

APPLIED ASPECT OF CORPORATE SOCIAL RESPONSIBILITY IMPACT ON COMPANY COMPETITIVENESS (UNILEVER EXAMPLE)

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Abstract

In the article the essence and importance of corporate social responsibility development at enterprises (on the example of the Dutch-British company, which is one of the world leaders in the market of foods and household chemicals) are considered. Article proves that the development of corporate social responsibility influences business success, contributes to improving the image of a company in the community and enhancing its efficiency and competitiveness in the market. This article describes the Unilever background; external conditions which made the Unilever Sustainable Living Plan (USLP) possible and reasonable; best company's efforts during USLP implementation addressing a few targets simultaneously; effectiveness of the USLP strategy from the standpoint of its main stakeholders; and finally an analysis of the three strategic choices and recommendations and conclusions.

Keywords: corporate social responsibility, stakeholders, development, competitiveness, strategy.

JEL Codes: L14, L15, L21, L26, M14

1. Introduction

Large companies employ hundreds of thousands of people around the world and millions in their supply industries. Some companies' revenue over a year is higher than many countries' GDP. Such gigantic systems are comprehensive and conduct numerous activities that go far beyond producing, marketing, sales, etc. Such companies impress with its influence on employees, local communities and even countries. Many large companies call themselves responsible, socially-oriented business representatives who care not only about

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their own interests but also about the welfare of the population. Such orientation of their business is called the abbreviation CSR (Corporate Social Responsibility).

CSR programs focus on the idea that business can make the world a better place. But these projects sometimes cause controversy on the part of scientists, business and the public. Researcher Toledano found that the process of the construction of the organization's social strategy is very similar to that of the construction of a commercial brand and that the goal was not social change or improvement of the organization's social and environmental performances but improvement of the organizational image (Rozental, 2019).

However, it is normal when companies have a commercial mission. Moreover, good corporate citizenship can bring mutual benefits for businesses and society.

By practicing corporate social responsibility, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. Once a company has strong influence on environment, it has to undertake responsibility for its outcomes. Instead of taking responsibility as an obligation, Unilever for example used it for final company transformation into a transnational organization. 'Doing good by doing well' has become a foundation for improving competitive advantages.

2. Unilever's background

It established in 1870 and 1880 as 2 separate domestic companies that produced different products, margarine and soap. Years later, those two companies became multinational expanding abroad into each other's niches. Instead of running aggressive competition, companies' owners agreed on merging and in 1927 a new multinational company Unilever was created. Following decades Unilever was growing as high customer responsive company with diversified products portfolio and independent overseas operating companies.

However, new opportunities and market conditions of pre-70s revealed the way Unilever ran the business costly. First steps to centralization were made by creating Product groups aimed at balancing global and regional efficiency with responsiveness to local markets. During the next decades, the company was reorganized a few times mainly to seize new technological and trade opportunities, which enabled the effective way of centralizing the multinational company. Table 1 describes stages Unilever passed from the two domestic companies to a transnational organization.

