استدامة سلسلة التوريد شركة "يونيليفر" دراسة حالة

إعداد

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استدامة سلسلة التوريد شركة يونيليفر: دراسة حالة

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الملخص

تهدف هذه الورقة إلى تحليل وتقديم نهج الاستدامة داخل نظام إدارة سلسلة التوريد وتحليل دراسة الحالة لفهم الافتراضات الواقعة والفوائد والتحديات أثناء تقديم الاستدامة. وبالتالي، تتضمن الورقة مناقشة فكرة الاستدامة ومكان الاستدامة داخل نظام سلسلة التوريد من حيث فعالية أداء الشركة والتأثير المجتمعي الذي تخلق. من أجل تقييم التطبيق العملي لنهج الاستدامة داخل إدارة سلسلة التوريد، تهدف تحسين الجودة والكفاءة، تطبق الورقة بحث دراسة الحالة من خلال تحليل سلسلة التوريد المستدامة لشركة يونيليفر. وبالتالي، تتضمن الورقة كلاً من التحليل النظري وتقديم حالة الشركة لتطبيق الاستدامة في سياق إدارة سلسلة التوريد من حيث الفوائد والتحديات وخصوصية تنفيذ الاستدامة في سلسلة التوريد. أخيراً، ينتهي التقرير بالاستنتاج الذي يقدم لمحة موجزة عن أهمية الاستدامة داخل سلسلة التوريد.

الكلمات الدالة:
SUSTAINABILITY OF SUPPLY CHAIN
UNILEVER CASE STUDY
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Abstract:

This paper aims to analyse and evaluate the sustainability approach within the supply chain management system and analyse the case study to understand realistic assumptions, benefits, and challenges while introducing sustainability. Thus, the paper includes the sustainability notion discussion and understanding of sustainability place within the supply chain system in terms of the company’s effectiveness of performance and the societal effect it creates. In order to evaluate the practical applicability of the sustainability approach within the supply chain management aimed at improving its quality and efficiency, the paper applies the case study research by analysing the sustainable supply chain of Unilever company. Thus, the paper includes both the theoretical analysis and case company evaluation of sustainability application in the context of supply chain management in terms of the benefits, challenges, and specificity of implementation of sustainability in the supply chain. Finally, the report ends with the conclusion that provides a brief overview of sustainability importance within the supply chain.

Key words:
Introduction

The modern business environment is characterised as dynamic, competitive and demanding due to the continuous changes in trends and requirements that governments, customers and society set for companies to ensure their further development and effective performance in the market. In line with that, one of the first steps the company should perform is to create an effective supply chain adapted to new trends which, among other things, includes making it sustainable. Although the company may face many challenges and risks while creating a sustainable supply chain, if it succeeds in its intention, the company will achieve overall business efficiency and create a good reputation in the market in the long run.

In this regard, this paper aims to analyse and evaluate the sustainability approach within the supply chain management system and analyse the case study to understand realistic assumptions, benefits, and challenges while introducing sustainability. Thus, the paper includes the sustainability notion discussion and understanding of sustainability place within the supply chain system in terms of the company’s effectiveness of performance and the societal effect it creates. In order to evaluate the practical applicability of the sustainability approach within the supply chain management aimed at improving its quality and efficiency, the paper applies the case study research by analysing the sustainable supply chain of Unilever company.

Thus, the paper includes both the theoretical analysis and case company evaluation of sustainability application in the context of supply chain management in terms of the benefits, challenges, and specificity of implementation of sustainability in the supply chain. Finally, the report ends with the conclusion that provides a brief overview of sustainability importance within the supply chain.

Literature Review

Sustainability Concept Within Supply Chain Management

The company’s supply chain is composed of inputs and outputs that outline the production process and deliver goods to the customers (Wong et al., 2017). Thus, the supply chain management includes various activities, processes, logistics, and technologies applied by the company within its production and service provision performance in
order to meet customers’ needs and desires and obtain profit to continue market expansion (Mentzer et al., 2008). Such activities include product development, operations, sourcing, production, distribution, and logistics, the same as information systems needed to support these activities (Bentahar and Benzidia, 2018).

Supply chain management refers to the holistic approach of materials and processes management within their flow in, through and out of the company within their production and distribution activities (Polman and Bhattacharya, 2016). In line with that, the company links its physical and informational flows to obtain effective transportation, movement, and storage of materials and goods within the coordination of the company’s performance with its partners and customers to ensure efficiency in the up and down the supply chain flow (Waters, 2009). By running its supply chain most effectively and efficiently, the company maximises created customer value and achieves competitive advantage in the market. Therefore, it can be said that the successful supply chain management is the basis of the business success of the company, as it involves relationships with both suppliers and customers, while at the same time managing interconnected operations within the company (Sanders, 2011).

