

# Leadership: Credibility, Acumen and Heart

Nestlé's 2015 food-safety crisis is an extraordinary case-study of the power of transformative leadership

In early 2015, a random FSSAI test found Nestlé's flagship product, Maggi, to contain MSG, and a subsequent test indicated higher-than-permitted levels of lead in certain variants. Follow-up tests by state laboratories were inclusive, but Nestlé quickly started to lose a raucous trial-by-media, which even drew painful comparisons to the 1984 Union Carbide disaster in Bhopal. The impact on this much loved, highly trusted 150-year-old Swiss firm known the world over for its food safety and quality standards, was devastating. Consumer trust – in a brand that virtually started food retailing in India, and which is sold everywhere from mountain-top food stalls to high-end restaurants – evaporated overnight, from 98 per cent to 3 per cent levels. 37,000 tonnes of good food – enough for one meal for every poor person in India – had to be destroyed; revenue of hundreds of millions of dollars evaporated; and 8 factories employing 7,200 people were at imminent risk. A huge and lovingly nurtured ecosystem of 20,000 suppliers, thousands of distributors, 4 million outlets, 400,000 wheat farmers, and 125,000 dairy farmers, suddenly had an existential threat on its hands.

Eventually, the tide turned, and following a fast-track review process, the Mumbai High Court granted Nestlé a reprieve. Since then, the company has bounced back strongly, launching 42 new products in the last 15 months

**37,000 tonnes of good food was destroyed, revenues of hundreds of millions of dollars evaporated, and 8 factories employing 7,200 people were at risk**



alone – more than it did in the entire preceding decade. In hindsight, what happened to it, and – even more importantly – how it responded to a very difficult situation, is a case study for any business that operates in India. Equally, while every crisis is unique in scale and scope, there are important leadership lessons to be gleaned from its experience. In Nestlé's case, a positive attitude, and strong leadership – built around the 'parachuting-in' of Suresh Narayanan, a company veteran then based in the Philippines – literally proved to be the difference between life and death.

## **MANAGING THE STAKEHOLDER IMPACT...**

### ***The team comes first...***

No one was harder hit by the crisis than Nestlé's people. It is a proud culture, built around years

of individual service and a deep trust in the brand, but one that came perilously close to collapse. Nestlé's employee stickiness is not centred around compensation – its pay scales are around or just above median – but its people tend to become 'tenured', with many starting and ending their careers there. Most of its suppliers and partners have been with the company for decades, and deep bonds tie them all together. A development like this can shatter morale and shake belief – are we working for the 'right' company may seem like a legitimate question. For Suresh Narayanan, the key to changing this quiet unease was not to give a ready solution, for there could not be one, but quite simply, to give hope; belief that there is a way out of the crisis, and faith that the leadership would stand by them in this difficult time. Strategy took a backseat, and instead of detailed game plans, Nestlé focused first on laying down broad milestones and guideposts – and more importantly, on restoring trust.

### ***...and dignity of approach must be upheld...***

None of this was easy, and it meant that Mr Narayanan had to spend roughly 60 per cent of his time just engaging with people. The media and the broader environment had turned deeply hostile – to the point where FSSAI officials were unwilling even to meet, and where stories started to spread about children 'dying' after eating a Nestlé chocolate. Being combative

would not have helped, so the only option was to swallow one's anger, maintain the dignified culture the company is known for, and continuously engage with important stakeholders.

### **...as must employee faith...**

At the business end, with 5 of its 8 factories shut, there were huge overhead costs to contend with. At the same time, other lines of business, including milk and nutrition, started to get impacted – and for 5 months running, sales teams had to pull Nestlé products off the shelves, instead of aggressively pushing them. For any sales team, this itself was a 'unlearning in high gear, to learn anew'. Yet the company decided to weather this storm, refusing to terminate a single employee. Slack time was made up for with training programmes, or reassignment to other tasks. Staying true to one's culture is key – in Nestlé's case that was centred on purpose, values, respect and dignity and any other route, even if more practical, would have weakened the glue that held the company together.

