



Anthony Burgmans

Born	13th February 1947 in Rotterdam, Netherlands
Family	Married, one son and one daughter. The family has two dogs
Education	Business study Nijenrode (Netherlands - 1969), Political and social science at University of Stockholm (Sweden - 1971) MA in Marketing University of Lancaster (UK - 1972)
Languages	Dutch, English, German, French and Bahasa Indonesia (passive)
First job	Marketing assistant at Lever (Netherlands) on dishwater detergent SUN (1972)
Unilever career	Various positions in Marketing and Sales in Detergents in the Netherlands, Indonesia and Germany (1972 - 1988)
Chairman of PT Unilever Indonesia (1988) Director of Unilever with responsibility for personal car products (1991) Business Group President Ice Cream and Frozen Foods Europe (1994) Chairman of Europe Committee (1994) Vice Chairman of Unilever N.V. (1998) Chairman and CEO of Unilever N.V. and Vice-Chairman of Unilever PLC (1999)	
Additional functions	Member of Supervisory Board of ABN-AMRO Member International Advisory Board Allianz AG Non-Executive Director BP plc Co-Chairman of Global Commerce Initiative (GCI) Chairman Supervisory Board Mauritshuis in The Hague
Honours and Awards	Honorary Doctorate of Laws, Lancaster University, December 2003
Other activities	Signatory to joint initiative between Unilever and WWF to set up a Marine Stewardship Council in February 1996 Chaired a CEO Panel at the World Water Forum in The Hague (2000) and in Kyoto (2003)
Hobbies	Love of wildlife, golf and skiing, art and soccer (supporter of Feyenoord)
Motto	Be passionate, be committed, keep it simple, enjoy your job and above all: be yourself



“Honesty cannot be learned”

Anthony Burgmans, CEO of Unilever, talks to Konstantinos G. Apostolatos and Hans Smits

Arthur D. Little: Mr Burgmans, having read through your recent speech for the Zürich Sustainability Forum, we would like to discuss some of the global trends that influence the way enterprises “behave” and operate. Let us, for example, talk about the unmistakable trend of increasing obesity across the globe, affecting all groups and ages. Unilever’s mission is to add vitality to life. So how does Unilever claim its part of responsibility for tackling obesity? How does it balance economic interest versus social responsibility?

Burgmans: This is typically what I would call a global issue. As you know, more than a billion people are victims of this phenomenon and not only in the U.S. or the U.K. but also in places like India and China. The enormous changes in lifestyles over the last 25 years are, in my view, the main underlying reason for this problem, as the human body has not yet had the time to adapt to these changes. The World Health Organisation (WHO) has rightly pointed out that this problem can only be addressed via a “multi-stakeholder approach”, in which the food industry is only one of the parties involved.

Arthur D. Little: So what does Unilever do?

Burgmans: We have to follow a very responsible approach, in our communication regarding our products. We at Unilever are for example currently in the process of conducting a full-scale review of all of our product recipes in terms of sugar, fat and sodium content, to ensure that we use the appropriate quantities and the best possible quality of ingredients in our products. Parents should however also take responsibility for the health of their children! Furthermore, we conclude that the approach to obesity should be viewed on a country-by-country basis with the government acting primarily as orchestrator of various parties involved. Here in the Netherlands, for example, we via VNO/NCW ¹ are trying to develop a

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¹ VNO/NCW is the association of Dutch enterprises.

“framework agreement” that stipulates some basic rules to which companies must adhere; including things like allocating time for physical exercise to employees. This multi-stakeholder approach is in my view the only possible way to ultimately resolve this very serious problem. Any other approach simply doesn’t work; we must try to work together to realise change of mindset and that will take a long time. This is clearly our company policy but we cannot do it alone. And it is still early days - we only just received the report of the WHO and still have a long way to go to make a difference.

Arthur D. Little: Expanding a bit more on this issue, how does a company such as Unilever, which is trying to get the maximum value out of its brands, respond to the issue of advertising to children?

Burgmans: Let me say first of all that our research has shown that eliminating advertising to children does not contribute to resolving the issue; it has been tried in a number of countries but without any positive results. It speaks for itself that we try to act responsibly when we advertise to children and that we communicate “healthy habits” to children.

