EXECUTIVE VIEW

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EXECUTIVE ACCESS
INDIA'S LEADING GLOBAL SEARCH FIRM

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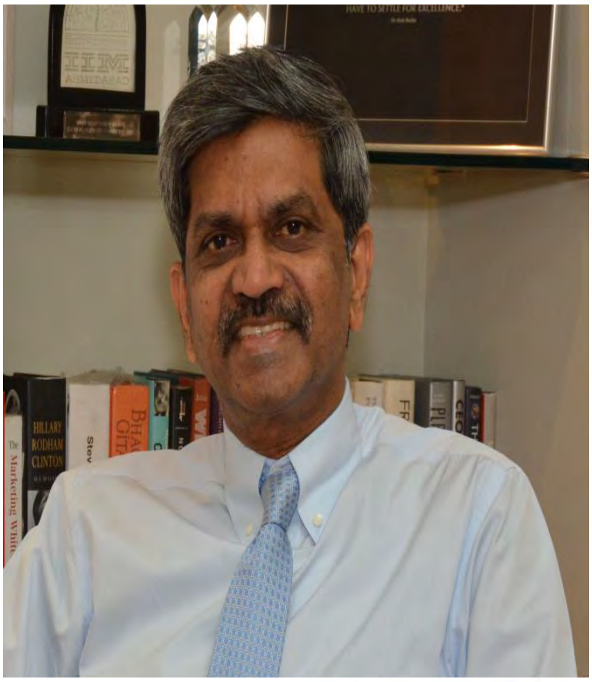

Shivakumar or Shiv as he is popularly known is currently Group Executive president at Aditya Birla group for Strategy and Business development. He joined the ABG group in January 2018.

Prior to this, Shiv was Chairman and CEO for PepsiCo for four years and before that with Nokia as CEO for India and later emerging markets for nearly a decade. Shiv has been a CEO for half his career and was one of the youngest CEOs in India in 2003. Shiv worked in HUL for a number of years, mostly in marketing. Shiv has worked with over 50 brands in his career and seen many business transformations.

Shiv writes and teaches regularly on Innovation, Leadership, Followership, Business Models, Digitization etc. across the leading business schools in the world.

Shiv is an avid sports watcher, a great fan of Manchester United and Barcelona football teams, John Mc Enroe and Roger Federer in tennis.

Shiv is a believer in giving back to society. Shiv has been on the Board of Governors of IIM Ahmedabad between 2012 and 2017, he was on the Godrej Consumer products Board between 2009 and 2017. He was the president of the All India Management Association in 2012-2013. He is currently the Chairman of the Mobile Marketing Association and Vice chairman of the Advertising Standards Council of India. He is currently on the board of XLRI.

Shiv has been awarded many times in his career – Best CEO, Best brand builder, for leadership, for turnaround etc.. The awards most dear to him are the two distinguished Alumnus awards he got from IIT madras and IIM Calcutta. He is one of twenty people in India to have distinguished alumnus awards from both IIT and IIM.

Shiv is married to Hamsini, who runs her own brand, innovation and semiotics consulting company.

What were the highlights in your remarkable journey with Pepsi?

It is close to a year since I left PepsiCo India and I can now take a dispassionate view of the company and put down learnings for other CEOs and senior leaders.

PepsiCo is an iconic company with iconic brands. It has always been rated as one of the most ethical companies globally. PepsiCo also has excellent initiatives in Diversity and Inclusion. The passion I saw in the middle management, in the plants, in supply chain and in R&D was phenomenal. PepsiCo India was more of a leadership challenge with many decisions taken in the near term based on convenience, and not on principles or values. It had a weak eco system to work with and hence its business model in beverages was always challenged. In beverages sugar was a problem lurking around and became worse through the four years. Tax on aerated soft drinks moved from 24 % to 40 % in the four years. Foods had a set of good brands. Nutrition had huge potential and NourishCo, the JV with Tatas was stalling. PepsiCo also had a penchant for doing too many things. It had a huge cost base, result of a huge vision sold to the board.

The mandate from the global board was to make the company profitable with a clear transformation agenda.

When one comes from outside and takes over as the leader of a company, then one has to think about a wide variety of issues, as one starts the role. Typical questions which a new leader arriving in a company should answer are:

1. What are the values of this company and how are they practiced?
2. What type of people does this company reward and why?
3. What is the cost structure, is it in line?
4. How competitive is the product range? Are there any fundamental challenges to the categories where the company is operating?
5. What is the language or the catch phrases of the company?
6. What is the culture of the company?
7. What were the last successful innovations from the company?

