

Table of Contents

Abstract.....	2
1.0 Part 1: Application of 5P's.....	3
1.1 Strategy as Position	3
1.2 Strategy As Plan.....	4
1.3 Strategy as Perspective	5
1.4 Strategy as Ploy.....	6
1.5 Strategy as Pattern.....	7
2.0 Part 2: Critical Evaluation	8
2.1 Strengths.....	8
2.2 Weakness	9
References.....	11
Appendix 1: Unilever Sustainable Living Plan.....	12

GOESSAYS.COM

A Critical Assessment of Unilever's Strategy

Abstract

Unilever, one of the world's largest fast moving consumer goods (FMCG) companies today, operates in more than 190 countries with more than 2 billion consumers using their products daily (Unilever, Annual Report, 2015). Because of Unilever's reach, it was reasoned that this would be useful company in order to analyse and apply the five 'P' strategy framework that was suggested by Mintzberg (1987). In order to execute the analysis, secondary sources, mostly from the company's annual report, some from its sustainability reports and some from its website, are used. Moreover, news articles and market databases are used to gather information. After analyzing the five P's, a critical evaluation of the strategy is given in order to assess the strengths and weaknesses of the approach. The overall argument of work is that Unilever does demonstrate all aspects of the five P's, with the positioning operationalised through differentiation, we resources such as knowledge and technology are employed in a way to build innovative capabilities, and strategy is used as a plan in order to give direction and provide the organisation with a platform for growth for the future. Strategy is also a perspective in that Unilever is an adhocracy so that innovativeness is encouraged. Strategy is a operationalized as a ploy in order to deter up-and-coming local competitors. Through the execution of the five P's, then, Unilever has been able to establish itself as a powerhouse in an industry that is highly competitive.

1.0 Part 1: Application of 5P's

1.1 Strategy as Position

Working from the strategy as position perspective, the goal is to try to position the company in a certain space against competitors. This may be done, relying on the generic framework strategy articulated first by Porter (2013), by focusing on cost, i.e. cost leadership, by differentiating the company so that the products or services are more attractive than that of the competitors (Johnson, et al, 2011). Then, there is the focus strategy where a company tries to appeal to a unique set of customers and their needs. Unilever could be argued to have a differentiation strategy (Porter, 2013). The reason is because; in order to make a differentiation strategy realisable it requires research and development as well as the ability to produce good quality products and services. Unilever makes this happen as it relies on a wide variety of resources to achieve this. One is knowledge, facilitated through an open innovation approach that enables it to source ideas throughout the world (Marketline, 2015). Another is the research and development, which it invests in substantially (\$1.3 billion in 2014 with six R&D laboratories that employ more than 6000 professionals), and is the reason why the company has more than 20,000 patents registered (Marketline, 2015) R&D is also used in order to develop breakthrough technologies, like the pyramid shaped teabags and yellow label of key that enables it to preserve the essence of freshly picked tea leaves (Marketline, 2015). These capabilities enable the company to launch new products market value and having a range of variations in its existing products. This means that it is able to stay ahead of rivals in the consumer goods market. It also means that they have a very strong brand portfolio that helps them maintain its market leadership (Aaker, 2009). As a result, differentiation can be said to exist because of the emphasis that the company gives to innovation.

The price points of their products tend to be a bit higher than competitors (Peng, 2008), though it does localised or jobs in the different markets where efforts around the world, ensuring them both quality and attractiveness to consumers globally. As the CEO was quoted as saying in the financial Times Unilever products "are more premium in price but offer significantly better benefits" (Daneshkhu, 2014, p. 1). The higher price points are possible, as reflected in the strategic position, because of the power they have, commanding for instance more than 20% of the condiment market and 30% of the ice cream market in the UK (Dow Jones, 2013). As a result, the evidence that is available suggests this is an organization, which differentiates itself on the quality and scope of its products, as well as the price.

