

The Trusted Executive

John Blakey





Interview with Geoff Mcdonald, Ex-Global Vice president, Unilever

Unilever is the third largest consumer goods company in the world with over 400 brands that are available in 190 countries. Founded in 1930, the company has 172,000 employees and is headquartered in London and Rotterdam (www.unilever.com).

JOHN: How did the story start in Unilever, Geoff?

GEOFF: It started with thinking about the changing role that business has to play in society. One of the co-founders of Ben & Jerry's, Jerry Greenfield, recently said that unless business begins to significantly change its role in society, then the societal and the environmental issues that we've got in this world will never be solved. And business is our last hope in all of this. And I was fortunate to work for an organisation with a CEO, Paul Polman, who absolutely got this; he saw the opportunity for Unilever to make this positive contribution to society and grow and become more profitable. And so we embarked on that journey

As I worked to take this concept of purpose and embed it into the fabric of the organisation, I learnt that there are a number of levers that have to be addressed.

The first one is leadership and it's leadership transformation at an individual level. As Mark Twain said, "The two most important days in your life are the day you are born and the day you find out why you were born". So we needed the leaders at Unilever to answer that question - what is your individual purpose? We redesigned our whole approach to leadership development for the top 400 leaders so they could develop a sense of their own purpose. Because unless you've got a sense of your own purpose, I don't think you can lead a purposeful organisation. This is how we created leaders to become advocates and, in some cases, agents of change. So leadership development is a key lever.

The next lever involves setting an audacious purpose and then agreeing authentic goals that align with that purpose, which become hard-wired into the organisation. If you truly want to embed the purpose, you have to have goals with those two characteristics. I remember when Paul said we are going to try and improve the health and well-being of a billion people, we're going to reduce our environmental footprint by half, we're going to make sure all of our raw materials come from sustainable sources. Nobody at the time knew how we would achieve that; not even he did. But that really told me it was audacious. In addition, our core brands could help achieve these goals and that made the goals authentic.

But you have to take these high level goals and statements of purpose and cascade them into the organisation in a way that enables people to be held accountable and shows how the purpose is driving growth and profitability.

A further lever to address is to design an organisation and governance structure that is in support of your goals. As an example, prior to the 'sustainable living plan' in Unilever, marketing, communications and CSR were all organised in disparate functions. But we realised that if we were going to achieve the purpose through our brands then we'd better



bring the marketing capabilities, sustainability and communications all together under one roof and one person.

JOHN: What was that role called?

GEOFF: We called it the Chief Marketing Communications and Sustainability Officer role. It was a board role and it reported direct to the CEO.

Processes, policies and systems is an additional and important area of focus. It's such painstaking work and that is why nobody does it, but it's critical to review your processes, policies and systems through the lens of your purpose because processes, policies and systems drive behaviours. You can have leaders role-modelling whatever you want, but if the process or the system is working against that role-modelling then people will get confused and are unlikely to behave accordingly.

A good example of this in Unilever is that there was a time in Unilever where you could have written a brand strategy without any reference to Unilever's purpose and the three audacious goals. Today you can't do that. Every single brand strategy process requires you to answer the question, 'how is this brand contributing to one of our three sustainable living goals?'

If you don't change those processes and systems, the purpose goes to the back of people's minds. Focussing upon processes, policies and systems is how you hard-wire the purpose into an organisation.

Finally, partnerships and collaborations are key. These are critical because the challenges that the world faces today are not going to be solved by one business on its own, even one business the size of Unilever. I'll give you an example. We decided that Lifebuoy, as a brand, was going to be all about saving lives by reducing the incidence of diarrhoea in developing and emerging markets. So the Lifebuoy brand went after that problem, but Lifebuoy couldn't solve that problem on its own. In India, we had to partner with the education departments so that they could build hand-washing into the national curriculum. We had to partner with UNICEF to help in the distribution of Lifebuoy to places where Unilever couldn't get to. So this is an example of how collaboration and partnership is a critical lever in driving systemic change and solving complex problems.

JOHN: Let me ask you about some other areas that others might think of as organisational levers. For example, where does reward and remuneration fit in this?

GEOFF: For me, that fits within processes and systems. Paul was against rewarding people annually for progress against the 'sustainable living' goals because he came from a philosophical point of view which was 'this is just the right thing for business to be doing'. However, he was prepared to have a conversation about long-term incentives such as share options. Personally, I believe people treasure what gets measured. Human beings give more attention to stuff that they're going to get paid.

JOHN: How about overall levels of remuneration? There's a lot of people that might say 'I don't care what Unilever is doing to save the planet, so long as the CEO earns x millions pounds a year in salary and has a huge pension pot I still don't trust them'



GEOFF: Well, Paul Polman is not the most well paid CEO in the UK yet he is probably making the biggest contribution to the world right now. However, you're right that if you've got a purpose statement you've got to look at your practices. So was there equality of pay in Unilever between men and women? Yes, there was equality of pay. Were people being paid more than the living wage in Unilever? Yes, they were. So we were doing more than the country governments expected.

JOHN: Some would say this type of transformation is much harder to do on a massive global scale and much easier to do in a smaller organisation. Do you buy that?

GEOFF: I don't buy that, because I've worked for a business with a turnover of £50 billion with 170,000 people and I've seen that it can be done. It's not impossible, but it's very difficult, particularly if you're not organised as a global organisation, where country "heads" may have the discretion to do their own thing and not fully align to the purpose.

The alternative argument is that people say to me, 'As a smaller company this is too difficult; we can't do it because we haven't got the resources that Unilever has'. And there is some truth in that. I think it's going to be the large global organisations that have the scale, capacity and resources to be able to make the kind of contribution that the world needs.

JOHN: How have you measured the success of the transformation at Unilever?

GEOFF: Since Unilever started the 'sustainable living plan' in 2009, the share price has gone from approximately £12 to around £27 today, the employee engagement scores have gone from 50-60% to 80-90% and, according to LinkedIn 2014, Unilever is the third most in-demand employer in the world behind Google and Apple.

JOHN: Let's take a step back. What is driving all these changes in the wider world?

GEOFF: The trend is the following; the industrial revolution empowered companies, the social revolution is empowering people. You and I have got the power today. You need to have somebody at board level who truly understands this power-shift. Apple are the most valuable company in the world, yet one person, Taylor Swift, got them to change their decision on the royalty rights of her music. Why? Because she's got millions of followers on Twitter. When you really get to grips with that it leads to a different conversation in the boardroom.

JOHN: What would be your advice to the CEOs who want to embark in this journey?

GEOFF: It would be 'Get in touch with your purpose' because, in a volatile, uncertain, complex and ambiguous world, it's the only thing you can hold on to over the long term.



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