Finance and IT and Chief Financial Officer and Independent Directors; and, Stakeholders relationship committee, comprises of Chairman and Managing Director, Executive Director, Finance and IT and Chief Financial Officer and Independent Directors (<https://www.hul.co.in/about/who-we-are/our-leadership/>).

### 4. Products and Brands:

The company has several products which are sold under various brand names. Essentially these can be grouped into 4 main categories namely:

- a) Foods & Refreshment: brands like Cornetto, ice creams, Knorr soups, Lipton green tea, Magnum premium ice cream, Bru coffee, Annapurna iodized salt, crystal salt and Atta, and Brooke Bonds # Roses tea brands
- b) Home Care: Clif range of home care products to clean their kitchens, bathrooms, dishes, floors and surfaces. In brands such as Comfort, Active wheel, Domex, Rin, Surf excel, Vim, and Sunlight
- c) Personal Care: consisting of deodorants, colognes and body perfumes, soaps, toothpaste, skincare products, shampoos, conditioners and hair care products, face care and other salon beauty products under various brand names like Lakme, Dove, Closeup, Vaseline, etc.
- d) Water Purifier: a unique product of Unilver called Pureit which is an in-home water purifier to purify tap water and make it as safe as boiled water without the hassles of boiling.

(<https://www.hul.co.in/brands/>)



## 5. Human resources management at HUL:

The company's human resources policies are integrated with the cultural value systems of the organization which is deeply ingrained in people -orientation. At every stage right from the point of internships or full-time employment the company takes care to integrate its cultural values based on employee empowerment and has deep- rooted concern for employee growth and development. They believe that only if employees are contended and well- trained and rewarded well can they become assets to the company and propel its growth and sustainable development.

### Culture at HUL

HUL is a value-based company. The open culture with a focus on personal approach is crucial to achieving optimum performance in the company. This helps in guiding the daily decisions and actions within the company.

- Integrity - Integrity is a core value in the company and is seen as the most important pillar for company's reputation. It determines the way employees behave, irrespective of wherever they operate. And acts the guiding factor to do the right thing for the ensuring the success of the company in the long term.
- Respect - The company believes in treating people respectfully, fairly and equitably. The company follows a diversity policy where people are respected as persons and for their contributions to the company.
- Responsibility - The company believes in carefully dealing with their consumers, customers and employees, as well as the environment and the communities in which it operates. They always believe in doing what is said.
- Pioneering - The company's pioneering spirit makes it an innovative and future-driven company always willing to take on new challenges as it unfolds in the business environment. The company believes it taking calculated risks.

### Brands and innovations

The brands and innovation bring out the uniqueness of the company tradition and culture, which makes its employees honored. Since there are so many brands which are reputed and known all over the world, like Lux, Dove, Surf excel, Ponds, Lipton, Lifebuoy and so on, people are proud to be associated with them. In addition, most of the brands have long-standing social missions, such as Lifebuoy's drive to promote hygiene through hand washing with soap. This really helps in

## 10 • CASES IN MANAGEMENT

motivating the employees to be associated with them which results in greater sales and revenues for the company.

### **Achievements:**

In HUL, achievements are defined in very clear terms and parameters within the company in very concrete terms. They are as follows:

- **Business Performance** -The company's products are sold in more than 190 countries and are used daily by 2 billion consumers worldwide. Because sustainability is crucial to the way business are conducted, employees are proud of the fact that the brands that integrate sustainability also perform well in their offerings. The performance of the brands and the company are intricately intertwined and is seen as s essential for the growth of the employees and the company. The focus in the company, therefore, is to build a culture of winning in which every employee is encouraged to fully develop.
- **Personal Performance** - At Unilever, certain Standards of Leadership serve as important competencies that are viewed as salient for driving the performance and culture in the company. It encompasses five dimensions that describe the behavior that the company wishes to see in their employees, to be reflected in the way they should work and perform. They are:
  - **Growth Mindset** : This is competitive leadership. It is a positive, but, realistic attitude towards the future of the company. It is the passion to win.
  - **Consumer and Customer Focus**: is related to purposeful leadership in which priority is always for the consumers and customers. It also relates to is seeing the company's brands from the customer's perspective.
  - **Bias for Action**: This is connected to leadership-driven action. It entails having a sense of urgency in making effective decisions and taking risks in an informed manner.
  - **Accountability and Responsibility**: This is related to the concept of performance-driven leadership. It requires recognizing the reality and taking responsibility for all the actions and achievements of the leader.
  - **Building Talent and teams**: this refers to people-centred leadership, investing in the development of people. It also requires leaders to build teams that join forces to achieve positive results.

### **Career growth and Development**

The company offers its employees many opportunities to develop, grow and to perform optimally. The company allows people to make career choices based on their interests and abilities. It also provides employees to work with reputed brands and other talented people in an informal atmosphere with a view to generate sustainable growth.

### **Training and Development**

The company believes in personal growth and development of employees and invests substantial time and energy on this aspect to ensure that employees perform well and can develop their skills and knowledge.

There are several ways in which we support your growth and accelerate:

- Your Performance & Development Planning (PDP) helps employees in planning about developing their leadership skills and behaviours for their current and future roles.
- HUL offers various opportunities to employees for developing themselves personally and professionally through professional training at the training academy in their own domain (e.g. Finance, Marketing).
- There is yet another program for developing leaders in the company called Unilever Manager Development Programme (UMDP).this program aims to support line managers in helping them develop their skills in the areas of managing a team and develop leadership qualities for becoming successful as a manger -leader in the company.
- Those employees who are super performers and set higher goals by seeking more challenges are offered programs with more in-depth inputs to take on grater leadership roles in the company.

### **Diversity**

The Diversity in the company encompasses elements such as inclusion (gender, ethnicity, race, colour sexual orientation ,etc..) embracing differences, creating possibilities and growing together for better business performance. All stakeholders, such as, employees, customers and society at large are included in this policy framework and practised vigorously in the organization. The company believes in receiving feedback from all stakeholders to improve the diversity policy and gain more sensitivity for better implementation in the context of the company's working environment. The goal is to deliver the company's promise to consumers and the world through

## 12 • CASES IN MANAGEMENT

a pioneering employment experience which their competitors wish they could emulate. This commitment is enshrined in their Code of Business Principles.

