

An open letter to Paul Polman and everyone with an interest in Unilever's success

I'm drawn to Unilever's purpose and values and success and that's why I'm investing time here to share some ideas to contribute to realising that potential value faster than otherwise.

Beautifully, by its very definition, Unilever's success here is everyone's success.

This open letter focuses on Unilever's Sustainable Living Plan and the need to revise Unilever's organization in order to pursue its stated goals. It is not based on inside information so may cover things already in progress.

#unilever #sustainablelivingplan #sustainability #paulpolman
#generalelectric #globescan #enterprise2 #e20s #agile
#social #socabiz #orgdesign #leanstartup #complexity
#influence #influenceflows #responsiveness #billgates
#semanticweb #internetofthings #internetome #deming
#quarterlycapitalism #economist #businessweek #mozilla
#performancemanagement #attenzi

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Self-interest, properly conceived

The Economist prompted me to write this letter with its article in August: In search of the good business.

I'll start to lend this letter context with a couple of quotes for those who haven't read the article. It relates specifically to Unilever's Sustainable Living Plan – striving to make the company “the pre-eminent example of how to do capitalism responsibly, just as it had once been under Lever.”

“ Like Lever [founder of what is now Unilever], [Mr. Polman] insists that running the firm with close attention to its environmental and social impact is not an act of charity but of self-interest, properly conceived. ”

“ ... Unilever has again become the exemplar of the “good company”, the poster child of sustainability. If it cannot make the idea pay – with its deep pockets, long corporate history and determined boss – then perhaps no other firm can. ”

Sustainability

Such conclusion ramps up the stakes.

I'm not sure we need be so binary about it, but Unilever's success in this endeavour would unquestionably help establish the precedent, sparking other organizations to give themselves permission to emulate, whilst its failure would lend credence to the doubters populating boardrooms around the world.

No pressure then.

So what about that purpose and those values?

The 2013 annual report describes the company's purpose as making sustainable living commonplace and its vision as doubling the size of the business whilst reducing its environmental footprint and increasing its social impact.

While “sustainable” has become a buzzword, and not always in a good way with so-called greenwashing, Unilever is earning its right to the word. The company ranks first in the 2014 Globescan SustainAbility survey of the perceptions of sustainability experts.

“ The company not only claims the top slot for the fourth year in a row, but also does so by its widest ever margin, creating a significant leadership gap relative to other prominent companies. ”

As reported in the Economist article:

“ Unilever defines sustainability broadly. It includes not just environmental factors but improving the lot of customers and workers – its own and those in its supply chain. It also aims to contribute to society as a whole. These goals are seen as necessary to maintain the firm’s “licence to operate” in an age when, Mr Polman believes, companies will be subject to increasing public scrutiny. ”

The Sustainable Living section of Unilever's website presents its nine facets of sustainability diagrammatically:



And the annual report reminds readers of the three fundamental goals for 2020:

- Help more than a billion people to improve their health and well-being
- Halve the environmental footprint of our products across the value chain
- Source 100% of our agricultural raw materials sustainably and enhance the livelihoods of people across our value chain.

Organization and complexity

Unilever is reporting significant progress but I won't detail that here. Rather, I want to direct attention to future progress and more specifically the organization of Unilever. I want to illuminate the opportunity and indeed the need to review the nature of that organization in order to continue pursuing these goals successfully. I believe that failure to do so may well endanger continued success.

Sometimes we forget that the organization, in terms of the institution or firm, is merely a means to an end, and putting legal entities to one side for the moment, an organization is simply a group of people organized around a common purpose.

Organizations are dynamic not static. They don't so much exist as transmute, constantly. They entail flows of money, materials, time and influence. They cannot be considered in isolation but in dynamic tension with the rest of the world. They are a system of systems and a system within systems, always attracted to but never reaching a stasis.

As Unilever's practice proves it already understands, organization is not defined simply by the payroll or org chart. This is a good juncture then to raise the topic of complexity.

One can seek to simplify complication but complexity is a different beast. It is unavoidable.

Unilever's organization must cope with complexity, yet the too typical functional hierarchy is too simplistic to respond.

When Taylor reigned very few people suspected the complexity of nature let alone the nature of complexity. Our understanding advanced with cybernetics research in the 1950s and Ashby's law best summarises the organizational transformation required today – variety absorbs variety, paraphrased by Malik in the 1980s as only complexity can absorb complexity.

