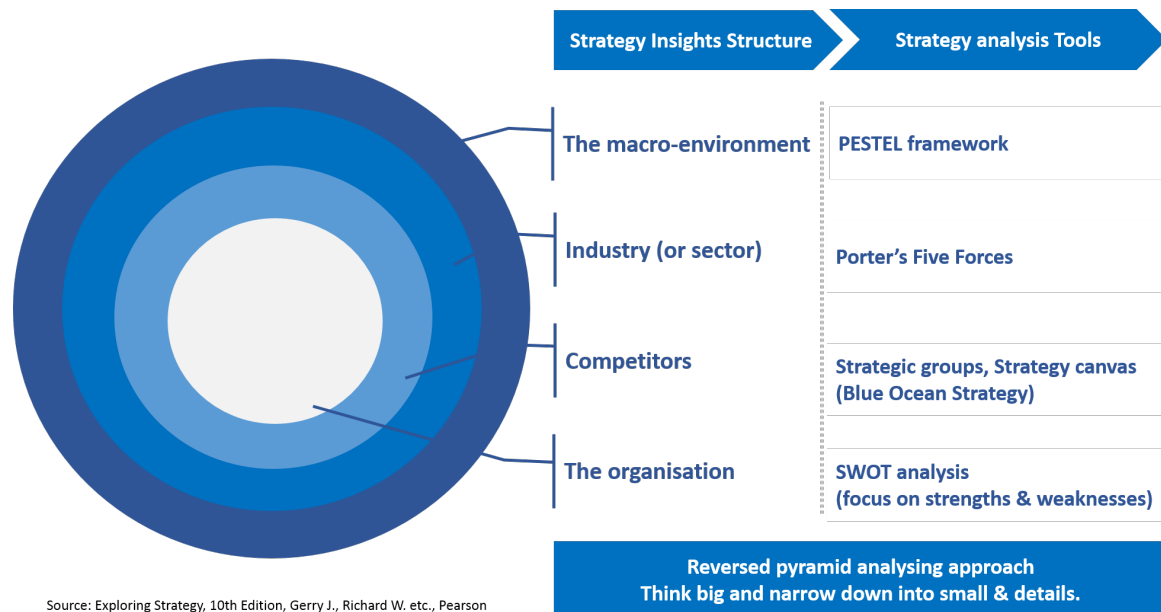## Conversations with Unilever

- Business has driven economic growth throughout the world over the past hundred years.
- The way we live today and have been living over the past hundred years is unsustainable.
- Governments are struggling to devise solutions to sustainable living; NGOs lack resources.
- Business plays a very critical role in addressing global social and environmental challenges.
- Business must work to solve those world problems created by the consumption of society; stakeholders must work together, sharing resources and efforts, to solve these problems.
- Sustainable growth is crucial as third-world countries are emerging as consuming classes.
- Unilever emphasises sustainability in their vision to <u>make sustainable living commonplace</u>.
- Unilever delivers their vision through their <u>Unilever Sustainable Living Plan</u> which involves a time-bound set of goals aimed at growing the business while improving peoples' livelihoods, health and hygiene, and also reducing the business's environmental footprint; the Unilever Sustainable Living Plan seeks to enhance the lives of millions within business; by 2020 they aim to improve health for one billion people and halve their natural impact.
- The 3 core goals were expanded into 7 commitments ('pillars') and broken into over 50 S.M.A.R.T. targets; these broad goals and specific targets translate into a business model.
- Unilever aims to sustain business growth while increasing social impact and reducing environmental footprint, in an effort to prosper in this highly volatile and complex world.
- Unilever has moved away from the notion of Corporate Social Responsibility as it implies a philanthropic approach to sustainability; the entire business is instead a force for good.
- The Unilever Sustainable Living Plan aligns with the 17 UN sustainable development goals.
- CEO Clive Stiff stresses thinking about business opportunities with sustainability at heart.
- Unilever products are in about half of households worldwide; CEO Clive Stiff says this is a basis for two billion opportunities to make a difference in the world every day of the year.