### **Reward at HUL**

The company has introduced a performance-based reward structure that recognises employees who have delivered results and have inculcated the right values for their business. Satisfied employees would serve customers better is the notion based on which performance-based reward systems are followed in the company. The company has in place a policy of creating longer-term reward plans for each country in which they operate and seeks to continuously improve the relevance and effectiveness of the rewards it offers to their employees. (<https://www.hul.co.in/careers/working-at-hul/>)

### **Employee Recruitment & career opportunities**

The company enjoys status as a preferred employer among both fresh graduates and experienced professionals. For students the company has various programs under which the fresh graduates or students can apply for internships or full-time careers in the company. Essentially there are various types of program such as: work and learn, Unilever future leader's program and internships. Grooming is a continuous process at HUL and the company seeks to achieve this goal by exposing the employees in various functional areas like: Human Resources, Finance, Information Technology, Research and Development, Supply Chain Make, Supply Chain, and Marketing. Every employee must compulsorily go through rural stint for understanding the company's issues with which they learn to connect with the society at large. This is seen as important to develop the feeling that the company does not create products for only earning profits but wishes to do good business by creating products which are relevant to various strata of the society and be sensitive towards the needs of stakeholders involved in doing business with the company. Doing Well by Doing Good is the philosophy behind this total grooming process. The HUL model of grooming human capital is based on three pillars: leadership development, organizational readiness for the future and broad-based talent development. The company uses what it calls a '70-20-10' model for developing its workforce. Nearly 70% of the learning happens on the job, 20% through mentoring and 10% in training courses (Ghosh, 2011).

### **6. Policies at HUL**

HUL is committed to providing the very best not only to their customers but also to the environment.

**Corporate Social Responsibility Policy:** HUL is committed to operate and grow its business in a socially responsible way. The vision of the company is to grow their business and at the same time making efforts at reducing the environmental impact of their operations and increasing the positive social impact.

**Environment Policy:** This policy aims at taking efforts to the extent practicably and reasonably possible to prevent or minimise, the risk of an adverse environmental impact arising from processing of the product, its use or foreseeable misuse, through available knowledge and information

**Quality Policy:** The company will strive to provide quality-based products and brands based on the policy of high standards and integrity which are strictly followed in the company worldwide for which they are known.

**Safety & Health Policy:** Hindustan Unilever Limited (HUL) supplies high quality goods and services to meet the day-to-day needs of their consumers and customers.

**Affirmative Action Policy:** HUL is a signatory to the CII Code of Conduct on Affirmative Action and affirms its recognition.

( <https://www.hul.co.in/investor-relations/corporate-governance/hul-policies/-> )

## **7. Sustainable living:**

Right from the inception to the present times, the company has believed in the policy of sustainable living. They strongly believe that business growth should not be at the expense of people and the planet. The company continuously seeks to do business keeping in view this need. With this aim, the company launched The Unilever Sustainable Living Plan (USLP) in 2010 to create sustainable growth through their purpose-led brands, cutting business costs, reducing risk and helping them to build trust. The company has set for itself three big global goals for achieving the above:

- Help more than a billion people take action to improve their health and well-being by 2020
- Enhance the livelihoods of millions of people along with growing the company's businesses by 2020
- By 2030 the goal is to halve the environmental footprint of the making and use of their products as they grow their business.
- The above-mentioned goals are based on the company seeking to act based on the UN Sustainable Development Goals

## 14 • CASES IN MANAGEMENT

As a result of taking affirmative actions based on sound strategies (to be discussed in part B of the case study), the company has achieved the following encouraging results:

It has helped 1.24 billion people improve their health and hygiene. Over half of the company's agricultural raw materials like palm oil, paper and tea are now sustainably sourced. It has enhanced livelihoods for millions, through initiatives like programmes for smallholder farmer and small-scale retailers. The entire exercise of the company has been to achieve more growth, by lowering costs, taking less risk by building a robust supply chain keeping in view risks associated with climate change and sourcing of raw materials, and building more trust with customers and strengthening their relationships with stakeholders by placing sustainability at the heart of their business model.

(<https://www.hul.co.in/sustainable-living/> - )

### **8. Corporate Governance:**

Transparency and accountability are the two basic tenets of Corporate Governance at HUL. The visionary founders who had laid the foundation stone for good governance year ago have helped the company to develop this principle as an integral part of the business. The company has sought to achieve the highest standards of corporate behavior towards everyone it works including the communities it touches, and the environment on which it impacts. To achieve sustainable and profitable growth, the company emphasizes on creating long-term value for their shareholders, people, and business partners (<https://www.hul.co.in/investor-relations/corporate-governance/hul-policies/>).

#### **HUL philosophy on Corporate Governance:**

The three cornerstones of corporate governance at HUL are: - Fairness, transparency, and, accountability. HUL complies with the requirements of clause 49 of listing agreement with the stock exchange. In relation to Shareholders, it provides timely, regular & reliable information, financial situation & performance to all shareholders. With regard to Consumers, it is committed to providing branded products & services which consistently offer value in terms of price & quality. With respect to Community, it strives to be a trusted corporate citizen by fulfilling responsibilities towards society.

HUL follows the following principles regarding its employees: -

- HUL recruits, employs and promotes employees on the sole basis of the qualifications and abilities needed for the work to be performed.

- Committed to safe and healthy working conditions for all employees
- Develop and enhance each individual's skills and capabilities.
- Respect the dignity of the individual and the right of employees to freedom of association.

Key areas of Corporate Governance at HUL are profitable growth, consistent shareholder value enhancement and value enhancement for other stakeholders, transparency and disclosures compliances, and, corporate social responsibility

(<https://www.slideshare.net/VibhanshuBhushanSing/corporate-governance-csr-of-hul->)

### **Part C: The Story of Growth, Challenges and Transformation in HUL**

From the above-mentioned description (Part-A), it can be said that HUL is a company which has always sought to find ways and means to remain in business by addressing the new challenges, competition and uncertainties by employing a systematic and planned approach to managing organizational change. HUL has come a long way from being transformed from a typically hierarchical and regimented company to one that empowers itself and its employees to address new challenges and grab the opportunities amidst a volatile business environment. All empirical evidence shows that it continues to be a dominant player in the FMCG sector in the country. Its incremental turnover of nearly Rs 11,735 crore in the last five years, stands taller than the absolute turnover of many of its rivals. The company has steadily improved its profit margins in 19 out of the last 20 quarters, with the single exception being the time of the demonetisation quarter. Its market capitalization has doubled in the last four years to over Rs 2,50,000 crore or over \$40 billion. Six brands of Hindustan Unilever (HUL) have increased their annual sales in excess of Rs.2,000 crore. These include Surf Excel, Brooke Bond, Wheel, Lifebuoy, Rin and Fair and Lovely. The cumulative sales of these brands constitute about half the company's total India revenue of Rs.32,000 crore (Pani 2018).

