

How well-defined strategy of unilever benefited the shareholder value creation

[Business](#), [Company](#)



Many global companies will admit that their ultimate purpose is to create wealth for their shareholders. In that light, managers provide certain guidelines and approaches to realize the goal. The means, for achieving their goal of creating shareholder value, is commonly referred to as their Strategy. Like the term ' Economics, there is not one generally accepted definition of Strategy. Nevertheless, several global companies manage to formulate strategies to work with. For many decades, Unilever Plc., the famous Anglo-Dutch multi-brand global company has made a mark in the Global Consumer Goods Industry to the satisfaction of their shareholders. Unilever falls within the large bracket of global companies that have a defined strategy to work with. The great importance of strategy for this firm cannot be over-emphasized as Paul Polman, their CEO, attributes their 290% shareholder return, over a period of nine years, to their Sustainable Living Plan, which is the general theme for their overall strategy. Unilever also has a different set of strategies, dedicated specifically to creating shareholder value. For the purpose of this case study, there is the need to first understand what strategy is, what a well-defined strategy is and also, what shareholder value is. Based on the definitions, Unilever's strategy is assessed to conclude on whether or not it qualifies as ' well-defined'. Their ability to create shareholder value will also be critically inspected using their performance after the launch of a new strategy in 2010.

Definition for strategy, well-defined strategy and shareholder value

a) What is strategy?

A masters' degree student could have a 'strategy' to increase study hours from 10 to 15 hours a week in order to excel academically in the next term. On one end chessboard is a man who has decided not to advance more than two pawns, in order to strengthen his defense during the game, to win in the end. In each instance, there is an end-goal and a plan to arrive at the goal. However, in management, Mintzberg (1987) views this general and basic understanding of strategy to be just one phase of a multi-dimensional matter and suggested that strategy is viewed as not only as a plan but also a ploy, a pattern, a position and a perspective. The 'word' strategy is used in daily expressions to refer to methods employed in the achievement of goals. The Oxford English Dictionary defines strategy as "A plan of action designed to achieve a long-term or overall aim". In several attempts to define strategy for the corporate world, many men of high academic standing have argued out their opinions for decades and failed to arrive at a consensus for a globally accepted definition for the 'trouble' term. In the contemporary corporate world, strategy is argued to be a very critical aspect of business performance. It is one of the most profoundly used concepts in business but is defined differently by scholars and individual corporate men and women. Evered (1983) discovered that there exists an ambiguity of the term Strategy, because of the absence of unison on a definition.

Indeed, Strategy today has dozens of academic definitions and views from experienced managers in the corporate field. Michael Porter, a globally influential force of Contemporary Strategy thinking today, is hailed as having a name metaphoric to Strategy'. Porter's view can be analyzed and

concluded that the concept cannot be defined in one sentence or even a paragraph. He, however, suggests certain key relationships and underlying principles, which can shape one's idea of what strategy is. He approaches the controversial subject matter by discussing what it is not and argues that strategy should not be equated to operational effectiveness. He shares his view that while strategy is about doing things differently from what your competitors do or doing similar things using different approaches from theirs, operational effectiveness describes a situation where similar activities are done better than competitors. He generally communicates Strategy as being intentional in your choices of activities to provide a 'unique set of values'. Alfred Chandler, another authority on management and strategy, provides a different approach to defining strategy. He defines it as "The determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". These two views, among a dozen others, illustrate the different faces of strategy that exist in academia and for the corporate world. It can be observed that not one definition is enough to satisfy what strategy may actually mean every company. Porter (1996) discloses how Japanese companies did not have strategies, and according to Richardson (2011), Honda is one of such companies had no other strategy than selling to the US market. Honda performed excellently without Porter's definition of a strategy. Now, that demonstration from Japanese corporate history must qualify to be another definition of a strategy: trying so many things until they hit a jackpot". What if having no strategy was strategic to enable them to think beyond the status quo? It is, therefore, reasonable to agree with Hax

and Majlounf (1988) in suggesting that all definitions are put together into one unified piece to define this term. In addition, as illustrated by Japanese firms in relation to what the norm was, what may be defined as a Strategy to Firm A may not be Strategy to firm B.

b) What is a well-defined strategy?

The expression, ' a well-defined strategy', like the concept strategy, also has different but meaningful contributions from giants in academia. Alessandro de Fiore, CEO of the European Centre for Strategic Innovation (2014) is of the view that brevity, clarity, and simplicity of strategy is key, sets a company on the right path to achieve a well-defined strategy. He points out that these characteristics of a strategy help managers to easily interpret it to avoid confusion and easily implement them. Scott Lewis (2018) suggests that clarity and articulation are the important factors for a well-defined strategy. The importance of a well-defined strategy is to enable all stakeholders of a company to comprehend it, so as to play their roles accordingly, to help the organization achieve its goals. Fiore (2014) advises that a strategy statement “ must identify the target customer, the value proposition and what the focus of your value proposition is, in terms of what you deliver to target customers, as well as, why it is unique. He adds further, that it is better not to go beyond a 15-word limit for every statement.

c) What is shareholder value creation?

