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***Botwinick Prize in Business Ethics***

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It is both a privilege and a pleasure to be here at Columbia. A privilege because you are one of the world's great academic institutions. A pleasure, because over the years your alumni have been a fertile source of management talent for Unilever. Some of them are present today - notably Charles Strauss who, until 2003, was a Director of our company.

It is also a particular honour to accept the Botwinick Prize for Business Ethics for 2007.

When I look at the list of previous recipients of this award, I feel even more proud. Indeed I can't let the occasion pass without taking the opportunity to pay a tribute to one of those recipients – Dame Anita Roddick – who, as you know, very sadly died last month at the age of only 64.

Though I never met Anita, she was a source of enormous inspiration to many people in all walks of life. That was one of her great achievements – she transcended the worlds of business, politics and environmental activism. She showed us the true meaning – and the power – of working together in partnership.

Anita Roddick was, of course, a woman of great vision. But she understood that vision by itself was not enough – that to be successful in business, while simultaneously helping to tackle deep-seated social problems, required actions to match words.

This approach resonates very strongly with me because it also happens to be the Unilever way. I have seen it – and experienced it – throughout all of the 35 years that I have spent with the company. And in the last three years I have had the privilege, as the CEO, to help lead and direct our efforts to give real expression to the idea of 'doing well by doing good'.

But this award is not, I would suggest, about the last three years. It is about hard work and dedication over four generations. In fact, it goes back to the very origins of the company.

By the time William Hesketh Lever co-founded Unilever in 1930, he had already built up a significant reputation as a man ahead of his times. When he launched the world's first branded soap, *Sunlight*, in 1885, he set out to create not only a great business but a company with a strong social mission.

Lever was deeply concerned about the poor health and living conditions of nineteenth century British workers and their families. And he saw the contribution that a successful business could make to the problem.

But he was also a man of great energy and action. He was a pioneer in improving his workers' conditions. He campaigned for better pay and pensions, shorter working hours and the provision of good quality housing at a time when slums were the norm.

Today, in Britain and in other parts of the world, the name Lever Brothers remains synonymous with social progress and reform; and William Lever's garden village at Port Sunlight stands as a permanent reminder to the power of his ideals.

At Unilever today, we continue to be guided and inspired by his example.

So, for these reasons, it is a great honour to be able to accept this award today on behalf of all those at Unilever, past and present.

But I also welcome – and very much appreciate – the opportunity you have given me to contribute some thoughts on this whole debate as part of your annual conference on Social Enterprise because I do believe, very strongly, that business *should* have a point of view and be willing to explain – and account for – the actions it takes.

And from my perspective, where better to engage in that discussion than at one of the world's foremost business schools, among scholars who are leaders in their field and among a group of young people who will – I am sure – go on to form the next generation of business leaders.

I do hope so, because my daughter, Samantha – who graduated with an MBA in 2005 – is among your number, and rather worryingly from my point of view, is in the audience today!

So, in the time I have available, I want to do three things.

- I want to talk about *why* business has a role to play in addressing some of today's biggest social challenges, and why in particular I believe that economic growth and poverty alleviation go hand in hand.
- I then want to set out how, in Unilever, we are addressing these challenges. I will do so by reference to four case studies.
- And finally, I want to throw down a challenge by talking a little about the role I think business education can play.

Before I address these key themes, let me just say a word or two about Unilever, because while we undoubtedly retain the values exemplified by our founding father, William Lever, the business has evolved somewhat over the last three-quarters of a century.

Today, Unilever is one of the world's largest and most international consumer goods businesses.

- We have operations in around 100 countries and sales in over 150.
- Our products are present in half the households on the planet.
- 160 million times a day, someone somewhere will purchase a Unilever brand.
- Our \$50 billion turnover is spread across 400 brands in the categories of Foods, Home Care and Personal Care.

\$10 billion of that turnover is here in the United States, where we have a thriving business driven by brands like *Dove*, *Hellmann's*, *Ragu* and *Lipton*.