1.2 Strategy As Plan

Strategy as plan refers to the ways in which various planning tools may be used in order to assist with the strategy formulation process. Unilever does prefer to engage in planning. This can be seen in for instance the launch of the Sustainable Living Plan (see appendix 1) in 2010, which was the result of more than a year's worth of preparation. It involves a simple vision to "make sustainable living commonplace", which means committing themselves to sustainability by providing consumers "with the products they need to look good, feel-good and get more out of life" (Unilever, Our Visions, 2016). This strategy was not something that simply evolved from a pattern of previous action, i.e. it was not emergent.

To give evidence of this, the chief executive, Paul Polman, told *The Guardian* (Finch, 2010) specifically that it was "decoupling" from the previous environmental aims and objectives in order to erect a new business model that was more proactive in taking responsibility in terms of what it was doing to the planet and consumers. Specifically, Polman saw this as an opportunity

to respond to what consumers want and what they expect, which is more for company is addressing environmental and social issues like climate change, food shortages, etc, and Polman also thought the new strategy would help to improve the image of business, which had been delivered a series of blows (Porter & Kramer, 2011) in years prior to the launch of the strategy. Moreover, by referring to interviews with the company's CEO (Daneshkhu, 2014), it is clear the basic install the plan was necessary in order to come sustain itself over the long-term. Recognising for instance that 75% of sales with an emerging market, and that 80% of the world population will be living in emerging market, it is necessary for the company embrace sustainability to move the company forward and ensure longevity (Daneshkhu, 2014). In planning and launching the strategy, however, the firm needs be careful to make sure that this is something that they are actually living, breathing and walking every day, because if not the firm can be accused of greenwashing (Delmas & Burbano, 2011). It can have a negative impact on the equity of brands as well as profitability levels and long-term.

1.3 Strategy as Perspective

The respective element of strategy refers to the ways of thinking and behaving within a firm. It relates closely to the organisational culture. Organisational culture is a concept emerged in research in the late 1970s (Pettigrew, 1979) and there are various definitions (Reis, et al, 2016). Some focus on rules, norms and rituals (Trice & Beyer, 1984) in the firm's to shared ideologies and beliefs. At Unilever, the values are set to define how they conduct themselves and interact with others on a day-to-day basis. The company website cites integrity, responsibility, respect and pioneering as their core values (Unilever, Purpose, values & principles, 2016). The 'pioneering' aspect that is mentioned here, in addition to how it is operationalized in practice as discussed earlier in the positioning section, would suggest that Unilever's culture is more

'adhocracy' oriented (Cameron & Quinn, 2008) in that it is willing to take risks and values innovation, in contrast to a bureaucratic or 'hierarchical' culture which tends to favor control and coordination. Indeed, the empirical literature (Naranjo-Valencia, et al, 2011) has suggested that the organizational culture is the major variable in determining whether a firm is able to develop an innovative or imitation orientation. As discussed earlier, it seems that the organization is using the tidying values in order to make a better society. So this drives everything the company does, from its marketing strategy, where the products are focused on wellness or being good for the environment and it also influences planning, since the entire planning stages for everything the company does is focus on identifying opportunities for sustainability.

1.4 Strategy as Ploy

This perspective suggests that some companies might try harming competitors by influencing them (Mintzberg, 1987). This is by strategy can be identified as the ploy. For Unilever, the ability to engage in this may be particularly important, especially considering that they face competition from other large organisations like Procter & Gamble as well as Reckitt Benckiser, while also facing smaller competitors in the local regions where the operator on the world (Hoover, 2016). In fact, that is the competition from local companies that have contributed to a decline in sales, from 5.6% to 2.9% in 2012. However, Unilever tries to minimize the risk by engaging in acquisitions (Daneshkhu, 2014). For instance, this has been pursued in China and Russia where is purchased a water business and a beauty business respectively. However, analysts feel that they could be doing more, engaging in more acquisitions or possibly mergers, in order to limit the influence of the competition. The company's annual report in 2015 however indicates they have gone through a series of acquisition including Prestige, Dermalogica, REN and others in order to expand its portfolio and of course, to make sure local competition is not

present much of a threat. So it does seem that they are working on furthering the category of building its product ranges through acquisitions.