- The Unilever Sustainable Living Plan is a crucial part of the company's business model; the Sustainable Living Plan reduces cost, reduces risk, drives growth and also builds trust; Sustainable Living brands which actively pursue sustainability have grown 40% faster than other Unilever brands, avoided six hundred million euros worth of costs since 2008, reduced risk through sustainable resources, and built trust (top employer in 34 countries).
- *Dove*, one of Unilever's brands, is the world's number one self-esteem education provider.
- Unilever takes into account the megatrends impacting the business in everything they do; Unilever is finding it difficult to source particular raw materials because of climate change; climate change causes three hundred million euros worth of additional expenses annually.
- Unilever enables and empowers its employees in teams rather than just instructing them.
- Each team at Unilever is collaborative and works with each other to make sound decisions; team members are passionate and entrepreneurial with an overwhelming desire to 'win'.
- The small, flexible and purpose-driven Sustainable Business & Communications team lead by Emma Peacock operates within a fast-paced environment, so team members work very closely with one another; the team works tightly with the Unilever Sustainable Living Plan.
- These people with passion, purpose and ability are Unilever's most valuable resource; the marketing and innovation of Unilever's portfolio of market-leading brands is a huge asset.
- Unilever works to ensure that consumers, a key external influence, believe in their vision.
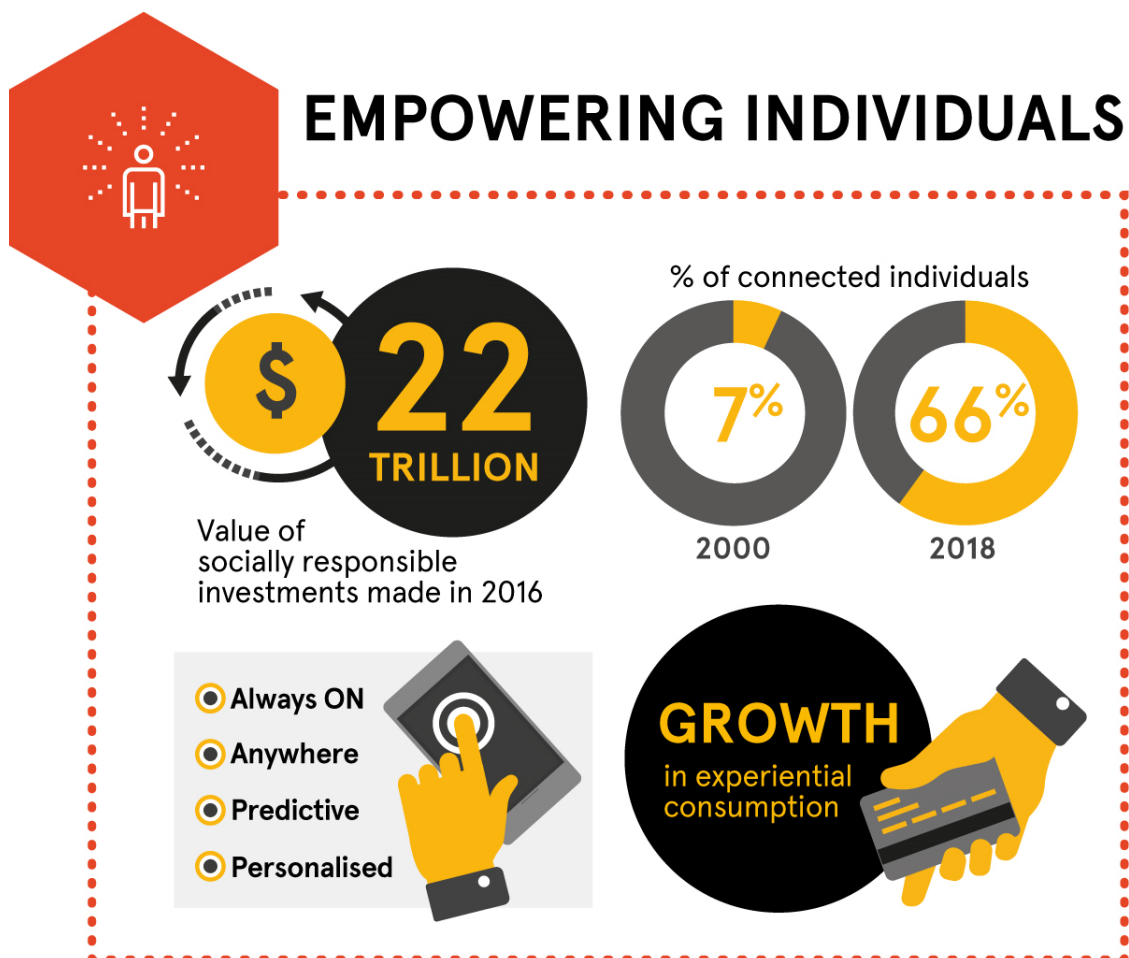
The Environment

- While the environment gives organisations a means of survival, it is also a source of threats.
- In the private sector, satisfied customers are what keep an organisation in business; in the public sector, it is government, clients, patients or students that typically play this role.
- Managers must analyse environments to anticipate and influence environmental change.

