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Building Capabilities for Multi-Stakeholder Interactions at Global and Local Levels

An Executive Interview with Jan Kees Vis¹, Bert Torn² and Aniek Mauser³

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Abstract

Managers of Unilever discuss the processes that led the company to develop and implement a corporate sustainability strategy working with multiple stakeholders. Major learning points include: 1) interactions with stakeholders are crucial to secure strategic resources in developing countries; 2) developing multi-stakeholder platforms must be rooted in the corporate culture and based on principles of innovation; 3) the overarching sustainability strategy, *Sustainable Living Plan*, launched in 2010, set broad objectives, while empowering local and regional managers—and even individual employees—to start and scale bottom-up initiatives if they find consensus within the organization. The discussions promise to fuel the debate on how organizations can effectively manage “wicked problems” through multi-stakeholder engagement.

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Introduction and Company Background

Unilever is a multinational corporation with Dutch-British roots producing more than 400 brands in the field of health and wellbeing. Today, it is the second largest food manufacturing company in the world after Nestlé, followed by PepsiCo and Kraft Foods. Unilever is the world's most active company in building sustainability partnerships with multiple stakeholders both at local and global levels (Dentoni and Peterson 2011). Their portfolio consists of 11 product categories which range from food and beverages to home and personal care products consisting of: skin, deodorant, oral and hair products; and refreshments including ice cream and beverages. Each year, nearly 1 billion dollars is invested in research to enhance brand image, prove nutritional properties, taste, fragrance and functionality of the products (Unilever 2012).

In 1990 the company expanded into Central and Eastern Europe and is now in more than 190 countries, throughout Asia, Africa Eastern Europe, Western Europe and America. Total turnover in the company dropped in 2009 resulting from the 2008 financial crisis, but increased in 2010. In 2011, turnover increased by 5% to 46.5 billion (Unilever 2012). In emerging markets, sales were up 11.5% between 2010 and 2011. Among the fastest growing products worldwide in 2011 were a number of brands the company invested and promoted which use sustainability principles, such as Lifebuoy soap, Lipton tea and the laundry products (Duurzaambedrijfsleven 2012).

Unilever has a long history of sustainable practices which rely on partnerships with multiple stakeholders (Figure 1 and Table 1). In 1990 the company started to integrate environmental and social sustainability principles into its sourcing and manufacturing processes, thus becoming the core of its business. A sustainability agriculture program was developed to meet the growing environmental pressures and consumer concerns. Additionally, initiatives were started to preserve water resources and sourcing of fish from sustainable stocks. During this period the company developed the Marine Stewardship Council in collaboration with the WWF⁴. In 1996 the first environmental report was published. A new program was implemented to achieve significant growth while minimizing the impact on the environment.

This strategic thread was developed further to launch the *Sustainable Living Plan* in 2010. The plan is designed to touch all aspects of the business—from the source of materials to product development and production—to how products are used, then disposed of by consumers. Three main goals are to be achieved by 2020. First, Unilever committed to cutting its environmental footprint in half by reducing greenhouse gases, waste, and water through increasing sustainable sourcing. Second, the company agreed to help more than 1 billion people by improving their health and well-being. Third, the company will source 100% of its agricultural materials sustainably. For each of these goals, targets have been developed and strategies designed to facilitate the process.

⁴ World Wildlife Fund.