Let's start with the question of what role business should play in society.

Thirty years ago, when Anita Roddick opened her first Body Shop, the concepts of corporate responsibility and sustainable development barely existed. The idea that companies had responsibilities to society beyond making a few charitable donations did not really start to take shape until a decade later.

A lot has changed since then.

Today, social responsibility and environmental sustainability are core business competencies, not fringe activities. We have come a long way since the early eighties when Milton Friedman proudly proclaimed that the only obligation which business had to society was “to make a profit and pay its taxes”.

This change has come about for a variety of reasons. Certainly the political context has altered. The *laissez faire* economics which characterised the Reagan/Thatcher era have been superseded by a more realistic assessment of what the “invisible hand” of the market can achieve acting alone.

Today there is a growing recognition that the social and environmental challenges facing us are so complex and so multi-dimensional that they can only be solved if government, NGOs and industry work effectively together.

It is difficult, for example, to imagine a problem like climate change being addressed without the active participation of Shell, GE, and Toyota. Likewise it is hard to see an issue like poor nutrition being effectively tackled without the involvement of the world’s major food companies. Slowly but surely, both governments and NGOs are accepting that business has a role to play in the development agenda, and that we can be trusted.

But perhaps the biggest catalyst for change has been the increasing awareness within business itself that many of the big social and environmental challenges of our age – once seen as obstacles to progress – have become opportunities for innovation and product development.

I believe that we have come to a point now where this agenda of sustainability and corporate responsibility is not only central to business strategy but will increasingly become a critical driver of business growth.

I would go further: I believe that *how well and how quickly* businesses respond to this agenda will determine which companies succeed and which will fail in the next few decades.

Certainly, doing business responsibly has served Unilever well. If you look at our share price over the past 25 years and compare it with the S&P 500, you can see that “doing well” and “doing good” are not mutually exclusive.

Just as importantly, we believe that our activities have had a positive effect on both economic development and poverty reduction in the markets where we operate.

In 2003 we joined forces with Oxfam – an unlikely bedfellow – to research the question. Together we embarked on a project to analyse the impacts of our business in one of our largest markets. The country we chose was Indonesia – a country where I spent a formative part of my career and where I have seen the damaging effects of poverty at first hand. The report we jointly produced highlighted a number of interesting things.

Firstly, it demonstrated that most of the cash value Unilever creates in Indonesia stays in the local economy.

This challenges head-on the perception which some NGOs have that multinationals are mere extractors of wealth, who make large profits locally that are then immediately remitted to shareholders in London and New York, without benefiting the local economy.

Secondly, the report looked at the impact of our upstream supply chain. It found that some 84% of our raw and packaging materials were sourced from local suppliers, thereby creating not just jobs, but technology transfer from other Unilever factories around the world.

Finally, our report revealed the extent to which our operations in Indonesia have a major “multiplier effect” on job creation.

While Unilever Indonesia itself employs around 5,000 employees, the business supports the full time equivalent of 300,000 jobs, more than half of them in the distribution and retail chain. Encouraged by the Indonesian exercise we have initiated a second study; this time in Africa.

Working with Ethan Kapstein – Professor of Sustainable Development at INSEAD – we are investigating the social, economic and environmental impacts of Unilever’s operations in South Africa. This study will be published in early 2008.

Unilever’s evidence and experience suggests that business can be a positive force for good at a macro-economic level.

Just as instructive, however, is to look at the impact it can have on job creation and economic activity at a micro level.

An excellent example of this is project *Shakti* in India.

At the end of the 1990s, our Indian subsidiary – Hindustan Unilever – realised that, if they were to maintain their growth trajectory, then they would need to find a way of selling their products to the rural poor.

One in eight people on the planet lives in an Indian village. There are some 650,000 of them. All very isolated. Very few of them served by a retail distribution network.

