The evolution of the Transnational Corporation: Mechanisms transforming Unilever into a Neo Global Corporation

Summary: *This paper examines the evolution of the MNE and argues that the socio-economic environment shaped by neo liberal ideology is creating structural forces that are dramatically changing the nature of the MNE, well beyond Bartlett and Ghoshal's Transnational Corporation. Even though it has been argued in the IB literature that truly global corporations do not exist, I will demonstrate in a single case study how and why one of the world's first and largest MNEs, historically known for its local embeddedness, is transforming into a truly global corporation. I will call this new phenomenon the Neo Global Corporation (NGC). The theoretical framework for this study draws on evolution theorists' notion that change in organisations is a result of processes of variation, selection and retention in a bounded system. To explain what drives these process, I take the critical realist perspective that such processes are always a result of multiple forces that can be both real and interpreted. The theoretical contribution of this paper is an explanatory conceptualisation of a new phenomenon namely the emergence of a new type of institution, the NGC.*

1. Introduction

In 1989 Bartlett and Ghoshal first published their seminal work on the management of cross-border corporations and argued that the survivors amongst different types of cross-border corporations - multinational, international and global corporations – were all transitioning towards what they called the transnational solution. These Transnational Corporations (TNCs) were successfully responding to a changing environment. In order to survive in a globalizing world, they implemented the right structure, strategy and culture to balance global efficiency and local responsiveness. Since then, many scholars elaborated on the TNC, the role of its subsidiaries (Birkinshaw & Hood, 1998; Birkinshaw & Ridderstrale, 1999) and its impact on the wider institutional environment (Cantwell, Dunning, & Lundan, 2010; Westney, 2009). Over time, the term TNC has become widely accepted in the IB literature as a term to refer to large internationalised corporations. However, in this paper I will argue that the corporate battle for survival in the social, political and economic context of the 21st century is dramatically changing the nature of Unilever, one of the world's largest TNCs, and one of the corporations Bartlett and Ghoshal also used for their study in the 1980s. I will demonstrate that the solution that is emerging over the last decade is significantly different in nature from what Bartlett and Ghoshal (1989, 1998) described as the transnational solution. I will call this emerging type of corporation the Neo Global Corporation (NGC). I will first offer a causal explanation for the emergence of the NGC in an in-depth historical case study of Unilever. I will then discuss some of the distinguishing characteristics of the NGC, in particular the globalization of value-creating-chains, the slicing of responsibilities, and the resulting separation between design and implementation functions, and will reflect on the impact of the emergence of NGCs on the wider social and institutional environment.

The evolution of Unilever has often been an object of study in the IB literature. Starting with the history of Unilever by Charles Wilson (1954), Bartlett and Ghoshal's study of the emergence of the TNC, Geoffrey Jones'(2005) historical analysis of Unilever, and Rugman and Verbeke's (2003) analysis of Unilever's regional character, just to name a few. However, all these studies are based on data collected before 2001, the year that the transformation of Unilever into an NGC started in earnest.

For the explanation of how and why Unilever transformed into an NGC, I draw on Aldrich and Ruef's evolutionary framework (2006) that claims that the evolution of social systems is the outcome of ongoing processes of variation, selection and retention, and on the critical realist notion that social change is caused by conjunctures of multiple forces or mechanisms in context. I will expand on this in more detail below. The methodology used is an intensive single case (Sayer, 1992). Although I am aware of common criticisms of a single case, I argue that these criticisms are mostly of concern in a positivist epistemology and the pursuit of decontextualised and predictive general laws. However, for the purpose of explanation building (Yin, 2009, p.141), in particular of a new and emerging phenomenon (Siggelkow, 2007), a detailed single case is often preferable (Mahoney & Goertz, 2006; Ragin, 1997; Welch, Piekkari, Plakoyiannaki, & Paavilainen-mäntymäki, 2011), and sometimes the only option (Siggelkow, 2007).

The case study explains how and why Unilever progressed from an early era in which changes were primarily driven by variation processes motivated by opportunity seeking (the multi-national phase), to an era of both variation and selection to balance the need for global competitiveness and local responsiveness (the trans-national phase), to its most recent era in which mounting pressures to maximize efficiency lead to a dominance of selection processes that transform the TNC into an NGC (the regional and neo-global phase). The distinct nature of the NGCs challenges some of the theoretical constructs that have become central in the study of TNCs. I will discuss what this means for future study of the NGC; and reflect on what the emergence of NGCs means for the evolution of the wider social and institutional environment.

2. Theoretical Framework: Mechanisms driving the evolution of social systems

Evolutionary theory was made popular in the IB literature by Eleanor Westney (1999; 2009). Westney (2009) defines evolutionary theories as theories that share ‘the basic assumption that change in organisations takes place through processes of variation, selection and retention in a bounded system’ (2009, p.118). Aldrich and Ruef (2006) refer to this basic assumption as a framework or ‘meta-theory’; a theory that underlies many theories of change. In organisation theory, processes of variation, selection, and retention, ‘explain how particular forms of organisations come to exist in specific kinds of environments’ (Aldrich & Ruef, 2006, p.26). Social system evolution theory is not to be confused with natural system evolution and Darwinism (see also Aldrich & Ruef:17). What social systems do have in common with natural systems is that they respond to a changing environment with variation, selection and retention processes is order to guarantee the survival of the system in its environment. As a result, environments determine system response, just as system response changes the environment. The main difference between social and natural systems is that social systems are co-created and changed by human agency, whilst natural systems are driven by innate forces. Another notable difference is that social systems have a purpose that is socially constructed and negotiated by human agents; complex adaptive natural systems are non-directed. In this paper the social system is the organisation; Unilever.

The explanatory theory being used to explain variation, selection and retention in a social system depends on the researcher’s assumptions about human agency and structure (Aldrich & Ruef, 2006). Positivist theorists assume human agents introduce variation or selection as a rational response in the context of perfect information whereas interpretivists may find that variation or selection is ‘introduced as people negotiate meaning through interaction’ (Aldrich & Ruef, 2006, p.36). Aldrich and Ruef (2006) discuss six different epistemological approaches to explaining organisational change, but do not mention a critical realist approach that acknowledges the reality of chains of events that lead to variation or selection, but seeks for clusters of multi-modal forces, i.e. both real and interpreted, to explain why these processes occurred (Danermark, Ekström, Jakobsen, & Karlsson, 2002; Fairclough, 2005; Fleetwood, 2005; Sayer, 1992). I support a critical realist worldview and epistemology because I believe it offers the most concise social-philosophical grounding and thus leads to better explanation (Easton, 2010). Critical realism assumes that management decisions are a response to a socially constructed perception of reality. In other words, decision makers operate from a normative interpretation of the situation the corporation is in and evaluation of what would make a ‘fitter’ corporation. The outcome of decisions is real, but does not always reflect the intention of decision makers because reality is the composite outcome of a conjuncture of forces and mechanisms that are not all directly observable. As a result, the outcome of strategic decision making is possibly but not necessarily a fitter system. Therefore, in order to survive in a dynamic environment, systems must continuously be ready to adapt and change (Pascale, 1999). The majority of organisations that were founded in the 20th century have not survived despite the intention of their managers to build the ‘fittest’ business in a given environment.

Before I continue I will give a short definition of variation, selection and retention following Aldrich and Ruef (2006). Variation is any departure from a routine or tradition; a change of structure towards greater variety. Variations are most commonly triggered by change in the environment or a change in perception of the environment, but sometimes organisations encourage unfocussed variations simply to generate or sustain heterogeneity as a means of increasing the resilience of the organisation in an ever-changing environment. Selection processes ‘select or selectively eliminate certain types of variations’ (Aldrich & Ruef, 2006, p.21). Consciously or subconsciously, selection is always done on the basis of criteria, the main criteria being what is perceived as necessary to achieve the purpose of the system or simply to survive, such as selecting on the basis of efficiency or competitive advantage. Retention processes prevent systems from being in constant flux. Retention mechanisms preserve, maintain, duplicate or re-produce the positively selected variations in the system (Aldrich & Ruef, 2006, p.23). Re-structuring of an organisation often starts as a selection or variation mechanism, but can become a retention mechanism as time progresses. Other examples of retention mechanisms are culture, habits, and standard working procedures (Kogut & Zander, 1993).

In the following section I will discuss the literature on the evolution of the MNE in light of this meta-theory of the evolution of a social system through variation, selection and retention processes.

3. Literature: The evolution of the MNE

The literature about the evolution of multinationals deals with the central question of how growing multinational corporations have structurally and strategically responded to a changing environment; how they dealt with the growing complexity of managing multi-functional value chains in multiple markets and multiple product divisions. In this review of the literature I will focus on the main theories that dealt with the structural development of the MNE as a whole, because it is those theories that are challenged by the emerging phenomenon of the NGC.

Early theorists were influenced by the work of Alfred Chandler (1962) and his theory that structure follows strategy. Amongst them were Stopford and Wells (1972) who made a significant impact on both theorists and practitioners with their stage- model of two pathways that led from a national company with an international division to a global matrix structure. Stopford and Wells (1972) looked at corporations in the 1960s in the western world (predominantly North America) where the dominant ideology was classical capitalism, and firms were seen as independent systems with the purpose of maximizing profit. In evolutionary terms, the forces they identified that were driving the evolution of corporations were industry characteristics combined with intentional variance seeking processes to increase sales, either geographically or through innovation. Even though they concluded that companies, depended on their industry, would initially move towards a worldwide product division or would move to an area division, the inevitable outcome of continuous opportunity seeking over time was that all corporations would end up expanding along both these paths, which would lead to increasing complexity with the only suitable structural response (because structure follows strategy) being a matrix organisation that could maximize vertical and horizontal integration, i.e. efficiency. 'Soon the model became so popular that it seemed that structure followed fashion more than strategy' (Bartlett, Ghoshal, & Birkinshaw, 2004, p. 340).

Bartlett and Ghoshal investigated the evolution of MNEs in the 1980s. First they demonstrate that different histories, home countries industries, and levels of internationalisation make it difficult to look at MNEs as a homogenous group. They identify three types of internationalised firms: highly centralised 'global'; decentralised 'multinational' corporations with autonomous national subsidiaries; and 'international' corporations that contain structural elements of both. These differences are not explained by different levels of evolution, but as path-dependent and strongly influenced by national culture and 'administrative heritage' (1998, p.38). However, in the 1980s new technology, lower trade barriers and converging consumer habits start to globalize the market place for an increasing number of industries. The result is growing global competition. To survive in this changing environment, Bartlett and Ghoshal detected three clusters of needs that are driving these heterogeneous MNEs towards a more homogeneous future. To survive in a globalizing world, cross-border corporations need to seek variation through differentiation and new market exploitation; need to maximize global efficiency; and need to develop global systems that allow for efficient knowledge transfer between countries and regions. Those that do adapt to these changes successfully move from the rigid and symmetrical matrix structure to a more flexible integrated interdependent network supported by efficient processes and a shared culture, or what Bartlett and Ghoshal called the transnational solution. In evolutionary terms, the forces that were driving the evolution towards the TNC were a mixture of variance or opportunity seeking and selection or efficiency seeking mechanisms for which a more sophisticated structural solution was necessary (1989, 1998).

Lawrence Franco (2004) refers to the above structural solutions as ‘visible hand’ solutions; agency-driven solutions enabled by an environment that offered ample opportunity for profit increase through the variation process of opportunity seeking. But he concludes that empirical evidence showed that in the end this led to an increasing complexity in an environment that, as a result of global convergence, was less and less demanding of such complexity. What he saw was ‘rather the diminution in importance of the visible hand of corporate management compared to the ‘invisible hand’ of financial and product markets’ (2004, p.102). The ‘invisible hand’ of the financial market favoured selection, the selection criterion being optimizing efficiency to maximize profit and return on investment (Westney, 2009, p.123).

A shift in the empirical realm was also picked up by Birkinshaw and Terjesen (2003) when they studied the structural responses of MNEs to more recent environmental changes. The multi-dimensional structure of the TNC soon started to create ‘complexity, blurring of roles, and administrative overload’ and MNEs started to experiment with ways to simplify their structures (2003, p.116). They observed a trend towards new structural dimensions with the centre of gravity moving towards a global-customer-solution-based structure, whereby the geographical dimension was sacrificed to increase efficiency. Enabling factors in the environment included the increase in global competition and competitiveness, convergence of consumer demands, and the deregulation of markets (2004, p.118). This is consistent with Buckley and Ghauri’s (2004) observation of a trend towards what they called the ‘global factory’ or globalized supply chain. Driven by efficiency seeking in an increasingly borderless world, they observe that MNEs have been changing ownership and location strategies of their global supply chains to maximize efficiency. They conclude that market capitalism encourages globalization. Taking an evolutionary perspective: dominant survival mechanisms in a capitalist institutional ecosystem where growth and profit determine who survives and who does not, inevitably lead to globalization of supply chains.

Rugman and Verbeke (2003) examined this claim and concluded that according to 2001 data (2003, p.51), structures and strategies of even the most widely dispersed MNEs were still primarily driven by their regional 'home bases'. They draw a matrix of two characteristics differentiating MNEs: on the one axis the level to which firm specific advantages lead to either local, regional or global products, and on the other the level to which strategic decision making, including functional and business decision making, is either local, regional or global. They conclude that in 2001 even the most global companies 'in reality operate on a regional/triad basis'(2003, p.45), with only 20 companies having the majority of their sales coming from outside their home country. Unilever was part of their study and one of the top ten 'potential candidates for a truly global strategy in terms of strategic decision making and product offering'(2003, p.51) with 86.4% of its sales coming from outside its home region. However, they conclude that even firms such as Unilever 'are better known for their regional integration and national responsiveness than for a global approach' (2003, p.52).

In the case study that follows I will demonstrate how Unilever since 2001 has evolved to a truly global company with a global rather than regional approach. Its brand development as well as its supply chain are global and 'sliced' as described by Buckley and Ghaudi (2004), but not to partly outsource, as they suggest. By 2011 Unilever still controls and owns its own product development and supply chains from ideation to branded product and from procurement of raw materials to the supermarket shelves, the only difference being that where there were once maybe eighty different value-creating chains to provide the world with Lifebuoy soap or Dove showergel, there is now only one.

4. Methodology

To draw conclusions about not only how a new phenomenon emerged, but also why, needs what Sayer (1992) called an 'intense' case study in order to build a persuasive argument (Sayer, 1992; Siggelkow, 2007). To have sufficient detailed insight to explain what happened and why, broad data was collected. For Unilever's pre 2001 history, I primarily draw on the rich data provided in earlier studies by Bartlett and Ghoshal (1989) and Jones (2005). For the period not covered in previous studies, the 2000 – 2011 era that forms the key contribution of this study, data was collected from annual reviews, press releases, and a rich data base of interviews with 66 Unilever managers, not only at representing the corporate or global level, but also the regional and local level in the organisation, that told their story of what happened and why in their part of the Unilever world during the period from 2000 - 2011. This broad approach was necessary to move beyond what Westney and van Maanen (2011) called the subculture of the executive suite. The interviews were all transcribed and first used to reconstruct the course of events. When seeking explanation for why changes had taken place the database was constantly questioned to reconstruct to the most acceptable causal explanation (Danermark et al., 2002; Dubois & Gadde, 2002). Because almost all respondents had changed roles and location during the ten year period, it is difficult to group them according to role, location, or even nationality. Included in the 66 participants are two of Unilever's Chief Executives and three Executive Vice Presidents who were all closely involved in the decision making about Unilever's corporate structure and strategy. When quoting participants I will refer to them using the random numeric code I have for each participant in my database (e.g. P16).

In a single case study, case selection is paramount. Ragin (1992) called this 'casing'. The case is to be selected on the basis of how well it represents the phenomenon. Ultimately, the theoretical contribution of this type of intense, explanation-seeking case study lies in the ability of the case to offer a plausible explanation of the phenomenon. As also identified by Rugman and Verbeke (2003), Unilever was one of the few candidates to become one of the world's truly global corporations. This case study analyses how and why it did.

5. The Case: The evolution of Unilever

In 2000 Unilever called itself a 'truly multi-local multinational' (Annual Report 2001, cover page) with deep roots in local cultures. In 2001 a new regional structure is introduced whereby all strategic decision making about brand and category development is centralised in regional offices whilst national companies see their charter significantly diminished. In 2005 Unilever restructures again to consolidate brand and category decision making in global centres that are practically and strategically situated around the globe. In the years that follow, the company gradually centralizes all functions and for the first time in its history, Unilever has a global Chief Operations Officer, a global Chief Sales Officer, etc. Over the time span of 100 year, Lever Brothers and the Dutch Margarine Unie have moved from being one of the first most globally dispersed multinationals to become a truly global NGC.

Give the historical nature of the data, I will divide the history of Unilever in four episodes or temporal brackets (Langley, 1999): the pre 1970 evolution towards a widely dispersed and diverse multinational; 1970 – 2000, the evolution towards the Transnational; 2001 – 2004, the Multi-Regional era; and 2005 – 2011 the evolution towards the Neo Global. The first two phases are well covered in extant literature, but I will show how the evolutionary framework is a comprehensive framework to explain the full evolution of Unilever. The main contribution of this paper is in the later part; the evolution Unilever went through between 2001 and 2011. Following this evolution is not just a story; it is a theoretically driven account of what happened and why in order to explain the emergence of a new phenomenon.

Pre 1970 - Variation: The Multi-national phase

The evolution of Unilever pre 1980 is characterised by variation seeking. Geoffrey Jones' (2005) historical account shows how Unilever from its inception in 1929 has been expanding geographically; developed new and innovative products to extend its range - originally in margarines and detergents; entered new product categories; and acquired new businesses. Structurally the company did not yet have a very rigid form; it was more a holding company with vertical and horizontal integration. Unilever's Chairman in the 1960s, George Cole said in an interview in 1963 'firms are often compared to ships; well, Unilever is not a ship; it is a fleet – several different fleets' (Jones, 2005, p.17).

Bartlett and Ghoshal (1989) emphasized the impact of the personality of the early Unilever entrepreneurs to explain the process of variation seeking. Although they also discuss the impact of national culture (p.48-51), they do not explicitly highlight the influence of the unique national history and infrastructure of both Britain and the Netherlands that must have impacted the mental models and behaviour of the entrepreneurs. In the 19th century, both Unilever's home countries were global empires with colonies around the globe. Foreign investment, the seeking of new territories for new opportunities and sending local staff on overseas missions was well ingrained in their cultures. Social and cultural distances were relatively minor barriers for England and Holland's early entrepreneurs.

Economic thinking was and is governed by capitalist thinking whereby survival is linked to profitable growth and profitable growth is an outcome of opportunity and efficiency seeking. At this time in history, opportunity seeking prevailed in branded packaged goods industries (see also Bartlett and Ghoshal 1998, p.23). National boundaries and cultural differences limited the possibility of efficiency seeking, although the initial merger of the Dutch Margarine Unie and Lever Brothers was, according to Jones (2005), motivated by creating efficiency and economies of scale. With a crisis looming they were seeking to increase their buying power in the global market when the production of palm oil could not keep up with the growing demand.

Whilst horizontal and vertical efficiency seeking is what continued to hold Cole's fleet of ships together, entrepreneurship flourished in Unilever's decentralised structure with high autonomy for local company chairmen. They could introduce new products and brands, or take over local rivals as long as HQ agreed it was a good investment. As Jones points out, all this diversification was not random but motivated by a conviction that diversification lowered risk in a volatile environment. In other words, variety seeking was considered a survival mechanism. Innovation and acquisition were the key mechanisms of variation seeking.

After the Second World War, Unilever suffered a severe blow in the United States when Proctor and Gamble (P&G) launched its first synthetic detergent and took the European market by storm. Unilever did not have a quick response. Because soap making had been one of its core competencies from the start, Unilever had been holding on to its soap-making technologies. Unilever learned that retention – holding on to its successes of the past – could stifle variation and made the company more vulnerable, not less (Jones, 2005).

To make better use of its scale, Unilever started to increase horizontal integration in its rapidly expanding network of companies, by introducing global category Coordinators. Although the Coordinators were well respected, their role was only advisory until the end of the 20th century. Their key influence was on the basic research agenda for their category and the diffusion of knowledge. Politically, the power of the local company chairmen was not seriously challenged. They kept their autonomy and continued to be ultimately responsible for all strategic decisions in their territory (Bartlett & Ghoshal, 1998, p.40-42).

In conclusion, both selection and retention processes were at work during this era, but variation prevailed driven by a combination of forces, predominantly the company's unique history and culture; international political, social and economic diversity; and the autonomous entrepreneurial spirit of Unilever's senior managers corps.

1980 – 2000 Variation and Selection: the Transnational phase

As time progressed, growing competition – in particular competition coming from North America - and national price controls put the profitability of Unilever's core divisions, margarines and detergents, under pressure (Jones 2005). This accumulated into a crisis situation in 1970: Unilever started to run out of cash (Jones 2005, p.50). When comparing itself with its international rivals, Unilever's senior managers started to realise that its return on sales was well below the level of its competitors. With a growing internationalization of the stock market this became a real threat to Unilever's future. Rival companies such as P&G were maybe less internationalised and locally embedded but their simpler structure and portfolio did not only make their return on investment higher than Unilever's, it also made them quicker to absorb new technologies and roll out breakthrough innovations that were relevant beyond country boundaries. As a result, driven by economic pressure and changing dynamics in the business context due to the nature of Unilever's global competitors, efficiency seeking mechanisms became much stronger in the mix of forces for change.

Bartlett and Ghoshal (1989) concluded that Unilever survived because it realised the need for fundamental change and acted on it; they realised that seeking cross-border coordination and efficiency – without losing flexibility and local responsiveness – were the new survival mechanisms in a regionalizing and globalizing marketplace. Three major waves of selection-driven restructurings followed: First, in the mid 1980s Unilever introduced its so called 'core business strategy'. The core business strategy encompassed a streamlining of the business through selection of core categories, core brands and an innovation strategy benefitting the core categories and brands only. Many non-core businesses were sold, whilst Unilever strengthened its position in selected industries through innovation and acquisition. The strategy ‘sharply improved Unilever’s performance by disposing of its many low-margin businesses’ (Jones, p. 364).

Second, in the early 1990s Unilever started to introduce regional innovation centres for its core categories (Jones 2005, p. 364). The largest local companies in each region were given the responsibility and extra resources to be home of the regional innovation centre for one or more categories. For example, the UK Home and Personal Care Business also became the innovation centre for Deodorants whilst France became the home of the hair care innovation centre. In each of these countries, the local chairman, marketing, research, and supply chain directors and their teams took on this extra regional responsibility. Other companies in the region paid a fee to the innovation centres for this ‘service’. This structure is consistent with Bartlett and Ghoshal’s transnational solution whereby national companies are selected for specific tasks and are given additional resources and responsibilities to do so. Communication systems were adapted to facilitate regional collaboration. Jones describes the ‘innovation funnel’ model that provided a system and framework to filter ideas and manage projects on a regional or global basis (p.362). Implementation of these regional innovation centres was not without its challenges. Many national chairmen and their marketing directors would insist on keeping their own research facility to support the local brands that were an important part of their strategic portfolio: ‘In the early days of innovation centres, there were many chairmen of companies who would say, ‘well I don’t give a damn of what the innovation centre does, I decide what gets innovated in my country’ (P18). Or as another participant recalls, ‘we were proud to be multi-local’ (P38). This illustrates that emotions ran deep, and the decrease in the charter, and thereby the destruction of skills and resources, of local companies created resistance, but not enough to stop the changes from being implemented.

The third wave started in 1999, when Unilever's global chairmen Burgmans and Fitzgerald introduced a five-year plan titled "Path to Growth". At the core of the plan were three strategic thrusts: to reduce Unilever's global brand portfolio from more than 1600 brands to the 400 most profitable brands; to dispose of assets that were not related to Unilever's core business whilst acquiring assets that were; and to invest heavily in efficiency improvement (see various Burgmans interviews). Selection became the core strategy for survival. As Burgmans expressed in an interview for this study: 'In our structure we had forty solutions for the same problem. At some point in time you have to say one problem, one solution. In the end that took us about twenty five years.'(P64).

What was harder to change than the structure was the mentality. Bartlett & Ghoshal had indicated in 1989 that fundamental to the success of the transnational solution was the transition to a new mentality, 'a different set of motivations and assumptions about the role of the company's international operations' (1989, p. 117). But in Unilever the national subsidiaries were independent and entrepreneurial companies. Successful products such as Pond's whitening creams, Lux shampoo, and Dove soap, had been developed by local teams in different parts of the world. The challenge became to turn this group of entrepreneurs into a team of corporate managers: 'This demands a change in the mental picture managers have of the organisation; its purpose, its values, and its global rather than local nature.' (Bartlett & Ghoshal p.189). This is where Unilever never truly became a transnational. Unilever managers reported later that the corporation was maybe more integrated in structure by the end of the 20st century, but behaviour had not changed much. 'Unilever was still a more feudal company; each company chairman was free to make his own decisions… as long as he paid his taxes...' (P20).

2001- 2004 Selection: The Regional phase

Bartlett and Ghoshal (1989) posited that formal restructurings are ‘a powerful but blunt weapon for effecting strategic change’ (1989, p.36), but in the end this blunt tool was what was used when the response to the ‘path to growth’ was too slow. Unilever was not growing. According to Burgmans, there were three main drivers to move to a global structure: globalization, technology, and regionalization/globalization of customers. ‘The old model became too expensive’ (P64). What had been Unilever’s greatest strength was now considered its weakness: autonomous local companies with locally adapted product portfolios. Change only occurred when forced by structural changes that made the now undesired behaviours of local variation seeking illegitimate or impossible through the removal of the necessary resources and competencies.

Around 2001 the first round of such structural changes took place: First of all, the semi-local semi-regional innovation structure was replaced by a regional structure. All innovation centres, Research and Development (R&D) facilities and manufacturing sites were detached from the local companies they were originally embedded in and were now managed by Regional Category Centres. Charters of local companies were reduced from being responsible for total value-creating-chains, to focus on the marketing and selling of regionally designed product mixes to their local customers and clients. For local variations they now needed to negotiate with the regional category centres that controlled the resources for brand development.

This was a significant change in the way the corporation divided tasks and the start of what Buckley and Ghauri (2004) labelled as a trend towards slicing the activities of the firm more finely (2004, p.94). The Marketing and R&D disciplines were formally sliced. Marketing teams from now on were either responsible for Brand Development (BD) - the development of the marketing strategy and the brand mix- or Brand Building (BB) - the local market activation and sales -, whereby regional centres were responsible for BD and local companies for BB. R&D was sliced into three areas of responsibility, internally known as the 3D model: Discover, Design, and Deploy. As in the past, global research centres would focus on 'Discover', the discovery of breakthrough new technology. Regional centres would focus on Design; the design of new products either for their region or for the world, or would deploy what other, more powerful regional centres had designed.

Local companies had to restructure in response to this diminished responsibility. Fewer marketing managers were necessary to manage the BB of brands only and soon most countries no longer had brand managers, only category managers, responsible for the BB of all of Unilever's brands in one or more categories. Initially most local marketing teams were not happy with the change, in particular the people that had many years of experience doing both BD and BB. But rather than a transformational change towards a more regional and cooperative mental picture, as Bartlett and Ghoshal suggested, managers who were not transferred to a regional category centre, would either transition to a new job outside Unilever or hang in there, but with reportedly significant lower levels of enthusiasm. One of the respondents described his frustration: 'I would still invest in Unilever, but I don't like working there anymore' (P3). Ultimately the cultural change comes from replacement of people, not transformation. The old Unilever corps of autonomous innovators is gradually being replaced by sales managers and new recruits who come in with a very different mentality: 'We are the implementers. It's a bit like a relay race, we take over the baton. It is very efficient, I love it' (P26). From a subsidiary perspective, this era was obviously experienced as very destructive, but managers who evaluated this from a corporate perspective argued that the change was necessary for survival and that the destruction was compensated by the increase in efficiency.

Other important structural changes included a merging of category divisions at a global and regional level. Unilever merged its six or seven product categories into two: Home care (Detergents, Household cleaning and Fabric care) and Personal Care (Deodorants, Personal Wash & Skin Care, Hair Care and Dental Care) merge into one category and become Unilever HPC (Home and Personal Care); all the food divisions such as Frozen Foods, Ice-cream, and Margarine become Unilever Foods. Both divisions, Foods and HPC, build large regional offices from where they manage the region.

By 2003 Unilever had sold more than 100 of its less profitable businesses and drastically reduced its number of brands, forcing countries to switch their focus from local brands to regional or global brands. As a result of the regionalisation of R&D and manufacturing, 100 of Unilever's 350 factories in 90 countries were identified for closure. Employee numbers fell from 279,000 in 2001 to 227,000 in 2004, but profit margins, turnover per employee are slow to improve (source: annual reports).

The end of 2004 marked the end of the 5-year Path for Growth strategy and despite the drastic measures 'Path to Growth' has not been able to restore Unilever's profitability and share price to a satisfactory level. The competitive environment has continued to globalize and the pressure to increase profitability and deliver breakthrough global innovations in order to survive continues to increase. 'We found we had to work in a very very different way to best leverage our scale and our knowledge around the world' (P21). In 2004, Fitzgerald announced his retirement and Patrick Cescau became the first non Anglo-Dutch chief executive in Unilever's history. Not long after, Burgmans became chairman of the board and was not replaced as chief executive. Unilever's historical dual chairmanship is abandoned. It was no longer considered efficient.

2005-2011 Selection: The emergence of the Neo Global

In 2005, the next 5-year plan is introduced: One Unilever. The objective is to streamline the business even further to become one centralised global company focussed on three strategic growths areas: personal care, healthy food solutions ('Vitality') and, geographically, on developing and emerging (D&E) markets (Asia, Africa, and Central and Eastern Europe(CEE)).

A geographical focus on an area that is not the home region is a new and unique development that is facilitated by Unilever's historical strong position in developing countries and stimulated by new opportunity seeking. European and North American markets were stagnating, but Asia's middle class was growing. The total share of sales of Asia, Africa and CEE had grown from 22% in 2001 to 34% in 2005 and continued to grow. When Europe and North America were hit by a financial crisis in 2008, Unilever's focus on the developing world became a real competitive advantage and by 2011 41% of Unilever's sales came from Asia, Africa and CEE. Asia is rapidly becoming Unilever's largest region. In 2011 Unilever opens a new head office in Singapore and when Unilever's first Global Chief Operating Officer (COO) is appointed, he takes office in Singapore. The COO, a long time Unilever manager of Indian decent, comments: 'Unilever has 50% of its revenues coming from developing markets and just fewer than 50% from developed markets. In 10-12 years, 70% of our business will come from developing markets' (Sen, 2012).

The first step towards 'One Unilever' was the creation of Global Category Centres. Only 4 years after being opened, Regional Category Centres are scaled down again. They are to hand over all of their Strategy, BD, and R&D Discover and Design responsibilities for global brands to newly appointed Global Category Centres. Regional centres remain responsible for the development of regional and local brands, but the strategy is to minimize these as much as possible, in particular in HPC. Regional Food and HPC Centres merge into one; they become Regional Unilever (not category specific) Offices and form the liaison between National Offices in their region and Global Category Centres. Their key task is to ensure a fast roll-out and implementation of initiatives from the Global Category Centres in their region. Each regional centre reports to a Regional President; each global category centre to a global Executive Vice President (EVP), who reports to the global Foods or HPC President. As a result, what was hitherto known as the Unilever Board, now becomes the Unilever Executive. Instead of overseeing multiple local and regional companies, the team is managing one global company. Cescau becomes Unilever's first global CEO. Whereas Cole had described Unilever in 1963 as 'a fleet, or even several different fleets', Unilever was now becoming one huge ocean steamer.

At a country level, all local Unilever companies merged into one National Unilever office. They become the national market development team for Unilever as a whole, responsible for BB, customer engagement and sales of all Unilever brands. Smaller countries are grouped into country clusters. The Netherlands, even though one of the original Home Countries with at some point in the 1980s eight different Unilever companies, now becomes home of one Unilever Benelux (Belgium, Netherlands, Luxemburg) office. The new structure forces even the most resistant countries to become part of the 'One Unilever'. As posited above, behaviour followed structure.

> There was resistance, initially, until I took the leadership team on this strategic review and made it clear to them why they weren't going to get any special stuff and shouldn't be asking for it. They simply had to re-engineer their portfolio to match Unilever. (P32)

In many places Unilever relocates, sells, builds or buys new state of the art buildings that fit the new structure. Even the stately old head office in London Blackfriars is completely renovated. Although the historic façade is retained, the old 'gentlemen's club' has made way for a modern office with communal spaces, glass, light and an excellent sustainability rating. It is symbolic for the fact that the old British club no longer rules Unilever.

The move from a regional to a global structure further eliminates the number of design centres and further increases the distance between design and implementation. An even larger number of people had to let go of their authority and were now to serve the larger system. As in the previous restructuring round, many found jobs outside Unilever.

> I have a couple of people in my organisation that have left who have said 'this is not the UL that I have joined and this is not the UL I want to work for'. There are people for whom it is too aggressive and too hard hitting (P32).

Towards the end of 2008 CEO Cescau retires and Paul Polman becomes the new CEO. He is the first person to lead Unilever coming from the outside. Having been raised in P&G he has experienced a much more centralized corporation. Bartlett & Ghoshal (1989) describe how P&G had been a centralised corporation from the start. It had expanded from a single entity and internationalized to increase the market for its centrally developed products. In the rapidly converging global market place of the early 2000s, centralized companies like P&G had also been selecting for greater efficiency, thereby streamlining their centralized structure, systems and culture into what they called a 'high performance culture'; disciplined and efficient. Polman was determined to turn Unilever also into a disciplined high performance team. He is not afraid to replace those senior managers who he thinks do not fit the new disciplined performance culture: 'Out of the top 100 managers in the world he must have replaced or moved at least 50 or 60' (P27).

Polman continues the process of centralizing the structure. Towards the end of 2008 Unilever announces that it will consolidate all its R&D activities under one Chief R&D officer. A scientist, not raised through the Unilever ranks, is recruited for the role. The objective of the centralisation is ‘to deliver an integrated research programme and focus our resources on creating fewer, bigger innovations and deploying them at scale in areas where we want to win’. (UL press release).

In 2009 a Chief Supply Chain officer joins the Unilever Executive. His role is to globalize and streamline the global supply chain in all of Unilever’s product divisions. To do so, he creates the Unilever Supply Chain Company and detaches all factories from the Category Centres. They all become part of the Unilever Supply Chain Company. The office to in Switzerland (‘that of course has certain tax advantages, but that is not the most important thing’ P27), for example, manages all of Unilever’s supplies in Europe and North America. To maximize production efficiency an ‘enterprise support system’ is introduced. All local companies enter their 8-week sales forecasts into the system and on the basis of these forecasts the Supply Chain Company makes an integrated regional production plan. As the managing director for Scandinavia commented, all he needs to do is to enter into the system how many Magnums he thinks he will sell next month, but it is not up to him to decide where they will come from (P27). In a similar way other systems and procedures are now globalized by the Executive team. Procedures that were traditionally designed locally such as market research procedures or HR systems (e.g. learning systems and remuneration systems) are globalized, thus further reducing local autonomy. As a result of the formation of the global Supply Chain Company, and the nomination of a Chief R&D Officer, the Category teams are now predominantly marketing, or BD teams.

