Humanizing Growth Series

Alan Jope & Marc de Swaan Arons in conversation

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M Alan, first tell me, how are you? How has this crazy period been?

A I must say that coronavirus, of course, is a tragedy. It's mostly bad news. But there's been a few positives, one of which has been I've spent more time with my wife and family than I have for years.

And I think maybe one reflection is we've probably all learned how much time we wasted flying around the world, attending meetings - often a very unproductive use of time.

M If you had to now project forward, how much of the travel will come back because you want to see these people, physically?

A I think we all recognize that company cultures are built up through the formation of social capital. And there is no doubt that over the last 10 months, we have eroded the social capital in organizations through a lack of physical intimacy.

I look forward very much to getting back out into the market, seeing parts of our business. But in the same way, as we were forced to reinvent how we work from offices, I do believe that there will be new ways of connecting through travel.

For example, I fully intend, instead of dashing for a couple of days here, a couple of days there, I think I'll go camp in North America for a month, camp in China for a month, camp in Singapore for a month, and do short trips from there.

So just realizing that the old paradigms of work don't really hold water these days, and we've all learned there's different ways of doing things. We will rebuild the social capital, but hopefully, we'll do it in a modern way, and not just return to old ways of working.

“My purpose is to lead the adventure“

PERSONAL PURPOSE

M Can you talk a little bit about how clear you are on your purpose? And when that happened, how it happened.

A Like many organizations, we have tools for helping people to discover their purpose. Unilever has put 45,000 people through a find your purpose, full-day workshops.

I was a good soldier, signed up, did all the good things. Came away with an articulation of my purpose that it took me two years to realize it was wrong. I was in the shower one day, and I suddenly realized what it is that motivates me, and the way I capture it is to lead the adventure and you see it in my personal life. You can see a little bit in my career and certainly in business.

The routine side of business, I don't enjoy at all, but when we're out in unexplored places, that's when I really enjoy them. And the lead bit, the social contact in leading people is ultimately the most rewarding part of my job. Independent from Unilever, my purpose would still be to lead the adventure, and that manifests in all kinds of ridiculous behaviors.

M I think motorcycles play a small role in that somewhere?

A It is true - three pals and I are exactly halfway through a goal of riding adventure motorbikes from Anchorage, Alaska to Sydney, Australia.

We first went across the Sahara. We'd been riding in Mongolia. We've done Southern Africa. We've done various trips, but we said let's do an odyssey. so now, we've had seven two-week journeys to get us from Anchorage to Cape Town.

M When did this sort of clarity get formed in your mind? Has it shaped decisions subsequently, about the type of role you wanted to play?

A About a decade ago. I think it shaped the decisions that I was making before that, without me realizing it. I joined Unilever out of university because I needed a job. The primary motive was a paycheck. But growing up my uncle lived in Malaysia, running a rubber plantation and he would come back to Scotland for holidays. I remember after I'd done five years with Unilever, I said, "Any chance of getting sent to Southeast Asia, Thailand or Malaysia?"

The company was kind enough to pack my wife and I off to New York instead, and we had a wonderful adventure there. Then we had an adventure in Thailand, and then China. At literally every single move of my career, I think I've taken the unexpected choice, often took crappy jobs in wonderful places. I do think that sense of life being an adventure was shaping those choices. But I never articulated that until five or 10 years ago.

M You said that Unilever had facilitated this 'find your purpose' program. Tell me a little bit about the philosophy?

A It is absolutely clear that if someone goes through that program and realizes that they're not going to be able to live their purpose working in Unilever, then both they and the company are better off moving on and being set free to pursue their purpose somewhere else.

We don't want Unilever to be a prison. The idea that we would lock people in against their purpose is ridiculous. So, we have not seen those wholesale departures, but what we have seen is, when we do our annual people survey and we ask the question – 'To what extent are you able to live your purpose in your work?' People who tick top boxes on that question, are remarkably higher on job satisfaction, recommending Unilever as a place to work, overall engagement, likelihood to stay.

Where we're able to find that match up between people's personal purpose and their work, it unlocks enormous energy and commitment. If the consequence is that a smaller proportion go chase their purpose somewhere else, so be it. That's great. Everybody is winning.