Table 1. Unilever's development stages

Stages	Key events and activities	Environment characteristics and opportunities	Organisational structure
From Establishing to International (1870-1916)	<ul style="list-style-type: none"> - Establishing of separate companies. - Product and supply chain development. - Exporting 	<ul style="list-style-type: none"> - Unsatisfied demand. - Market pioneering advantages. 	Coordinated Federation
International to Multinational (1916-1926)	<ul style="list-style-type: none"> - Expanding abroad into one another's' niches by building factories in England and Dutch. - Improving the supply chain through a strategic partnership with palm oil producers in Africa. -Product differentiation 	<ul style="list-style-type: none"> - Other countries market pioneering. - Reliability of a supply chain. - Low products' durability. - High transportation costs. - Trade barriers. 	Decentralised Federation
Multinational (1927-1940)	<ul style="list-style-type: none"> - Creating Unilever by merging. - Acquisition and building of new factories in Europe. - Product differentiation 	<ul style="list-style-type: none"> - Market expanding. - Still, low products' durability and high transportation costs. 	Decentralised Federation
Multinational (1940-1965)	<ul style="list-style-type: none"> - Localisation strategy (replacing managers with local). - Diversification through acquisition. - Opening of R&D centres. - Marketing activity 	<ul style="list-style-type: none"> - Communication and logistics difficulties because of WWII. - Possibilities of post-war markets. 	Decentralised Federation
Multinational-to-Transnational (1966- late 80s)	<ul style="list-style-type: none"> - First centralisation steps by creating Product groups. - Distribution and leveraging operational activity of some products between different local entities. - Brand development. 	<ul style="list-style-type: none"> - Falling trade barriers. - Logistics and tele-communication innovations. - Industries were becoming consumer-driven. - The increasing role of marketing. - Changing of sales channels (rising of food retailers). 	Decentralised Federation to Integrated Network

Transnational (90s-2008)	<ul style="list-style-type: none"> - Opening Four Acres, an international management training college and local training centres. - Positions transfer. - Establish an annual senior manager's conference. - Centralising of R&D and financial activity. - Expanding on Asia and Post-Soviet countries' markets. 	<ul style="list-style-type: none"> - Opening of new markets. - Continuing of trade liberation. - Improvement of tele-communication technologies and logistics. - Fast-changing consumers' tastes. 	Integrated Network
In process			
Transnational (2009- Nowadays)	<ul style="list-style-type: none"> - Running USLP strategy. 	<ul style="list-style-type: none"> - Environmental problems are becoming notable. - High and continuously increasing society, governmental and organisation pressure concerning causes of environmental problems, quality of products (especially food and chemicals containing), fair working conditions etc. 	Extended Integrated Network

Source: Compiled by authors

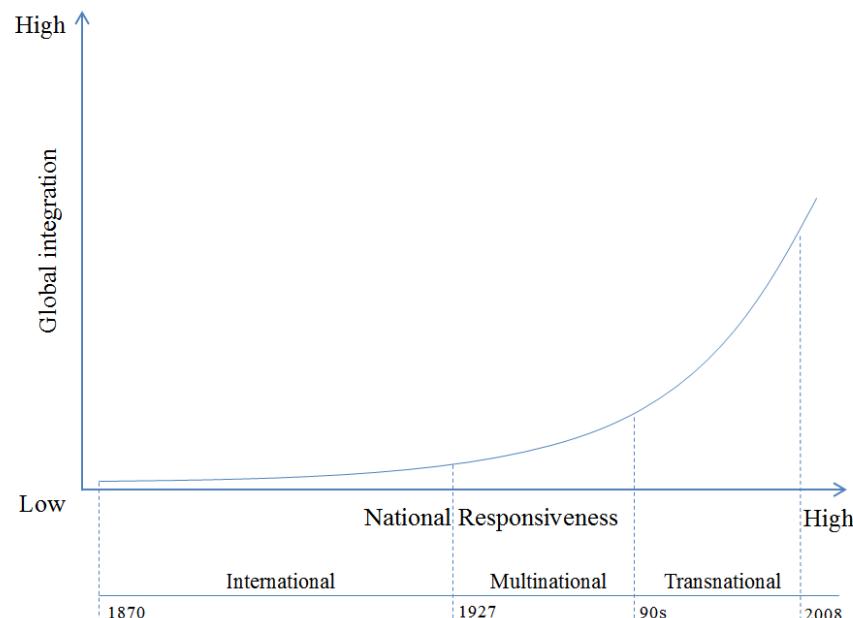
Unilever pathway is presented graphically on a figure 1. It is necessary to admit that transformation process takes decades and even after long changes, companies are not clearly transnational or multinational, but combine best sides of any when it has a practical sense.

3. External condition and USLP objectives

Unilever was growing in the first decade of the XXI century, however, with lower profitability and finally, it lost the leadership to P&G in 2008. A year later, Paul Polman became a new company's CEO. Polman announced to double the company size and launched the Unilever Sustainable Living Plan (USLP). As of 2008, Unilever had 174,000 employees (Statista, 2019), nearly 400 brands

(Kissinger, 2017), approximately 4 million people in its supply industries and plans to double company's size (Bartlett, Beamish, 2018). Already a large organization built during a century was going to double in a decade. Such an ambitious aim required serious capabilities growth and marketing efforts.

Figure 1. Unilever evolving



Many doubted how Unilever could state such an ambitious target while its main efforts were planned to be delivered on solving environmental and social problems which probably would benefit the company but in a long term perspective and no one knew to which extent. However, Unilever's 'Doing good by doing well' has become vital as never before.

Market conditions are changing over the years. Cheap resources and raw materials were the sources of competitive advantages in the pre70s. Next two decades became a time of leveraging of cheap resources and capabilities on a global scale. Further 90s/00s years were marked with improving the created systems, extreme product innovations and global competition for knowledge, skills, talents and creativity.

Now, the world has hundreds of immense companies with hundreds of thousands of employees, millions of people in its supply chain and influence even on countries.

However, the bigger system is, the more efforts are needed just to maintain the system. Moreover, decades of the furious race for global leadership and playing ‘global chess’ have caused serious global environmental problems (UN, 2018). Furthermore, developing countries have not benefited to the same extent as developed, and many workers receive low wages (ILO, 2019). From the other side, NGOs, governments and society have begun to pay more attention to the way MNEs run the business and their outcomes.

Therefore, this and further decades are to become a time of consolidating and securing of achievements of the constrained competition of previous decades. It is a time of making the long growing business sustainable. USLP strategy is probably a very well-timed and well-designed reaction to the new global conditions.

When the most visible side of USLP has been related by many with CSR and creating a good company's reputation, in fact, USLP provided a way of serious redesigning of the company by a transformation of its process physiology and cultural psychology. From this stand, USLP has become the last step of redesigning the company into transnational after almost four decades of redistributing assets and responsibilities.

Furthermore, USLP is a great example of a strategy that effectively addresses a single effort to eliminate the external threats, undertake the opportunities, tackle with the internal weaknesses and improve the existing strengths simultaneously transforming the company. Table 2 presents a modified SWOT-analysis (Kissinger, 2017a) to describe the steps Unilever carried out ‘doing good by doing well’.

4. The effectiveness of the USLP strategy

Table 2 describes some of the actions undertaken during USLP implementation in correspondences with the company’s SWOT. However, the whole comprehensive outcomes are more intangible and have to be discussed precisely (see table 3) from the standpoint of main stakeholders to understand how solving environmental and social problems could raise market price from \$19 to \$57 (Yahoo, 2020) and capitalisation from \$67B to \$150B (YCharts, 2020) in a decade.

Table 2. USLP main achievements towards Unilever’ SWOT

	Strengths	Weaknesses
Economy of scale and well-leveraged operations	Strong brands	Lack of direct connection with customers More capabilities needed to support growth Taking control over the company
An increasing number of environmentally conscious consumers	Running training for 6,000 marketing employees to improve brand positioning based on USLP principles. Establishing ULE which combined marketing functions, communication and sustainability responsibilities.	- Establishing 'pillars' to control the USLP implementation and improve cooperation between organisation parts.
Capturing developing markets	Running seminars to improve the marketers understanding of customers' needs to create a better brand-customer linkage.	Conducting forums, interviews, meetings to describe the USLP idea.
O pportunities	Improving products characteristics to respond to the local customers' problems (water scarcity and pollution, etc.)	Cost-cutting of tomatoes suppliers by investing in programs of drip irrigation. Revealing resource and cost-cutting by reducing fat, salt and sugar content in existing products.
T hreats	Health and hygiene programs for 2.5 million people. Toilet Coalition to develop toilet facilities for 2.5 million people.	- Individual and in-partnership activity to improve the lives of a million smallholder farmers within the supply chain and outside. - Integrating suppliers inventory monitoring systems with Unilever. - Creating innovative eco-system program to link academics, small and medium enterprises.
	Increasing pressure on environmental and social problems	Monitoring operation through identifying sources of GHG, water and wastes throughout the entire product lifecycle. Metrics development.
	As the Unilever became a pioneer of sustainability, other companies would not improve their reputation to the same extent with the same result.	Increasing suppliers reliability by pushing them to follow fair employee treatment.
High level of competition	High Unilever's standards undermine other companies' competitive positions.	From "Persil washes whiter" to 'Dirt is good' as linkage from problem to possibility.