8. How good is the execution in the company?

9. What does the eco system think of the company?

10. What is something only this company is good at?

What were your biggest challenges and how did you overcome them?

The first thing a CEO needs to address is culture. Culture is built over years. Culture is the smell of the place and a good leader can figure it out pretty quickly. It is about what is stated and what is unstated but accepted and not condoned. Culture is also about what is said publicly and what is said outside of forums.

The company had two clear entities in Foods and Beverages and the leaders of the two teams had their own plans. Every system was duplicated and no one sought or drove synergies. We had a top-heavy management structure and a big cost base. The company had a story telling culture where constructing a story, around the data one had, was important. It started with senior managers wanting to look good. Senior managers rarely travelled regularly and met customers. So most of the knowledge they had was second hand. Thanks to this story telling culture, trust in senior leadership was low. It was a culture where one asked for more and more resources. The stature of a manager was determined by how much resource he could corner and not necessarily the results he delivered. There was a feeling that the role of PepsiCo India in beverages was to deliver volume and not worry about profitability. This is a mistake many multinationals make when they come to India and more growth creates a monster which has to be addressed. I see the same logic in e-commerce now. This subsidy approach of sacrificing bottom-line for topline is something some American MNCs do in India. This is not the strategy of European, Korean or Japanese companies. The subsidy approach can sustain as long as the parent company is doing well, after that this subsidy approach develops into a mayhem strategy. That’s exactly what happened to PepsiCo India.

So, one had to build an open, transparent, performance-based culture so that the rank and file could hear directly from the leader. We started monthly town halls, first in the office corridors, then in the lunch room and then finally in the café area. We also used video conference to talk to all the plants and locations every month. This happened like clockwork over the 4 years and no question was out of bounds in this town hall format. I always shared my MBOs for the year in every town hall and the progress we were making in the most transparent way. This ensured that everyone in the company knew the company targets and the progress, good and bad. We started reviewing performance of all junior managers upwards and ensured that there was fairness in dealing with people. This ensured that managers took the job of writing appraisals and development plans more seriously. Every month we rewarded good performers. In order to encourage failure, the HR team started a 'dare to fail' award. It was interesting that many people self-nominated themselves for the award and spoke of the learnings from failure.

We invested a lot in the development of individuals and teams. We had master classes every month to focus on key future capabilities. The HR team started a 'Stay a leader' program for the top 300 managers in the company with a focus on C.E.O behaviors – Collaborate, Execute and Own. This was held every three to four months and communicated the progress we were making against the transformation targets. Teams nominated themselves for projects and the maximum self-nomination was for the culture project.

The next was to start a responsiveness survey across the company where every leader (including me) and his team were rated by the organization on responsiveness. This was to show the organization the true picture via a self-held mirror. Employees had the freedom to name people who were blocking progress and also applaud people who were breaking silos and offering help. This survey was done every two months and forced people to alter behavior. My lesson from it was that the rank and file is honest in their evaluation of contributors and teams.

A company wins in the market place via its brands and revving up the advertising and innovation behind the 22 brands was an important step. The company spent a lot of money on celebrity advertising and media spend was less than the spend on celebrities for some brands! That makes no marketing sense. Hence, we systematically cut down on celebrity endorsements.

The consumer was asking for healthier drinks and hence the innovation had to be focused on non-sugar or lower-sugar healthier drinks. In the snacks market, we had to make the two brands Lays and Kurkure more value competitive, and in the nutrition brands Tropicana and Quaker we had to expand the footprint. The marketing team had a long-term contract with JWT but was employing other agencies and pitching one vs the other in a free-for-all battle. Morale was rock bottom in the agencies working with us. We then stopped working with all agencies except the official agencies - JWT and BBDO and gave them direction, freedom and confidence. JWT and BBDO along with the marketing teams produced some of the finest work on the brands of all the work done in the last decade.

Digitization is a force to reckon with and most companies in India and in FMCG are behind the curve. We built partnerships with Big basket. We invested in social listening, automating the forecast process, trimming inventory in the system. The top 15 SKUs in every category accounted for between 65 and 85 % of sales, hence the teams focus was sharpened on these SKUs. All recruitment, especially from campus was digitized.

The distributor system had high attrition, to the tune of 30 % or more because we had too many small distributors who earned about Rs 15,000 per month (less than the salary of car drivers in many metros). The worst challenge in sales is when you have 30 % attrition of sales people and 30 % attrition of distributors. That means effectively, less than 15 % of geographies have continuity with the same people every year. We had to transform the distribution system into a fewer, large scale “Power of One” distributor network that started as an experiment in Andhra Pradesh. This helped stabilize the system and is driving growth.