However, one must also remember that, the present business environment typically characterized by an uncertain economy, a volatile marketplace, stiff competition, and a fast-evolving generation of consumers and employees, have forced all businesses to take a hard look at what will keep them relevant and going. Against this backdrop, HUL is reinventing itself, like it has always done, if not so virulently in the past. While the company continues to be rooted in its century-old values, it is fast embracing the opportunities of an ever-changing world, where ability to change and transform oneself seems to be the only constant. The company has sharpened its focus on growth, while reducing its environmental footprint, and becoming more concerned with its social impact

## 16 • CASES IN MANAGEMENT

as a business entity. As an evidence of all this the declaration by Forbes that HUL is the Seventh Most Innovative company in the world becomes at once a living proof of the efforts being taken by the company to reinvent itself (<https://bestmediainfo.com/2017/08/hul-is-seventh-most-innovative-company-in-forbes-list/>).

We shall, therefore, discuss in this present section, which factors have played a seminal role in transforming HUL, time and again and helped it to maintain its supremacy in the market even during turbulent times for so many years. Many of these observations which will follow are based on the information already provided in Part -A of the case. Some of the analysis which will follow will have significant strategies and practices which will show the journey of this company in its bid to become a world class company, which has maintained its growth along with sustainability as part of its change management and transformation process.

### **I. Leadership at HUL: The Key to growth and Transformation**

HUL has been very systematic in choosing people with high calibre for its leadership positions in the country. Whether they are CEOs or MDs, Chairman or Independent directors, the company has taken utmost care in handpicking its leaders who have taken wise decisions for the company. Many of them have been in the company and has risen through the ranks. Others were handpicked for their extraordinary performances or contributions in the business world. We shall take a brief look at the contributions of some of the key people in the company under whose guidance and leadership, HUL has continued to be one of the top companies in the FMCG sector in India. All through its existence right from the beginning until the present times, the top management and the Board members have been consistently followed the principles of good governance based on ethical principles and sustainability.

Given below is the summarization of the strategic decisions taken by the key leaders of the company during their stints, and the implication of the same on the performance of the company. Most of the leaders, had risen to the top position through the ladder. Their corporate philosophies and their decisions have always echoed the principle of nurturing people, concern for the wellbeing of employees, and other business stakeholders with a strong sense of commitment towards society at large and the underprivileged, in particular.

#### **Managing the era of price control**

During the period between 1973-1980 under the leadership of Mr. T. Thomas, Chairman, HUL made some significant moves, which changed the face the FMCG companies, significantly. Mr.



Thomas was instrumental in impressing upon the government to make significant policy level changes in a regime of price control. These events led to substantial gains for HUL and had far-reaching positive impact on the growth trajectory of the company. Some of the significant decisions taken during his regime are as follows:

- In 1974, price control on soaps withdrawn. A pilot plant for industrial chemicals at Taloja was opened by HUL to make a soap for the masses.
- In 1975, Jammu project work began and, thereafter, statutory price control on vanaspati & baby foods were withdrawn; Close-up toothpaste launched by HUL during this period.
- In 1976, the government allowed 51% shareholding for companies with 60% turnover in core sector and 10% in exports. In the same year, the construction work of Haldia chemicals and began and Taloja unit of HUL began functioning.
- In 1977, bypassing the MRTP ACT prevalent in other states of India, except J&K, HUL could face up to the challenges of increasing the soap production by kickstarting its Jammu Synthetic Detergent plant and thereby increasing its Indian shareholding to 18.75%.
- In 1978, the company's shareholding further increased to 34%, and in the same year Fair and Lovely skin cream was also launched by the company.

During the Chairmanship of Mr. Thomas, the company also took significant steps towards fulfilling its social responsibility as a business entity. This becomes evident by the fact that the company had converted one of its unused godowns in Mumbai city, and there, Mother Teresa and her sisters opened ASHA DAN , an organization which took care of HIV patients in Mumbai city. This clearly rings out that the philosophy of HUL is truly a living example of "doing well by doing good" which echoing the spirit of CSR in the true sense of the term.

#### **Strategic moves during challenging times**

Thereafter, under the leadership of the Dr. A.S. Ganguly, Chairman of HUL from 1980-1990, the company made significant strategic moves which gave it a sense of resilience to move on even in tough times. These were times when the company had to deal with fiery union leaders like Dutta Samant who brought the Mumbai's Sewari factory of the company to a standstill. The top management realized their overdependence on the Sewari plant and decided on a series of actions to ensure continuity of operation. This showed the company's capacity to face challenges squarely and to respond to them in a timely fashion.

## 18 • CASES IN MANAGEMENT

Another threat by way of a rival brand of washing powder called Nirma was becoming a fearful competition for the company during this time. But this was also the time when India was embracing the liberalization and globalization process under Rajiv Gandhi, the then Prime Minister. HUL was quick in taking some steps in grabbing opportunities that came with this the liberalisation process. It also realized that taking care of employees and augmenting human resources in the company was a major task that cannot be ignored. Some of the key events that took place in HUL during this period is as follows:

1982- Government allows 51% Unilever shareholding

1984- Foods, Animal Feeds businesses transferred to Lipton

1985- Acquisition of Kothari General Foods by Brooke Bond

1986- Agri-products unit at Hyderabad starts functioning - first range of hybrid seeds hits the market

1988- Launch of Lipton Taaza tea

### **Keeping pace with Liberalization and Globalization**

In 1990, Mr. S.M. Datta has taken over the role of the Chairman at HUL. Under his leadership, HUL went on an acquisition spree. The company took advantage of relaxation by government in Monopolistic and Restrictive Trade Practice Act (MRTP Act, 1969). It started opening a large number of factories in what was termed as backward areas, which in the long run helped HUL to broad base its production facilities, after some initial hiccups. This gave the company the much-needed organic growth and the HUL employees responded to this in a positive manner realizing that they needed to grow faster in order to sustain their presence in the market. The sales force adopted a target in 1989 which said: "A million tons by 1994." The company simultaneously also looked at inorganic growth and this led to the merger of Tata Oil Mills Company (TOMCO) with HUL. Some of the acquisitions made during this time were:

- The erstwhile Brooke Bond India acquired the Kissan brand from the United Breweries Group, giving HLL an entry into the foods business; Dollops ice cream acquired from Cadbury India in 1993
- Brooke Bond India and Lipton India merged to form Brooke Bond Lipton India Limited, providing greater focus and ensuring synergy in the traditional beverages business

According to S.M. Datta, the then Chairman, companies, such as HUL, which survive and sustains

for a long time, develops a personality of its own. The managers in HUL are driven by some core values like honesty of purpose, a clear vision, ability to work as a team and motivate the team and finally hard work. Along with that, the need for Corporate social responsibility remained as a core value in the company reflected in the company's slogan concept of "doing well by doing good.". For example, even when the company was not doing well under the price controlled era, it was felt that that by improving the health of the animal population in the country through proper nutrition, the company would utilize the knowhow that was available within Unilever and combine that with the enterprise that was inherent in Hindustan Lever. Other examples are the failure story of dehydrated peas and the successful milk operation started by the company in Etah in Uttar Pradesh where they started with 5 villages, initially with the figure going upto 200, increasing the income of the people there and providing invaluable lessons for the company. This was in line with the rural development programs which government had initiated, and the company was in line with that thinking. The company made use of the knowledge of working in grassroots and made changes in their products, so as to help consumers get safer products (e.g. Wheel detergent has less alkaline substances which cause skin irritation in users was addressed by R&D at HUL).

#### **Organizational restructuring and re-strategizing business portfolios**

Under the leadership of the next chairman Mr. K.B. Dadiseth (tenure 1996-2000), the company took full advantage of the liberalized business environment in India. A series of mergers and acquisitions were done, and many of the factories were opened up in India. Some of the key events, during this era, that took place in HUL are listed below:

1997- Unilever set up an international research laboratory in Bengaluru, it's sixth, and only the second outside of Europe/North America

1997- HUL received the Indian government's award for R&D in Chemicals & Allied sectors for work on biopolymers which forms an environment friendly technology

1998 - Pond's India Limited merged with HLL

1998 - HUL acquired 100% shareholding of Lakmé in Lakmé Lever Limited

1998 - Eight new factories and plants were commissioned, three each in Silvassa and Puducherry, one each in Pune and Chiplun in Maharashtra

1999 - 'Project Millennium' was launched to study new growth opportunities, cost efficiency, knowledge sharing, and to attract and retain talent

## 20 • CASES IN MANAGEMENT

2000 - HUL acquired 74% in Modern Foods (India) Limited, the first public sector company to be divested by the Government of India; gave HLL a presence in the bread market

Also, considering the magnitude of the varied activities, Mr. Dadiseth realized the need to for reorganization in the company. He thus initiated the Millennium Project to take care of long-term growth and consolidation. Following issues were the focal points for this project:

- Reorganization of the way business was being done in the company by introducing structural changes
- The company for the first time wanted to become decentralized and create profit centers
- Addressing the issue of talent management and re-orienting the company's human resources by focussing on young talent. This was based on people philosophy, an idea quite at that time. The company regained their no.1 position in campus recruitment at this point of time.
- The company had a rigorous recruitment process and training in place which ensured functional abilities. Intellectual integrity, honesty and interpersonal skills are the considered as prime traits to succeed in the company as successful leaders.
- The water crisis in in Khamgaon in Maharashtra, where water was in short supply, the company successfully implemented a program for recycling water and greening the surrounding landscape. This project was replicated with the help of two other Non-profit organizations , TERI and BAIF ( involved in sustainable development), in a nearby area Parkhed, which not only addressed the issue of water , but also paved the way for all round development by introducing income generation activities and by upgrading skills of the rural community around HUL factory.

### **Repositioning business focus and developing core competencies**

Under the leadership of Mr. M.S. Banga between 2000- 2005, the company took a different approach as it was reeling under the onslaught of liberalization which brought in other types of problems. The GDP was growing, and consumers were ready to spend, especially the young consumers. The consumers were now interested in cars, mobile phones, travelling, leisure activities and so on. against this background, FMCG growth began to slowdown. It stalled in 2000, and then declined for the next few years. Interest rates fell from 18% to under 10%, bringing easy access to consumer finance. The result was an explosion in demand for durables, two wheelers and automobiles. The home ownership market grew exponentially as the average age of a home

loan borrower dropped from 50 in 1999 to 30 in 2004. This resulted in greater use of Mobile as tariffs fell. It was also boom time for the entertainment, leisure and travel sectors. As a result, households cut their FMCG spend. The consumers down traded from higher quality brands to lower priced substitutes, leading to the FMCG market declining in value. This was a major challenge to growth, since HUL had a large market share.

**To tackle the situation, HUL decided to do the following:**

**Concentrating on FMCG and moving out of non-FMCG segments:** The company divested 15 such businesses, including animal feeds, specialty chemicals, nickel catalyst, adhesives, thermometers and mushrooms among others, but placed them all in good homes and at the same time derived excellent value for their shareholders. For making HUL an FMCG - focused company, the export business was also reshaped to focus on sourcing FMCG products to other Unilever companies, thereby leveraging scale and other benefits from the core FMCG business in India

**Building power brands:** The company decided to concentrate their resources on about 35 "power brands." These were chosen for their strength, uniqueness and growth potential. In addition, they also spanned all the 20 categories and relevant benefits and price positions. To allure the customers, HUL needed to concentrate more on quality, show greater relevance and clear benefits for the consumer. They had to create more exciting advertising capable of stimulating the interest of the customer and build loyalty for the brands. Not only better-quality products were offered at lower price points, but the company also started launching several low unit sizes and low-price packs for single use, making HUL brands accessible to all income groups. It was the first company to introduce a branded toothpaste tube and a branded shampoo bottle at Rs. 5 each. All this resulted in slow and steady growth and sales started picking up thereby, stimulating growth. Surf Excel was re-launched, going beyond the promise of great cleaning to saving two buckets of water with every wash, a huge selling point for water-scare country. Converting Lifebuoy from a carbolic soap to a toilet soap resulted in a bar that looked smaller and was more expensive. But the change along with a stronger health message turned the brand around and Lifebuoy started growing handsomely. It showed that even the company's oldest brands could achieve high growth. For Lakme, a service dimension was added by introducing Lakme Salons providing direct access to consumers and building the brand image and presence in major cities.

**Building capabilities:** the distribution system in the company was reorganized to address the needs of modern retail. A separate sales team was set up for this channel and skills were imported from Unilever. The company built a "Continuous Replenishment System" for their customers.