However, since supply chain management affects all stakeholders through the indirect and direct impact on the environment, society, and economy (Bernon et al., 2017), the company must also minimise any adverse effect of its supply chain by incorporating sustainable business practices that create a positive effect on the environment and people involved (Rudd, 2019). As a result, sustainable supply chain management creates an environmentally friendly operation and delivers goods and services in a way that does not affect the environment, depletes natural resources, contributes to adverse environmental changes, and does not foster social inequalities and injustice (Bhattacharya and Polman, 2017). Therefore, sustainability within the supply chain operations means making entire production processes effective, ensuring the sources of raw materials efficiency, disposal of recycling, and implementing a cradle approach within the entire life cycle of the company’s operations (Wibowo et al., 2018).
Benefits of Sustainable Approach

The sustainable approach offers a unique perspective regarding the company’s positioning in the business environment. Firstly, it can protect the company from the reputational damage, as investing intensively into the customers and sustainability approach, the company shows its care towards social prosperity (Paulraj et al., 2017). Secondly, the company reduces environmental impact and costs associated with its performance, bringing the win-win improvement into its operations and societal developing by providing efficient products and services to the customers (Geissdoerfer et al., 2017). Moreover, sustainability improves continuity of supply, making it more diversified and efficient, while also improving the performance of the company (Kashmanian, 2017).

The next benefit is a focus on the innovativeness, as the company is willing to invest in its operations’ improvement to achieve more sustainable results (Mota et al., 2015). Also, sustainability facilitates partnerships development and global standards creation, as the company also affects others to behave in the same way, thus enabling the improvement of both business results and living standards (Achillas et al., 2018).

Implementation of Sustainability in Supply Chain

For a sustainable supply chain, there is a need to develop a holistic approach towards the company’s performance with all its processes and activities being performed within the environmentally friendly and responsible strategy (Bové and Swartz, 2016).

The company first needs to develop a sustainability plan connected with the transformation of its whole business model to become sustainable by focusing activities that need to be rebuilt to ensure sustainability and the ways they could be achieved (Thorlakson et al., 2018). Secondly, the company must assess the sustainability of its supply chain and how it contributes to the company’s operations environmentally, economically, and socially.

The next step is about the development of a policy for suppliers and customers in order to identify and measure indicators of sustainable operations in terms of environmental impact, waste disposal, energy use, community and social factors, and employees’ performance (Hong et al., 2018). Moreover, it is necessary to evaluate the supply chain to identify the most critical factors and critical aspects for customers in order to
consider appropriate actions to be implemented to achieve the desired results. To achieve this point, the company engages both external and internal stakeholders in this process (Polman and Bhattacharya, 2016).

Therefore, the implementation of sustainability within the supply chain is more about the understanding of all the factors and indicators of the company’s activities and ways they are affected rather than simple improvement of its essential performance characteristics.

Risks Associated with Sustainability Approach

The central critical aspect of sustainable development within the supply chain is associated with costs. The companies have to intensively invest into the research and assessment in order to persuade required changes and transformation within its performance, continually searching for additional resources to be used for the business improvement (Tessa et al., 2016).

Another risk is associated with poor practices of the company’s business partners if they do not comply with the company’s sustainable supply chain and thus decrease the effectiveness and sustainability of its supply chain (Bové and Swartz, 2016). Nevertheless, although a company cannot directly influence all firms in its supply chain, it may affect its direct partners to behave sustainably and requests from them to affect others in the supply chain to behave in the same way. For that purpose, the company may use various measures, such as codes of conduct, training, third-party certification and many more ways of implementing the measures. (Schaltegger et al., 2012).

Case Study

Company Background

Being one of the largest fast-moving consumer goods companies in the global arena, Unilever is perceived as the company with a tremendous effect on the societal and economic performance of the world. It owns a set of brands, including Dove, Ben and Jerrys, Magnum, Knorr, Lynx, PG Tips, and many others, which operates all over the world and create a specific image as a corporation that has a working brand in every market segment of the industry (Unilever Company, 2020). It is currently working within 190 countries, through more than 400 warehouses and 200 factories, with about 165,000 employees that satisfy the needs of about 2 billion people daily (Unilever, 2016).
Focusing on transforming the world to achieve better living and wellbeing, Unilever has a constant and long-term view on sustainability that is persuaded from its very beginning and is embraced with important characteristics to be transmitted into the world. In line with that, Unilever embraces sustainability within its overall operational standards, throughout its organisational structure (Figure 1) and within its business focus to persuade environmental and societal changes and significantly improve the wellbeing of the world (Unilever Sustainability, 2020).