Strategy Insights Structure	Strategy analysis Tools
The macro-environment	PESTEL framework
Industry (or sector)	Porter's Five Forces
Competitors	Strategic groups, Strategy canvas (Blue Ocean Strategy)
The organisation	SWOT analysis (focus on strengths & weaknesses)

**Reversed pyramid analysing approach
Think big and narrow down into small & details.**

Source: Exploring Strategy, 10th Edition, Gerry J., Richard W. etc., Pearson

- The <u>macro-environment</u> consists of broad environmental factors that impact to a greater or lesser extent on almost all organisations; the *PESTEL framework* can be used to identify how future trends in the *political, economic, social, technological, environmental* and *legal* environments might impinge on organisations, and thus recognises key drivers of change.
- <u>Industry</u> (or <u>sector</u>) is made up of organisations producing the same goods or services; the *five forces framework* is particularly useful in understanding the attractiveness of particular industries and the potential threats external to the present set of competitors.
- <u>Competitors</u> and <u>markets</u> are the most immediate layer surrounding organisations; the concept of *strategic groups* can help discern between close and more remote competitors.
- The **PESTEL framework** provides a comprehensive list of influences on the possible success or failure of particular strategies: *politics* highlights the role of governments; *economics* refers to macro-economic factors; *social* influences include changing cultures and demographics; *technological* influences refer to innovations in this field; *environmental* stands specifically for 'green' issues; and *legal* embraces legislative constraints or changes.
- It is important for managers to analyse how these factors are changing now and how they are likely to change in the future in order to draw out implications for the organisation.
- Key drivers for change are high-impact factors likely to affect success or failure of strategy.
- Identifying key drivers for change helps managers focus on those PESTEL factors most important and of the highest priority; this will allow for effective action to be undertaken.
- Scenarios are detailed and plausible views of how the business environment of an organisation might develop in the future based on those uncertain key drivers for change.

Empowering Individuals

- Tremendous technological advances, ubiquitous connectivity, and improved access to education and health are empowering individuals across the world; social platforms have fundamentally changed the way people communicate, interact, and organise their lives.

- People are siezing the opportunities offered by digital advances with entrepreneurship driven by opportunity rather than necessity in both developed and emerging markets.

- From the way people share and organise information, to the way they fund new ventures, and to the way in which they facilitate collaborative consumptions, there is an increasing expectation for experience, personalisation and customisation in everything that we do.

- Access to information anywhere and anytime changes not only the way we consume, but also the way we interact with companies and the degree of influence we have over them.

- This megatrend will vary substantially across different regions and may have unintended, opposing consequences; those who do not yet have access to the sheer ubiquity of technology and connectivity that most of us do have will feel increasingly disempowered.

- This megatrend is accelerating as more individuals are connected to internet services and also as large social platforms are inventing new ways to draw people into their ecosystem.

- New forms of organisation such as the gig economy also raise new questions concerning the responsibilities of business and the status of workers as employees or self-employed.

- We need to understand, create and imagine new ways in which people are empowered to organise and live their lives, create new businesses/workplaces and shape existing ones.

EMPOWERING INDIVIDUALS

$22 TRILLION

Value of socially responsible investments made in 2016

% of connected individuals

7% — 2000

66% — 2018

- ◉ Always ON
- ◉ Anywhere
- ◉ Predictive
- ◉ Personalised

GROWTH in experiential consumption

- The institutional environment of EEs provides less incentive for organisational stakeholders to invest in firm-specific intangible assets (problem for firms in EEs hoping to use an RBV).
- Political connections, corruption or deceptive practices may come to be a very important source of a firms' competitive advantage in EEs (their valuable resources under the RBV).
- The firm as a *nexus of contracts* explains firms' competitiveness by exploring the transactions that go into specifying and enforcing contracts; the central message of the nexus of contracts theory is that creating and enforcing efficient contracts reduces transaction costs and that efficient contracts can be a source of competitive advantage.
- A strategy derived from a nexus of contracts playbook would attempt to gain an advantage by maximising efficiency in contracts and transactions; this process would involve determining which parts of the value chain could be outsourced given a firm's competitive advantage, and how its costs of transacting compare with those of its rivals.
- The sometimes prohibitively high transaction costs in EEs have three main implications: EE firms will attempt to economise on transaction costs by having more vertical integration and less outsourcing for activities in the value chain; assets will not have as much transaction specificity; and hybrid organisational forms will be more prevalent.