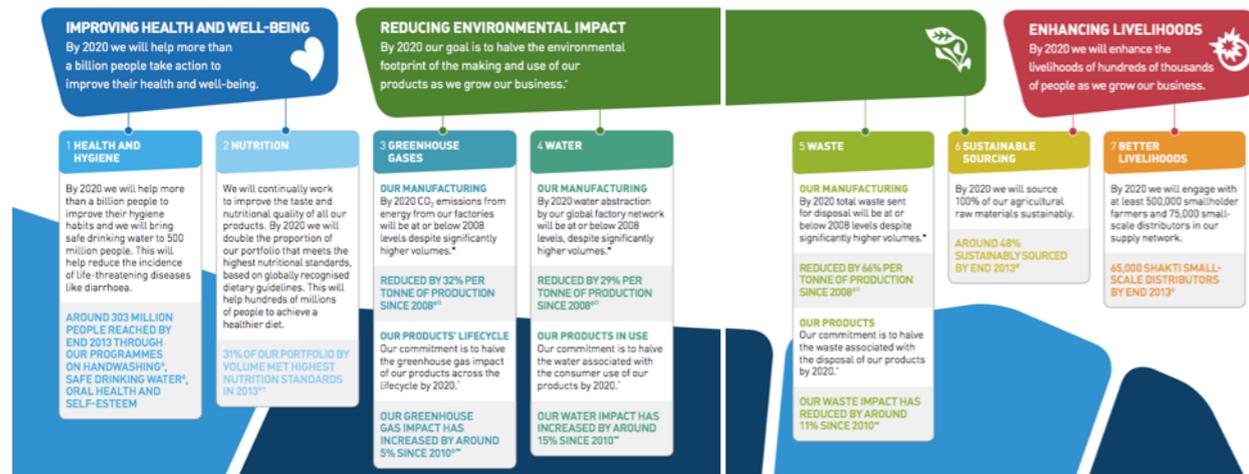
Working with complexity to rise up to complexity looks scary, particularly in light of the apparent safety provided by planning and control and risk management, mainstays of every business school syllabus.

But apparent is the keyword – seemingly so, but not.

Reliance on hierarchy as a basis for control actually increases business risk when competing with organisations that can, through heterarchy and an appropriate blend of the technical and the social, adapt faster and more reliably to the complex world.

Such reliance increases business risk for Unilever further given its commitment to a wider and complex suite of goals in a complex world.

Is this Unilever's Achilles' heel?



It's difficult to ascertain from afar, but the emphasis conveyed in the 2013 annual report gives cause for concern.

The nine facets portrayed above are collapsed to seven with the three under Enhancing Livelihoods reduced to one. This may have been an editorial decision but such editorial decisions are typically made with business priorities in mind, and yet it is this section of the Plan most closely related to the style and culture of organization, to everyone in its value chain, to the sustainability of the organization developed in response to the Plan and in support of it.

To underline my point here about complexity, let's look to developments at another global and highly regarded organization, General Electric.

A recent Businessweek article describes the ways in which GE is attempting to slough off the disadvantages of its traditional corporate structure and process. The company is embracing facets of Eric Ries' lean startup philosophy and is to be applauded on balance in my opinion, but it appears to risk losing advantage in its attempt to rid itself of disadvantage. C'est la vie, some might say, you can't have your cake and eat it. I disagree.

These article extracts exemplify my concern:

“ We’ve gotten complex, gotten bureaucratic, but I think this could be a way for people to get things done faster and smarter. ”

But GE cannot become uncomplex; complexity is a natural product. On the other hand, complication and bureaucracy are always worth keeping a close eye on.

“ The problem these companies face is, as they get bigger, as they scale, things slow down. ... They lose speed because they have so many systems and structures and process, and they lose the ability to take risks. GE’s a smart company. They understand the pathology of bigness, and this [initiative] allows them to be responsive. ”

It does indeed improve responsiveness, but we should keep in mind the efficiency fallacy in the responsive org context – rather than replace an emphasis on efficiency with one on responsiveness, we should aspire to be responsive efficiently, as I suspect the individual quoted here appreciates.

“ A company as large as GE needs to run like a thousand separate startups in itself to succeed. ”

It most definitely does not.

Entrepreneurs aspire not to 'do a startup' but to build a business, and I don't know one that wouldn't envy GE's business resources, by which I mean many things not just money.

To run like a thousand startups is to accommodate a thousand times the entrepreneur's pain and vulnerability. It denies that any of that synergy that management theory contends should accompany scale exists at all.

Lest the conclusion here be anything but obvious – Unilever must work with complexity to rise up to complexity.

