

Management and Performance Associates – April 2010

Is it time to stretch the timeline?

Paul Polman has been Unilever's CEO since January 2009. He was recently interviewed by a leading Brazilian magazine. What caught our attention in the interview was the clarity and courage he showed when he took over as CEO of this global organization, which has a strong impact on the day to day lives of people and the environment.

Among his many ambitious initiatives, which are part of his *Sustainable Living Plan*, Polman announced the goal to double revenues by 2020 and cut the company's greenhouse gas emissions by half.

Although we could have analyzed several angles of his many initiatives, we've decided to highlight one in particular: During his first week on the job he challenged shareholders and the capital markets by announcing that Unilever would no longer offer quarterly financial estimates (guidance).

This decision had a strong impact on the way work was organized. First, there was no longer an incentive for tactical actions which led only to short term results, while at the same time it stimulated a more strategic vision. This allowed the achievement of ambitious long term results.

These actions broke away from the traditional management standards which still focus on shareholders demanding short term results. Polman's proposal was holistic, driving the business to a long term vision, strongly contributing to the communities in which it operated and obtaining sustainable results.

We would like to highlight some benefits of long term, strategic thinking:

- 1| There is a sense of purpose, for all personnel, regardless of their position in the hierarchy. They are able to clearly see their contribution and their importance in reaching the organizational mission—a critical element to increasing staff engagement.
- 2| The coordination and synchronization of individual actions result in synergetic solutions, due to the clarity of direction—critical elements to

strengthen team spirit and the pride in belonging to a team that makes a difference.

3| The inevitable series of changes which is needed to navigate the long course starts to make sense to people—a critical element to reduce resistance and facilitate the transition.

Polman had to pay a price to stretch the timeline and to work with a really strategic vision. The market punished Unilever's stock, driving it down 22 percent over the next few months. In the long term, the strategy worked and the stock rebounded. This was a clear endorsement by the market of his leadership style and vision. Since then, the stock has more than doubled in price.

Cultural changes are never easy and may have a very elevated initial cost. They can be rewarding and reinforce a virtuous cycle of new changes and sustainable results if they are strategic, solidly managed and take into consideration the emotions of all involved.

Inspiring! We invite you to reflect on the risks of continuing with the current short term perspective.

If you feel like knowing more about Polman's revolutionary style, please click on the following link to read another interview, this one from *The Guardian*.

<http://www.theguardian.com/sustainable-business/paul-polman-unilever-sustainable-living-plan>

See you next month. Suggestions are welcome.

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