![Unilever’s Corporate Structure (Bartlett, 2018)](image)

**Figure 1: Unilever’s Corporate Structure (Bartlett, 2018)**

**Advantages of Sustainability Approach Implementation**

Unilever has a unique business model that ensures the complete supply chain control over its products from the development and sourcing stage to the production, transportation, promotion, and distribution (Unilever, 2018). While it applies the highest standards of...
sustainable sourcing within its operations and supply chain, Unilever also promotes sustainability throughout its whole supply chain (Unilever Sustainability, 2020). Implementing it throughout its supply chain, it has done so at various levels, to ensure cohesiveness and conformity of its sustainability goals.

Unilever sets sustainability at the centre of all its business operations, which helps it to leverage costs-effective activities, implement the best practices into the performance, as well as to bring global problems solutions within the Unilever company’s operation in order to meet the customers’ needs. Starting from improving the quality of its raw materials, which increases the quality of its final products, to helping society to develop and improve through various initiatives, Unilever’s sustainable supply chain brings positive changes into the business environment, while at the same time positively affects the company’s performance and competitive advantage (Unilever, 2020).

![Figure 2: Model of International Strategy (Birkinshaw and Hood, 2016)](image)

Such a change was brought by the restructuring the company globally (Figure 2) to meet the sustainability targets that it set out. It was challenging to implement the USLP throughout Unilever. Polman consolidated the power and placed importance on who was responsible for implementing the USLP strategy. Typically, the CSR department would be managing it, yet there was a new position that would fuse communications and sustainability. This put the responsibility of Unilever on what is now called the Unilever Leadership Executive.
Centralising the roles brought Unilever closer to sustainability, by having a part of the business rather than an external target that the business must achieve. Functioning as one unit, this implemented and standardised all procedures in order to implement sustainability on a global scale for Unilever and thus utilising the advantage of economies of scale (Bartlett, 2018).

The company is also focused on continuous improvement within both costs and products, while at the same time encourages its employees to do their best to persuade the future prosperity of society and the company’s expansion (Polman and Bhattacharya, 2016). For example, Unilever has been recently recognised as a leader in tackling supply chain emissions (Unilever, 2018). It also creates good relationships with its suppliers, providers, and partners, which helps it to meet both current and future requirements of the business environment, governmental institutions, and trends’ shifts among customers (Lawrence et al., 2019). In this way, by reintegrating its supply chain into the heart of its business, Unilever’s supply chain has become the focal point of its future business growth where the creation of value for society and customers are the main aspects of its performance.

**Initiatives to Introduce Sustainability into Supply Chain**

Since Unilever operates in many markets meeting the needs of the tremendous number of customers, its supply chain management is unique for each brand due to peculiarities of product development, production, transportation and packaging. (Unilever, 2020). However, to make it more sustainable, in each of them, Unilever identifies critical issues within the supply chain, links the supply-chain sustainability goals and the global sustainability agenda, and helps suppliers adapt to its transformation and manage their impact within its supply chain (Bové and Swartz, 2016).

The international strategy (Figure 2) of Unilever was to implement sustainability from its main headquarters throughout the international supply chain of Unilever. A team of 12 people was created to benefit the smaller sections of the Unilever supply chain by implementing the capabilities and knowledge that the parent company had (Bartlett, 2018). For example, Lipton is a tea business unit of the company, which supply chain has been revolutionised during last years (Gold et al., 2017). Today, it is the world’s leading tea company that supports sustainability
as the key aspects of its business. Using sustainably produced raw materials, Unilever ensures a positive impact on the environment and community, while at the same time provides healthy and natural products to its customers. In order to achieve better product positioning, Unilever has also incorporated a marketing approach into its supply chain of tea better to satisfy the specific needs of customers around the world.

The role of CSO further implemented a transnational strategy (Figure 2) which unified different factions of the company towards its goals of sustainability. Throughout the entire system, there was a significant disconnect of the different business departments and the goals of the company in regards to sustainability. Different divisions such as Knorr, a brand that Unilever owned would meet under one leader that would implement the sustainability strategy. This allowed for better cohesion between the various brands, but also between the parent company and its brands (Bartlett, 2018).

Moreover, to increase the effectiveness of its supply chain, Unilever continuously improves relations with its partners and suppliers even though it has its tea fields (Unilever Sustainability, 2020). Through cooperation with the local farms, it ensures to get the required amount and quality of the resource (Delabre et al., 2019). In line with that, Unilever has developed the Code of conduct for suppliers and the certification standards that established norms of sustainability to be applied for farmers in order to continue cooperation with Unilever (Murphy and Murphy, 2018). On a multinational level (Figure 2), sustainability throughout the supply chain of Unilever was implemented differently. This gave a freer initiative to manage their implementation of sustainability throughout the supply chain (Bartlett, 2018). This was vital in creating a more agile approach in the system, which is required by companies to go from decision-making to implementation and thus become a competitive firm (Parnell, 2017).