On costs, we recognized that we had a bloated cost structure, a relic from over investments made by a few zealous managers. We had to cut costs and cut it now. This was not a popular decision in a company where respect for money was not ingrained as a core value. Some enlightened middle managers saw the value in this move. We had to cut today to win tomorrow.

This was a massive transformation and many people at every level did not fully believe in it. I think the global company and the past managers themselves didn't believe in it but had no choice. The role of a leader in a transformation is to change the mindset and to provide regular proof points for the change needed. He or she must also stay the course when most people will want you to give up or go back to the wrong choices of the past.

My 10 lessons from this transformation:

1. A leader has to be authentic. No transformation will succeed with a fake leader. Celebrate genuine achievements and not fake achievements. If this means telling uncomfortable truth to the system, that has to be done.

2. A leader has to work harder than everyone else in the company in a transformation. Many of your own subordinates will not believe in the journey and will not tell you. Hence you have to connect with the middle and lower levels to get your message across.

3. A leader should not worry about bonusses etc. when the company is challenged.

4. A leader must communicate non - stop and develop forums for the same. I used to write a weekly learning note to everyone in the company, every monday. You will be lonely many times and wonder aloud if the effort is worth it. But if you believe in taking the company to a better place, you have to plough on. I would get a lot of personal feedback on my weekly notes and that gave me energy to continue.

5. Some of the benefits of the transformation initiatives are quick, others take time, but one must have the patience to see it through and not focus on the immediate. Many of your subordinates will leave the company since they believe the effort of transformation is not worth the rewards. Respect their personal decision with the hope that they will be good ambassadors of the company.

6. There are no quick fixes in a challenged business, most quick fixes only fix the problem for a week or a month. You have to accept that some things cannot be changed like financially weak eco system partners and values challenged eco system partners.

7. A leader should never try to be popular, but try to be respected, for the capability and sincerity, dedication he/she brings to the role in transformation.

8. People will try and pull your people in many different directions, stay steadfast to the transformation agenda.

9. The leaders and employees must own the change, no consultant or a Program Management Office run by consultants will work. Consultants can only show you the mirror.

10. You cannot hit the targets on all measures in a transformation, i.e. you cannot get everything right – revenue, share, profit, engagement, innovation % , attrition, customer profitability etc. You have to judge as a leader which measures have to be 100 % and which ones can be lower for the year.

The reward for the transformation:

1. The company turned profitable. The JV with Tata's turned profitable.
2. The company cut more than $ 200 million in costs
3. The Brands became more competitive and sharply focused
4. We put in close to 100 innovations over 4 years
5. The company won over 125 awards in three years for learning and development, for digitization, for leadership development, for brand advertising, for digital communication, for supply chain management, for sustainable practices.
6. The company became a thought leader on many fronts.
7. Engagement levels went up to 77 %.
8. The CV value of the company employees moved up significantly as they were future ready on many capabilities.

How were Unilever and Nokia as companies to work for and how were they different?

Unilever was a different company when I worked there. Everything was done in India, everyone reported to the India CEO, there was no matrix organization. Unilever was one of the best companies for grooming future leaders. They did so because they gave young managers the General Manager break very early. It was also a company where the sheer intellect level was significantly higher than any other company at that point of time. There was conscious coaching and mentoring at every level.

People are people and personal ambition overtook company ambition and then the company stalled, it stalled for a while, as some of the fundamentals on which the company was built were diluted. Unilever's biggest strength was its ability to attract great talent from campus, we dropped in ranking on campus and I was involved with the HR recruitment team in building that back on campus in the early 2000s. Unilever India had a can-do spirit, which I didn't see to the same degree in other Unilever companies.

Nokia was one of the finest companies in terms of culture. Nokia was always a "company first" culture company, meaning you took the best decision for the sake of the company in every situation. It had a unique way of generating the company values. Nokia held about 40 cafes across the world the employees generated the values and then the CEO and management team endorsed it. I have not seen this in any other company. The CEO of the company was accessible to all and was a down to earth person who practiced humility in all his actions. Reviews with the global board were always based on a one-page or a two-page document. You had to have mastery over your job to answer the board questions and could not hide behind slides in a power point.