1.5 Strategy as Pattern

The strategy pattern perspective would draw attention to the fact that strategy is something that is not necessarily designed, as the early rational school of strategy and management have that, where theorists like Porter and himself contributed significantly to this perspective (Whittington, 2003). Instead, when it was suggested that strategy emerges because of the actions or behaviors that managers are based over time (Whittington, 2003). In trying to determine whether this is relevant for Unilever, it is difficult to do without directly talking to the managers. However, company reports (annual reports, company websites) were consulted to try to find possible decisions that are made which later became larger strategies. There is no evidence for this.

Also, search terms were entered such as 'emergent strategy' 'Unilever', and little evidence returned here, too. Perhaps there may be a case made for this in terms of its brand management though. Because the report discussing them the emergent strategy of global food company in the 1990s suggested that its large food corporations like Unilever focus on brands and marketing, they might be able to generate a large portion of their from these intangible assets while outsourcing non-value added activities like packaging to subcontractors (Brannon, et al, 2004). This was a practice that Naomi Klein (1999) was very critical of her work, *No Logo*.

2.0 Part 2: Critical Evaluation

2.1 Strengths

The company's strategy seems to provide a solid action forward. On the one hand, the strategy sets out a clear vision and mission to direct the actions of the company and its subsidiaries worldwide. This is not that all companies are able to achieve, with good mission and vision statements often being elusive and that they are difficult to find and difficult to create (Whittington, 2003). In fact, its entire value chain (Porter, 2008) is structured around this purpose, for instance it has the R&D missions to build brands that are "benefit led" (Unilever, Our Strategy, 2016), sourcing strategy that focuses on procuring sustainably sourced materials, manufacturing approach that invest considerably in the coproduction, a logistics system that works to reduce CO2 emissions and marketing and sales that is meant to appeal to consumers throughout the stages of decision-making.

Focusing on sustainability provides also of directly to try and capture value in emerging economies where the company has a considerable, of focus, some 57% of the group's turnover derives from this category (Marketline, 2015). So whether it is creating butter that is fortified with different vitamins or Africa or something else, the sustainability focus provides it with useful way to come up with products that are localised to meet the unique health, wellness or sustainability issues that are affecting people in the various regions where they operate (Unilever Annual Report, 2015). This way they are essentially profiting from the problems in society by providing products that try to fix them. As a result, Unilever executives were able to realised that doing good for society does not necessarily mean they are being economically irresponsible as

Firedman once argued but, in fact, quite the opposite, they were capitalising on and profiting from societal problems (Baines, 2014).

Also, another strength of Unilever's strategy is that it embraces a model that relies on the collaboration with other stakeholders. This can be especially helpful in preventing against what some have called 'strategic drift', referring to land managers become "captured" (Johnson, et al, 2008, p. 35) by their own internal circumstances so that they 'drift away from the realities of the environment' and develop only an internal view of the world. Because in previous cases where this has happened they can meet financial downturn and possibly the decline of the organization as a whole, like with Blackberry for instance, so it is good that they have a strategy that tries to avoid this. In fact, in years prior, one scholar (Jones, 2002) was able to find evidence for a strategic drift, citing that the company had become too focused with cost from the 1950s to the 1980s, and the focus on the bottom line continued even when there were many arguments presented for investment for innovation to respond to changes in the market, clearly one of the capabilities that it has been able to develop today. So avoiding repeating mistakes of the past is something that the company has been trying to work on for the past few years.

2.2 Weakness

One particular weakness that might be associated with the company's strategy is that a great deal of its focus so far has been ensuring that products are available at physical destination sites and thus it has taken over the possibility of taking advantage of e-commerce (Armitage, 2015). While this has served the company well so far, some express concern how the organisation will cope with the rise of e-commerce. Online stores, as a result of distribution scale, are able to give individuals more choice than perhaps Unilever's market ranges. Other concerns that the

company's strategy is that it is too much dependent in emerging market, where volatility in the macro environment may have a negative effect on disposable income (Marketline, 2016). Also, as the firm has engaged in more expansion, there is still concern that is to focus on the premium market, ignoring opportunities in perhaps lower-cost brands and products (Marketline, 2016). So these are some of the problems that have been associated with the strategy.