COVID LESSONS LEARNED

M Let's transition a little bit to Unilever. You've been in the role now for over a year. COVID has had such an impact. What have been the lessons learned from a Unilever perspective?

A I think like many organizations, there's a couple of things that we've learned in the last 10 months of COVID. The first is we're capable of speed and an agility that we would never have dreamed of.

We've learned we can fire up a factory in two days that would previously have taken two months to commission. We took a brand (Lifebuoy) to 50 new countries in 100 days.

Can you imagine if you'd said to an organization that 70,000 people would start working from home on a two-day's notice and nobody would skip a beat? That you would have to run factories where you shut them down because there's a COVID outbreak, you test everybody before they come back to work. You run in your extreme PPE. No problem. The speed and agility has been unbelievable.

I think it has also been an accelerator of getting rid of hierarchy. The organization feels flats, or the lines of communication are faster. Everybody gets the same size box on Teams or Zoom. Maybe at some point, we'll come on and talk about this, but I think our notion of organizations as this traditional pyramid-shaped hierarchy is doomed. History will say COVID was a big contributor to the death of hierarchy. We've discovered that very much.

Through a business lens, all our normal growth patterns have been turned upside down, whether it's by category, by geography, by channel. We've had categories that have typically grown 2-4% that are currently growing 30-40% - anything to do with hygiene, hand hygiene, surface hygiene, scratch cooking at home. On the other side, there's not a lot of people out eating ice cream in the piazzas of Italy right now. So all of our out-of-home food consumption, our restaurant supply business, that's struggled a little bit from a category perspective.

Geographically, there's been a consumption boom in the US and the UK and Australia. And we saw a slowdown in some traditionally fast-growing parts of the world.

And then from a channel perspective, same as everyone else. E-commerce just absolutely exploded.

So it's whoa, what just happened? Huge shifts in demand patterns. Also, huge agility that we didn't realize we had to respond to that. So many good things.

M It sounds like the portfolio has really helped here, because I hear things that clearly went down a lot, and things that sound like they exploded up.

A Well, there are a lot of people celebrating being geniuses, and there are a lot of people being ridiculed as being not smart, when in fact, luck has a great role.

If you happened to be running an airline or a hotel over the last year, good luck. It's a shame what's happened. We happen to be a bit naturally hedged, but that's something we've discovered. It's no great, grand design.

STAKEHOLDER EXPECTATIONS

M Let's talk about what you think the last year has brought in terms of permanent changes in the expectations of consumers, colleagues, customers, communities, and capital markets. Can you run through what you think has changed in their expectations of your company?

A Let me start with the consumer, where I won't belabor the point because everyone on the call will recognize all these patterns. But E-everything. E-browsing, E-shopping, E-media consumption, E-payments. The digital lifestyle has just exploded. Anything to do with health and wellbeing, with hygiene as an adjunct to it - that is growing very quickly.

We are also seeing a rise in conscious consumption. Pick your study. Whether it's Kantar study, WPP study, everyone's done a study, and they all show that people are way more concerned now than a year ago, about the social and environmental impact of their consumption choices.

It is interesting also to look at that through a generational lens, and it's young people who are driving the change towards conscious consumption. Of course, I think society has a greater awareness now of inequality. Nurses, delivery people, transport workers, supermarket clerks, in my mind have been the heroes of the last year. I think some of these are significant changes that will stick around from a consumer perspective. Others are more transient. The shutdown of restaurants, that'll come back.

By the way, you can look at China in 2010. The consumer behavior changes that happened through swine flu back then, are almost identically being replicated around the world 10 years later in response to the coronavirus. That's a good way of determining, "Okay, what's going to be permanent? And what's just transitory?"

I think in terms of the other stakeholders, we are definitely seeing a magnifying glass on corporate conduct. The latest hot topic is vaccines. Are big companies going to try and leverage their clout to jump the queue on vaccines? And certainly, looking at ESG, two years ago when I started in this role and we were meeting with an investor, ESG would be typically be represented by an individual, a more junior member of the team who would be then given a couple of questions after the 'serious business' had been discussed. That is absolutely no longer the case. Every single investor we meet with, I've spent more time talking about sustainability issues than top line, bottom line and cash, it has become completely mainstream. That has been particularly accelerated over the last 10 months.