Nokia believed that you worked for the good of the company and contributed as a leader to the culture of the company. Money was not the most important reason. Every time I asked the board for more salary increases for Indian employees, the board would always challenge me and ask me "tell us what you are doing to improve the culture so that employees place a premium on this culture?" It is a tough question for a CEO.

Nokia appraised all its managers on results delivered with 50 % weightage, and upholding/ living the values for the balance 50 %. It was a company that believed in humility and every time a Finnish manager said 'let's not be arrogant but humble,' a lot of Indian managers would snigger and think that it was sissy advise. Nokia had greater faith in India and its potential compared to any company I have worked in. Nokia India became India's largest MNC when I worked there and the brand became India's most trusted brand. Both achievements were a source of great pride for the global board and to everyone who worked for Nokia and its eco system.

Nokia's business and culture had some missteps as it struggled with the choice of a competitive operating system. It was never the great company after these missteps.

Does your Industry face any significant people related challenges in terms of talent availability, training & attrition? How does your company manage these challenges?

Every industry, every sector, every institution and every society is facing some shortage of talent in some area or the other. I see some fundamental forces:

1. Impact of technology
2. Mergers, acquisitions and companies closing down
3. A start up environment allowing wealth creation
4. Shorter time span in every job
5. Lower job security
6. Low commitment to coaching, development and learning initiatives in an organization.
7. Fewer general management jobs in every company as a result of matrix organization structure.

Fundamentally people have many more options today and will not tolerate bad culture and bad bosses. Today we have volunteers and not employees. Companies, CEOs and HR leaders need to ask how they would treat volunteers versus employees. The policies, the work practices etc. have to change to address volunteers.

Critical thinking skills, ability to work in teams, resilience, execution, customer orientation is some of the areas I feel we need more of in the workplace in every company.

Once you attract talent, then honing and fine tuning that talent to the future requirements is something of a every-day job for every leader in the company.

What are the key things to look at in hiring senior leaders?

I look for the following:

a. A winning mindset. Is the person positive?
b. Is the person a good team player and has he demonstrated that consistently?
c. Does he own up to failure and how has he handled failure in the past?
d. Is he/she a good learner and a good teacher?
e. Is he/she hardworking?

How do you feel the executive search landscape need to evolve to suit the changing needs of clients?

The executive search landscape has undergone a dramatic transformation, thanks to social media and digitization. Every day I get at least 10 requests for jobs from job seekers. Glassdoor and Linked-in have become the main sources for jobs. A blue-collar work job platform has opened up.

People tend to talk up their profile and achievements on social media. Every candidate looks a great candidate on paper. A good head hunter will give the company honest advice about the candidate. This can only happen if the executive search firm has done its homework and has spoken with the right people.

The executive search firm must have the ability to balance and set up the company, the recruiting manager and the candidate for success. Good head hunters take enormous pride in doing this right, but there aren't enough of them. Getting the culture fit, the match between future boss and the new employee needs enormous intellectual honesty.

Judgement is crucial for an executive search firm for the future. Social media or CVs cannot give anyone judgement.

Executive search firms play an important role in recruiting board members. This is a big, high impact area for the future. Getting high quality board members with integrity is even more important than placing employees. India has the maximum number of listed companies in the world, about 5500, and there are under 1800 directors serving on all boards today. Many of the companies are family owned companies and a job in a family owned company is very different from a job in a non-family owned organization.

Identifying differently abled candidates and women leaders will be another important area for the future. The head hunting industry has to evolve to meet these demands.

Finally on an informal note, how does your average day look like? What do you do when you are not at work?

My typical week is about 100 hours plus, spent on work, spent on coaching the team, spent on meeting customers, spent on understanding the eco system. Outside of work, I spend a lot of time reading biographies, management books and technology books. I am sports fan and follow cricket, football, golf, tennis. I don't see all the matches but mostly the important ones now. I like teaching at business schools because I feel I can contribute to shaping young minds.

ABOUT EXECUTIVE ACCESS

Executive Access India was setup in 1995 and is today one of the most prominent global executive search firms in India. We cover 9 industry practices and have till date executed more than 2200 search mandates at leadership levels. Our client list is a healthy mix of Fortune 500 companies as well as most respected Indian corporates. Although a firm with global capability and coverage we are still boutique at heart because we understand the need to be nimble and innovative.

Our core strength is undoubtedly our knowledge base and a team of efficient and experienced consultants with in-depth understanding of their chosen sectors. We are the pioneers of the "Accountability Clause" in the Indian retained search industry and we always strive to align our business model with the industry needs.

Our services include the following

- Executive Search
- Leadership and Board Consulting
- Executive Intelligence
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