The solution that we came up with to reach these potential new consumers was to tap into existing networks of women’s self help groups which had grown up on the back of micro-credit schemes.

From these groups we recruited our *Shakti* entrepreneurs who, with training and support, became our local sales representatives. Their role was to go door to door selling our products.

Of course it was not our standard range. We had to re-engineer our products in such a way that they were affordable to people on desperately low incomes. More often than not this implied small pack formats – mainly sachets – which could be sold at prices as low as one or two rupees. Let’s meet one of the *Shakti* women:

*[Film .....]*

The *Shakti* project is at the intersection between social responsibility and business strategy.

The wider societal benefits of the scheme are obvious. It creates economic activity at the very “bottom of the pyramid”. It gives poor people access to products that address their basic needs for hygiene and nutrition. It gives dignity and a sense of empowerment to a large number of rural women. At the same time, the business benefits are huge. Today we have over 40,000 *Shakti* entrepreneurs operating in 100,000 villages, serving nearly 100 million consumers. The revenues generated are now very considerable and the margins healthy.

Make no mistake, *Shakti* is not a philanthropic activity. It is a serious and profitable commercial proposition.

So far I have focused on the economic benefits of business. I now want to give an example of a brand which has a clearly defined social mission. The brand is *Lifebuoy* and the region is, again, South Asia – India, Pakistan and Bangladesh.

Every ten seconds, somewhere in the world, a child dies from diarrhoea. One third of these deaths occur in India. Most are children under five. Yet, according to the World Bank, something as mundane and simple as washing hands with soap can reduce diarrhoeal diseases by half.

*Lifebuoy* has been India’s leading soap brand for decades. In 2002 it launched the largest rural health and hygiene education programme ever undertaken in India. It is called *Swasthya Chetna* – which means “Health Awakening” in Sanskrit.

Piggy-backing on the infrastructure created by *Shakti*, *Lifebuoy* health education teams visit thousands of schools and communities to teach children about the existence of germs and the importance of washing hands with soap.

Marketing activity of the *Lifebuoy* kind is a classic “win win”. The education programme has a measurable impact on public health, while the benefits for *Lifebuoy* come through in an expanding market for soap, which allows strong sales growth – nearly 10% last year.

Positive though the impact of brands like *Lifebuoy* might be, it is, of itself, insufficient. Business, in the first decade of 21<sup>st</sup> Century, has to do more than just deliver economic and social benefits. In a world whose biophysical resources are seriously constrained, we need to ensure that our activities are sustainable from an environmental perspective as well.

The example I have chosen to illustrate my point here is tea.

Unilever is the biggest tea company in the world.

Tea remains, after water, the world’s most popular beverage. Some five billion cups are drunk every day – whether it is the black tea that is consumed in countries such as the UK, Russia, Poland, Arabia and Turkey; the green tea in China; or the iced tea invented here in the US and now being successfully exported around the world.

Unilever buys about 12% of the world’s *entire* black tea crop. We serve a market of around \$40 billion, and one of our brands – *Lipton* – is by far the number one global tea brand.

Five months ago we made “an extraordinary commitment” – not my words, but those of Jonathon Porritt, one of Britain’s leading sustainability thinkers. We declared that Unilever would move to purchase all its tea from sustainable sources.

We asked a respected international non-governmental organisation, the Rainforest Alliance, to certify and audit our progress. As you probably know, the Rainforest Alliance already has expertise in sustainable forestry and farming, including the certification of crops like coffee, cocoa, and fruit. It will now add tea estates to its programmes.

Tea is an industry which has long suffered from the twin problems of oversupply and underperformance. This has driven down prices, putting pressure on the environment and on people’s ability to make a decent living. By moving to a sustainable model, we hope to do something to improve that picture.

We believe that teaching farmers to “farm smarter” is an investment – in the quality of the product they grow, as well as the quality of the environment they depend upon – ultimately leading to a better standard of life for farmers, farm workers and their families. Experience in coffee shows that farmers receive higher prices for certified crops. And it will appeal to the growing number of consumers who like, as they say, to look behind the label and ask about the ethics of the products they buy.