M What about colleagues?

A We've always had a latent belief that if we take care of Unilever's people, Unilever's people will take care of the business., but now it's an expressed belief.

Our version of your four C's is really a seven-stakeholder model where we believe that our responsibility is first and formost to the Unilever team, our employees, then consumers, customers, business partners, suppliers, agencies, communities, the planet, and the shareholder. We unapologetically say our highest priority in our multi stakeholder model is to our own employees. Again, driven by the business case that when we take good care of our people, they will take care of the business.

In the first week of COVID we made a commitment that jobs and incomes would be secure for what at the time felt like the likely duration of three months. Nobody would lose their job, including our contractors on site, the cafeteria workers, the guards, the cleaners who don't directly work for Unilever, but they're a part of our team,. We said we will look after all of those people.

One particular thing we invented on the spot was this idea of global town-hall. Every Tuesday, at lunchtime, I'll hop on for an hour and we typically get between 7,000 and 14,000 people joining. It's me plus one. Usually one of the exec, but not necessarily. We've had our company doctor join me one time, for obvious reasons. I'll do 5 - 10 minutes of what's going on in the business, top of mind, very immediate. Quite extemporaneous. Then the guests will talk about their area of expertise. And for the next 40 minutes it's open to questions from anybody and we'll get typically, 400- 500 questions. The most up-voted questions will have 500 or 600 votes to be up voted, so it's fully transparent to everybody. So, if you are ducking the most up-voted question, everyone can see that. The organization feels very flat when you're in that mode. I absolutely love it.

BRAND PURPOSE

M What about the brands? You've got such a portfolio, and some of them are world-famous for almost having invented purpose. Others have been attacked in the past for not being purposeful enough, or not doing it consistently. Can you give me a bit of a lay of the land of what COVID taught you about the different brands and the importance of their purpose in terms of how they reacted and how it was received?

A All COVID did was amplify signals that we're already seeing. So you know as well as I do, as a marketer, that not all P's are equal. The proposition, to my mind, is by far the most important of the elements of the marketing mix, because all other decisions are made off that. Purpose is just an evolved version of clarity on your brand's proposition.

Whether it's Dove talking about girls' self-esteem, Lifebuoy saving the lives of kids under the age of five, Domestos fighting for decent sanitation for all, Hellman's helping to fight food waste, Knorr trying to reinvent the food system to be more sustainable, those were all decisions made before COVID. But what it meant was that the signposts were a little bit clearer for those brands. For about five years now, we've tried to objectively measure which of our brands are clearly purposeful, sustainability-driven brands. Roughly speaking, they make up about half the portfolio.

What we're seeing is an acceleration of the growth difference between those brands and the rest of the portfolio. Year by year, that number gets bigger. It was true last year as well, that our purposeful brands, the delta between their growth rate and the growth rates of the better rest of the portfolio accelerated further.

I think it's more just about clarity of direction than necessarily anything to do with COVID. When things are happening very quickly- knowing what you're trying to do sure helps.

M One of our participants mentioned that they had a purpose. It was something on a piece of paper by the elevators. When COVID struck, everyone was paralyzed because they didn't know whether they were allowed to do what they wanted to do.

A The overarching thing is that what you do is much more important than what you say. I'm not sure I should be sharing this quite so forcefully in this forum, but we think the secret sauce that many marketers miss is to mistake brand-say for brand-do. Now, what do I mean by that? The only reason that Domestos can campaign on toilets is because we put 18 million toilets into homes. The only reason that Lifebuoy can legitimately campaign on fighting the death of kids under the age of five through proper hygiene is because we've taught a billion people how to wash their hands.

The only reason why Dove can talk with authority about girls' self-esteem is because we've now taught 50 million girls in one-to-one teaching about unrealistic beauty stereotypes.

I think all of those examples came true during COVID. Dove took a position on Black Lives Matter that felt very natural because of the campaigning for diverse views of beauty that Dove had done for years. Lifebuoy sprang into action with public service advertising, reminding people of the importance of handwashing, saying 'use any brand of soap' and named our competitors' brands. It was done with integrity, but it sure looked good on the brand. For our food contributions, particularly in North America, we really went out of our way to try and provide meals for frontline healthcare workers using some of our more purposeful food brands. Again, that was very well-appreciated.