**S**taying true to one's culture in key - in Nestlé's case, that was centred on purpose, values, respect and dignity



### **...and it will be returned manifold, from across quarters...**

Not a single employee expressed any unhappiness or disgruntlement publicly, such as on TV.

Nestlé's suppliers and distributors too were suffering badly, but tellingly again, there was not one industrial-relations incident – the unions stood solidly by the firm – and there was not one case of a partner going to court over 'lost business'. What helped greatly was constant engagement and communication – letting people know that Nestlé would not, after being in India for over a century,

turn tail and run away.

Rebuilding consumer and shareholder trust was key – and again, this required clear, transparent messaging. Brand stickiness is tested most in crisis. In Maggi's case, decades of painstaking engagement, communication and brand building now came hope to positive roost. Consumers launched a 'We Miss Maggi' social media campaign of their own accord. As a masterstroke – one not without a risky flip side given that it may be a fundamental rule of advertising not to market yourself when you have no products on the store-shelf - Nestlé decided to run a 'We Miss You Too' campaign. Very quickly, the campaign received 10 million hits, validating the fact that consumers remained solidly behind the company. (Today, trust levels are back up to over 90 per cent – impressive for a brand that was 'clinically dead' in a very real sense.)

With shareholders, the key was to be transparent – making clear that Nestlé had all the right intentions. Eventually, its stand was vindicated, with the courts coming down heavily on regulators for their testing procedures, equipment,

## **WHAT NESTLÉ MIGHT HAVE DONE DIFFERENTLY...**

Right from the start, there were question marks around both, the testing procedures that were used (glutamates occur naturally when ingredients like onion and wheat are combined, and the same test is used to detect both glutamates and MSG) and their veracity. (Samples that were meant to go to Kolkata found themselves in Shimla, and a procedure that was meant to take 3-4 days ended up taking 4 months.) Being a very 'European' company, Nestlé expected that if the tests had thrown up some irregularities, the correct next step would be a dialogue with the inspector, followed, if necessary, by a second test. Nestlé's global practice is to

only hold direct discussions with the authorities, and never to use the media to try and influence matters. Moreover, with a deep culture of food safety, it took it for granted that no one would actually question the quality of the food it sells. Its view of the external environment may have been somewhat naïve, but one built around the belief that, so long as it diligently went about its work, things would turn out fine. On multiple counts, then, Nestlé was unprepared for the firestorm that occurred.

For Nestlé's leadership, a key learning from the crisis was the importance of being less reticent, and more willing to engage, including with the media. The

'duality of communication' that took place during the crisis is something alien to its culture. In the last two years, though, the company has made itself more accessible, actively reaching out, but within clear guardrails. It has also become far more digital-savvy, continuously monitoring feedback, such as customer responses, through a 24x7 multi-channel facility. Nestlé has even set up its own digital content studio, allowing it to generate content in-house at short notice, rather than having to depend on outside resources. By accelerating these skills internally, it hopes to be better prepared the next time a storm hits as storms will any company in today's times.

and capacity. A product that has previously been cleared by food regulators everywhere from the US and the UK, to Hong Kong and New Zealand, was back on the shelves.

## MEETING THE TRANSFORMATION CHALLENGE...

***The ordinary will achieve the extraordinary, if you but give them a chance***

What happened to Nestlé could have been a death-knell. Instead, its leadership used it as an opportunity to bring transformative change. The single, overriding priority was to restore the Maggi brand – really the ‘heartbeat’ of Nestlé in India – and in so doing, give back to its people a sense of purpose. The court judgement came in August, and Nestlé decided to re-launch Maggi on the 8th of November as a gift pack for Dhanteras. The timelines were exceedingly tight: suppliers, farmers and distributors had to be re-activated, procurement

**R**ather than being a death-knell for the company, the crisis became an opportunity to bring lasting change



channels dusted off, and production machines stabilised. Without seeking – or receiving – citations or rewards, Nestlé’s people went on over-drive, riding in trucks with the produce they had bought to reach it to manufacturing locations and reactivating disrupted supply chains. In a short span, a set of perfectly ordinary people achieved something quite extraordinary.