Arthur D. Little: Unilever has been engaged in several “local partnership” programmes across the globe, for example with local producers-suppliers of key raw materials. In a world of price pressures and bitter rivalry with retailers’ own brands, how do you manage to balance “global/strategic purchasing” (minimising cost) versus local partnerships with small suppliers? How responsible does Unilever feel for the very tough economic position of small farmers, as an example?

Burgmans: Unilever purchases raw materials already for decades from what we call “small holders”, i.e. local farmers also in the tropics. It is of course true that for a great deal of raw materials that we purchase, the prices for these commodities are set globally. Nevertheless, whenever we have the opportunity, we try to take into account the interests of smaller local parties. Let us not forget that we do not only act as buyers for these small entrepreneurs but we also provide a major contribution by providing access to our local infrastructure and know-how (e.g.

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in new farming technologies, in sustainability-related issues, etc).

Arthur D. Little: Do you have examples concerning what you offer to local partners?

Burgmans: In Kenya for example, we offer local tea-farmers access to our production technologies. To give examples of how we work with local partners I could mention that in the U.S. Ben & Jerry's purchases its milk from local Vermont producers and in the Netherlands we buy our milk locally in Hellendoorn and our Hertog milk powder from local farmers. Furthermore, we offer enormous help to local producers to improve their production and product quality standards. We also have numerous examples of outsourcing of parts of our supply chain to local players. I therefore believe that collaboration between large multinationals and small local companies can be very harmonious and mutually beneficial.

Arthur D. Little: Is, in this respect, in your view, "globalisation" the inevitable result of the "survival of the fittest" in the sense that only the strongest globally branded companies survive and leave little space to local players which lack critical scale?

Burgmans: As I just mentioned above, I think that the supposition that increasing globalisation necessarily means that a few large multinationals "call all the shots" is inherently wrong. What we currently see is in fact quite the contrary, as major parts of economic activity move to other parts of the world such as India or China. Critical scale of course remains important and large corporations can sometimes better leverage this. Despite this however, one sees that players from countries such as Brazil or India cannot be underestimated, not only because of factor advantages such as low labor cost but also because these countries are learning new technologies very fast.

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Arthur D. Little: Where does Unilever stand in the debate over Genetically Modified Food (ingredients) and how does this link to your mission of providing "vitality" to the world?

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Burgmans: We find GM typically a promising new technology and we follow developments very closely. We do however also note that there are important differences in the acceptance of this new technology in Europe where there is low sense of urgency and inherently much resistance to it versus the U.S. or Japan where this new technology has taken off. We are positive towards bio-technology, as long as it is created within an appropriate regulatory framework, so that local governments retain oversight and control regarding these issues. Key condition is that this technology is applied responsibly.

Arthur D. Little: How would you rate the different attitudes towards GM in Europe and the US?

Burgmans: The main issue in Europe is clearly that there is low consumer acceptance and a reasonable amount of fear for the potential long-term consequences of consuming GM foods. In the U.S. and in the developing world, arguments related to environmental protection (reducing the use of pesticides, for example) or increasing crop efficiency have played out well but in Europe the sense of urgency is much lower and other arguments dominate the consumer's choice. We have not been able to explain potential advantages to the consumer in Europe. Our positioning as Unilever is that we would follow the consumer, so whenever and whenever there is a climate of acceptance, we will make use of such technology, as we do not consider it to be dangerous. But let us not forget that in the U.S. there is also a strong regulatory authority, namely the FDA which does not yet exist as such elsewhere.

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Arthur D. Little: Let us switch to another issue, that of corporate governance. Following the accounting scandals and the ensuing Sarbanes-Oxley regulation, Unilever has taken several measures to further strengthen its corporate governance. What is your viewpoint on how to create "water-tight" governance without stifling creativity, entrepreneurship and the ability to make fast management decisions?

Burgmans: What we should not forget here, as a general statement, is that, given the events of recent years, one cannot blame the common shareholder or the average cit-

ized for having lost the fundamental trust they used to have for top management. Ten years ago CEOs used to be “heroes”, whereas now, if we don’t pay attention, “we are all bums”. Next to this, the whole debate regarding remuneration of top managers has also not helped, although in Europe we happily do not see similar excesses that are commonplace in the United States. But even in Europe, people wind themselves up when it comes to such issues and there seems to be no limit to the creative words that are used by the public to characterise top managers.

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Arthur D. Little: So it’s a question of public perception?