In 2011, as mentioned above, Polman also appoints Unilever’s first Global Chief Operations Officer who will ‘take responsibility for all markets, in order to drive speed-to-market behind further simplification and efficiency’ (Unilever press release). National offices now report to eight regional centres led by Regional Presidents who report to the Global COO. The products they sell are designed by global (sometimes regional) Category centres and manufactured by the global Supply Chain Group. There are head offices in London, Rotterdam and Singapore, and Asia is the fastest growing region.

As a result, contrary to what was predicted in the 20st century, Unilever has not evolved towards a more complex structure, but has evolved to greater simplicity. Contrary to what was predicted, Unilever did not remain regionally focussed. Unilever today is one company, serving one market, the world. Burgmans explains the changes were necessary for survival. To remain competitive in a globalizing world the company had to learn fast: one problem, one solution, one Unilever.

6. Discussion: The nature of the neo global

The NGC is the outcome of ongoing selection and value-creation-chain slicing in search of greater efficiency in order to survive; a process that started in earnest in 2001 when factories and ICs were regionalised and the charter of local companies was significantly reduced. As a result, the nature of the NGC is radically different from the MNE, the Matrix and the TNC. Whereas the first three forms are all multi-dimensional structures to create horizontal and vertical integration in a network of geographically dispersed local value-creating-chains, the NGC manages global value-creating-chains as a global relay-race (see Figure 1). The underlying logic is a Tayloristic model of slicing, specialization, and standardization of best practices. Due to the efficiencies this creates, the NGC produces more product with significantly fewer people (see

Table 1). Unilever's sales in 2011 were €10 B higher than for example in1995 when Unilever still employed over 308,000 people, profit in 2011 was twice as high (From €3.1B to €6.4) whilst the number of employees had dropped by almost half, from 308,000 to 169,000.

The Neo Global ‘relay’ structure demands authority and discipline. One of the main issues Unilever was confronted with was how to turn autonomous entrepreneurs into disciplined contributors to this orchestrated top-down process. This was primarily achieved through recruitment from outside, and a ‘cultural cleansing’ whereby many of the old Unilever managers left the company. Westney speaks of the paradox of variety (2009, p.124). Internal variety had been widely recognised in the IB literature as strength of the MNE and a source of innovation and resilience, yet in order to increase efficiency and take advantage of its strength, variety is not acknowledged as one of the causal mechanisms of this strength and either reduced or eliminated. Burgmans’ logic of one solution for each problem rather than forty sounds plausible in a rational and predictable world, but sometimes forty experiments were necessary to find the one breakthrough solution. From a local perspective the elimination of variety means destruction of value. The closure of factories, R&D centres and Regional ICs led to a major loss of talent. The frustrations experienced in local companies are similar to what Kristensen and Zeitlin (2005) observed in their subsidiaries. Participants report they often felt that head office had no idea what it was doing. But from interviews with representatives of the head office it is obvious that in this case, head office decisions were not based on ignorance. Their decisions and discourses were indeed to convince financial analysts and fund managers (Kristensen & Zeitlin, 2005, p.5) because they needed their support for the company to survive. What was value destruction from a local perspective, they saw as a net-gain from a global perspective.

Closely linked to the paradox of variety is the paradox of autonomy. The link between autonomy and work motivation is well established in the field of psychology. Self-determination theory (Deci & Ryan, 1985) identified that a sense of competence, a sense of belonging, and a sense of autonomy are the necessary ‘nutriments’ for intrinsic motivation (also Deci & Gagne 2005:340). In the NGC, a culture of entrepreneurship, diversity and high autonomy was replaced by what became known as the 'high performance culture', characterised by discipline and efficiency. This culture has low tolerance for deviant personalities that like to make their own rules. It makes Unilever more efficient in the short term, but could lead to unforseen costs due to a loss of intrinsic motivation in the long run.

With the emergence of the NGC, a lot of the traditional IB concepts lose their relevance. I will shortly mention four here: (1) the home-host country dyad, (2) the HQ – subsidiary dyad, (3) the concept of FDI, and (4) the concept of distance. (1)The home-host country dyad lost its relevance in the modern Unilever when the company started to lose the connection to its two home countries and even its home region. Europe was no longer the area where most of the profit came from, the executive team was no longer selected on the basis of nationality, global centres were strategically located around the world, not necessarily in Europe, and the executive team is a virtual team spread out over the world. Although they meet on a regular basis, these meetings do not necessarily take place in Europe. (2) The distinction between HQ and subsidiaries becomes problematic in the context of the NGC's relay-structure. It stems from a past when 'the structures of most subsidiaries (…) reflected a mirror image, reduced in size, of the parent company' (Hulbert, Brandt, & Richers, 1980, p.27). The family metaphor suited this model well but does not suit the nature of the NGC whereby former subsidiaries are no longer a mirror image of the parent company, but have become a segment of the global company assigned to locally implement global strategies. (3) With regards to FDI, in 2011, capital investment focussed on Asia (see

Table 1). With greater amounts of profit being produced outside than inside Europe, and with one of its global quarters in Asia, the question is if these investments still fit the old definition FDI. (4) Distance is a construct that originally referred to either geographical or cultural distance, both potential obstacles for knowledge transfer in the MNE. The technological revolution has changed the meaning of geographical distance. What is the geographical distance when physical distance no longer forms a barrier for knowledge transfer and collaboration? Geographical distance is even described as an advantage. When a global team located in the US needs to develop packaging for China, the Shanghai office can send specifications to the US during the day. During the night, when it is daytime in the US, the US team develops a mock up that is sent off to a 3D printer in Shanghai, and the Shanghai team will find their 3D mock ups when they get back to work the next morning (P21). Cultural distance was based on nationality but in the new Unilever global managers are global citizens. Many report a stronger connection with other global citizens than with the people in the country where they were born and raised. In the NGC those involved in global decision making are no longer embedded in a local culture, but embedded in a global sub-culture. A new kind of distance that merits our attention is between the global players and the regional and local players in the relay; between the designers and the implementers.