Where we got it wrong is where a brand tries to jump on a bandwagon. One of our most purposeful and campaigning brands is Ben and Jerry's. Ben and Jerry's has fought for years on climate change, LGBTQI rights, racial justice. When they speak up about that, it gets people's attention and it's seen as very authentic.

What we forget is that over the last 12 months, the world has been facing an enormous immigration crisis as well, including in Europe. Ben and Jerry's took a potshot by name at one of the British cabinet members on her stance on immigration. It provoked quite a backlash for two reasons. Number one, immigration, unfortunately, is becoming a bigger and bigger issue in the world as countries retreat to nationalism. There's a rise of xenophobia. It's disgraceful, but it's true.

Secondly, people didn't realize that Ben and Jerry's have been doing work on immigration for years, so it was seen as opportunistic. It provoked a response of, "Why the hell's an ice cream speaking out about immigration?" We haven't built over time, the license to talk about that issue on that brand and came into a space where we weren't seen as having the right to operate.

"You build your creditiblity by what you do, not what you say"

I guess the learning on purpose is, it is the ultimate signpost on what a brand should do. You build your credibility by what you do, not what you say. It takes years to build your purpose, and we're getting the talk ahead of the walk.

This is one of the most important things for all of us as marketers to remember It takes decades of consistency to establish a thought in people's minds, and we get bored of our own messages. We change our own messages far too soon and far too often. The reason why you and I probably associate Volvo with safety is because Volvo didn't talk about anything other than safety for 40 years. Those are the timeframes on which propositions are established for most brands. Of course, there are exceptions, but most brands, it takes years, decades of consistency. The Campaign for Real Beauty is 16 years old this year - and just starting to break through.

BRANDS AND POLITICS

M Do you think that given everything that's happened, especially in the last few weeks, are political donations and actual political activism now fair game? Is that where brands may even need to play?

A I don't have any monopoly on what brands should and shouldn't do, But I can tell you what I feel very strongly about for Unilever is. As companies and brands move to address the big issues in society, and frankly, there are really two overarching ones, which is climate change and inequality.

Most issues are derivative of either climate change or inequality, as brands and companies help tackle those scourges, inevitably, we get into political issues. Climate change is a political issue. Equality is a political issue. Racial Justice is a political issue.

It's naive of brand leaders and business leaders to think that you can steer clear of political issues. The line that we draw on Unilever is there is a difference between political issues and party politics. I think there are precious few brands and companies that should be engaging on party politics, if you want to be a long-term durable business, politics should be left to the politicians. Political issues, business and brands must take a view on.

I'll give two examples. What happened on Capitol Hill last week, two of our Brands have got embroiled in. One rather predictable, which is Ben and Jerry's, calling out the last president and demanding an orderly transition of power. They've been on that for years. Everyone knows - it's Ben, it's Jerry, they're doing their thing.

The other one was, can you believe it, our deodorant brand Axe. Someone left behind a can of Axe in the Capitol, one of the protesters, and it was picked up by the media. Amongst all the debris was this can of Axe and the caption on the picture was, "Look, a lonely can of Axe left behind by the demonstrators." Our brand team immediately tweeted out, 'We'd rather be lonely than with that mob. Axe calls for an orderly transition of power'.

I was obviously not involved, and it happened in the moment. It generated enormous positive sentiment online, and quite significant coverage. I think the reason why it was okay was because we didn't originate it. It was very clear that we were responding to something that had happened.

If Axe had suddenly jumped in proactively and started getting involved in the issue, we would have deserved to be pilloried for it. Brands can't avoid political issues, but I've counseled to stay away from party politics.

BRANDS AND SUSTAINABILITY

M You are recognized and celebrated as a company for all your work in transitioning to far more sustainable business practices, your transparency around that, and for your commitments to targets that sometimes seem impossible to reach. How do you link that back to those individual brands?

A My predecessor, Paul Polman, did an incredible job putting Unilever's name on the map for sustainability. One of the next phases that he and I were working towards, and which I want to continue to lead is to make sure that all that effort shows up on our brands more than it has in the past. If you look at the big commitments that we made last year, and some that we will be making in the imminent future, whether it's on plastic, on climate and nature, on clean air cleaning systems, on the future of foods. 100% of those commitments are being driven by our brands.