Burgmans: The point is not whether or not public opinion is factually right; public perception is that trust in top management has been fundamentally damaged. I think that good corporate governance is a way towards regaining the public trust. At Unilever we have recently reviewed our Code of Business Principles which has already existed for several years and came to the conclusion that our key principles are well engrained within our culture. On the other hand, if you make corporate governance so tight, that for every single decision you make you have to sign a contract, that would not be a good development either, because you would then remove all degrees of freedom and this would be a “self-defeating exercise”. Furthermore, it is very questionable whether or not it helps. Because honesty cannot be learned; someone either is honest or is not honest. This is why sometimes at companies with excellent corporate governance things can still go wrong. I cannot oversee every corner of the world where Unilever operates but we try to select our people based not only on their competence but very much based on their integrity. In the end, it is a matter of trust. I expect that the different codes in various parts of the world will converge but some flexibility needs to be preserved to respect local differences. I think that the principle of “comply or explain” is an outstanding one; in the sense that it allows for flexibility but one has to be prepared to explain in a transparent way to one’s shareholders.

Arthur D. Little: Let’s talk about strategic issues. “Path to Growth”, initiated in 2000 has beyond any doubt led to

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significant improvements in operating margins and overall ROCE (Return on Capital Employed). You have achieved this by largely tackling “complexity” at all levels across the chain, starting from a strong reduction in the number of brands. You have however recently been criticised for the fact that growth has been stagnating. What, beyond external factors which are often quoted, is the main reason for the apparent recent inability of Unilever to maximally leverage its strong brands?

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Burgmans: We are in a transition period between our “Path to Growth” and “Unilever 2010”. The former has delivered enormous benefits for us, namely the doubling of our operating margin, a constant improvement of earnings per share (EPS) and doubling of our Free Cash Flow, which is the main engine for financing our future. At the same time, we have reduced our working capital by 10 percent, so we are running our company with € 4.5 billion of yearly capital less than before. We have taken out more than € 4 billion in cost. The growth has been quite good over the same period but less so in the first half of this year, primarily due to external factors (such as a very different summer weather versus a heat wave last year; this alone makes a difference of over 200 basis points in growth). In Asia we are experiencing a very tough price competition and we had to follow suit to preserve our market share and in Western Europe consumers are increasingly price-sensitive. All together, we have undergone what I would call exceptional circumstances this year, which have limited our top-line growth but I believe that we are doing all the right things to improve our prospects in the immediate future.

Arthur D. Little: Do you, in retrospect, believe that you have struck the right balance between what you called the two extremes of “Mindlessly Global” versus “Hopelessly Local” in your brand portfolio?

Burgmans: Our 400 brands currently represent more than 95 percent of our revenues today, while 4 years ago, they only represented about 70-75 percent of our revenues. There is an enormous improvement of our portfolio; I feel that our portfolio has the “right balance” with leading brands across the board. We have the right mix of global

brands (which gives us global scale) versus “local jewels” (which give us local roots), both of which are very important. Some brands are easier to manage globally than others. Take the example of Knorr. Knorr as general positioning and packaging is similar across the globe but obviously local eating habits are so different in different regions of the world that basic recipes have to differ. Also in terms of central versus local steering, we see waves of development. I am sure you can understand that reducing the number of global brands to 400 does not happen without a strong top-down intervention. However, there might be a period where we have to provide more space regionally for new initiatives to be undertaken.

Arthur D. Little: Is your recent extensive research to gather deeper insights into consumer needs and attitudes starting to deliver value? How well are your brands linked to “consumer value attributes” like “intimacy”, “experience”, or “vitality”?

Burgmans: If someone asks “why do you work for Unilever”, the answer is our “vitality” mission: making sure that people look good, feel good and get more out of life. We believe that this is a fundamental universal need, whether we speak to a consumer in the West or in the developing world. I was recently speaking in Casablanca to a young Moroccan woman with two young children and it struck me how much importance she attached to these same words that we link to “vitality”. Aspects of vitality are shared in the entire world and we feel that with our portfolio and mission we can deliver a very important contribution to this human need. It does not mean of course that we have to “force” all of our brands to fit within this mould but one can say that it is the overall common thread that leads our efforts, starting with research & development.

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Arthur D. Little: Is Unilever still “leading the way” in innovation or is it increasingly reacting instead of leading?