## 22 • CASES IN MANAGEMENT

This required not only IT connectivity across the extended supply chain of 2,000 suppliers, 80 factories and 7,000 stockists, but also a massive cultural change within in the sales system. All this over time resulted in creating better customer service, smoother sales patterns and of course lower stock at all levels.

Reducing prices: the company in the long-term interest sacrificed short term profits and reduced prices of their products. The sales force sticker- marked the company's market stock at the new reduced prices so fast that HUL was first in many outlets and markets.

Going into new business of water purifier: developed by a dedicated team who carefully crafted the product with a strong patent protection, this product evolved a unique model for converting consumers. The claim that Pureit delivers water that is 'as safe as boiled water' is extremely powerful as a message to consumers, especially when this is available at a fraction of the cost of bottled water. This product was carefully promoted and nurtured for a long time and is now giving good results to the company.

### **Doing well by doing good**

Project shakti was started in 2001. This combines Unilever's social goals of promoting health and hygiene and supporting rural communities along with their business goal of reaching out to the farthest corners of the land with quality products. It started with a pilot project in which women turned entrepreneurs reached door to door in villages where the company's distribution system could not penetrate - and around this initiative was built a small but sustainable business of selling the company's products. The women earned regular income that was important and handy to them. The company extended its reach to the hinterland. So, what became the company's new sales force started with a small, tentative beginning in a village in Nalgonda district of Andhra Pradesh.

This project tapped into the existing networks of self -help groups which had grown on the back of microcredit schemes. Shakti entrepreneurs as they were called were recruited from these groups, and became the company's local sales representatives, and reengineered products (keeping in view use value and affordability) made their way into the farthest corners of the country, where this was unthinkable even a few years back. At present, there are over 45,000 Shakti entrepreneurs operating in 135,000 villages, serving nearly 100 million consumers. The revenues generated are now very considerable and margins are healthy.

Another project of HUL in the above lines was seen in the company's efforts to help the Madhya

Pradesh government to create 'Vindhya Valley' as an umbrella brand for several cottage industry goods, which were rolled out using support software provided by HUL for marketing, manufacturing and distribution. With a period of two years, Vindhya Valley had a portfolio of spices, honey, lentil wafers, pickles, incense sticks manufactured in 12 locations with over 500 direct beneficiaries . ([https://www.hul.co.in/Images/hul\\_75years\\_special\\_issue\\_\\_tcm1255-447470\\_en.pdf](https://www.hul.co.in/Images/hul_75years_special_issue__tcm1255-447470_en.pdf)).

### **Creating value-based sustainable organization**

In the speech delivered by Mr. Harish Marwani, during the AGM of HUL in 2018 aptly summarized the on-going commitment of the top leadership to create a value-based sustainable organization ( Marwani 2018). In the speech, it was emphasized that to remain relevant in the wake of competition and to build great companies they must concentrate on the policy of creating sustainable products based on principle of 'build to last' and it must be stakeholder- sensitive and oriented towards community service. The HUL foundation, is a case in the point, which provides water conservation potential of 450 billion litres, across India and that of Project Prabhat, through which the company has provided benefit to nearly two million people around their factories through initiatives on health and hygiene, water and livelihoods. Lifebuoy is another example, which brings a paradigm change in people's mind-set about cleanliness. Lifebuoy helps save lives through the world's largest hand-washing behavior change programme and has already reached over 400 million people across the globe. He went to add other examples like how Rin uses the best technology to help consumers use less water while washing clothes; Pureit is another product, which ensures access to safe drinking water and till date has provided 83 billion liters of water to millions of consumers across India; Domex is at the forefront of the sanitation initiative and has helped build over 200,000 toilets in Indian households through the Domex Toilet Academy; Dove has empowered and instilled confidence in women by championing 'real beauty'; while Kissan and the tea brands actively advocate sustainable farming. In 2010 the company launched the Unilever Sustainable Living Plan (USLP) through which it made a worldwide commitment to grow their business by decoupling their environmental footprint from growth and increase their positive social impact. Initiatives such as sourcing the company's agricultural raw material sustainably, and enhancing the livelihoods of millions of people, especially the small-holder farmers who work with the company, like their small-scale retailers and women distributors. Also, example of USLP covers initiatives such as reduction in their greenhouse gas emissions, water usage and waste generation in manufacturing by nearly 55% since 2008. Through the Rin Career Ready Academy and the Fair & Lovely Foundation, the company has enhanced the employability of

## 24 • CASES IN MANAGEMENT

over 600,000 young people. This exemplifies 'great to good' ideology within HUL, i.e., a great business that also does good for society.

The company has a strategy of starting with the consumer wants and then create business models to deliver the product to them at prices they can afford. For example, in tea market, there is Taj Mahal, Red Label and Taaza all at different price points catering to different socio-economic segments. Similarly, they have in detergents, Surf excel Matic that meets the machine-washing needs of urban consumers, Rin for the middle-income group and Wheel that offers millions of low-income families' access to an affordable and value-for-money detergent. In this manner, the company gives value to their consumers and creates value for itself.

Not only has the company concentrated on talent development for its management cadre, it has also trained thousands of shopfloor employees and distributors' salesmen have opened up career opportunities for them, through continuous training and skills development programmes designed for them. "HUL reflects middle class values and work ethics - a constant focus on self-improvement and pursuit for excellence" (Marwani 2018). In order to modernize the business processes, HUL is proactively adopting technology in the form of digital connectivity to reshape their businesses; company is making significant investments in automation, robotics and artificial intelligence across the value chain. The company is using advanced data analytics, to market their brands through digital media and their go-to-market models. The company is adopting global best practices and state-of-the-art technology solutions to drive competitive advantage in the rapidly emerging e-commerce channel.

The good work is presently being carried out under the Chairmanship of new incumbent, Mr. Sanjiv Mehta (Chairman and MD, HUL) after taking over from Harish Manwani last year. He summed up the company's five- pronged strategy as follows:

- Driving purpose into brands
- Enhancing social impact
- Innovating for the future
- Building a future-fit organization
- Nurturing talent in the new age and re-imagining its business value-chain by leveraging data and technology.

(Pathak, 2019).



Again, as a new initiative HUL has informed its shareholders that the company that more than 80 experiments have been initiated to augment digital transformation in the company. It is putting together an end-to-end digital transformation programme and has formed a Digital council which involves a cross-functional team of leaders as part of their initiative called 'Re-imaging HUL'. Sanjiv Mehta opined in this context that through this, the company envisages to leverage Unilever's global knowledge and their deep local understanding to serve their consumers better, through path-breaking innovations or their expertise in new channels (<https://www.exchange4media.com/marketing-news/mondelez-india-and-kwality-walls-partner-to-launch-gems-burst-and-oreo-cream-96164.html>).