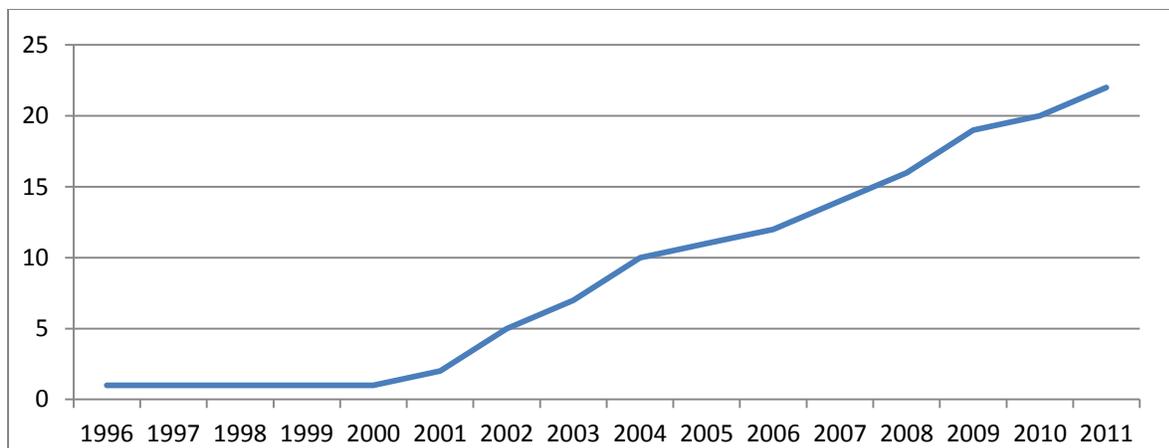


Figure 1. Cumulative Number of Multi-Stakeholder Partnerships on Sustainability joined or co-founded by Unilever (1996-2011).

Table 1. List of Multi-Stakeholder Partnerships joined or co-founded by Unilever (1996-2011)

Year	Name of the Multi-Stakeholder Partnership
1996	Marine Stewardship Council*
2001	Global Public-Private Partnership for Hand washing with Soap*
2002	SAI Platform*; GAIN*; Novella Africa Initiative*
2003	
2004	Roundtable for Sustainable Palm Oil (RSPO)*; Sustainable Packaging Coalition; Sustainable Food Lab
2005	Bonsucro; Carbon Disclosure Project; Supply Chain Leadership Collaboration*
2006	Roundtable for Responsible Soy (RTRS)*
2007	CEO Water Mandate; Sustainable Tea Project*; Greenhouse Gas Protocol Initiative
2008	Water Footprint Network; IDH Soy;
2009	AIM*; Project Laser Beam*; IDH Tea; Climate Savers Computing Initiative
2010	Global Packaging Project
2011	New Vision for Agriculture*; IDH Spices; Unox & Dutch Animal Welfare Organization
Co-Founded*	

Source. Data elaboration based on Dentoni et al. 2012a.

Currently, Unilever managers confirm that sustainability is embedded within all company projects both at global and local level. The Sustainable Living Plan Steering Team is responsible for achieving the goals developed in the Sustainable Living Plan. A board committee reviews the progress of the plan. Both the Unilever Sustainable Living Plan Steering Team and Board Committee benefit from the insights of a group of external specialists guiding and criticizing the development strategy.



An Executive Interview with Dr. Jan Kees Vis⁵

Global Director Sustainable Sourcing Development, Unilever Head Office

DD: Unilever is widely recognized as having a core competence in developing multi-stakeholder engagements on sustainability. How has Unilever developed this skill over time?

JKV: We started in the 1980s and early 1990s. The company realized that the world was changing and it was necessary to analyze general trends that are changing the world environment and to be responsible for undertaking change. We acted not only for a sense of corporate responsibility, but also to secure the future supply and suppliers for our future business. Most of our products are coming from agriculture and we cannot forget about the link between farming and our manufactured products. Land and agricultural production is a strategic resource and these are precious assets as never before during the recent world history. So I personally started attending a number of events such as the United Nations conferences on climate change and became active in the discussions with institutional stakeholders at a global level. At that point, I started building a history of relationships with stakeholders from very different backgrounds. So personally, I have grown up with my career embedded in this type of multi-stakeholder environment.

When looking at environmental and social themes from a supply perspective, there is no controversy with farmers. Let's take the example of India. For decades we have been investing in disseminating and exchanging knowledge on best agricultural practices through our extension officers. Over time, our extension staff initially disseminated agronomic knowledge to our farmers. Later, the extension officers have increasingly dealt with environmental risks, which is how climate change visibly affects farmers' livelihoods, and all the other sets of risks farmers are exposed to. So, we work collaboratively with our farmers to minimize their risks, respond and even anticipate their needs because this is the only way that we can guarantee that farmers will keep producing and selling to Unilever.

DD: Just hiring only one or few expert(s) in managing multi-stakeholder engagements is necessary but not sufficient to make an organization sustainable. Changing organizational culture, internal procedures, and the competences of employees is also necessary. In practice, how has this process of change worked and been managed within Unilever?