Social, technology and social business

On the subject of scale, I sometimes define social business as relationships at scale, and not just in the CRM 1.0 way:

“ Good business is about cooperative and interdependent relationships, always has been, yet the humanity was lost when organizations scaled way up during the 20th Century. We want to make those relationships more human again, but the answer can't be to scale it all back down. We have to scale something else up. ”

The word “social” has been hijacked in a narrow sense of late. Let's remind ourselves what it means:

Of or relating to human society, the interaction of the individual and the group, or the welfare of human beings as members of society. Tending to form cooperative and interdependent relationships with others.

Unilever's Plan is social.

In determining how its organization might work better to support its purpose, to be social, to attempt relationships at scale, we can review the technology landscape for new possibilities, new potential.

Towards the close of the 90s, Bill Gates asserted:

“ How you gather, manage, and use information will determine whether you win or lose. ... The winners will be the ones who develop a world-class digital nervous system, so that information can easily flow through their companies for maximum and constant learning. ... A digital nervous system comprises the digital processes that closely link every aspect of a company's thoughts and actions. ... To think, act, react, and adapt. ”

Back then Gates referred to email as a critical component of the digital nervous system. We don't lend it the same emphasis because we have more choices these days. He advised building an ideal picture of the information you need from technology. Nowadays, we also want technology to help us build that picture, indeed to help us identify new insights, new opportunities and new threats with unprecedented speed and perspicacity, unprompted.

He referred to the digital nervous system of the company whereas our nervous system increasingly extends out into the world with the advent of the Internet of Things.

The Unilever Foundry recently issued five briefs on the theme of the Internet of Things. At the Internet of Things conference I organized in 2010 with techUK and support from Qualcomm, Intel and the Consumer Electronics Association, I defined the Internetome as the manifestations (facets and implications) of the Internet of Things. It's the interweave of the analogue and digital and the peculiar and unprecedented properties that emerge.

The Internetome is part of Unilever's organization. Indeed, the Internetome is integral to the future (self-)organization of our species in harmony with our environment.

We can think of social business in terms of mutuality – building mutual understanding to enable mutual influence to pursue mutual value. And such mutuality is founded on identifying, nurturing and celebrating shared values. (Indeed, this should be the new vista of public relations as it resigns its unedifying role of spin to history.)

Technologies such as the semantic web, mobile computing and the instrumentation of the planet don't so much cause this happy chain as help people establish conducive patterns of organization, help scale up useful social mechanisms that pepper our history on smaller scales, and help us celebrate the individual and the collective equally.

The corresponding waves of big data pounding the previously high and dry islands of personal privacy undoubtedly leave many feeling queasy, myself included, but this will I hope be addressed quickly as companies begin to appreciate that big data has greater mutual value when wielded with customers rather than at them.

The relatively recent confluence of technologies smashes those transaction costs (the costs of using the price mechanism) that helped define and shape 20th Century organization. We cannot operationalize the resulting potential immediately because societal norms have been enshrined to varying extents around them. This is to be celebrated rather than begrudged because on the whole the protections afforded the individual in the context of making a living at the start of this century versus the start of the last are compatible with the aspirations widely held for social business. (More on employees later.) Nevertheless, this is a radical change with radical implications for organization.

To execute its Plan and lead in sustainability demands Unilever leads in these respects too.

Stakeholder priorities

Mr. Polman, you have been acclaimed for your approach to investor relations. Back to the Economist:

“ Milton Friedman’s view that business should focus on maximising shareholder value has been “interpreted way too narrowly”, Mr Polman argues. ”

You are a vocal critic of “quarterly capitalism”. As Warren Buffet says, if you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes. Incredibly, ten milliseconds hasn't been unknown in recent times.

I believe you are right, as is Mr. Buffet.

An organization needs stakeholders who believe in its long-term vision, who subscribe to it, who want to help make it happen, who want to create mutual value.

As I've written before:

“ ... it strikes me that some hardcore capitalists might reject some of this as too liberal [in the modern North American sense], as too distanced from the primary and they might argue sole objective of the body corporate – to create wealth for its shareholders. However, to me, seeking to make a direct connection between every single activity and a fiscal measure of shareholder wealth creation is woefully simplistic to the point of dogmatic fancy. We must consign such simple mechanistic thinking to the past as we begin to acknowledge and confront the complexity of the world around us.

And what's more, I see no such tension. The shareholders' long-term interests are best served by our thinking here. We are just recognizing that the changes around us demand we change the way we go about business, and possibly change what it actually means to be in business.