The scale of change we envisage is remarkable – two million people across the world are involved in supplying tea to Unilever. We believe that our commitment will materially improve their quality of life.

In order to get certified, Unilever suppliers will have to meet a rigorous set of standards prescribed by the Rainforest Alliance. These include improved agronomic practices (eg, using less fertilizer, fewer pesticides, less water), more demanding biodiversity standards (such as protection of rivers and streams, wildlife conservation and tree planting) and better care of workers, embracing everything from access to proper housing to provision of education and medical care.

Take a look at this film, which explains in a little more detail what we are trying to achieve.

[Film ..... ]

The *Lipton* story, like that of *Lifebuoy*, is a “win win”. Our consumers will have the reassurance that the tea they enjoy is sustainably grown. Subsistence farmers will get improved incomes. Tea pluckers will be better off. The environment will be better protected. And we expect to sell more tea.

This is the way forward for business and brands. At one level it is very simple. It's about:

- brands continuing to give consumers the functional benefits they seek;
- while at the same time maximising the social benefits and minimising the environmental impacts.

The examples I have chosen so far all come from the developing world. But closer to home, here in the USA, we market a brand with a strong social mission. The brand is *Dove*. The mission: the Campaign for Real Beauty. Here we work with the Girl Scouts, teachers and other groups to boost the self-esteem of young girls whose self-image and self-confidence is undermined by the fashion industry's distorted portrayal of beauty.

*[Film .....]*

In reality, finding the sweet spot between meeting the needs of society, the needs of the planet, and the needs of consumers as citizens, is complex. But it will be a real differentiator for those who do it well and do it with integrity.

So, to summarise, there have been a number of themes to my presentation.

- Business can play an effective role in development and poverty reduction, as demonstrated by our experience in Indonesia and South Africa.
- New business models, such as *Shakti*, can reach the poorest of the poor and, at the same time, produce good levels of profitability.
- Brands can be agents of positive social change. Look at the public health benefits which *Lifebuoy* is delivering.
- Business has to become genuinely sustainable. This is a ‘win win’ opportunity. Our decision to buy tea from sustainable sources is good news for farmers, good news for consumers, good news for the environment, and makes good business sense.
- Finally – and most importantly – there is no dichotomy between business doing well and doing good. In fact, the two go hand-in-hand. All of the brands I have talked about are growing rapidly. All are profitable. If they weren't, their social and environmental initiatives would not be sustainable. Both parties – business and society – need to benefit.

I started this presentation by saying that social responsibility and sustainable development are no longer fringe activities, but are central to our business. And, just as this agenda has become core to business, so it should also become core to management education. It must be moved to the heart of the curriculum.

Business schools generally need to give much more prominence to this subject than they have historically. Some are beginning to do so. But many are being slow to integrate this agenda. Doing business in the 21<sup>st</sup> Century is a much more subtle and complex process than some MBA courses would lead one to believe. Of course there is a place for the financial modelling, the DCF calculations and the yield curves. But in the end, the big decisions in business are about culture and consumers.

Columbia is setting a shining example with initiatives like the Botwinick Prize.

I am profoundly grateful for the recognition you have given me today and it is with great pride that I accept this award on behalf of the 170,000 people who work in Unilever.

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#### **The Botwinick Prize in Business Ethics**

The annual Botwinick Prize in Business Ethics was established by Columbia Business School graduate Benjamin Botwinick. It is awarded to an individual or representative of a business organisation exemplifying the highest standard of professional and ethical conduct.

For more details visit: <http://www0.gsb.columbia.edu/>

#### **Unilever**

For more details of Unilever's corporate responsibility initiatives, including the [Unilever/Oxfam study on Indonesia](#), please visit the Environment & Society section of <http://www.unilever.com>