JKV: The company needs to be innovative *a priori*. This has much to do with top management and how the company is structured. Unilever developed products and processes based on innovative procedures for at least thirty years. Based on the position and type of contract, employees and local managers are given opportunities to propose new initiatives, both on sustainability issues or on anything else that could improve the effectiveness of our procedures.

⁵ This interview was conducted in October 2011.

I started from a personal initiative as well. As I have a chemistry background, I started my career as a product technologist, and then increasingly managed the supply of ingredients for my products. It was my decision to participate in meetings dealing with global sustainability problems, and then I first started developing and formalizing partnerships with farmer associations, Governments, and NGOs around those debates. Without a company culture of innovation allowing me to invest in the idea of developing multi-stakeholder platforms, I could not have achieved what I did.

Obviously, within the organization we've had and still have debates—sometimes harsh, about how to deal with stakeholders, when starting a new initiative or when replicating an initiative that has worked in other contexts. Discussing ideas and new initiatives always requires building consensus within the organization and this takes place over time—talking to many people and really influencing each other's mindset. Today, instead, open innovation and discussions with stakeholders both locally and internationally constitute the core of our business.

DD: How are you striving to improve this multi-stakeholder process on sustainability? What is the trend of investments that Unilever has made to develop and learn from multi-stakeholder platforms?

JKV: This is the same as asking me how I strive to make my work more effective. I keep my eyes open and train my employees to do the same, I trust my collaborators, down to extension officers and people dealing with stakeholders on a daily basis in the field. Innovate by continuously listening and discussing other people's suggestions and through making suggestions to others, both inside and outside the organization.

This model of innovation is our “business as usual”. Across teams and departments we share and see which practices and platforms can be adopted, but the interactions and decisions which occur with stakeholders are ultimately left to the individual teams. Thus, over time we just started doing things differently, adapting each person's role to the strategic needs of the organization, which is now sustainability-led at its core. We have not necessarily employed more resources or made specific investments in sustainability, we have simply used our time as employees and managers differently.

DD: How do stakeholders outside the platforms (consumers, citizens, private investors) perceive Unilever's sustainability initiatives?

JKV: I am not an expert in marketing, as I deal mainly with agriculture and supply. So I do not know exactly how the impact of sustainability strategies on consumer demand is measured. What I do know is that partnerships are not built for company reputation or brand equity purposes. They have emerged as useful tools to create conditions of stability and prosperity which allow us to secure supply from developing countries. Often, discussions in partnerships become essential to understanding and anticipating legislation and regulation within the company.

We need to work collaboratively along the chain, realizing that reciprocal and collaborative efforts indeed have an impact on the environment. So if other stakeholders ask us to behave sustainably, they must also be ready to do the same. Everyone has to take responsibility to make

the life cycle of production, consumption, recycling and reusing more effective. Within the *Sustainable Living Plan*, we emphasized that consumers and households can also do a lot for sustainability: demanding sustainable products while wasting water and energy at home is a contradiction. It is estimated that water consumption at home is the largest contribution to our water footprint—the little habits at home such as, the time people spending taking showers, washing their hair and brushing their teeth, etc.

More broadly, when developing advertising campaigns for our products, usually we adopt the “me-us-the world” model. First, consumers think about “me”, how can a certain product make my life better? Second, they think about “us”, meaning the people around themselves: family, friends, and people that know personally. Only as the third priority do they usually think about “the world”. When sending messages about our products and how we produce them, we keep this model in mind. This is why you do not usually see sustainability claims on our products or in our advertisements.

DD: Do you choose the stakeholders for your multi-stakeholder partnerships based upon what you can gain or learn from them? We realize that multi-stakeholder partnerships may develop different goals depending on which stakeholders join them. But, how do you assess the returns on investments made when developing multi-stakeholder platforms?

JKV: We do not have a corporate goal with multi-stakeholder initiatives before starting them. Multi-stakeholder initiatives have their own goals and we are only participating in them, so goals are truly set up collectively. For us, making sure that we maintain good relationships with our suppliers and contribute to an environment of social and political stability in the countries where we work is our return of investment. Therefore the impact of multi-stakeholder interactions cannot really be measured in terms of financial performance.