We're in service to our customers, to ourselves, to shareholders, to all stakeholders – each stakeholder benefits in the long-term when other stakeholders work with rather than against it. ”

So we agree. Or do we? From Unilever's 2013 annual report:

“ Our first priority is to our consumers [people buying the product] – then customers [retailers / channel], employees, suppliers and communities. When we fulfil our responsibilities to them, we believe that our shareholders will be rewarded. ”

I don't believe we can order stakeholder groups in terms of importance. It's all in the mix, as the question I conclude this letter with attempts to convey. In other words, we're all in this together:

“ Every single individual, for each of her many roles in life, seeks to establish relationships to create value, of one sort or another. And perhaps the very definition of a sustainable relationship, and perhaps of society itself, is when such value creation is mutual. ”

In its Plan, Unilever publicly acknowledges, explains and pledges to live up to the complexities of the world. You have also been bold in taking the lead against short-term capitalism, in taking the lead to find a superior, mutually advantageous alternative, but your expressed priorities in this latter regard don't yet reflect the complexities of organization and society to be wholly aligned with the Plan. I appreciate however the need to proceed at a pace that allows you to bring people with you.

20th Century language anchors us there

Consumers and employees also feature in Unilever's stated principles. My dictionary defines them as:

Consumer – a person who purchases goods and services for personal use

Employee – a person employed for wages or salary.

To me, the word consumer conveys some statistical description of a stereotypical dehumanized passive consumption unit. It's almost as if one needs to remind the typical marketer that this 'consumer' is wholly human, that they can think and feel and produce as ably as consume, that we are all many things concurrently and we're all in this together.

Fortunately, having met one or two over the years, I appreciate Unilever marketers aren't that typical.

In defining its employment practices does Unilever simply aspire to buy a person's time and effort? Of course not.

Then the question here is, why allow 20th Century language to fail to do you justice?

Ironically, we too frequently witness attempts to construct a façade ahead of or in substitute for reality, but in this instance your reality is out in front of your communication.

Compliance with legal lexicon (which always lags) excepted, we cannot describe and discuss and celebrate and propagate the new Unilever with words suited to the old. The language adopted here is critical to our contemplation of Unilever's organizational design.

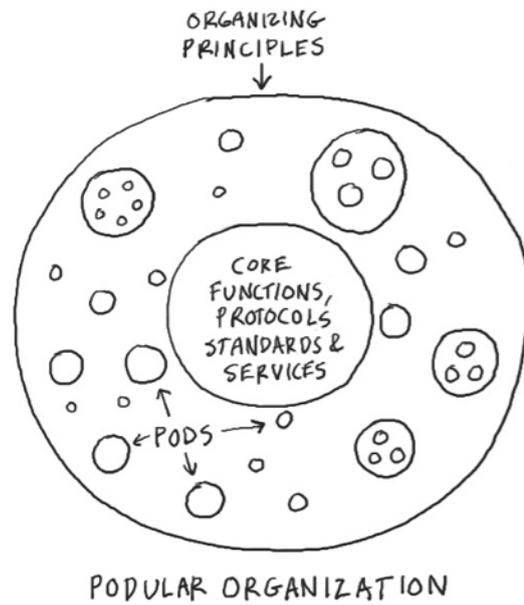
Org design

Organization is a complex adaptive system and its flux is influence flows – the reciprocal changing of hearts, minds and behaviours. What is the design of your organization if it's not to get stakeholders to think and behave as you'd like, and to be sensitive to how they'd like you to think and behave?

The successful organization blends the deliberate and emergent artfully in designing strategy and execution in the pursuit of mutual value creation.

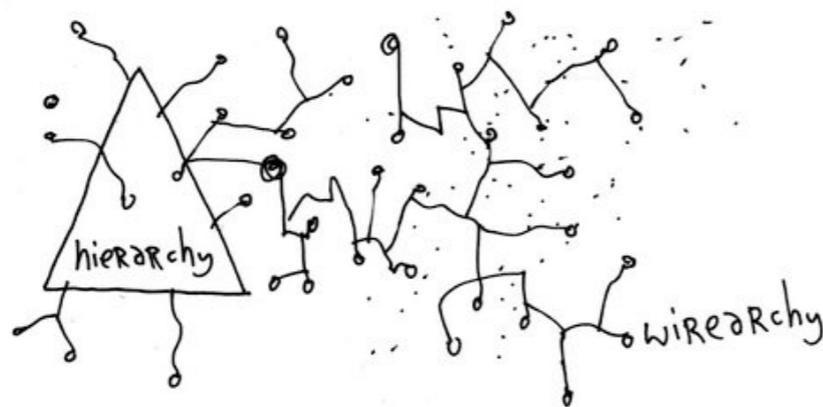
It functions at three levels: it's about doing things right, which must be framed by doing the right things, which can only be divined by reflecting deeply on what's right. The first of these is associated with management and the next with leadership.