Burgmans: We have been accused for being late in following the low-carb trend in the United States but I do not agree with this criticism. Of course Slim Fast is a product

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aimed at “weight management”, based on years of clinical research. So of course we are very careful not to follow every “fad of the month” without having gone through extensive research of our own. However, one must also remember that, given that we have a leading position in the United States, we have been one of the first parties to introduce “low-carb” foods. This year alone, we expect to sell more than € 200 million in such products. So, although with Slim Fast we were slower for the reasons I explained, we were rather fast with the rest of our portfolio. In the meantime, Slim Fast has been expanded to include such products.

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Arthur D. Little: Surely the current revenue growth rates cannot be satisfactory to you, nor to your investors. Can you give us your vision on what the main growth engines for Unilever will be in the future?

Burgmans: Ten years ago it would take us 4-5 years to invent and launch a new product in Europe, whereas today we have cut this down to 5-6 months. I think that this is a dramatic improvement. But there is of course a never-ending quest to keep improving. In such a competitive marketplace “back to core” is very important and this holds for us too. We see personal care, the food solutions/out of home market, expansion to the developing world and of course the portfolio that we have inherited out of our Best Foods acquisition as key growth areas. We will focus our growth on our core brands. But we have also understood that in some parts of the world, one has to launch quality products respecting consumers’ price sensitivities, as we have recently done in India. Let us also agree that innovation is not only product-related. It is related just as much to process innovation, new distribution channels, new services and many other things.

Arthur D. Little: As a last part of your “Path to Growth” programme, you are currently engaged in project “Simplex”. To what extent do you anticipate a large part of support activities across businesses to be centralised and at what level per country vs. continent or global? Would you be considering to outsource various business processes to Asia or elsewhere?

Burgmans: After reducing our brands from 1200 to 400, having closed down 150 factories and more than 160 companies sold, then you can surely see that we have built a much more transparent and simple corporation than what we used to have. What now remains is to translate this simplification into the corresponding simplification of the organisation. We are currently in the process of doing this. You see for example that we are almost as big as Nestlé globally but they have only one company in the Netherlands, while we have three. Our goal is to simplify but also to improve the overall quality of our business processes. We are already seeing big advantages of this approach, such as through the use of Shared Service Centres, not only regionally but sometimes even globally. This overall process will cost roughly € 800 million in restructuring and will deliver about € 700 of yearly benefits.

Arthur D. Little: What are your “key learnings” so far?

Burgmans: As far as “Unilever 2010” is concerned, we have learned some lessons from recent years and have concluded that we should not try to predict the future in all its details, as long as we continue to generate sufficient overall Free Cash Flow and economic value for our shareholders. We will be more flexible on the path to get there, as long as we keep meeting our growth and bottom-line objectives.

Arthur D. Little: Finally, a couple of more personal questions related to leadership and personal values. The Lebanese novelist Kahlil Gibran once said: “You are the bows from which your children as living arrows are sent forth”. Do you believe that there is a need for strong role models in today’s corporate world? Is there one or more persons which you could name as your own role models? How does “your bow” (model of leadership) look like?

Burgmans: Leadership entails for me three main elements: substance, energy and integrity, of which the latter is the most crucial. Of course it is important to have people with the right knowledge and background and the right drive. But at Unilever in order to climb up the corporate ladder you have to possess impeccable character and

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project strong personal values. Our corporate culture is very strong; everybody knows what we stand for. But we do not want a cult either; our people are neither soldiers nor robots because we want to stimulate creativity. Adherence to our Code of Business ethics is of course seen as a *sine qua non* for our people.

Arthur D. Little: How do you, as a leader, manage the enormous diversity of ambition and talent within your organisation?

Burgmans: I am not sure I can say I personally manage the enormous diversity within our organisation. What I am trying to do, is to project values and try to create a climate of meritocracy independent of one's cultural or racial background. Our management is based on clarity of purpose, empowerment and accountability.

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Arthur D. Little: The Greek poet C.P. Cavafy, in his renowned poem "Ithaca" speaks of the journey as being more important than the final destination, in human life. Top-managers are however captains on a ship aiming towards a destination. How are these two aspects balanced, in your personal perspective? How do you survive as CEO in these turbulent times?

Burgmans: It is indeed a long and difficult journey, with many rewards and sometimes disappointments along the way. The myth that the CEO is unassailable and should know everything is something of the past. My recipe for survival has been to surround myself with excellent people whom I can trust. There is no other secret!

Arthur D. Little: Mr Burgmans, thank you very much!

Burgmans: It's been my pleasure.

Hans Smits

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