Shareholder value creation is simply about making shareholders of a company richer, by giving them more monetary value than what they have

invested in the company. It is when a company delivers returns greater than the cost of the capital borne by its shareholders. Another interesting dimension to shareholder value creation is about a company creating value for an eventual and automatic increment of the stock value. There are a number of approaches to measuring the actual shareholder value created in any named firm. For the purpose of this case study, Unilever shareholder value creation will be determined by observing their Return on Investment values.

What is Unilever's strategy?

Unilever's strategy is themed the "Unilever Sustainability Plan". To identify, in totality, what Unilever's strategy is, Collis and Rukstad (2008) suggest four statements through which companies communicate their strategy; Mission Statement, Statement of Principles, Vision Statement, Statement of Strategy. Unilever's vision statement is "to grow our business, while decoupling our environmental footprint from our growth and increasing our positive social impact" and their mission statement is, "We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life". Their statement of principles states, "to succeed requires the highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact". Their strategy statement is 'to deliver long-term compounding growth and sustainable value creation by winning with brands and innovation, winning in the marketplace, winning through continuous improvement and winning with people. Finally, their Shareholder Value

Creation Statement is, “ We create value for our shareholders by placing consumers and their interests at the heart of what we do, to generate growth that is consistent, competitive, profitable and responsible”.

Is Unilever’s strategy a well-defined strategy?

Based on the criteria given by Fiore (2014) and Scott (2018) for a well-defined strategy, Unilever’s strategy can be concluded as ‘ well-defined’. Indeed, the statements go beyond Fiore’s rather strict 15-word count, but in other ways, we can prove that it is still not entirely skewed from his standard. Though First of all, Unilever articulates their strategy in various ways, including the five obvious statements, boldly spelt out on their global website. Each of Unilever’s statements is brief, clear, and simple to understand: they are not expressed in many paragraphs, as may be the case for other companies. It is not strenuous to make out what Unilever intends to communicate to the managers and other staff, by just one glance at the statements. By observing them we can easily determine that the company’s target customer is ‘ everyone’, by noting that they ‘ meet everyday needs’. We can also determine that Unilever’s value proposition and its uniqueness lay within their promise of a quality life of sustainability through the delivery of their products. Lastly, for the Shareholder Value Creation Statement, they specifically state what they do to generate the kind of growth that should be pleasing to their shareholders anyone with the intentions to invest with them.

Unilever's shareholder value creation analysis and the relationship between their well-defined strategy

After the launch of Unilever's November 2010, Unilever's shares have risen by more than 40%. And this was during a period when its biggest rival, Procter & Gamble of America, lost its way and ultimately its boss. o the big questions are: can the company achieve the targets set out in its sustainability plan? And if it can, will that help it in the long run? As already established, Unilever is a global company that has carefully communicated its strategy to their stakeholders involved in creating value. It is easy to remember what the company stands for and how they intend to achieve their long-term goal. The managers of Unilever, with such clear strategies are able to first of all understand the one big picture of what Unilever's strategy is about. The strategy being ' well-defined' leaves little room for conflicting ideas in working with it. Management is therefore able to make decisions influenced by the company's strategy. The definition also serves as a check for contrary actions and anyone who falls out of place is easily singled out. The mentality and subsequent actions of well-meaning managers then become about the message in the strategy. The CEO, Paul Polman, demonstrates this in all his actions and decisions. He never hesitates to defend the ' well-defined' strategy because it has formed his mentality and affected decision making towards Shareholder value creation. By observation, it is crystal clear that Unilever's strategy has consumers at the heart of their activities and he works strictly according to that. Their strategy statement illustrates the goal of " long-term compounding growth'

Conclusion and final recommendations

“ How does a well-defined company strategy determine its effectiveness in creating shareholder value, in global companies?” To a large extent, Unilever Plc.’s well-defined strategy has helped them achieve success in their shareholder value creation. Indeed, it has facilitated the interpretation and consensus of what the strategy is about and has enabled their internal stakeholders to communicate effectively with their consumers to increase value for shareholders. These findings should guide other global companies struggling to create value for their shareholders to critically assess their strategy from a different dimension. Instead of only analyzing whether they have a good or bad strategy, they should investigate to discover whether their strategy is ‘ well-defined’. The limitation of this piece, however, is that this Case Study was performed on one global company out of the lot. Researchers are therefore encouraged to perform a similar analysis for other global firms to contribute to the body of information in the fields of management and strategy.