In this way, Unilever has created a specific procedure of sustainable approach towards tea growth, and the gathering, processing, and storage of its products (Wilson, 2015) in order to avoid usage of fertilisers and instruments that would harm the environment and decrease the quality of its products. To help its suppliers to adapt to its procedures, Unilever provided them with specialists that helped them reorganise tea production for free, thus also helping the suppliers to improve their performance. In several years, those farmers have
increased the production capabilities by 6-12 times and profitability by around 50% (Ovenden, 2020). Also, Unilever cooperated with non-governmental organisations in improving the impact their sustainability goals had on the environment and society. Unilever attached their values to donations that contributed to the development of the poorest in society (Bartlett, 2018).

Thus, although it spent several years and lots of resources to develop a unique approach for farms, Unilever obtained the high quality sustainable raw material, while also contributing to the community’s wellbeing and economic development. In this way, by transforming only one chain aspect, the company has brought benefits to all its stakeholders, at the same time promoting sustainability as the right way of doing business affecting others to behave in the same way.

Challenges in Implementation of Sustainable Supply Chain

The main challenges in the implementation of a sustainable supply chain in its tea business were the significant amount of investments needed for the research and development and implementation of certification among the tea farmers. Moreover, the company has needed to change the perspective of farmers about sustainability by showing them that the application of unnatural fertilisers can only bring them benefits in the short run. At the same time, the sustainable approach provides them with effective results in the long run (Unilever, 2020).

Moreover, the cost of creating a sustainable supply chain may be high. Unilever expected to attain results in its sustainable actions, but it had affected the company and its stakeholders. A falling share price was witnessed, and Unilever’s costs increased (Bartlett, 2018). The difficulty lies in the enormity of the Unilever supply chain. To implement such significant changes will affect, primarily when being implemented throughout the complete system at the same time, rather than by taking on the challenge by geographical area or department. Furthermore, Lingard (2012) states that the effect of trying to create agility as a multinational strategy (Figure 2) while implementing decentralisation into the strategy may reduce Unilever’s profit.

Not understanding the stakeholders well enough was another challenge of implementing a sustainable supply chain. Every stakeholder
has a place in the supply chain, and so their input in the Unilever ecosystem of supply chains differs. The diversity of the stakeholders does not only manifest in needs or requirements but also the culture of their geographic area, thus implementing a sustainable supply chain primarily a more significant challenge (Bartlett, 2018). What Unilever did not understand is the requirements and needs of each stakeholder. That challenge may require knowledge sensitivity of the needs of stakeholders and better communication with stakeholders to determine how they may best play their role in Unilever’s sustainable supply chain.

Still, despite these challenges and associated risks of failure, by applying an appropriate supply chain management approach and being persistent in its intention guided by the long-term results, Unilever has succeeded in building a sustainable supply chain of its tea business. Moreover, it has demonstrated that sustainable supply chain can bring both significant improvements in the product quality, societal wellbeing, and customer satisfaction, while also providing positive results for the company.

**Conclusion**

Sustainability approach of the company’s performance is a practical strategic development perspective for any company within its supply chain management system. Although there are various reasons for applying sustainability approach towards supply chain, such as governmental pressure, intensification of competition, societal requirements, stakeholders’ demands, reputation creation, the company’s value creation and corporate social responsibility implementation, such an approach always contributes to the effective performance and development of the company in the long term.

In this regard, the companies like Unilever are focused on the development of the sustainability approach that can facilitate the performance of not only the company but also of its suppliers, which creates value for all involved and brings transformational changes into the industry. Therefore, sustainability within the supply chain is a requirement and possibility for the company to improve its performance and create value for society, resulting in the overall prosperity.

However, the adoption of a sustainability approach requires complex changes and significant investments in order to ensure that the
standards developed are incorporated into business practice. In this regard, implementing a sustainable approach to supply chain management is often a long-term process where companies may also face various challenges and risks. Still, once implemented, the effects of sustainability outweigh all investments and costs, bringing the company highly improved performance and long-term competitive advantage in the market. This is best shown on Unilever’s example that not only improved its business results but also helped its business partners to incorporate sustainability and improve performance, while at the same time promoting a sustainable approach to business by enabling others to follow its good example, which eventually leads to sustainable economic growth in the long term.

In this regard, this report helps not only to understand the notion of sustainability within the supply chain of the company and its positive effects on both the society and the company, but also the challenges that may arise on the way of its implementation. It has shown that sustainability requires the involvement of not only the company itself but also often includes the transformation of its suppliers’ in order to create value for all stakeholders. The analysis of the Unilever experience of sustainability approach introduction to the supply chain management has shown the way the companies affect societies and even development of countries, having a possibility to transform the entire business and the whole world.

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