## **II. Transformation at HUL by Building a strong Research Unit of global standards:**

Another significant move made by HUL in 2005 was to increase its global reach by changing its organizational structure from a multi-domestic organization to a global matrix structure. To do this, it first needed to make changes in its research unit to make it more adaptable to the new global outlook and was envisaged to contribute significantly to the global Research and Development (R&D) department. The Power of One policy led to the transformation of Unilever from a multi-domestic organization to a global matrix structure. Changing the name of the Indian division from Hindustan Lever Limited (HLL) to Hindustan Unilever (HUL) was consciously undertaken as a part of this policy move. (Ojha et.al 2014).

The policy induced the necessary geographical integration and both product and marketing strategies were now managed with a global outlook. In 2008, with the same policy in mind and to increase its efficiency and focus on R&D, Unilever combined its three global R&D operations- i.e., Foods R&D, Home and Personal Care R&D and Corporate Research into one Unilever R&D organization ([www.finchannel.com](http://www.finchannel.com)). Research was now being carried out conducted at six locations, and one of these Research sites was located at Whitefield, Bangalore ([www.uniover.com](http://www.uniover.com), [www.hul.co.in](http://www.hul.co.in)). Subsequently, the centre, faced certain challenges in implementing the global policy and revised them to suit the local conditions. The research domains at Unilever Research Bangalore included: Skin & Hair, Water, Laundry and Foods, and possess expertise in the areas of Microbiology, Toxicology and Polymer science (The Financial, 2008).

The Bangalore Research Unit was part of the 6 research centres which were instituted at HUL. The organization design evolved at Bangalore has 4 elements:

- Define: role established the direction of research work at HURC coordinating Unilever and

## 26 • CASES IN MANAGEMENT

HUL's vision with the market conditions. It was also the approving body for research to be undertaken at lower levels.

- Basic Research: was to be focused on generic research.
- Product Application: dealt with product development and involved substantial interfacing with other departments within and outside the Research Centre.

Deployment: involved the highest interface with front-end departments, as it deals with product deployment in the market.

After some initial problems in the matrix structure about reporting relationships in cross-functional project teams, HURC changed from late 2009 onwards, the reporting mechanisms, with the project manager retaining limited authority to oversee the cross-disciplinary aspects of the project. The Disciplinary-Area managers were responsible for in-depth building of expertise in their respective domains. This turned out to be a successful arrangement at HURC. With the Centre benefiting the synergistic alignment of researchers working in multi-disciplinary teams, but with a difference. HURC concentrated on long-term with focus basic research. The Centre encouraged employees to work on thesis and develop patents using publications and patents as motivating factors and ushering in high quality research. The steps to realign and rebalance the R&D organizational structure led to increased leverage of its scale, scalable innovations and delivering functional excellence. To do this, HURC had to make significant changes in their human resource policies, subsequently within the company. To retain this highly team of knowledge workers and scientists from all over the world, the centre did the following to provide a motivating and vibrant environment for retaining this highly valued talent (Ojha , et.al 2014):

- Providing state-of-the art facilities, instruments and pilot plants, comparable to the best in the world.
- Ready access to the relevant books, journals, and e-resources.
- Providing opportunities to researchers to publish their work in reputed journals.
- Patent applications and grants were credited to creators on regular intervals
- Beautiful campus with exotic flora and fauna.
- Stringent safety norms were enforced within the campus to make it a zero-injury zone

### Section D: Authors' Observations and analysis

From the above -mentioned discussion , it becomes clear that the organization has taken clear measures at different point of time since its inception to the present times to face challenges that has come its way and has never shied from transforming itself to remain afloat as a sustainable business entity till the present times.

The company with its huge product range and wide distribution network has sought to provide products fulfilling the needs and demands of various segments of the society throughout the country. The focus of the company has always been on creating innovative product offerings and adapting itself to the market changes, which has helped it maintain its market leadership. Some of the accolades received by the company for innovation and corporate social responsibility are as follows:

2017 Recognised as the 'Company of the Year,' 2016-17 by the Ministry of Population & Environment, Nepal, for environmental excellence.

2017 Environment Friendly Factory Award 2017

2016 Frost and Sullivan manufacturing company of the Year 2016

2015 Highest Taxpayer FY 2014/2015

2013 New Biz best managed joint venture company award 2013

2012 Highest Taxpayer for FY 2011/2012

2009 Best presented accounts and corporate governance disclosure awards 2009

(Buch, 2018)

Based on the above information , If one were to categorize the various types of measures the company has taken under its able and prudent leaders the following observations can be made regarding the process of transformation and change the company has undergone to remain in the FMCG sector as a market leader.

Foremost was addressing the changes in the external environment and adapting to it. This was also due to the influential leadership present in the company which helped the company to not only adapt, but also influence the external environment and sway the stakeholders (governments, policy makers, rival companies, consumers, community members and other stakeholders) to fall in line with them. As evident from the above discussions, this is not a one- way street. In order to

## 28 • CASES IN MANAGEMENT

get something, one must give in return. This is exactly what the company has done. It has fallen in line with policy makers and innovated and adjusted the internal strategies in a way so that the stakeholders were ready to support the company, in turn.

The fact that the company puts premium in developing leadership pipeline and elevating and dynamic employees in leadership positions is borne out by the fact that as a latest development, Unilever has elevated Hindustan Unilever Chairman and Managing Director, Sanjiv Mehta, as the President of Unilever South Asia with effect from May 1, 2019. According to Alan Jope, CEO Unilever, 'Mehta has been instrumental in unlocking strong performance in South Asia, delivering exceptional top and bottom-line growth', and feels that Mehta will add invaluable insights and leadership. Other major leadership positions which have been offered to loyalists in the company for their consistent performance and hard work and for keeping the values of the Unilever are appointments of Nitin Paranjpe, President, Foods & Refreshment, as the Chief Operating Officer entrusted with the responsibility for all of Unilever's go-to-market organisations, driving and coordinating in-year performance across various countries (in which the company operates) in line with company's divisional strategies; Hanneke Faber, currently President, Europe, who has been appointed as the President, Foods & Refreshment and Peter ter Kulve, Chief Digital Officer and EVP South East Asia & Australasia (SEAA), has been appointed President, Home Care (<https://www.exchange4media.com/marketing-news/mondelez-india-and-kwality-walls-partner-to-launch-gems-burst-and-oreo-cream-96164.html>).

