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# A CASE STUDY ON MANAGING HUMAN RESOURCES AT UNILEVER IN INDIA

**[1]Dr. Radhika Wadhera and [2]Deepti Mehta**
[1]Professor, Rajeev Gandhi College of Management Studies, Ghansoli
[2]Research Scholar

## ABSTRACT

*HLL was known for its ability to attract and develop good people. Several managers were serving senior leadership positions at HLL. In early 2000's good talent was poached by competitors, and it became difficult to retain talent at HUL. Hiring good talent and retaining star talent was challenging for the organization.*

*Human resource management being one of the most complex and challenging fields of modern management. A human resource manager must build up an effective workforce, handle the expectations of the employees and ensure that they perform at Their best. He(she also has to take into account the firm's responsibilities to the society that it operates in.*

*Traditional approaches to personnel management emphasize command and control.*

*These have now given way to new approaches characterized by greater freedom and support to the employee. This transformation is almost complete, and many successful companies today empower their employees to manage most aspects of their work.*

*Before the 1980s, personnel administration was characterized by standardization, and consistency and conformity were the hallmarks of the management policy. However, today, flexibility has become a significant aspect of a company's corporate human resource strategy. Though an organization's physical assets are major factors in determining its success, it has now been accepted that its employees or human resources, are equally critical assets. The successful management of an organization's human resources is an exciting, dynamic, and challenging field, especially at a time when companies are globalizing, and employing increasingly larger numbers of knowledge workers.*

*The research paper focuses on the concept and the history of human resource management (HRM), its functions, the role of HR professionals in organizations and the challenges faced by HLL.*

## INTRODUCTION

There is a vast difference between modern HRM and the personnel management that was prevalent decades ago. By the end of the twentieth century, the managerial philosophy that has defined the personnel function has undergone radical changes.

Over the past eighty years, the scientific management approach and the human relations approach appeared and then disappeared too. The human resource approach has gained prominence in the recent times.

Human resource management deals with the "people* dimension in management.

Byars and Rue, say "Human Resource Management encompasses those activities designed to provide for and coordinate the human resources of an organization?" According to Ivancevich and Glueck, "Personnel/Human resource management is the function performed in organizations that facilitates the most effective use of people (employees) to achieve organizational and individual goals.

Every organization is composed of people and utilizing their services, developing their skills, motivating them to enhance their levels of performance and ensuring that

they remain committed to the organization are essential for the accomplishment of organizational objectives. This is true for all types of organizations - government, business, education, health,

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recreation, or social action. Acquiring and retaining good human resources is an essential pre-condition for the success of every organization.

Organizations that can do this will be both effective (i.e., they will be able to achieve their goals) as well as efficient (i.e., they will use minimum resources necessary to achieve their goals). Inefficient or ineffective organizations face the danger of stagnating or going out of business. Competent managers and workers are essential for the coordination of efforts towards the ultimate objectives which ensure the survival of the organization. Though such coordination alone cannot guarantee success, the lack of it can lead to failure.

**EMERGING ROLE OF HUMAN RESOURCE MANAGEMENT**

In the changing times, it has become evident that it is the human resources of an organization or a country that can lead it on the path of success. It is the competencies and attitudes of the human resources that can make or break a business. The business of attracting and retaining talent and nurturing it has become imperative for the development of an organization. Innovative and proactive HR managers have been defining new boundaries of HRM. The turbulent and dynamic markets and the changing values and expectations of the workforce have made the earlier concepts of personnel management irrelevant. A new strategic role has emerged for HRM - that of a key player, to make the organization survive and succeed in a highly competitive business environment.

**Value Of Human Resources**

The human resources of a country play a vital role in determining its progress and prosperity. Even a nation with rich physical resources will not develop if its human resources are inadequate. A nation rich in its human resources can develop fast and a developed nation enriches the quality of its human resources; this is a cyclic process.

In this modern age of technology and globalization, quality human resources are an important contributor to the well-being and development of a nation.

**Human Resources - A Competitive Advantage**

Business has become knowledge based, service oriented, competitive, and more dynamic in this new age. The quality of human resources has become an essential factor in determining the success of any organization. According to Adi Godrej, Chairman and Managing Director, Godrej Consumer Products Ltd., "all corporate strengths are dependent on people." Human resources of an organization is an unique asset to the organization and is essential for a business to gain competitive advantage over its competitors. Hence, there is a need for effective HR professionals and workers in the market.

**Human Resources Accounting**

In the words of Eric Flam Holtz a renowned HR consultant and a Professor at Anderson Graduate School, human resources accounting is defined as "accounting people as organizational resources. Human resources accounting is measurement of the cost and value of people for an organization. Till recently, people were not accounted as resources and no value was attributed to their contribution. However, in recent times, the criticality of the contributions of human resources have been acknowledged and recognized. Hence, the concept of attributing an appropriate value to the worth of human resources of an organization has become popular. Human Resource Accounting helps management to value its human resources and use it with discretion and wisdom. It also provides essential information to the management to maintain and develop its important resources. Hence, human resources accounting is an appropriate control technique.

The very factors like HR policies that made HLL the most coveted employer during the 1980s and early 1990s later came under scrutiny as situation changed forcing the management to think anew. As need for speed and flexibility in decision-making and strategy implementation increased, HLL attempted to empower managers across the company's nationwide operations. HLL organized itself into self-sufficient profit centres, supported by certain central functions and resources to leverage economies of scale wherever relevant. In 2003, HLL's Board, backed by a management committee and several profit centres formulated and implemented policies.

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One of India's most sought-after employers, HLL recruited most of its future managers at the leading institutes of technology and management in the country. HLL believed in a policy of scrupulous meritocracy, which emphasized Calibre, competence, and contribution.

One of the major reasons for HLL's excellent quality of human resources was the supportive attitude of Unilever. In the early 1940s, Unilever had realized the need to develop Indian managers for running its businesses in India. The first Indian Director was appointed in 1951 and the first Indian Chairman in 1961.

**New recruits joined either as direct recruits or as management trainees.**

Management Trainees were typically fresh out of college with no prior work experience. The company seldom filled senior positions with outsiders. DRs were those who were brought in through recruitment agencies, with a few years of experience. Once recruited, a Direct Recruit was put on a six-month probation and placed directly on the job. After the six-month period, the Direct Recruit went through a confirmation review with his superior and the HR department.

The Management Trainees recruitment and training process was an elaborate exercise. It started with campus interviews at the major business schools, ITs, and various elite schools in the country. HLL preferred group discussions to one-on-one interviews to shortlist candidates. These candidates then met at least two directors before a final offer was made. Once hired, the MTs were put through intensive training.

## RESEARCH GAP

Over the years, HLL's leadership development model, considered one of the best in the country, had acted as a catalyst in grooming its managers. It had offered managers well-rounded view of the business through job rotation and various new assignments. The system, which aimed at preparing individuals for greater responsibilities, was designed to identify fast-trackers. For every position, typically three people competed. One would eventually make it. the second person would be offered an alternative slot, while the third would simply fall out of the system. Like most organizational structures, the talent pipeline was shaped like a pyramid. It got narrower at the top. This leadership development model served HLL well for many years. The company effectively became a school for practicing managers. But in the late 1990s, as the business environment underwent a sea change, cracks began to appear in the model. First, there was a reduction in the number of positions due to HLL's power branding strategy, because of which many brands were withdrawn, Second, Unilever itself began to divest brands and businesses, reducing the need for expensive expatriate talent. Meanwhile, the supply of HLL's pipeline of talent had grown because of returning expatriates from the Unilever system. This was unlike the earlier scenario, when almost 10% of the 1,200 managerial cadre were posted abroad. The closure of non-core businesses, like seeds and the downsizing of the large commercial department, due to outsourcing of many backroom activities, had eliminated many promotional opportunities. Through the 80s and the 90s, when HLL was growing impressively, few would have questioned its headcount. HLL was seen as a role model for any local company in an emerging market. But in the 2000s, other operations in the Unilever world, particularly the Latin American region and Japan, were growing much faster. Their organization also seemed to be much leaner. At about Rs 5,000 crore, half of HLL's size, the Japanese operations had a headcount of just 110 managers. HLL realized it had to utilize its manpower more effectively. At the same time, many HLL managers found it hard to leave the system. During good times, they had been given large hikes of 35-40% per annum on their base salary. Just before he handed over the mantle to Banga in 1999, chairman Keki Dadiseth (adiseth) had doled out a generous round of goodies to HLL managers, with new perquisites like hefty white goods allowances, fancy new cars, and big housing allowances. Consequently, even at the level of the category heads, one level below the management committee, the cost-to-company (CT) was said to be in the region of Rs 1 crore. Returning Indian expatriates were also expensive. Even brand managers with about 8-10 years of experience cost the company in

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the region of Rs 30 lakh, way above the rest of the market. These high-cost structures posed formidable challenges for HLL even as it struggled to retain the star performers. With fewer slots available, internal competition also increased. During good times most managers got good performance ratings. But the system changed as growth slowed down and competition increased. In the early 2000s, HLL had instituted a forced rank system of evaluating persons for all its businesses, further accentuating the insecurities inside the minds of employees. HLL's strong performance management system was highly result orientated. Managers won't rely on short-term recourses to deliver quarterly profit and sales numbers. As a result, the pressure on the sales system and the brand managers was spiralling out of control. The otherwise rugged performance management system promoted short-termism. If one brand team had done well to grow through a short-term scheme, there was immediate pressure on the others to follow the same.

To make matters worse, the directions from the top were often confusing. In a particular month, the focus might be on top line growth, but the very next month, the emphasis might shift to bottom line growth.

**Road Ahead**

HLL had always been perceived as more Indian than multinational. One reason was that Unilever believed that its companies best progressed through a combination of global linkages and a locally tuned consumer understanding deeply rooted in local cultures. As a result, Unilever had always encouraged the development of local management talent. HLL had taken full advantage of this philosophy and grown into one of the most important subsidiaries in the Unilever worldwide system. Other subsidiaries of Unilever were not as independent as HLL. While remaining committed to its Indian roots, HLL had retained strong links with Unilever, accessing its R&D knowledge base and international marketing expertise for developing products specifically suited to Indian markets.

But many concerns on the HR front had emerged in the late 90s. The slow journey to the top that even the super achievers faced had suddenly made the company a less coveted employer than it had been in the past. Many press reports indicated that the place had also become bureaucratic. While smaller rivals offered fast-paced careers, HLL had too many layers of hierarchy. How the company would deal with these strategic HR concerns would largely determine its success in the coming years. HLL was finding growth hard to come by. Rationalization measures had improved profits, but the top line was hardly increasing. HLL also realized many of its talented people were leaving for greener pastures. A major restructuring at the top seemed to indicate that Unilever Headquarters had taken note of recent developments at HLL and wanted to correct the situation. HLL started focussing on Direct recruits and their personal development through training. On completion of the training, which included projects in Indian villages and international cities, the manager worked in different functions. HLL's human resources processes attempted to ensure that progress was based on merit, ability, and performance, and adhering to the company's Code of Business Principles. The values of Truth, Courage, Action and Caring formed the bedrock of these business principles. Training activities got a thrust in the early 1950s and in-house management development programs commenced in 1953. Such formal training activities. covered all levels of employees, through three exclusive Staff and Management Training Centres, besides training at the company's units.

One of the most spectacular achievements of HLL had been in developing a whole new generation of industrial workmen. Employees at the company's new factories in backward areas mostly came from an agricultural background. But systematic training had converted them into first generation industrial workmen. They were adept not only in operating and maintaining the state-of-the-art machines, but also in using the latest management techniques like Total Productive Maintenance (TPM. The result was that HLL factories, like those in Khamgaon and Sumerpur with first generation industrial workmen, came to be recognized as among the best in the Unilever worldwide system.

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