Executives will likely take stock of these issues considering that planning and analyzing the environment is something that they do take seriously. As it continues forward, it would do well to focus on health and wellness personal and home care market considering the compound annual growth rate of the sectors are expected to grow in the future while also dealing with possible threats, including the rise of counterfeit goods and making sure that provisions are in place in order to shield against fluctuations in foreign currency (Marketline, 2015).

References

- Aaker, D.A. (2009). *Brand portfolio strategy: creating relevance, differentiation, energy*. Simon and Schuster.
- Armitage, J. (2015). Will Unilever struggle in the competitive new world of ecommerce?. *The Independent*.
- Baines, P. (2014). *Doing good by doing good*. John Wiley.
- Brannin, M.J. et al. (2004). *Branded Lives: The Production and Consumption of Meaning at Work*. Edward Elgar.
- Daneshkhu, S. (2014). Stiffest competition from local business, says Unilever chief, The Financial Times. [online] Available at: <https://www.ft.com/content/38ec7140-17d6-11e4-b842-00144feabdc0>
- Delmas, M.A., & Burbano, V.C. (2011). The drivers of greenwashing. *California Management Review*, 54(1), 64-87.
- Dow Jones. (2016). Emerging Markets. [online] Available at: <http://www.nasdaq.com/article/unilever-growth-slows-on-competition-in-emerging-markets-20161013-00108>
- Fench, J. (2010). Unilever unveils ambitious long term sustainability programme. The Guardian. [online] Available at: <https://www.theguardian.com/business/2010/nov/15/unilever-sustainable-living-plan>
- Hovers. (2016). Unilever. [online] Available at; <http://www.hoovers.com/company-information/cs/company-profile.unilever.f5614c5e74535482.html>.
- Jones, G. (2002). Control, performance, and knowledge transfers in large multinationals: Unilever in the United States, 1945-1980. *The Business History Review*, 76(3), 435-478.
- Marketline. (2015). Unilever SWOT Analysis.
- Marketline. (2015). Unilever SWOT Analysis.
- Mintzberg, H. (1987). The strategy concept I: Five Ps for strategy. *California Management Review*, 11.
- Peng, M.W. (2008). *Global strategy*. Cengage Learning.

Pettigrew, A.M. (1979). On studying organizational cultures. *Administrative Science Quarterly*, 24(4), 570-581.

Porter, M. (2013). *On competition*. Harvard Business.

Porter, M.E., & Kramer, M.R. (2011). Creating shared value. *Harvard Business Review*, .1

Reis, G. et al. (2016). Perceived organizational culture and engagement: the mediating role of authenticity. *Journal of Managerial Psychology*, 31(6), 1091-1105.

Trice, H.M., & Beyer, J.M. (1984). Studying organizational cultures through rites and ceremonials. *Academy of Management Review*, 9(4), 653-669.

Unilever Purpose, values & principles. (2016) [online] Available at: <https://www.unilever.com/about/who-we-are/purpose-and-principles/>


Unilever, Annual Report. (2015). [online] Available at: https://www.unilever.com/Images/annual_report_and_accounts_ar15_tcm244-478426_en.pdf.

Unilever, Our Strategy. (2016). [online] Available at: <https://www.unilever.com/about/who-we-are/our-strategy/>.

Unilever, Our vision (2016). . [online] Available at: <https://www.unilever.com/about/who-we-are/our-vision/>

Whittington, R. (2003). *What is strategy - and does it matter?*. Cengage Learning.

Appendix 1: Unilever Sustainable Living Plan





Improving Health and Well-being

By 2020 we will help more than a billion people take action to improve their health and hygiene.




Reducing Environmental Impact

By 2030 our goal is to halve the environmental footprint of the making and use of our products as we grow our business.



Enhancing Livelihoods

By 2020 we will enhance the livelihoods of millions of people as we grow our business.



Source: Unilever Sustainable Living Plan. (2016). [online] Available at: <https://www.unilever.com/sustainable-living/the-sustainable-living-plan/>

GOESSAYS.COM