Source: Compiled by authors

Table 3. USLP analysis in CSR terms

Stakeholder and its relations	Characteristics of relations	Gains
Customers (Transformative)	<ul style="list-style-type: none"> - Brand repositioning (Persil 'Dirt is Good' from 'Persil washes whiter'). - Improving responsiveness. Innovating towards current customers problems (dry shampoo towards water scarcity). - Improving nutrilon and lowering salt, sugar and fat content. 	<ul style="list-style-type: none"> - High quality of food, personal and home care products is vital and directly influence the demand. - Innovating products in direct responding to customers' problems like water scarcity improve product characteristics and create positive brand positioning. - Reducing costs lowers the price, which is essential as the rivalry is intense.
Employees (Responsive)	<ul style="list-style-type: none"> - Commitment to drive fairness (a new pillar) in the workplace (women empowering, inclusiveness). - Devised a five-year strategy on human rights. - Agile Working program. - Improving coordination and flexibility. 	<ul style="list-style-type: none"> - Active CSR position increases employee motivation and therefore, productivity (Kim, Scullion, 2013). - Project Shakti employed 65,000 women and brought \$100 million in sales as of 2012 (Rangan, Chase and Karim, 2015). - Well-coordinated organisations have faster decision making and better executing. Also, such companies are more customer responsiveness (Bhatti, Qureshi, 2007). - Retaining employees for a long period lowers cost and improve productivity due to learning curve (Spence, 1981).
Investors (Transactional)	<ul style="list-style-type: none"> - Ensuring profitability. - Maximising share value from a long term perspective. - Redesigning company to respond to current and future conditions. 	<p>The large business works in a long term perspective. Keeping stable profitability and growth lowers financial risks from shareholders.</p>
Suppliers (Transformative)	<ul style="list-style-type: none"> - Suppliers certifying (quality ensuring). 	<ul style="list-style-type: none"> - Strategic partnership and information sharing improve supply chain, operations and

	<ul style="list-style-type: none"> - Investment programs for improving suppliers' operations (e.g. drip irrigation). - 'Innovating eco-system' to develop SME with academics. - Improving informational systems by integrating inventory monitoring systems. 	<ul style="list-style-type: none"> logistics reliance and responsiveness which results in cost-reducing and increasing quality (Sukati, Hamid, Baharun, Tat, & Said, 2011). - Taking control over its suppliers lowers social risks and improves the company's reputation.
Communities (Transformative)	<ul style="list-style-type: none"> - Hygiene and safe water drinking programs targeting millions of people in developing countries (target market). - Program Shakti. 	Active CSR measures delivered to local communities increase demand by building positive brand positioning and strong customer loyalty (Torres et al., 2012).
Governments (Transformative)	<ul style="list-style-type: none"> - Leading UN initiatives. - Collective initiatives in handwashing, sanitation, safe drinking water. - Developing GHG, water, and electricity usage and reducing it. 	<ul style="list-style-type: none"> - Taking a proactive position with governments by leading the environmental and social initiatives lowers the political risks and helps to avoid penalty and reputation loses. - Reducing GHG, water usage etc. lower costs.