Sound internal Human resource policies based focusing on talent management strategies have helped HUL to create the necessary talent pipeline of acquiring, developing and retaining talent within the company by providing people a career path and strong motivation and challenging work environment to remain in the company and contribute to its growth and success as a committed employee proud of being associated with company which has a huge brand name in the market. Proper reward management policies and appraisals and promotional policies for employees to ensure career growth and development of employees.

Gender-based policies to avoid discrimination has been a strong point in the company. The company also aims to usher in full gender parity by 2022. The company wants 50% of the managerial positions to be filled by women by 2022. Through the project, Shakti the company has created nearly 110,000 women micro-entrepreneurs across 18 states enhancing the distribution reach of the company's brands, while providing livelihood opportunities to women in rural India through the training by HUL executives on sales and distribution (Pathak, 2019).

Well thought out marketing strategies to address the issues of branding, changing customer needs, advertising, positioning, pricing which has gone a long way in nurturing and growing the brand in the minds of the customers thereby ensuring brand loyalty for many of its products on a long-term basis. For example, while trying to penetrate and build a strategy for the rural markets, the top management and senior managers were involved in monitoring and data collection in the pilot stage of the project. Only after proper analysis and variability studies out of 6 projects which were initiated, only 2 were approved- one was Pureit and the other was Project Shakti. For the success of Project Shakti after proper consolidation, HUL hired a third party to oversee capability development. During this phase, each manager from the contracting firm provided localized attention to 400-500 Shakti Ammas, and their success was measured based on sales growth and improvements in the women's sales techniques. The company over a period instituted a management team at the state level. These managers were assessed on typical financial indicators, such as, revenue growth and profitability, and were specifically tasked with driving cost efficiency by standardizing the project's operations. (Narsley, et.al,2012)

As part of the new market-driven strategies in India, the company has taken some initiatives very recently to revamp the brand recalls across product categories (facing tough competition) and get closer to the customer by understanding their personal and social needs across target groups. For example, Pond's, one of the world's leading beauty and skincare brands, has launched an impactful campaign with the objective of highlighting the issue of inner voices into the focus and into mainstream media. This is being done for enabling women to understand how commonplace inner voices are and help them overcome the internal barriers these present. This reflects the CSR initiative of the company with the ideology of "Doing Well by Doing Good". The partnership with Mondelez India intends to focus on agile innovations in the confectionary segment through the combination of the creaminess of Kwality Walls cream and the crunch of Oreo and Gems respectively to entice the consumers of today who are constantly on the lookout for newer eating experiences (<https://www.exchange4media.com/marketing-news/mondelez-india-and-kwality-walls-partner-to-launch-gems-burst-and-oreo-cream-96164.html>).

The company used technology to design a flexible rural supply chain and sales network in the rural areas. HUL built a GPS and density mapping technology to design its rural supply chains and sales network. The population density and the distance between villages play a crucial role in

### 30 • CASES IN MANAGEMENT

determining the number of Shakti Amma and Shaktimaan recruits, their placement, and the volume of the product the supply chain needs to handle. (Narsley ,et.al,2012)

To reach out to its rural customers, in villages, in Project Shakti, HUL has recruited local female entrepreneurs-Shakti Ammas ("Shakti" - power and "Amma" - mother)-across 15 states who function as salespeople and brand-builders. HUL's products are delivered to central locations from where Shakti Ammas purchase the goods and from there to thousands of villages. Shakti Ammas generate income under a commission-based model. They earn approximately Rs. 2000-3000 per month. In addition, the company imparts knowledge of hygiene through free courses. This helps them in sensitizing people about diseases and at the same time help Shakti Ammas in pushing the products of the company on the basis of the knowledge shared by them. Thus, the company has built a hybrid model of supply chain for selling the rural customers many of their products by linking the issue of hygiene and health to it. ( Narsley ,et.al,2012)

Striking well thought-out strategic alliances (through mergers, acquisitions, divestments, etc.,) at the right times and re-grouping of businesses and product lines and categories helping it to acquire the necessary strong position in the market across various segments and product categories ,as is evident from the above discussions.

Strong and restructured R&D unit(s) with an innovative team of people consisting of top class knowledgeable researchers within the company constantly willing to learn from and customize products as per the changing needs of the market is a great asset for the company.

A strong governance policy consisting of transparent systems outlining the roles and responsibilities and accountability process of the top management and other management committees and employees across all levels in the organization towards their business partners, customers, statutory environment and all stakeholders including the larger community.

A strong policy of adopting safety measures towards its employees, customers and other stakeholders ensuring that no harm comes to them while working in the company or using the products the company manufactures and sells.

A transparent policy ensuring increasing the value of shareholders though the prudent management of assets and liabilities within the company. Proper financial disclosures and holding statutory annual meetings and AGBMs, and declaration of audited financial results and other statutory reports of the company, as per statutory guidelines.

Last and not the least, a keen sense of corporate social responsibility in aligning its policies and

programs ensuring the philosophy of Doing well with doing good. The company has always kept in mind the requirements of the communities, especially the underprivileged and the rural population and have tuned their policies and programs which are not only beneficial for the society, but also for the company, as is evident from discussions above.

### **Concluding remarks**

Thus, the company has lived up to its motto of 'Doing Well by Doing Good', where the focus has been on creating a sustainable business entity which is not only profitable but also environmentally and socially aware. It has been able to address the issue of corporate social responsibility by constantly searching for ways and means to conduct business by employing strategies and creating products which are valuable to society across various income levels. Through constant research and technology, it has tried to create safe and hygienic products for its customers at affordable prices. It has been able to retain its talent pool for long periods by creating a motivating and challenging work environment for its employees while building in them a sense of purpose and a cause which extends beyond the boundaries of merely selling products or making profits.

As rightly pointed out by Nitin Paranjpe, President, Foods and Refreshment Division, Unilever in the present context, only nurtures brands that matter and will be those that stand up for an issue - societal or environmental - and are defined by authenticity and consistency. "Business came into existence because of society's need. The purpose of business is not wealth maximization, it is fulfilling consumers' needs and that is the principal driver of growth," Paranjape said (<https://www.moneycontrol.com/news/business/companies/indian-fmcg-sector-gaining-momentum-with-changing-lifestyles-industry-experts-3294511.html>).

