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Polman a surprise pick to revive Unilever fortunes

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By David Jones

LONDON (Reuters) - Paul Polman is a surprise choice as the new head of Unilever, but after spending most of his career at larger rivals Procter & Gamble (P&G) and Nestle is an ideal choice to improve Unilever's perennial underperformance.

The world's third-biggest consumer goods group, Unilever Plc/NV (ULVR.L: Quote, Profile, Research, Stock Buzz) (UNc.AS: Quote, Profile, Research, Stock Buzz) has struggled to match the performance of P&G (PG.N: Quote, Profile, Research, Stock Buzz) or Nestle (NESN.VX: Quote, Profile, Research, Stock Buzz) so Polman with 28 years at both is an inspired pick as chief executive.

Polman becomes the first head of Unilever picked from outside the group in its 78-year history, surprising analysts who had expected the Anglo-Dutch maker of Sunsilk shampoo and Knorr soups to appoint an internal candidate.

Polman, 52, joined Nestle two years ago in a move from P&G as chief financial officer, and was an instant hit with investors and analysts as he introduced a more open style and was hailed for reinvigorating Nestle's financial management.

Analysts said Dutch-born Polman had succeeded in American and European companies with global operations and would be well placed to revive Unilever's sluggish European business, while driving its fast-growing emerging markets business.

"He has a deep knowledge of Nestle and the food industry as well as decades of P&G and HPC (home and personal care) experience," said independent analyst ***James Amoroso***.

Polman is set to replace Patrick Cescau who turns 60 later this month. Polman will join Unilever in October and work with Cescau until taking over the reins fully in January 2009.

The rapid rise in his reputation at the world's biggest food group put him as the front runner to replace Peter Brabeck as CEO, and would have been the first Nestle CEO since the 1920s who didn't rise up through the Nestle ranks.

But in the end he lost out to Nestle's head of its American region Paul Bulcke last September for the top job, with suggestions that some of his P&G techniques and openness were just too much for the conservative-minded Swiss.

Polman may have ruffled feathers at Nestle when he hinted last year that the Swiss group might shed its majority stake in U.S. eyecare group Alcon (ACL.N: Quote, Profile, Research, Stock Buzz). He was jumping the gun on a sale that was eventually agreed in April 2008.

But his comments triggered talk Nestle could even shed its 28 percent stake in French cosmetics group L'Oreal (OREP.PA: Quote, Profile, Research, Stock Buzz). That holding, part of a complex shareholders' pact, has widely been seen as the foundation stone for an eventual takeover.

At Unilever, his approach could well be more welcome as the company has been on the recovery track since its first-ever profit warning in September 2004, but investors say much more needs to be done after its underlying second-quarter sales volumes shrank.

POLMAN AT NESTLE

In 2006, Polman joined Nestle and brought in P&G techniques to encourage managers to trim fat, cut poor-selling lines and meet tough targets for key divisions such as nutrition. He forced poorly performing operations like its U.S. ice-cream and British confectionery businesses to report progress each month.

But there was always a fear Polman risked a culture clash if he tried to impose too much of P&G's management style. Also, having already gone after the easy improvements, he could have a tough time squeezing more growth out of the massive company.

Still Polman's European experience -- he was born in a small town in the Netherlands and has spent most of his career working in Europe -- will help him understand what to do in Unilever's European region, the group's most sluggish area.

Polman's European skills were in demand at P&G when the U.S. group's European sales were in a nosedive in 2001 following a restructuring, and P&G CEO A.G. Lafley looked to Polman to turn things around.

As head of P&G's Western Europe region, Polman changed the portfolio, mixing local products with global brands, and brought in a strategy from Cincinnati to open model stores to demonstrate new products to supermarket executives.

Western European sales nearly doubled in the four years to 2005.

He looked to boost morale by inviting junior managers to join him on his early morning jogs, while he and his U.S. wife, Kim, held dinners for managers at their home in Geneva. He speaks Dutch, English, French, German and Spanish.

But his chances of the top job at P&G faded by 2004 as the group named four others as vice chairmen, and his hopes were seen hit by spending most of his career in Europe and not at its Cincinnati headquarters. He left P&G in June 2005.

Nestle wooed Polman with the promise that he would be a candidate to take over from CEO Brabeck. He missed that job, but there will be a bigger challenge at Unilever.

(Editing by Jason Neely)

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