Table 1 Theories of the firm and strategic decisions in emerging economies

Theory of the firm	Basis for strategic choices	How strategic choices are altered in emerging economies
Neoclassical theory of the firm: Views firm as production function, with competitive advantage coming from barriers to entry or protectable niches in the industry.	Managers should attempt to choose attractive industries and then erect barriers to new entrants and improve bargaining power with suppliers and buyers to extract quasi-monopoly rents.	Institutional structure is less stable in emerging economies making it more difficult to plan, analyze and implement strategies. The weak institutional structure may allow more socially-unproductive means for firms to lock out competitors, improve bargaining power, or build scale as a national champion.
Resource-based view of the firm: Views firm as a bundle of heterogeneous resources, with emphasis on acquiring resources that are valuable, rare, and costly to imitate.	Strategies based on RBV would nurture firm-specific resources to obtain core competencies and other capabilities or resources that rivals cannot easily imitate or acquire.	The institutional environment of emerging economies offers fewer incentives for organizational stakeholders to invest in firm-specific organizational capital required for core competencies. This makes it more difficult for indigenous firms from emerging economies to compete in higher value-added industries or activities.
Firm as a nexus of contacts: Views the firm as nexus of contracts, with emphasis on reducing transaction costs for internal and external organizational stakeholders.	Contracts should be specified in such a way to reduce transaction costs, both externally and internally. Firms able to keep transaction or monitoring costs lower than rivals should have a competitive advantage, *ceteris paribus*.	Contracts are harder to specify and enforce in emerging economies, making transaction costs much higher. This likely expands firm boundaries and induces quasi-organizational forms such as business groups. Concentrated ownership and principal-principal corporate governance forms are more commonplace.

Why Design?

- Gifted designers combine an aesthetic sensibility with deep capabilities for visualisation, ethnography and pattern recognition that are well beyond the grasp of most other people.
- Design starts with empathy, establishing deep understanding of those being designed for; it means knowing customers as real people with real problems, not seeing them as targets for sales or as a set of demographic statistics around age, income level or marital status; it involves developing understanding of both their emotional and rational needs and wants.
- Taking design seriously means acknowledging the difference between what scientists do and what designers and growth leaders do; whereas scientists investigate today to discover explanations for what already is, designers invent tomorrow to create something that isn't; to get to growth we must create something in the future that is different from the present.
- Designers expect to iterate towards increasingly better answers through prototyping; they understand that successful invention takes experimentation and that empathy is hard won.
- Business thinking assumes rationality and objectivity; its decision driver is cold and clean economic logic; reality is precise and quantifiable; answers are either 'right' or 'wrong'.
- Design assumes instead human experience, always messy, as its decision driver and sees true objectivity as an illusion; reality, for designers, is always constructed by the people living it; decisions in this world are seen as driven by emotion more than logic; desire is seen as a more powerful motivator than reason; answers are either 'better' or 'worse'.

	BUSINESS	DESIGN
Underlying Assumptions	Rationality, objectivity; Reality as fixed and quantifiable	Subjective experience; Reality as socially constructed
Method	Analysis aimed at proving one "best" answer	Experimentation aimed at iterating toward a "better" answer
Process	Planning	Doing
Decision Drivers	Logic; Numeric models	Emotional insight; Experiential models
Values	Pursuit of control and stability; Discomfort with uncertainty	Pursuit of novelty; Dislike of status quo
Levels of Focus	Abstract or particular	Iterative movement between abstract and particular

- Business needs design in today's increasingly fast-paced and unpredictable environment:
  - Design is all about action, but business too often gets stuck at the talking stage.
  - Design teaches us how to make things feel real, and most business rhetoric today remains largely irrelevant to the people who are supposed to make things happen.
  - Design is tailored to dealing with uncertainty and ambiguity, but business's obsession with analysis is much better suited for a stable and a predictable world.
  - Design understands that goods and services are bought by human beings, not target markets segmented into demographic categories (e.g. age and gender etc.).
- Designers have developed tools including those of journey mapping and prototyping with the intention of helping them to actively manage the uncertainty they expect to deal with.
- 'Designated doubter' may slow down innovation but are important for prudent decisions.