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The Great Fight

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‘I recommend that the Statue of Liberty on the East Coast is supplemented by a Statue of Responsibility on the West Coast’

Viktor Frankl, psychiatrist, Auschwitz survivor
(Man’s Search for Meaning, 1962)

‘It is difficult to get a man to understand something, when his salary depends upon his not understanding it!’

Upton Sinclair, investigative journalist in 1906, quoted a decade later by Al Gore in his film *An Inconvenient Truth*

A Near-Death Experience

Friday 10 February 2017

Did he want to make 200 million dollars? Paul Polman stares at Alexandre Behring in surprise. Does his visitor really think he is for sale, that he'll give up his mission for a large bag of money? Hasn't the CEO of Kraft Heinz done any background research into Unilever, into what he's been trying to do?

He spent the past eight years trying to show that entrepreneurs should set a good example, and that companies whose sole purpose is to make money have no right to exist. The CEO of Unilever has even called his company 'one of the largest charitable organisations in the world'.

The primary focus at Kraft Heinz is making the shareholders even richer as fast as possible. Such people taking over Unilever is completely unthinkable to Polman. Does Behring not know this, or doesn't he understand it?

Probably the latter. His type genuinely believe that everything is for sale. The thought makes Polman angry. He has to take care not to let his emotions run away with him, or he might just tear up – not something the man sitting opposite would understand. To this Brazilian entrepreneur, business is an equation, a game with winners and losers. And whoever makes the most money, wins.

People like that are devouring the world, destroying it: filthy rich businessmen, billionaires, who couldn't care less about the billions who have nothing. They only care about themselves, about increasing their own wealth, their space, their freedom. They don't understand that this enormous freedom and wealth come with great responsibility. Are you rich at the cost or to the benefit of those others who have so much less?

Polman tells Behring that, if he ever accepted the bag of cash, he would consider it blood money. And that he would use every last cent of it to fight their way of working. In Paul Polman's view, a man like Alexandre Behring is really only half human.

This is not their first encounter. Last year, after the board decided to sell the spreads division including such brands as Becel, Flora and Blue Band, Unilever tentatively reached out to various potentially interested companies like the cheese and yoghurt maker Danone – and Kraft Heinz. In a meeting in New York in late 2016, Polman asked Behring to consider a takeover of Unilever's 'spreads division'. It had been arranged in the greatest secrecy.

The sale is a sensitive issue in the Netherlands because of Unilever's Dutch DNA. In fact, Polman has wanted to get rid of the division since 2009. At his appointment as CEO at the time, the company had shrunk by almost a quarter in a decade. There was little left of what had once proudly been called the 'Marketing School'. He knew that the only thing that could motivate the demoralised employees was the promise of growth. The man who had built his career at their arch rivals Procter & Gamble and Nestlé, promised that within a decade they would be playing in the same league again as the two corporations that had overtaken the company in 1994 and grown much larger since.

He gave them a wake-up call, promising to double turnover to 80 billion euros. This increase would primarily come from developing economies, countries where billions of poor people were gasping for better hygiene, healthcare and household products as well as more luxurious foods such as ice cream and high-quality tea. Margarine, Polman claimed, would not contribute to such growth targets, as it was completely unknown in those countries. And in countries where Becel and Flora were already a staple of many people's diets, i.e., the US and Europe, turnover had fallen since the nineties.

It wasn't easy to convince his colleagues of the necessity of selling that part of the business. The Dutch colleagues took it especially hard. Many of them had started their careers at Van den Bergh & