

Masters of Scale Episode Transcript: Paul Polman

“How redefining boundaries drives performance”

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PAUL POLMAN: Erik is the first officially impaired person that climbed all seven summits. He called me. He said, "I got married on the Shira Plateau and I want to go back and climb Mount Kilimanjaro again."

So I said, "Great idea. I'm game." But then we said, "Why don't we take a blind person from all parts of the world?" So we took a blind Japanese person. We took the first blind person from Africa to climb the mountain, Americans, an Austrian.

Eight to the top.

Helen Keller said, "The worst thing is not being blind. The worst thing actually is having eyes and not being able to see." And unfortunately we live in a world still where too many people have eyes and don't see.

REID HOFFMAN: That's Paul Polman, former CEO of Unilever. Paul himself is not blind, but in 2005 he was the chair of the international arm of Helen Keller's alma mater, the Perkins School for the Blind.

And that climb he's telling us about is when he scaled Mount Kilimanjaro with Erik Weihenmeyer, the adventurer, athlete and first blind person to reach the summit of Mount Everest. They reached the top with six other blind climbers.

In the following days, Paul and the group visited some of the schools for blind children in the region.

POLMAN: On the way back we said, "We need to do something." And we went to visit the schools for the blind. And naively, we had collected some money. The money disappeared. The schools were never built. So I said, "We need to really do something else," because the situation wasn't very good. And then Bill Rider, who was running the American braille press and was one of the people with us, also blind, said, "Look in the cupboards."

And there we found Braille machines that all had broken down. So we started a foundation called the Kilimanjaro Blind Trust, repairing these Braille machines.

HOFFMAN: From this beginning, the trust grew to help with teacher training, supplying specialist materials, assistive technology and internships.

POLMAN: We go there, we see on the ground all these people working there, the teachers that work with the blind.

And if you hear a girl who is 12 and is born blind and wants to be a minister of education to change the country, or a blind person that wants to be a doctor because he wasn't treated well when he was born, it just keeps you humble.

HOFFMAN: These initiatives don't change the physical reality of blindness. But they do redraw the boundaries that society can place on people with visual impairment. And this is an approach Paul has used throughout his career.

POLMAN: You cannot change people's behaviors if you don't change the boundaries that drive people's behavior. Lots of CEOs are good people. They don't want more unemployment or more people going to bed hungry or more climate change, but yet they're behaving as if, and it's because of the boundaries around them, the short-termism of the financial market, the pressure of their boards, that type of thing.

HOFFMAN: As a leader, you need to know when to cross boundaries. But you also need to redefine them in order to make a lasting impact.

This mindset is especially important when your scale journey falters. That's when you need to examine the boundaries that limit your business, and then reshape them to give you and your team a new sense of purpose.

I believe redrawing boundaries not only opens your eyes to new possibilities – it will also give you a refreshed sense of purpose, which will propel you towards your goals.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe redrawing boundaries not only opens your eyes to new possibilities – it will also give you a refreshed sense of purpose, which propels you towards your goals.

We often think of boundaries as limits on what we can do. Of course, this isn't always a negative thing. It's with good reason we teach kids boundaries from a young age – don't stick your hand in the flame! Refrain from repeatedly hitting your uncle in the kneecap with that ladle!

And we, of course, need to respect other people's boundaries when it comes to social interaction and behavior.

Then there's the more obvious physical boundaries that keep us safe, like that fence around the lion enclosure.

But boundaries don't always need to be limits. There are boundaries that help define who we are and where we want to go. And as both these things can and should change as we grow, we should always be prepared to redraw these boundaries.

This could be as simple as a leader moving their desk to dissolve the invisible but very clear boundary between CEO and day-one hire. Or it could be a wholesale reimagining of what your business does.

At its most powerful, the art of redrawing boundaries can reinvigorate your team with a new sense of purpose. And that new sense of purpose will power a renaissance in idea creation, ambition and ultimately scale.

To illustrate this, I wanted to speak to former Unilever CEO Paul Polman because of his unrivaled success in instilling purpose in his teams by reshaping limits.

Unilever is home to consumer goods brands as varied as Dove soap, Ben and Jerry's ice cream, and Vaseline, and sees an annual turnover close to \$60 billion.

When Paul took the helm in 2009, the company was reeling from the impact of the global financial crisis and years of lackluster performance. Paul famously turned the company around by redrawing the boundaries of the company's mission to emphasize sustainability and long-term growth.

However, in his younger days and by his own admission, Paul initially struggled to find a purpose of his own.

Eventually, he fell into studying business and economics. When he graduated, he found himself without purpose.

POLMAN: Economics wasn't really what got me up in the morning, if I may be honest, but I saw the emergence of an MBA program that hadn't come to the Netherlands yet. My English was very poor. It still is, but it was even worse then. So I thought, why not go to the U.S.?

HOFFMAN: Paul went to study at the University of Cincinnati – the hometown of the consumer goods giant Procter and Gamble. After graduating, Procter and Gamble hired him to work back in Europe. After a few years, P&G sent him to Newcastle, England, to head up a business they'd recently acquired.

POLMAN: Now, it happens to be that Newcastle, you know the expression, bringing coal to Newcastle, but unfortunately, Reid, coal, ship building, steel, they all had gone belly up. And this was the first time in my life that I actually saw second-generation unemployment.

HOFFMAN: Paul discovered that his predecessor had redrawn the boundaries of his role to encompass more than just benefiting the company.

POLMAN: He had gotten involved in the community. We were the biggest employer there. He was working with schools, with drug programs, educational programs. So this is what I call the pivotal moment in my life, where I became from half a person, focused on my family, my career, and frankly, the company, more than anything else, to also discover that there's more in life.

And to me, it was an awakening, not a day too early, that was really a growth experience beyond the company itself.

HOFFMAN: The experience shifted Paul's perception of leadership – specifically, the boundaries that defined his role as leader. And this had a surprising impact on Paul's team.

POLMAN: I actually discovered one feeds on the other. It also really gets reflected in not only the standing in the communities, but also in the engagement of your employees and all the other things.

HOFFMAN: It's a clear example of how changing the limits that define your role can give an entire team a sense of purpose. And note how this wasn't at odds with the good of the company – it actually helped reinforce engagement, camaraderie and, ultimately, the company's success. All while having a net positive impact on the wider community.

I also want you to think about the impact this had on the next generation of leaders.

Executive coaching is valuable. But there's too much emphasis on coaching the leader as an individual, rather than as part of a team.

But the wider role that Paul discovered in Newcastle, and which he then embraced, served as a kind of embedded executive training. All the leaders under Paul saw how widening the boundaries invigorated everyone. And they would mostly take this on board in their future leadership roles.

Paul rose through the leadership ranks of P&G. By 2001 he was group president for Europe based in Geneva. In 2006, after 27 years with the company, he decided to retire.

However, Nestle CEO Peter Brabeck convinced Paul to take on the role of CFO at the company. This would be a significant expansion in Paul's experience – by his own admission, he was a marketing guy, not a finance guy.

POLMAN: I could only gain experience from this. And probably grow. So I accepted, but I asked him, give me three months. And in these three months, I really drank from a fire

hose, because before that, I didn't know any more the difference between an income statement and a balance sheet, but I quickly had to catch up.

HOFFMAN: After his self-created CFO bootcamp, Paul joined the Unilever executive team at the Taj Mahal Palace hotel in Mumbai to celebrate the handover from outgoing CEO Patrick Cescau. But as they were preparing to eat, tragedy struck.

POLMAN: We had agreed to sit by the swimming pool, but because of rain that was predicted, we ended up in a corner room in the building itself, and then the terrible event happened.

HOFFMAN: That terrible event was the harrowing attack and siege of the building, which was part of the 2008 Mumbai terrorist attacks.

POLMAN: We were stuck there, but incredible to see how people rise to the challenge. I was welcomed the night before by Karen Beer, who run the Taj and he's still a good friend.

He lost his wife and two children. He kept working even after the disaster and kept taking care of the guests.

HOFFMAN: This kind of astounding heroism was shown again and again by the hotel's staff on that awful day.

POLMAN: Malika was one of the helpers and she got cornered with us. And so we were locked in this room laying on the ground, lights off, telephones off. And she was just amazing. And again, it was just all focused on us.

HOFFMAN: That night in Mumbai, 175 people lost their lives, including many in the Taj hotel. Paul and his party were among the fortunate ones who escaped, thanks to the quick-thinking staff of the Taj hotel.

POLMAN: So I realized that night a few things more than I've probably done in my life, that how precious life is, but also the goodness of people. But I also saw the ugly side of poverty. The terrorism purely driven by poverty and exclusion.

And it makes you more determined actually to fight for ensuring that nobody is left behind.

HOFFMAN: Paul and his team also made sure to honor the staff who risked – and lost – their lives that night to protect their guests.

POLMAN: So we went back six months later. We did have the meal at the swimming pool, and we invited all the people that had helped us to actually serve them and thank them for what they had done, because ultimately they saved our lives.

And there's no more heroic act than leadership and people putting themselves to the service of others, especially if they put their own lives at risk. And this is exactly what you saw them doing.

HOFFMAN: When Paul took over as Unilever CEO in 2009, he was faced with a company – and economy – reeling from the recent global financial crisis. But there was an even bigger challenge.

POLMAN: I really was not welcome to the extent that I could have expected because having worked for Nestle and P&G, for some people it felt like you're letting in the Trojan horse. I remember one of the chairs after we had a wonderful dinner, he said, "Mr. Polman, you seem like a nice bloke, but you don't belong here. We should have found an internal candidate." So I went home, actually choking a little bit and thinking did I pick the right job? But this man did me an enormous favor because I realized really I had to earn my respect. You cannot ask respect from people. To be respected, you have to earn that.

HOFFMAN: "We should have found an internal candidate". That's the kind of conservative attitude companies fall back on in times of trouble. And it's a mistake!

The thinking is that you need a safe pair of hands – someone who won't rock the boat until the storm has passed.

But this is the kind of passive approach that will often make things worse.

That's why an external candidate can be a better choice. Sure, promoting from within means you can easily find someone who is steeped in the same values and culture as your company. For a hugely successful example, listen to our episode with Microsoft's Satya Nadella.

The guiding principle to finding any new leader – at any level within your company – is to answer the question: will this person move the business to match the evolution of the market?

The answer, 99 times out of 100, should be "yes". It's very rare that you want your new leader to be someone who will just continue business as usual.

Talking with Paul also brought to mind another important reason to redraw the boundaries of where you seek talent – one which I previously discussed with Sallie Krawcheck, founder of the investment platform Ellevest.

SALLIE KRAWCHECK: I have become a huge believer in the power of diversity at work. This is in part because I grew up in an industry, Wall Street, that calls itself a meritocracy, that has given poor returns for shareholders through the course of a cycle for a long, long time, but yet continues on.

And if 90% of traders just should be white men because they're just better at it, and 86% of financial advisors should be white men because they're just better at it, and the majority of managers should be white, they've better at it, so it's a meritocracy at work. Oh right, except for that financial crisis. That thing.

Do you know that for a long time after the financial crisis, diversity went backwards on Wall Street?

HOFFMAN: Really?

KRAWCHECK: Backwards.

HOFFMAN: Oh, God.

KRAWCHECK: And it's actually not unusual for industries that go through a period of crisis, where you circle the wagons. And what I saw was: "We'd love to promote this woman or this person of color, but we can't take the risk." So everybody reverts to their comfort, and uses that excuse, the fact that we're in the midst of this battle.

HOFFMAN: You can hear more of that discussion in the Masters of Scale episode featuring Sallie titled "Check Your Blindspot".

Someone from the outside of your organization is likely to have a fresh perspective, as well as a sense of purpose that is not bound by the company's established way of doing things.

Paul knew this – and he wanted to drastically reframe the boundaries at Unilever in order to help the entire team rediscover their sense of purpose.

But before he could do that, he had to break through the intense resistance to his appointment.

[AD BREAK]

HOFFMAN: We're back! With Paul Polman, former CEO of Unilever. If you're enjoying this episode and want to share it with friends, send them the link mastersofscale.com/polman. That's P-O-L-M-A-N. And to hear my complete interview with Paul, you can become a Masters of Scale member at mastersofscale.com/membership.

Before the break, Paul had just taken over as CEO of Unilever. As the new leader, he was set to be the catalyst to revitalize the company. But he was facing two massive obstacles – the global

financial crisis and resistance to his appointment by some of the board and team members. He needed to find a way to cut through both these crises and quickly redraw the boundaries that held the company back.

POLMAN: So because it was the financial crisis when I came, just to stand on the soapbox and say, "Run faster and set your goals higher" is not really the way to do it.

So I studied the company and the history that perhaps was a little bit forgotten.

HOFFMAN: That history began with the First Viscount Leverhulme – otherwise known as Lord Lever – who co-founded soap maker Lever Brothers in 1884.

POLMAN: He didn't start his company for the shareholders, he wanted to address the issues of hygiene in Victorian Britain when one out of two babies didn't make it either past year one. So he invented Life Buoy or Sunlight bar soap and that's how his story started, but always he built houses for the workers, was the first one in the UK, was installing pensions.

In World War I, he guaranteed the jobs back and kept paying those people. That's why they had the highest number of volunteers. And the more I studied him, the more I thought why not go back to these values that really underpin the success of the company and make people proud again to be part of that and start to then build off that, the new values that we needed in today's society.

HOFFMAN: Note how Paul went back to the founding roots of the company. He quickly saw that, over the decades, Unilever had narrowed its boundaries. Originally, it had an expansive mission that knitted together social welfare and profits – and this had helped the company thrive for more than a century.

But gradually, the company had narrowed the boundaries of its remit to short-term profit. And now it was struggling.

With the financial crisis, the pressure was on to double-down on this short-term approach – and kick the original vision of Lord Lever even further out-of-bounds.

POLMAN: So whilst most companies during the financial crisis started to hunker down and cut costs, etc., I really didn't have that option because we had come from that and we had already found out that you can't save your way to prosperity. So I had to grow, I had to invest, and that probably gave us a little bit of a head start.

HOFFMAN: Paul was convinced he needed to broaden the boundaries of Unilever's mission and address the wider, long-term issues that threaten us all – but often aren't seen as being the concern of individual companies.

And to do that he made a move that has become boardroom legend.

POLMAN: I stopped quarterly reporting, I stopped giving guidance.

HOFFMAN: Over a decade later, this doesn't seem so extreme. And the way Paul tells it underplays just how hugely controversial this move was. But back in 2009 it was explosive.

Paul was radically and publicly redrawing the boundaries that were keeping Unilever from pursuing its purpose with vigor.

For investors focused on short term gains, the move was too much.

POLMAN: So the share price dropped 8% when I announced no quarterly reporting anymore, no guidance, because probably the reaction was: new CEO and bad news is coming. It was probably a lack of trust.

HOFFMAN: Part of what makes businesses work is an intense focus on core objectives – revenue, costs, market share. This focus is what allows businesses to be among the most efficient types of organizations that human beings tend to create.

But there's a balance to be had. And widening the boundaries of a business's focus to encompass, for example, playing a good role in society or preserving the environment, doesn't necessarily mean losing focus on profits and share prices.

For Paul, communicating this to shareholders and a wider market focused on the short term was never going to be easy.

This is why he saw the controversy around cutting those quarterly reports as an opportunity to prove out his new direction.

POLMAN: So what we had to learn the hard way, may I say, is how do we explain that value creation model to the financial market and how do we attract the right financial investors to be aligned with that? Most of the CEOs know that they have a short tenure. The average tenure is probably four and a half years now for a publicly traded company in the US. So they cater or dance to the pipes of the current shareholders. So I knew that a lot of my current shareholders were not the right shareholders.

Fortunately, by not having quarterly talks, our communication became more strategic and we started to attract more strategic shareholders.

A leader should work on the forest, not in the forest. And I was trying to reshape the forest by doing this, if I may call it that way.

HOFFMAN: Remember: this radical move to cut out quarterly earnings reports was part of Paul's plan for a wholesale redrawing of the boundaries that governed Unilever: he wanted to move from an intense focus on the short-term bottom line, to an expansive view that looked to the long-term – and the greater good.

But to have any hope of making it work, there was an even more important group of people he needed to convince – his team.

POLMAN: But the first thing we did was, you cannot build a purpose-driven company if the people are themselves not purpose driven. You cannot build a sustainable company if the people themselves are not sustainable.

HOFFMAN: It was another situation that needed boundary-pushing action rather than a soap-box speech. For inspiration, Paul looked to his friend Bill George, author and former CEO of medical device maker Medtronic. Paul recalled visiting a Medtronic pacemaker factory to study Quality Control methods.

POLMAN: When I was there, he actually had a patient coming in every month with one of their pacemakers explaining how it changed their lives. And everybody was sitting there in the canteen crying and proud of being there. And you can imagine no pacemaker left that factory without the defect. But what I learned from him was not quality control. I learned purpose.

HOFFMAN: The factory floor is usually out of bounds to customers – and for good reason. But by broadening that boundary to bring customers and production workers face-to-face, Bill George instilled a new sense of purpose in that team.

And this is an example of how redrawing boundaries can enhance the sense of shared purpose in your team. Those boundaries might be physical – like the gates of a factory – or mental – like how involved you think your company should be in the wider community.

Paul asked Bill to help him reshape the purpose-blocking boundaries at Unilever.

POLMAN: We started to work with Bill George based on this book [True North](#) and all that on finding our own purpose.

And then it was very clear to me that you cannot change people's behaviors if you not only work on the purpose, but also if you don't change the boundaries around it that drive people's behavior.

HOFFMAN: Picture a bobsled run. If purpose is the energy that gets your team's legs pumping as they push that bobsled along to build speed, then the sides of the bobsled run are the boundaries that keep them on course and focused on their objective.

Now, change your team's boundaries – that is, take that bobsled down a different run – and you can get somewhere new – though the sense of purpose that fuels your run stays the same.

Of course, what should be fluid boundaries can, over time, become fixed. And in extreme cases, people can be thrown into disorientation when they're changed.

POLMAN: Some people decided to move out of the company, some people wanted different positions in the company, but collectively we started in that process working on the company purpose.

HOFFMAN: When you redraw boundaries, an unavoidable side effect is that you will exclude some of your current stakeholders. But this isn't a reason to compromise. In fact, it's a big part of redrawing those boundaries.

The important thing to do is maintain your course. It's like laying down a new path through a forest. If you keep walking it, it will stay in place, embed itself and eventually become a new feature. However, if you don't keep treading on that path, it will rapidly overgrow and disappear. So Paul kept treading that path.

POLMAN: Stephen Covey in his book, *Seven Habits*, says you cannot talk yourself out of things you have behaved yourself into. So I knew we had to behave ourselves out of it, and that over time the numbers would talk for themselves.

HOFFMAN: Paul also redrew the boundaries governing compensation, aiming to weave purpose into the company identity – and the identity of the team.

POLMAN: Our longer term bonus could only be earned if the short-term bonus was put into shares. And these shares had to be held for five years before they would pay out. And after the payout, you then still had to hold them for two years.

HOFFMAN: Ownership was another boundary Paul reshaped to channel a sense of purpose.

POLMAN: I also made everybody a shareholder in the company. I firmly believe in that. That's probably one of the most important stakeholders and they should benefit in the success of the company.

And we got a very high take-up of share ownership from everybody, from the factory worker up to the senior managers.

It's not just the monetary. It's just feeling valued, being part of, which is one of the key human drivers. And actually you empower people by doing that.

HOFFMAN: It wasn't just the boundaries around ownership of the company that Paul expanded – he also opened up the way decisions were made in the business.

POLMAN: One of the things was to really bring decisions down to the level of where the knowledge is and trust people in that. And that can only come from strong values, which is that glue, if you want to, that builds that trust.

HOFFMAN: Building that trust relied on a deep and lasting cultural shift – a shift that took years. But it would ensure that those redrawn boundaries would stay clearly outlined, instead of disappearing into the undergrowth over time.