But what about the level Unilever obviously aspires to work at, the highest level? I believe this is a form of leadership grounded in Deming-style profound knowledge and informed by collective intelligence and action.



When invited to consider the phrase “collective intelligence” I find workshop participants quickly reference the Internet and related technologies. There’s something about connecting people, or more accurately content co-created and shared by those people, that hints unavoidably at binding people together irrespective of time or geography to achieve some sort of holism.

This isn’t accidental – the aspiration informed the motivations of the pioneers of both the Internet and the World Wide Web, and at least the earlier forms of social media. So might such efforts provide some model for Unilever and all companies seeking to achieve with organization what social media has achieved for communications – eliminating friction and encouraging heterarchy?



<http://connectedco.com/>

<http://wirearchy.com/what-is-wirearchy/>

To explore this, I recently took the majority of the Mozilla manifesto and replaced references to the Internet with references to organization and found more than a few deep similarities to what Frederic Laloux labels the Teal Organization, for example:

- Organization is a global public resource that must remain open and accessible
- Organization must enrich the lives of individual human beings
- Individuals must have the ability to shape the organization and their own experiences in the organization
- The effectiveness of the organization as a public resource depends upon interoperability (protocols, data formats, content), innovation and decentralized participation worldwide
- Transparent community-based processes promote participation, accountability and trust
- A balance between commercial profit and public benefit is critical.



If the future successful execution of the Plan depends at least in part on the fundamental way in which Unilever organizes itself, as I argue here, how might we proceed?

Those three levels I referred to earlier in this section may also be described in terms of *acting* at the lowest level, above which we find *reframing* the dominant verb, with *transforming* best describing the highest level – learning new beliefs about how we might operate and unlearning old beliefs. How then might this transformation be approached?

This question occupied the best part of a Q&A between myself and Stowe Boyd earlier this year, with attention directed to contrasting revolution and evolution:

“ Revolution disrupts the flow of things. There is a disconnect, a decoupling.

A revolution demands serious resource and momentum and is typically associated with increased risk for good reason.

Evolution on the other hand, whilst perhaps taking longer, aims to re-flow with less perceived risk. It identifies the mechanisms – the dials and levers – to twiddle and pull to coax the system from one state to another.

It's responsive in terms of agility (strategic) and flexibility (tactical). It's both deliberate and emergent. And because people are inclined towards behaving as they are measured, I consider the organization's existing business performance management system a good place to start even if such systems are contrary to some people's expectations of social business practice.

I think of it in terms of tapping the monster's own strength. ”

Nevertheless, existing business performance management isn't simply a gift horse. It is saturated in today's organizational structure and culture and modus operandi. To break this loop, and indeed to help people begin to think of the organization in this new and liberating way, I advocate cross-functional teams construct a picture of the organization as a (complex adaptive) system of influence flows.

There's influence in everything an organization does, and sometimes in what it does not do. Despite this, one rarely finds a team or department title in the typical organization incorporating the word in the fullest sense, which is why I focus on the topic of influencing and being influenced – not only does it address the actual thing we're all interested in, it helps lower ego defence and removes functional blinkers.

It helps in building a change platform, not a change program, as Gary Hamel and Michele Zanini wrote recently.

And perhaps most critically, it's human.

A question

Unilever has expressed its purpose unambiguously. You publicly acknowledge that success demands others 'get' this too. You have set yourself goals for which there is no precedent. In my opinion then, as argued briefly here, sooner than later along this journey you will have to ask the question that concludes Attenzi – a social business story:

“ Do you help all the individuals associated with your organization build worthwhile relationships with each other and others, coalescing by need and desire, knowledge and capability and shared values, to create shared value? ”

The verb “coalesce” conveys the facility to combine, and so the facility to recombine, and re-recombine. This self-organizing coalescence remains for just as long as shared value is created, and created faster than a new combination might afford.

Such process appeals to free marketers for whom efficiency and utilisation are front of mind – after all why should resources be tied up in one combination when they can add greater value faster deployed in another?

And there's equal appeal to those on the left of the political spectrum who champion self-management and occupational autonomy.

Now allow me the license to describe Unilever a little differently.

Some participants in one particular network have chosen to brand the network Unilever. Mutual, sustainable value is generated within this Unilever network, within this system, and no one individual or category of individuals can do it without others playing their part – the right mix of others at the right time. It's a natural law. It's all in the mix.

Ignore this, or indeed attempt to act otherwise, and you wither – particularly when facing off competing networks that do get it. More pertinently given this particular network's pioneering ambition, ignoring this while setting out a purpose that requires it threatens to fail those who buy into the promise, making the mutuality unsustainable.

Yours sincerely, Philip Sheldrake.