

# ⚡️ A slowdown helps you identify who in your team has resilience and who has excuses

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 a slowdown is when you draw your teams closer and go shopping for bargain buys

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## ► How do you define a slowdown?

I see a slowdown in three contexts. One, your company has slowed down; your industry is growing and your country is growing. This gives sleepless nights to CEOs. The board, the analysts and the media have a field day. You have to act fast. Context two, 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 you have some time to regroup and plan for the future. Context three, your company has slowed down; your industry has slowed down and the country has slowed down. This is the best situation for CEOs to externalise everything and buy time!

As a good CEO, you have to ask if you have done the best of what's in your control. Today, 90% of the countries in the world have slowed down, that is, 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%. Nationalist sentiment is strengthening in every country. The earlier leaders recognise this slowdown, the better.

## ► What is the most important thing a leader must do 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 Hindustan Unilever (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 is not covering



bers will end up fighting each other. A slowdown also helps you identify who in your team has resilience and who has excuses.

► **A key challenge during a slowdown is to keep morale up, especially since the monetary situation does not allow you leeway. How then do you motivate the team?**

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 realised 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 behaviour. When we do that, they tend to pile up stock even if there is no demand for it. In a slowdown, there is demand contraction, so pushing stock to the channel gets expensive and you end up in a fight for shelf space, and that dilutes industry profitability. So, setting the right targets, with sensible incentives based on customer and consumer demand, is the best.

► **How do you set goals to get the best outcome?**

At Nokia, we made 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 took 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?**

Yes, but please 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 long-term plan should be unveiled when you are winning the weekly battle, not till then. If you throw long-term promises at your people on day one of a slowdown, they will think you have lost it!

► **Is there any one guiding rule that is the most important to you, in managing crises?**

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 I was a CEO was to never be alone. We should all sit together, build 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 marketplace gives you ideas on price points, policies, new products and so on.

When we were hit by the lovely Motorola Razr phone, we spent a lot of time getting its worthy rival Nokia 6300 aligned to suggestions from all our partners in the ecosystem. We got many ideas from them. Your own team comes up with many innovations. A freewheeling session is in itself a great start.

► **Is there a way to leverage a slowdown? Are there any do's and don'ts in taking on competition?**

During a slowdown, 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 and investing in training your people works in a slowdown — it keeps their morale high. A slowdown also teaches you the importance of focusing on your core proposition. For example, in Nokia, we had to focus on our strengths and not worry about Nokia Money (a payment system) when we faced a slowdown. Another lesson is to partner effectively. The ecosystem benefits when you choose your partners wisely. In HUL Beverages, we introduced the direct-to-tea shop business model in a slowdown. This meant having feet on the ground and new packs that bypassed 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. ☺

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