### ***Never take success for granted...***

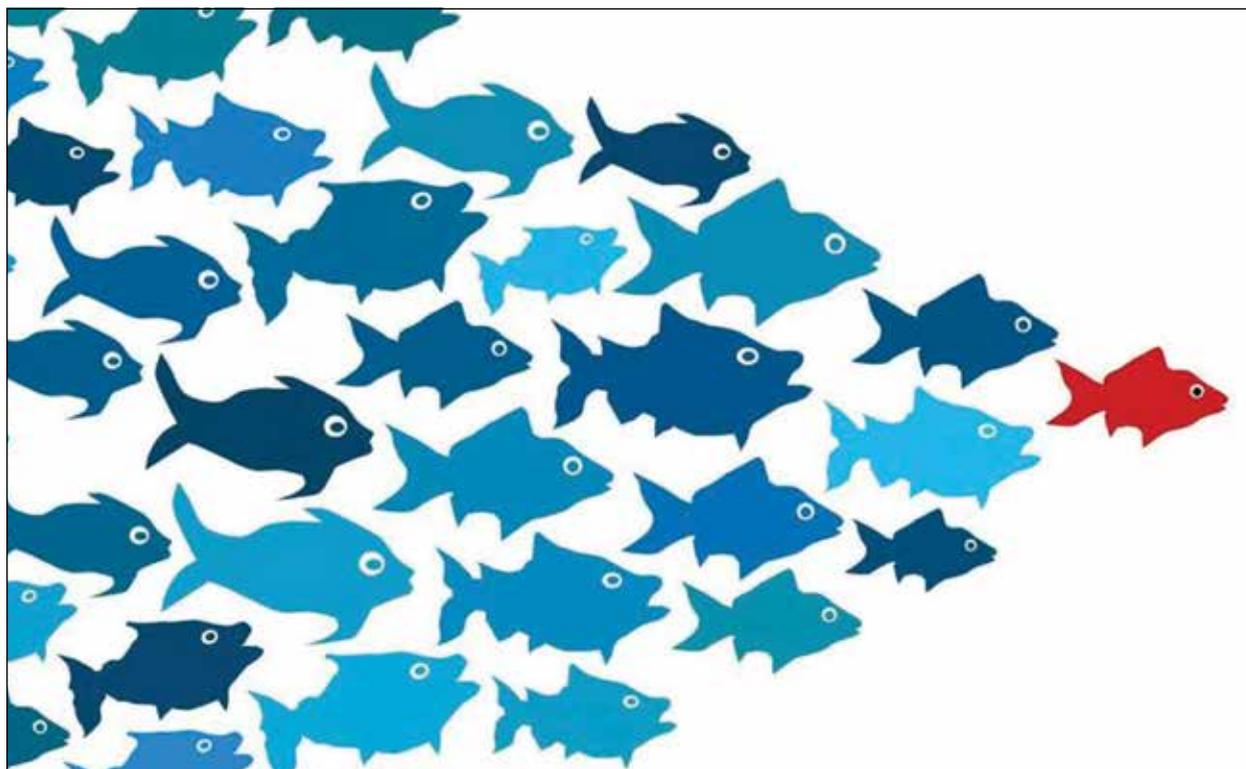
The crisis proved that sometimes, even a well-run company needs a

‘shake-up’. Often, businesses take their success for granted, but when something like this happens, it can be leveraged to re-energise and recalibrate the business, and to truly question whether it possesses the right processes and mindsets.

### ***...and unlearn to learn***

For Nestlé, this meant recognising that millennials – 70 per cent of the organisation – needed to be empowered. (While ‘elders’ can sometimes come with the ‘blinkers of experience and the cataract of perception’, youngsters tend only to see the future, even if incompletely sometimes.) Processes had to be tweaked, and a ‘fast, flexible, focused’ mindset internalised. By engaging and empowering its people, and ensuring a ‘leaner and fitter’ structure, it came out stronger than ever, with a spate of new products on the market, and its lowest attrition rates in a decade – under 2 per cent among its high-potentials.