Source: Compiled by authors

Efforts towards partnership also had practical aspects. Although Unilever had been recognized as a highly responsible company, its wages in Vietnam factories were even lower than the international poverty level. When some companies are under pressure for years (The Journal, 2019), good partnership and transparent relations with Oxfam resulted in naming Unilever 'the most transparent and forward thinking example' after Vietnam fabrics audit report (Oxfam, 2016).

CSR based programs are still under discussion. Rangan, Chase and Karim (2015) reveal that only 13% of them were comprehensive and aiming at the business-model transformation. 39% were focused on operational improvements. However, such programs brought notable positive outcome while more narrow programs mainly aimed at philanthropy required more costs than brought gains. Unilever has implemented sustainability through its whole organisational structure, and after years its results are proven with the market price and capitalization.

5. Strategic choices analysis and recommendations

USLP strategy faced much criticism, and much more efforts and adjustments were undertaken towards its aims. After five years of implementation, there still was no clear understanding of its future. Table 4 presents an analysis of three strategic choices.

Table 4. Strategic choices analysis

	Expand USLP practice companywide	Step back	Building external partnership
Implementation tasks	- to develop new metrics; - to design new workers' motivation system based on 'sustainability metrics' rather than financial; - to continue USLP implementation.	- developing new strategy / returning to the previous strategy; - implementation / executing;	- sharing experience with NGOs, governments, other companies; - efforts associating toward USLP aims.
Benefit	- ability to assess the USLP results; - better understanding for employees about USLP targets; - achieving of 'halving footprint' target can reduce costs (e.g. refusal from plastic packaging);	- releasing money from USLP programs.	- less expenses; - better networking; - more ways of achieving targets.
Disadvantages	- difficulty of developing metrics to assess USLP measures; - a threat of 'shifting company from business to charity organisation'; - continuing of costly strategy with long-term outcomes.	- Misunderstanding from customers, employees and NGOs; - employees' demotivating; - stepping back from its main brand building block; - new expenses on marketing and brands positioning.	- Less efforts - less benefits; - less brand linkage, so less loyalty and demand increasing; - less control over implementation.
Feasibility	8/10	2/10	5/10

Source: Compiled by authors

Step back choice had more questions than answers. Unilever transformation was still in process and stepping back in the middle would

probably bring more disadvantages and uncertainty. Expanding external partnership is 'in-between choice' as it allows reducing the USLP cost distributing its commitments among many organisations. However, the more contributors are, the fewer benefits Unilever would receive. Expanding USLP practice companywide is a logic continuation in terms of finishing company transformation and building company reputation. This choice has less risk, can bring more benefits and provide a more clear and logic way of company development.

6. Conclusion

Unilever had taken the difficult challenge by committing to a highly responsible way of doing business when such a decision was not visible and faced much criticism. Nevertheless analysing of the environment conditions shows that USLP strategy was well-timed. Moreover, its implementation was efficient as single efforts were simultaneously delivered to undermining of increasing threats, catching opportunities, limiting weaknesses and improving strangeness.

As of 2019 financial indicators shows that USLP's long term expectations were reasonable. Unilever has brightened to the world an excellent proof that CSR is not only one of the PR instruments. Except for improving reputation, its implementation has led to reducing costs and risks, improving suppliers' reliance and employees' productivity. USLP became a last step of Unilever's transformation into transnational organisation by changing its process physiology and cultural psychology.

Unilever has achieved two internal and two external aims. First, the company was effectively reorganised and became 'more' transnational. Second, Unilever improved its competitive advantages and almost tripled its market capitalisation in a decade. Third, what is more important for the global community, Unilever has shown real example which proof that 'Doing good by doing well' principle is applicable and reasonable for business. An active company's media position has set new standards for doing business. And fourth, Unilever by trials and errors developed a working business model which might be used by other companies.

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