7. Conclusion

A number of IB scholars (e.g. Birkinshaw & Terjesen, 2003; Buckley & Ghauri, 2004; Franko, 2003) had already indicated a shift towards simplification rather than complexity. What I have tried to demonstrate with the above case is how Unilever's need for survival as a system within a macro-system inescapably drove it to a simplified and efficient Taylorist structure that I have called the NGC. Unilever's evolutionary pathway is no longer primarily restricted by physical boundaries, but by the dominant neoliberal ideology governing its macro system. Chief executives such as Burgmans and Fitzgerald reported that they felt they had no choice; that globalizing the structure was the only rational and responsible response to a changing environment. A change in decisions about variation and selection would have needed a change in the ideology of the macro system. Without such a change the structural pressures will continue the trend towards ongoing efficiency seeking.

The boundaries of global efficiency seeking are set by technology and socio-political globalization. Rugman and Verbeke (2003) found that in 2001 even the most global corporations were still primarily regional. But this finding is arguably of temporary nature; already many of the boundaries that still existed in 2001 have dissolved and opened the way to true globalization. Unilever's evolution since 2001 proves this.

I have also tried to demonstrate how the NGC is significantly different in nature from the MNE or the TNC. Given the fact that similar structural forces act on other corporations, the NGC may well become a prevalent phenomenon in the future. This then beckons new areas of research. New areas include for example the Design – Deploy dyad and the long-term impact of the relay structure on the development of future general managers, who will have far less opportunity to practice their general management skills on a small scale before taking on the position of global CEO. Also the broader social consequences of a limited number of NGCs controlling global industries could be far-reaching. Buckley and Ghauri (2004) already indicated in 2004 that the trend towards globalization of consumption and production 'represents political challenges and reaction against these changes has led to a questioning of the effect of global capitalism as well as to its moral basis'(2004, p.94). Polman has not denied these challenges. He became an active and highly visible participant in the public debate about sustainability and the changing role of the MNE. He often emphasized the need to work in partnership with customers, suppliers, governments and NGOs and many new partnerships were formed over the period. In multiple interviews and public speeches Polman called for new business models and challenged the short-term thinking exacerbated by short-term financial reporting. Paradoxically, Polman hopes to have doubled the size of Unilever by 2020. What will be the social and political consequences of such mega NGCs?

I started out stating that critical realism assumes that management decisions are a response to a socially pre-constructed reality. The response can be either a continuation or a questioning and re-construction of the pre-constructed. One of the main drivers of the emergence of the NGC is the fact that the decision makers do not question the underlying ideology of neo-liberal capitalism that leads to the survival of the most profitable. As a result, the search for efficiency through centralisation is likely to continue. The ideological change necessary to break this pattern can only occur when human agents engage in reflection and experimentation, and thus create processes of variation that will alter the course of events (Archer, 2003; Bhaskar, 1975; Collier, 2005). Forty years ago Howard Perlmutter (1969) expressed his hope that the then rapidly internationalizing corporations would design a better and more peaceful world; recently he wondered whether we'll be the first or the last global civilization (Perlmutter, 2008).

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Table 1: Unilever 1995 - 2011 from a European TNC to a NGC

	TOTAL	Europe	Americas	Asia, Africa, CEE
Sales (€ M) 1995	36,168	52%	28%	20%
2001	52,206	39%	39%	22%
2005	38,401	35%	34%	31%
2011	46,467	26%	33%	41%
Profit (€ M) 1995	3,161	52%	28%	20%
2001	7,269	41%	39%	20%
2005	5,074	38%	34%	28%
2011	6,433	31%	35%	34%
No of Employees				
1995	308,000	101,000 = 33%	58,000 = 19%	149,000 = 48%
2001	279,000	75,000 = 27%	71,000 = 25%	133,000 = 48%
2005	212,000	41,000 = 19%	46,000 = 22%	125,000 = 59%
2011	169,000	29,000 = 17%	42,000 = 25%	98,000 = 58%
Capital Exp 1995	1,393	50%	27%	23%
(€ M) 2001	1,513	42%	36%	22%
2005	833	38%	29%	33%
2011	1,974	25%	32%	43%

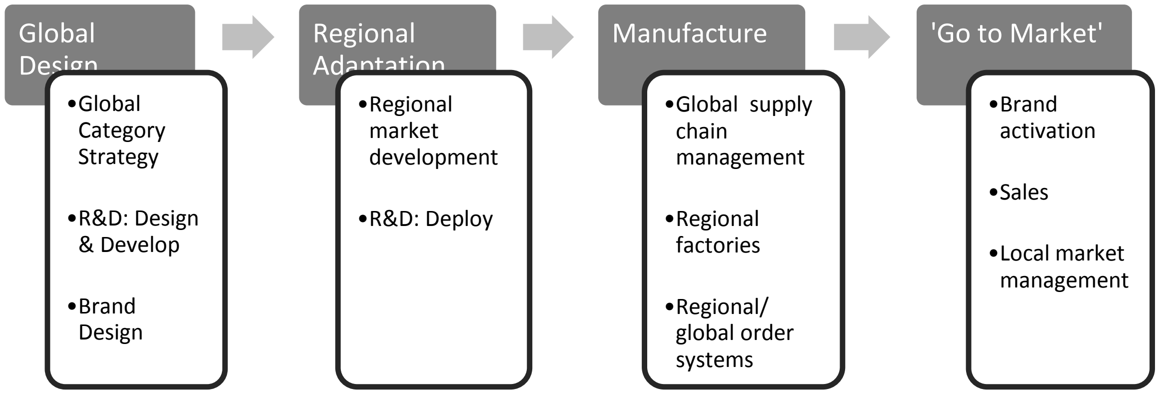

Figure 1: The global 'relay-race'