

‘United, you can make the best of a slowdown’

Intro: D Shivakumar, group executive president – corporate and business, Aditya Birla Group, has seen various crises in his years working in consumer and tech majors such as PepsiCo, Nokia, and HUL. He believes slowdowns offer good lessons in teamwork, communication and spotting bargain buys. He talks about what he learnt the hard way.

What is your definition of a slowdown?

I see a slowdown in the following context:

Context 1: Your company has slowed down; your industry is growing, and your country is growing. This is a big challenge and this gives sleepless nights to CEOs. The board and the analysts and the media have a field day. You have to act fast.

Context 2: Your company has slowed down, your industry has slowed down, but the country is growing. So, you have an industry issue. The industry is down and hence this gives you some time to regroup and think about the future.

Context 3: Your company has slowed down; your industry has slowed down and the country has slowed down. This is the best situation for CEOs to externalize everything and buy time. Good CEOs ask if they have done the best of what’s in their control.

Today 90% of the countries in the world have slowed down, i.e. growing slower than before, we don’t know if this will be the new normal. World output is at 3% but world trade is at 1%. There is a growing political nationalism in every country. The earlier leaders recognize this slowdown, the better.

What is the most important thing for a leader to remember during a slowdown?

I’ll explain that with a personal experience. During an El Nino in 1994, coffee production in Brazil was severely impacted. That was when I was the regional manager-South for HUL. Coffee was one of the categories we sold and prices in India had doubled. Naturally, sales took a hit. The morale wasn’t great at the sales unit level and the marketing department started blaming the sales team for not doing its job. They would say that sales are not covering outlets, they are not using discounts etc. etc., all futile. Sales executives would come and say they couldn’t sell, and there was a lot of infighting between sales and marketing. When we did a study a few months later, we found that when it came to coffee, an average household in Tamil Nadu was spending on it as much as they did on their monthly rent. So, consumption had indeed fallen by nearly 30% to 40%. Our quality had suffered and hot tea shops complained that Bru Coffee curdled. The technical team of course said this was another sales excuse since the same formulation had been around for years. But in this crisis, silos (divisions) were created inside the company (which fought each other). If you are a good leader, the first thing you must recognize is that you need a

collective answer on how to get growth back. Any silo is bad for growth. There is a natural in-built reflex action to protect turf.

The next thing I learnt was that consumers valued better quality. So, the company worked on improving the quality of coffee we offered, that's what saved us. We also introduced smaller packets in the market because consumers couldn't afford 50 gm packs; but they could buy Rs 10 ones.

So, the most important lesson for a leader is to unite the team. It doesn't matter if engineering or technical or marketing or sales has loused up. The more divided your team is, the less it will fight the slowdown... members will end up fighting each other.

One key challenge during a slowdown is to keep the morale up. Especially since the monetary situation does not allow you any leeway, how do you motivate the team and keep the morale high?

In 2008, Nokia was a \$3-billion company — India's largest multinational that was growing rapidly. Then the financial crisis happened. It seemed funny to me that even in one of the most successful companies, people assumed the worst. But I realized that people have emotions and you have to work with that. You do that by building positive stories. While you need to face reality, you also need to enthuse and inspire people. So, one of the things we did was to hold a weekly meeting. We would get together and just talk about what we had learnt and what had been happening. That really changed the mood at the office. Eventually, that changed into a weekly note, which I sent to all my employees. And I have been writing that ever since.

The next big lesson we learnt at Nokia was to never throw money at sales people during a slowdown. It encourages wrong behavior. When we throw money at sales people, they tend to pile up stock irrespective of demand. In a slowdown there is demand contraction, so pushing stock to the channel gets expensive and you end up in a fight for share of shelf and that dilutes industry profitability and that takes time to come back. It promotes exactly the wrong behavior in sales. So, setting the right targets and with sensible incentives based on customer and consumer demand is the best.

How do you set goals during a slowdown, so you get the best outcome?

What we did at Nokia was to make an estimate of the best- and worst-case scenarios. For instance, we assumed \$2.5 billion in revenue for the year would be the worst case, and \$3.5 billion would be the best. Then we aimed to reach \$3.5 billion but spent like we would do only \$2.5 billion, that is, costing was done keeping the lower estimate. All of us agreed we wouldn't spend more and tried to convert as many fixed costs as possible into variables. Then we focused on one quarter at a time and divided our target into four quarters. That's how we remained on track.

But isn't it the opposite of what you believe in, of thinking long-term and not short term? How do you actually do this?

That's true, but please do remember that in a crisis, most people are looking for safety/security and are not looking at a longer-term promise. You need to assure them of immediate safety and show them proof. The longer term should be unveiled when you are winning the weekly battle, not till then. If you throw long term at your people on day 1 of a slowdown, they will think you have lost it.

Is there any one thing that stands out for you in managing crisis?

In crises, you learn lessons the hard way, so you never forget them, and they go towards building long-lasting practices. The big lesson I learnt while being a CEO was to never be alone. We should all sit together, build a brotherhood of a kind and make everyone believe that we are in this together. You have to spend time with your employees, and in the marketplace. That's how you innovate and offer quality products to your consumers. The market place gives you ideas on price points, policies, new products etc. when we were hit by the lovely Motorola razr phone, we spent a lot of time getting its worthy rival Nokia 6300 aligned to all eco system partners. We got many many ideas on how to make a dent. We worked with operators who gave us excellent package ideas, we worked with modern trade partners. Your own team comes up with many innovations, just getting the to have a freewheeling session is in itself a great start.

Is there a way to leverage a slowdown? Any lessons – dos and don'ts in taking on competition, because one way to keep up growth is to gain market-share.

During slowdowns, you see a lot of stressed assets emerge, which are there for your taking if you know how to spot the good ones. Innovation always works in a slowdown, investing in brand building works in a slowdown, investing in training your people works in a slowdown in keeping morale up and proposition sharp. A slowdown also teaches you the importance of focus on the core. For example, in Nokia, we had to focus on the core and not worry about Nokia money (a payment system) when we saw a slowdown. Another lesson is to partner effectively in a slowdown. The eco system benefits when you can choose your partners wisely. In HUL beverages we introduced the direct to hot tea shop business model in a slowdown. This involved feet on the ground, new packs that by passed retail outlets. That was a new business model which the industry had never tried before, Today that accounts for 40% of the business. Even if the result is for the current quarter, the idea is a long-term investment.