POLMAN: The hardest thing, by the way, being that cultural change, which is a combination of values and behavior, and that takes a little bit longer. Many companies have great values, but the behavior doesn't match and you get an Enron story or a Boeing or a GE or a Wells Fargo, but it takes four or five, six years to really ingrain that into that DNA of the company.

So I think the first four or five years were tough and a lot of cynics out there. That's why you need a strong purpose, Reid, because if you don't have that strong beacon, you can get derailed before you know it.

HOFFMAN: Another key to Paul's plans for Unilever was shaping the boundaries around defining success to encompass more than just the quarterly balance sheet.

POLMAN: Fortunately, because we were making this model of decoupling our growth from environmental impact, maximizing our overall social impact, putting these bold targets out there. We had to start explaining to the financial community why that was a good thing and why it needed to be seen with the cultural changes we were making, the talent that we were hiring, the structural changes that we were putting in place, the portfolio changes that we were driving, and why that was such an integral part of this.

And the more we could explain that to them and link that to results, fortunately we had 10 years of consistent top and bottom line results, outgrowing most of these years our competitive set, the more we build trust. But it took probably four or five, six years also in the company.

HOFFMAN: In 2012, then-UN Secretary General Ban Ki Moon asked Paul to serve on a panel to set goals at the Rio conference on Sustainable Development.

POLMAN: We had two and a half years of incredible listening to all parts of society: farmers, handicap people, young people, people from different parts of the world. I saw the power of business and the private sector and how we could develop these goals, how it was quite an achievement to get 193 countries and to sign this agreement and to actually put themselves behind that.

HOFFMAN: After helping to set the UN's targets for 2030, Paul used them at Unilever to help redefine the boundaries of the firm's brands, and instil each with a new sense of purpose.

POLMAN: All of our brands got a mission to fulfill some of these needs as expressed in the sustainable development goals. So that's how we got into building toilets as a core purpose and bringing self-esteem to women. Protect our forests and our natural resources.

But we saw that these brands that actually were more purpose driven were actually growing faster and more profitable as well. Then it became easier to explain to the financial markets that we were onto something, and the ball started rolling and success creates success.

HOFFMAN: After 10 years at Unilever, Paul left to focus more on breaking down these boundaries. He founded Imagine, the organization he set up to mobilise business leaders to tackle climate change and global inequality.

POLMAN: We found that if we can get these CEOs together, they actually collectively become more courageous. They listen to each other, they drive each other higher. They set bolder targets. You de-risk the process for them.

HOFFMAN: By reshaping these boundaries to encourage people and entities who may not normally work together to cooperate, Imagine helps scale a collective sense of purpose, and bring it to bear on some of the world's most pressing issues.

POLMAN: And what we find is when you have critical mass Reid, then civil society wants to work with you because you see that objectives are aligned. And governments start to listen. And ultimately you do need these governments to get the right frameworks in place.

It starts with a CEO taking responsibility of his or her total impact in this world, that starts at the top. If a CEO doesn't have that strong sense of purpose and these values, it's very difficult to expect that the organization is going to have that.

HOFFMAN: Paul explores how CEOs, leaders and businesses can redraw traditional boundaries and play a more positive role in his new book, titled Net Positive.

POLMAN: It's not easy for CEOs to do all these things. They're actually held to higher standards by society now than they can achieve themselves. And it's difficult, especially at a moment when the political environment is not exactly conducive to addressing these issues.

HOFFMAN: Companies are focused, accountable autocracies. In most cases, they have a single leader who takes responsibility when things go well and when things go not-so-well.

But companies are also accountable to customers, markets, shareholders, governments and society as a whole.

These relationships are engaged and dynamic on both sides. Boundaries help us focus on our responsibilities, and give clarity on our accountability.

And this is why we need to be able to redraw the boundaries – not on a whim, but with a clear objective in mind. When we do this poorly, our boundaries will restrict our potential for growth and our ability to help each other. When we do this well, our boundaries will be dynamic, and help us all achieve our goals, mission and purpose.

I'm Reid Hoffman. Thank you for listening.