An Executive Interview with:

Dr. Bert Torn⁶

Global Director Strategy Implementation, R&D Operations

MV: How does sustainability get started within R & D?

BT: You can say, every project must take the sustainability implications into consideration. If no steps are taken or progress made—the project will not be approved. Every project needs to make a positive contribution to sustainability. They do not need to be giant steps, so long as the project does not go backwards. For example, if a product requires more packaging, but the project is designed to use less water or chemicals, then the project may be approved. We try to look at the whole footprint—this means materials, production, the product itself and the consumers.

⁶ This interview was conducted in February 2012.

MV: So, you focus on the entire lifecycle of the product?

BT: Yes exactly, we never focus on just one thing, we always take into account the big picture. If the whole picture does not make progress towards sustainability, the project would not be approved.

MV: Were radical changes needed by the R&D team to embrace sustainability?

BT: The objectives related to sustainability increased progressively. They consist of measurable quantities and also how they are measured. Last year, a lot of time was spent developing the current blueprint. Today, we know our footprint in terms of water, waste, packaging, CO2 emissions and sustainable sourcing. We know the current footprint in all categories which means we are able to measure the changes over time. We have three groups: health and wellbeing, environment and economic life health. These groups are sub-divided and every division has a separate matrix. Everything is measurable, this also gives us a way to communicate environmental concerns and impact to consumer groups.

MV: Does the company usually engage with stakeholders during the innovation process or do they primarily initiate the discussions and Unilever responds?

BT: Sustainability is now a major driver in our entire business, including our R&D program. We have been working with an Open Innovation Platform for a number of years, and we are engaged in numerous partnership platforms on many sustainability issues. We have several advisory bodies (Unilever Sustainable Development Group, Sustainable Sourcing Advisory Board), so yes, stakeholder engagement is an important element in our corporate culture.

MV: How are new sustainability initiatives established?

BT: Often, a few competing options are tested with consumers at the beginning of a project related to sustainability. We make use of consumer focus groups to test these ideas. Based on consumer feedback, a selection is made, then R&D and product development follow.

MV: Who within the company is usually coming up with these new projects?

BT: It may be technical people, but also marketing people come up with ideas. There is a lot of collaboration. Sometimes there is heightened publicity surrounding a sustainability issue in a particular country. For example, finding suitable alternatives for animal testing is very active concern in The Netherlands. Additionally, the Netherlands is having a large debate on nanotechnology. In other countries other topics are on the forefront. Enormous objections surround the use of phosphates in France, therefore it is important to be responsive and produce something which does not contain phosphate. Ongoing dialog is necessary between the company and the outside world.



**An Executive Interview with
Dr. Anniek Mauser⁷
Director of Sustainability at Unilever Benelux**

MV: How did the initiative to introduce 'Better Life' certified meat get started?

AM: In 2010 we introduced the *Sustainable Living Plan* at Unilever. This plan consists of 50 concrete commitments, summarized in three main goals—one of which is to have 100% sustainable sourcing for our raw farm materials by 2020. Meat is part of it, but it is a small part. In the Netherlands the smoked sausage is an icon product, but it is not a global brand. Sustainable meat and animal production systems are very complex. As a company, we developed the *Sustainable Agricultural Code*, which took us 15 years. We worked closely with suppliers to translate this to meat, therefore we also worked with VION⁸, our supplier. Thus, this issue is much broader than just animal welfare. It is important to know which issues are most meaningful to consumers, and which issues best communicate and differentiate yourself from the competition, and one important issue was animal welfare. We gave focus to animal welfare and thereby we could make a very logical link to Dierenbescherming⁹ because they already had a system in place and they are a trustworthy source among consumer groups. This was also about a Dutch product, so we did not need to focus internationally, it was possible to do it with a local NGO.

MV: Did you take the initiative to work together with Dierenbescherming?

