

In the Spotlight - Paul Polman: Nestle to Unilever

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Nestlé executive Paul Polman's surprise move to Unilever has won warm praise from industry watchers, with many believing the Dutchman has what it takes to lead the company successfully in the years ahead. A number of challenges, however, lie ahead at the consumer goods giant, as Dean Best reports.



Unilever CEO-in-waiting
Paul Polman

Unilever, a company long criticised for either making the wrong decisions or being too slow to make the right ones, has won wide praise for the appointment of its new chief executive.

Yesterday, (4 September), the Anglo-Dutch consumer goods giant announced that Paul Polman, an FMCG veteran with the likes of Procter & Gamble and Nestlé, would become its new boss next year.

That Patrick Cescau, Unilever's current chief executive, was leaving the company was not a surprise. Speculation had been swirling for weeks that the 59-year-old would be leaving after 35 years with the company during 2009.

The surprise, however, came with news of Cescau's successor. Polman, 52, is the first outsider appointed to lead Unilever in its 78-year history. The Dutchman was named above a clutch of potential candidates from within Unilever, including Vindi Banga, president for foods, home and personal care and Harish Manwani, who runs the company's operations in Asia, Africa and central and Eastern Europe.

The move comes at a crucial time for the soap-to-ice cream conglomerate. Under Cescau, Unilever embarked on a root-and-branch restructuring designed to breathe fresh life into the business. Cescau created the One Unilever programme, a strategy designed to boost efficiency, improve margins and, as far as the company's food business was concerned, give it cash to invest in emerging markets and in health and nutrition.

Businesses and brands deemed to lack potential were sold off and factories were closed as Unilever moved to become a more streamlined company, ready to react quicker to ever-evolving consumer goods markets.

Under Polman, Unilever will look to press ahead as a revamped business but one which, like the rest of the food industry, is facing rising commodity costs and the challenge of building businesses in the developing markets of the East.

Nevertheless, Polman's appointment was roundly welcomed by the market. Unilever shares soared and industry watchers were quick to praise the move. Martin Deboo, an analyst with Investec, said the news was "strongly positive". He said: "Polman has got just about the perfect experience. He has had 26 years with P&G and two years with Nestlé. He ran Europe for P&G and briefly ran the Americas at Nestlé, so he has real line experience."

James Amoroso, director of **Amoroso** Strategic Insights, was even more fulsome in his praise. "Paul Polman is probably the best candidate in the world to become CEO of Unilever. With

hindsight, he was probably the only logical choice. He has a deep knowledge of Nestlé and the food industry as well as decades of P&G and HPC experience. Moreover, he is a strong operational and financial operator with excellent communication skills."

Polman, who speaks five languages, will need those communication skills immediately. Shares in Unilever may have jumped on news of his appointment but the market has been unconvinced at the progress being made under Cescau's One Unilever programme and there has been concern that the company has cut investment in marketing.

Amoroso insisted that Polman will make the progress made under Cescau more "visible" to the market. "Patrick Cescau has already made dramatic, positive changes to Unilever's business model, the implications of which however have not yet been fully recognised by the market," he said. "Polman will focus the market's attention on this. More importantly, he will make the right decisions going forward to accelerate these changes as well as bring in changes of his own."

Deboo agrees, highlighting Polman's "useful, mid-Atlantic style". He adds: "It needed someone who was culturally sensitive to Unilever; there would have been no point parachuting in a gun-toting American looking to shake it up."

Polman may also have to be sensitive to those at Unilever, like Banga and Manwani, who were rumoured to have expressed interest in succeeding Cescau themselves. "It will be a challenge keeping the senior team together," Deboo says.

Polman himself was named last year as a possible candidate to replace Nestlé CEO Peter Brabeck-Lemathe but was beaten to the post by Paul Bulcke, so he will be attuned to any disappointment within the Unilever ranks.

As for Nestlé, there is unlikely to be any significant impact on the business, according to **Amoroso**. "There are simply too many strong managers waiting in the wings for it to make a big difference. So, no significant impact, no significant change."

In any case, adds **Amoroso**, the top job at Unilever will present a stiffer task for Polman to take on. "CEO of Unilever is clearly a step up for him, and represents a much greater challenge given that Nestlé is much more about the implementation of a proven strategy," he said. "At Unilever, he has much more to get his teeth into."

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