The people at HUL have a mission to fulfil and that is 'Doing Well by Doing Good'. This is the hallmark of a truly world class company which has the ability to transform itself time and again when it faces challenges typically characteristic of a changing business environment in a volatile growth ridden sector, such as, the FMCG sector.

### **Teaching note for the case**

This case can be used in a classroom situation for generating discussions on variety of subjects and management areas. The authors while writing this case have kept in mind that faculty can encourage students in a management program to discuss and deliberate on the following aspects:

The case can be used in a strategic management class where the students can apply various strategic management models to look at the company's position vis-a - vis its rival firms and

## 32 • CASES IN MANAGEMENT

effectively manage its external environment.

From the marketing perspective, the case can be used to develop insights on various concepts in marketing and sales management, including, branding, positioning and advertising.

From the HR perspective, the case can be used to discuss various HR related issues such as talent management, career development, industrial relations, and issues related organizational structures and designs, power and politics, motivation and team-building and leadership issues in the organization.

From the finance perspective, issues relating to asset management, financial management, and governance issue can be valid points of discussion.

From the operations management perspective, discussions can centre around, production-related issues, inventory control management, innovations and R&D.

The case can be used as a classic material for discussing issues relating to ethical and strategic leadership and demonstrate how sustainable businesses can be created which are not only concerned with earning profits, but concerned with profitability in the long run.

### References

Buch, H. (2018). Indian FMCG sector gaining momentum with changing lifestyles: Industry experts. In <https://www.moneycontrol.com/news/business/companies/indian-fmkg-sector-gaining-momentum-with-changing-lifestyles-industry-experts-3294511.html>

CAMPUS TRACK 2016: E-COMMERCE IS THE PICK OF THE LOT by DEMOGRAPHICS | 29-06-2016 in <https://www.nielsen.com/in/en/insights/reports/2016/campus-track-2016.html> .

Ghosh, A. (2011). At Hindustan Unilever, leadership training is an organisational goal by By Ahona Ghosh, June 14, 2011 in The Economic Times in <https://economictimes.indiatimes.com/news/company/corporate-trends/at-hindustan-unilever-leadership-training-is-an-organisational-goal/articleshow/8843840.cms> - accessed on 1.7.19

<https://bestmediainfo.com/2017/08/hul-is-seventh-most-innovative-company-in-forbes-list/>

<https://www.elearnmarkets.com/blog/sector-fmkg/>

<https://www.exchange4media.com/marketing-news/mondelez-india-and-kwality-walls-partner-to-launch-gems-burst-and-oreo-cream-96164.html>

[https://www.hul.co.in/about/who-we-are/introduction-to-hindustan-unilever/-](https://www.hul.co.in/about/who-we-are/introduction-to-hindustan-unilever/)



<https://www.hul.co.in/about/who-we-are/our-leadership/>

<https://www.hul.co.in/about/who-we-are/purpose-and-principles/>

<https://www.hul.co.in/brands/>

<https://www.hul.co.in/careers/working-at-hul/>

[https://www.hul.co.in/Images/hul\\_75years\\_special\\_issue\\_\\_tcm1255-447470\\_en.pdf-](https://www.hul.co.in/Images/hul_75years_special_issue__tcm1255-447470_en.pdf-)

<https://www.hul.co.in/investor-relations/corporate-governance/hul-policies/>

<https://www.hul.co.in/sustainable-living/>

<https://www.ibef.org/industry/fmcg.aspx>

<https://www.moneycontrol.com/news/business/companies/indian-fmcg-sector-gaining-momentum-with-changing-lifestyles-industry-experts-3294511.html>

<https://www.slideshare.net/VibhanshuBhushanSing/corporate-governance-csr-of-hul->

<https://www.slideshare.net/VibhanshuBhushanSing/corporate-governance-csr-of-hul->

HUL forms digital council with cross-functional team of leaders by exchange4media Staff ,July1, 2019 in

<https://www.exchange4media.com/marketing-news/mondelez-india-and-kwality-walls-partner-to-launch-gems-burst-and-oreo-cream-96164.html>

HUL forms digital council with cross-functional team of leaders by exchange4media Staff ,July1, 2019 in <https://www.exchange4media.com/marketing-news/mondelez-india-and-kwality-walls-partner-to-launch-gems-burst-and-oreo-cream-96164.html>

Marwani, H. (2018). Great to Good- Lessons in Leadership. Excerpts of the Speech of Harsh Marwani Chairman ,HUL at AGM held June 29, 2018 at Mumbai in [https://www.hul.co.in/Images/harish-manwani-agm-speech-2018-great-to-good-lessons-in-leadership\\_tcm1255-523761\\_en.pdf-](https://www.hul.co.in/Images/harish-manwani-agm-speech-2018-great-to-good-lessons-in-leadership_tcm1255-523761_en.pdf-)

Narsalay, R.; Coffey R. T., & Sen, A. (2012). Hindustan Unilever: Scaling a cost-efficient distribution and sales network in remote markets. Accenture Institute for High Performance, 2012 in [https://www.accenture.com/\\_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub\\_23/Accenture-Unilever-Case-Study.pdf-](https://www.accenture.com/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_23/Accenture-Unilever-Case-Study.pdf-)

### 34 • CASES IN MANAGEMENT

Nielsen named HUL as the 'No.1 Employer of Choice' for the sixth consecutive year earlier this year while Aon Hewitt ranked it as the third best company globally for its efforts in building leaders in <https://www.nielsen.com/>

Ojha, A., Iyer, A.; Rodrigues, C.; Swaminathan, L. ; Rohith, S.; & Thulasidas, L. (2014). Adapting to organizational change: Hindustan Unilever Research Centre. in <https://tejas.iimb.ac.in/articles/64.php>.

Pani, P. (2018). Six Hindustan Unilever brands cross ₹2,000-cr sales milestone. in <https://www.thehindubusinessline.com/companies/six-hindustan-unilever-brands-cross-2000cr-sales-milestone/article8687420.ece> .

Pathak, K. (2019). HUL aims for full gender parity by 2022 says MD Mehta, Mint, Monday July 1, 2019.

The Financial, 2008, "Unilever reshapes its global research & development", December 2, 2008, [http://www.finchannel.com/Main\\_News/Business\\_25661\\_Unilever\\_reshapes\\_its\\_global\\_research\\_&\\_development](http://www.finchannel.com/Main_News/Business_25661_Unilever_reshapes_its_global_research_&_development)

[www.hul.co.in](http://www.hul.co.in)

[www.unilever.com](http://www.unilever.com)