AM: The initiative started as part of an employee engagement program on the field of sustainability which I introduced within the company. Several times a year, I create groups of colleagues who investigate certain sustainable issues by interviewing internal and external stakeholders who are involved in the issue. We make a video record of these interviews in collaboration with a small company. This results in a nice document, which makes the company and employees aware of a relative complex issue in a simple way. People who worked on the issue become specialists. It creates ownership, but more importantly, it builds a network so that the issue can be tackled. We started a project on animal welfare with Unox¹⁰ at the end of 2010. A group assembled which consisted of a marketer, a buyer, a category manager—a group of approximately 4 or 5 people who had worked together and interviewed the animal welfare organization, Wakker Dier¹¹. A pig farmer, the supplier VION, a scientist from Wageningen University and consumers were also involved. This was actually the first stage of the process in which contacts were made. A marketer became so enthusiastic when she saw the pigs and the issues which needed to be addressed; she put a lot of effort into process.

⁷ This interview was conducted in March 2012.

⁸ VION: <http://www.vionfoodgroup.com>

⁹ An animal protection organization, <http://www.dierenbescherming.nl>

¹⁰ a Dutch Unilever brand

¹¹ animal welfare organization, <http://www.wakkerdier.nl>

MV: Who works on this project?

AM: An internal team is involved. This team consists of the brand marketer, the meat procurer, and technical management. The technical management involves people from both R&D and project development because the initiative may have implications for them. The production manager from the factory is involved in the team because production streams sometimes have to be temporarily segregated. For example, animal welfare certified meat may not be mixed with the conventional meat stream. This requires considerable effort in planning and logistics. A finance business partner is involved in the team. This person manages the entire cost calculations, because it also has a cost impact. Someone from category management is involved, who sells the product to the supermarket. That person needs to know who wants to buy the product, when, and in what quantities need to be produced. I am involved from sustainability in an advisory role, I have experiences with partnerships and sustainable sourcing. A media colleague was involved, because a lot of public relations and communication is part of the project. Then you have the external partners. The meat supplier—two in this case and Dierenbescherming, the animal welfare organization, is an important partner. But we also needed a partner with different suppliers. Because maximizing carcass utilization is important for the meat industry. It is essential that all parts of the carcass are sold as ‘*Better Life*’ certified meat. It is about value creation of all parts of the animal. We use only 10 to 15% of the pig, to make use of ‘*Better Life*’ certified meat for all our Unox sausages, we need a lot of pigs. The other parts of the pigs also need to be sold somewhere as ‘*Better Life*’ certified meat. Therefore it is important to stay in contact with other suppliers.

MV: Are you sitting around the table with all these people?

AM: The reality is very complex and it depends on the situation, the existing relationships with suppliers and the resources available. In the case of ‘*Better Life*’ certification for our sausages it was relatively straightforward because it is a Dutch product with a Dutch supplier and a Dutch NGO. But most of the time we are part of an international setting, with different countries, whereby there are different issues at different levels in the public agenda. Consumers have different expectations and different things play a role in the media. So, really...the best words to summarize it are “very complex”.

MV: Why do you evaluate this initiative as successful?

AM: There are different reasons. On the one hand you need to organize the technical part of the product, which also means introducing the innovation which is embraced by consumers. You need to organize and align the logistics within the supply chain together with the certifier. There is a lot of work behind the scenes which result in a successful product, or not. Ultimately, a collaboration and a campaign are successful when consumers embrace and appreciate it. So yes, you can measure success in different ways.

MV: What are the most important factors required to make the integration of an initiative effective?

AM: You have to embed your primary objective well in to all of your processes and systems and be sure to include all relevant people so that it's cross-functional.

Conclusions

The discussions with Unilever managers provide us an inside look as to how a leading multinational corporation manages wicked problems by embracing the principles of environmental and social sustainability at a local and global level. The proposition gained from the Unilever interviews can serve as a useful model for managers and organizations attempting to manage other wicked problems (Figure 2).