In the final analysis, the crisis



## TEN PRINCIPLES OF CRISIS MANAGEMENT

1. **Embrace the opportunity in adversity**, sending your 'best and brightest' to face it. They might actually learn more from a tough 2-year assignment than from a 20-year career.
2. **Don't be afraid of uncertainties**, because they will hit you at some point.
3. **Teamwork and collective achievement drive credibility**. There is too much emphasis on individual achievement, but true leadership is always about teamwork.
4. **Always strive for a 'can do' rather than a 'will try' attitude** – encourage those who get the job done, and those who come with 'fire in the belly'.
5. **People are at the centre of everything you do**. If you have to choose between strategy and people, better on the latter, because they are the ones who will deliver it.
6. **Volatility is a reality**. Keep a Plan B ready, and constantly nurse and update it.
7. **Never lose the 'winning spirit'**.
8. **Keep your eyes on reality**, in good times, and especially in bad times. Coloured lenses and vested interests will get in the way, but the buck stops with you.
9. **Constantly communicate**, and never assume that people 'know things'. Take the time to speak to people, if necessary one-on-one. Everyone needs nurturing, and to feel trust that the crisis will pass.
10. **Keep to your values** – in bad times, it is what gets you out of trouble.

## Transformative change requires facing reality, strong structures, unity, a positive mindset, and leaders who 'Walk the Talk'



turned out to be an advantage for the overall regulatory system. So defining a moment in the food processing industry was it, in fact, that people now refer to India's food regulatory framework as either 'Pre-Maggi' or 'Post-Maggi'. Thankfully, there is now much greater trust and openness between industry and the FSSAI, labs have been upgraded, and there is today a true willingness to partner with business.

### ...AND EMBRACING IT

Transformative change is something that is always easier said than done. Doing so requires, first and foremost, the ability to face reality. Getting out of a hole means first seeing one's situation for what it is, and not allow sycophants to convince you that there is no crisis. What is key is to have a healthy share of 'naysayers', to shuffle teams around, but most of all, to be willing to listen to contrarian views. Too many leaders, unfortunately, fail to do this. Also critical is having the right structures, including at the n-1 level, and the right kind of people who truly understand how their corner of the world 'works'.

Unity is another key attribute – in fact, crises tend to deepen when people starts to blame everyone else. Teams either swim together or sink together, so breaking down siloes and holding together is absolutely critical. Having a winning mindset is also important, but this should

not mean straying down the route to bravado.

A positive mindset comes through in everything from body language, to how decisions get made and communicated – and it can certainly 'energise the troops'. Constant engagement is essential, too. A firm that is transforming itself can, in the absence of clear directions, become a den of rumour mongering. People get worried about 'who is in and who is out', and this can literally tear apart the organisation's cultural fabric. On a related note, communication, both internal and external, deserves time and attention. No matter how good one's strategy may be, if a frontline salesman is not able to explain it to a retailer or customer, the battle is already lost.

Leaders need to walk the talk, demonstrating empathy, concern, and patience. All too often regrettably, this is missing in a crisis. At the core, managing crises is usually about the 'small things'. In this regard, it is not that the company is technically ill-equipped, but emotionally so – and this simply cannot work in bad times. In an increasingly volatile world, leadership training, then, should be about managing turbulence. In the same vein albeit more practically, celebrating the small wins also counts. This keeps the spirit up, and leads people to do bigger and better things. Finally, envisioning the journey – painting a compelling picture of where the organisation will be in two years, but without resorting to platitudes – can be energising. This is squarely the one overriding task of leaders, one that cannot be 'farmed out' and one that will demand both heart and mind in their entirety in order to energise teams to achieve bigger dreams. ■

*This article is based on discussions in New Delhi with Suresh Narayanan, Chairman and Managing Director, Nestlé India, in September 2017*