The specific mechanism is that all brands need to have a proposition and a purpose. We believe that they need to have a product and packaging philosophy as well.

Hellman's purpose will be around fighting against food waste, but they need to have a point of view on responsible and sustainable sourcing of the oils that go in the product, and the use of recycled materials in their packaging. As a thought template, that idea of having a philosophy for your product and packaging, that is future-facing and highly sustainable. That doesn't take away from the core proposition of the brand. That's been a very big unlock for us in getting some of our work on sustainability deeply embedded and driven by our divisions and our brand.

For our beauty and personal care division, their mission is people and planet-positive beauty. For our foods division it's called Future Foods, which is a more sustainable and plant-based food system. And our home care business is running a platform called Clean Futures, which states that we will replace 100% of the chemicals in our cleaning business that are sourced from fossil fuels, with carbon that comes from renewable or recycled sources - blue carbon from oceans, green carbon from nature, purple carbon from the air, gray carbon from recycled sources. Each division is absolutely crystal clear on their contribution to sustainability, as increasingly is every brand. That's a bigger shift that we're making.

THE CASE FOR SUSTAINABLE BUSINESS

A Why is Unilever pushing so hard on sustainable business, and why are we so determined to tackle the environmental and social issues in the world with our brands and our business? The answer is because there's an absolutely rock-solid business case.

First, brands which tackle societal and environmental issues are outgrowing other brands. It is primarily a growth case. Secondly, we've taken about a billion euros of cost out of Unilever through sustainable sourcing. It's a very interesting curve. Very often, there's an initial on cost, and then it becomes cheap.

There is a leap of faith when you say, we're going to use recycled plastic, we're going to move to sustainable palm oil, we're going to move to rainforest certified tea. There's an initial on cost, but over time, it goes away. We said we're going to run 100% of the electricity used in Unilever worldwide from renewable sources. When we made that commitment, it was at a premium. Now, it's a cost saving. So it drives growth, it's a cost saving. The third is it reduces risk. When we stubbed our toe on Black Lives Matter, we did it on a couple of grounds. We got it wrong. But our reputation was such that allies came to our aid to help us out.

Similarly, there is no healthy Unilever on an unhealthy planet. This is not a future thing. Our sales in November were lower than we would have otherwise been, because of extraordinary typhoons in Southeast Asia and the Philippines. Every month, climate change reduces our sales somewhere, whether it's fires in Australia on the West Coast, or typhoons in India. Yes, it's a here and now thing. It's a growth initiative, it's a cost initiative, it's a risk initiative.

"Young people want to work for companies that are conducting themselves to high social and environmental standards"

But what's the most important? It's a magnet for the best. Young people want to come and work for companies that are conducting themselves to high social and environmental standards, end of.

We run graduate recruitment programs in 54 countries around the world. A few years ago, we were the employer of choice in our sector for people leaving the colleges in 17 of 54 countries. Last year, it was 52 or 54 countries where we topped our sector for young people joining business. Well, that's got to be a competitive advantage.

So none of this, none of this is driven by altruism or moral high ground. This is driven by hard business case. And our brands are starting to get that.

M I want to talk about the journey from shareholder primacy to multi stakeholder. A lot of CMO's want to make that journey but they're trying to convince their CEO and CFO. On the journey as you now see it, what are the most important things that build and maintain momentum?

A Honestly, you might as well not start unless you have a belief system that sustainable business, purposeful business, multi stakeholder business is better business. So as soon as I get a question, 'How do you manage the tradeoff between sustainability and financial performance' honestly, I lose the will to live and don't really want to engage in that conversation. There is no trade off. We are absolutely convinced that we will deliver better financial outcomes through a multi stakeholder responsible model. That belief system sits at the heart of it. I guess it does begin at the top of the organization.

William Lever, Founder of Unilever

It began with William Lever back in 1870. He defined the mission of the firm of Lever Brothers as 'to make cleanliness commonplace and lessen the load for women'. He was an early public health advocate and at worst, he was a stereotype where the women did most of the household chores. I choose to believe that he was an early feminist, and that mantle has been carried forward. Paul really amplified it, and I intend to take it more into our brands. It's a belief system. Then around that, you need to build the organizational systems. You need to make sure that it's central to your strategy.

"A quarter of my reward comes from our performance on our sustainability journey"

We used to have something called the Unilever Sustainable Living Plan, the USLP. We don't anymore. We don't have a separate sustainability strategy and business strategy. They are fully integrated. You need to resource it. We put money against some super expensive and high-quality talent to build up our sustainability team, and then you need to reward for it. A quarter of my reward has got nothing to do with top line or bottom line - it comes from our performance on our sustainability journey.

M COVID has opened up people's eyes that something needs to change.What's impressed you most? Who's done that well?

A I think there is no point in a CMO championing the case of sustainability unless the top team, including the CEO buys into it. That requires constructing the business case. You have to build the business case. It can be a qualitative business case, but there has to be a theory of change, a method of growth that is believed by the top team.

Secondly, there is a gigantic body of evidence that the value creation of companies does not come from margin improvement. It comes from growth. Clayton Christensen has a new book out and it proves frankly, unequivocally that if you want the value of your company to be re-rated, start growing and don't worry too much about margin. We've certainly seen that in our sector. Growth is infinite, margin is not. You have to ultimately link multi stakeholder business, sustainable business to growth. As a CMO, you better upskill your marketers on how to integrate purpose and sustainability into brand propositions.

If you think, well, it's easy for Unilever to do that, take a look at BP. Take a look at what Bernard Looney has done. He has stuck his neck out that BP will transition from a fossil fuel extractive company to an integrated energy company, with a disproportionate investment in renewables. Will it work? I have no idea. But he certainly put down a marker on what sort of company he wants BP to be. I hope BP turns out to be one of the winners amongst the big energy companies. It takes that level of belief and commitment if you really want to pivot your business towards, and I'm using these terms interchangeably, multi stakeholder, sustainable, responsible. Ultimately, it has to be against the business case, and not a moral imperative.

CMO SKILLS

M If you're talking about the role of marketing and the role that marketing can play as a business partner, not a functional leader, what are some of the most important changes that you see? When you appointed your current CMO, you said you were looking for a CMO++. What is your thinking around the role you need a marketer to play in your team?

A Over the past few decades, there's a lot of stuff that hasn't changed. Good marketers are curious about the world around them, genuinely interested in people. I think it does require a combination of left and right brain skills, a ruthless focus on consumers and not the competition. So many marketers get distracted in war gaming and keeping up with the competition.

But there's a lot that's changing. First and foremost is the complexity of the world around us. Marketers today have to be massive systems thinkers. I think there's four or five big things happening in the world that marketers need to be on: The economic power shift east and south. Let us not kid ourselves. It's not going to be about. Western Europe and North America. The East is where the action is.

The bio economy. Marketers must understand renewable bio resources, epigenetics, microbiomes, longer lifespans. It's going to really change how people behave and think. Technology, AI, ML, robotics, nanotech, connected world, all of that's changing marketing.

Then the future of business itself, we will not be standalone companies in a few years' time. We will be networks of value exchange. We will not be rigid hierarchies. We will be agile teams working on specific problems and then moving on. We will not be standalone R&D Labs. We will be collaborative networks of invention. We will not all come to a fixed office. It will be hybrid working.

These are big changes in business and the world that marketers need to get their head around. I think linking brands, whatever type of brand to societal expectations, and the expectations of young people, what I would call purpose is going to be a core marketing skill. Otherwise, our brands will lose relevance *in the world. It doesn't matter if you're a car brand, a computer brand, an oil and gas brand, or a brand of soap, you better be thinking about how you link to societal expectations and young people.*

We've chosen to integrate our chief digital transformation officer role and our chief marketing officer role. Conny Braams is our chief digital and marketing officer. Why? Because we see those as very related change agendas. Why Conny? She's a proven business leader. She has proven she can drive change at scale. She's a global citizen, spent many years living in Asia. She has consistently reinvented herself, showing the plasticity, the learning plasticity that we need. It helps that she's an absolute role model in how she conducts herself with her values, her integrity. I don't think there's one size fits all. There'll be lots of different types of CMO.