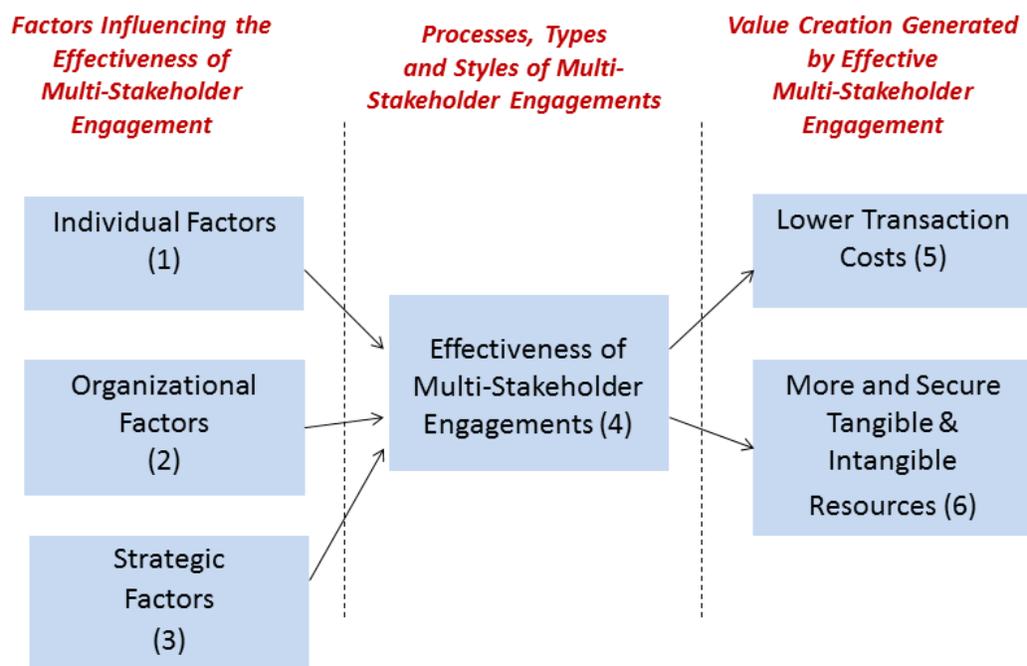


Figure 2. Drivers, Processes and Effects of Multi-Stakeholder Engagements: Learning from Unilever's Experience

Individual factors (1):

- Managerial attendance of international events with stakeholders having different backgrounds, values and goals.
- Managerial ability of delegate interactions with multiple stakeholders to colleagues and employees on a daily basis, and building trust with them.

- Managerial ability of synthesizing relative complex issues simple and short video for employees, such that they get an understanding of complexity, feel ownership and responsibility for the problem, and become part of the multi-stakeholder engagement.

Organizational factors (2):

- An organizational culture, structure and a system of rewards promoting innovation in all its forms.
- Employees and local managers (both from technical and marketing departments) have time in their weekly schedule and are encouraged to propose new initiatives.
- Possibility (and challenge) of building consensus within the organization about a new initiative.
- Making every new project having a discussion about its environmental and social impact
- Cross-functional collaboration among procurement, production and marketing teams to make initiatives implementable and communicable.
- Development of a program to engage employees and explain the importance of the problem and the search for innovations.

Strategic factors (3):

- History of dissemination and information exchange with stakeholders.
- Strong relationships with suppliers, which need to implement most of the changes as a consequence of innovation.
- Wicked ness of the problem varies (Netherlands issue on animal welfare is not comparable to global issues).

Processes of Multi-Stakeholder Engagements (4):

- Mechanisms of collaboration based on undertaking reciprocal actions on sustainability; both with NGOs (which need to be realistic in asking change) and consumers (which need to reduce their share of environmental impact too) downstream the chain, both with suppliers upstream the chain.
- Measurability as a way to provide objective feedback to stakeholders and communicate results to consumers.
- Agreements with NGOs at global level (for example with Greenpeace, WWF, Oxfam) and coordination with local initiatives.

Value Creation by Lowering Transaction Costs (5):

- Social and political stability in countries where procurement takes place.
- Anticipating national and international regulations and harmonizing its standards.

Value Creation by Increasing or Securing Tangible and Intangible Resources (6):

- Secure future supply of strategic resources.
- Consumer understanding and appreciation, thus brand equity and loyalty.
- Building history of collaboration with stakeholders and experience in dealing with them.

Building a conceptual framework by systematically comparing experiences will not provide a one “recipe fixes all” solution. Yet, it serves as a theoretical lens in which to further advance the drivers, processes and effects of multi-stakeholder interactions (Dentoni et al. 2012b). A management strategy can be founded on empirical inductive evidence through the interpretative work of future managers, researchers and policy-makers before attempting to generalize a plan of action.

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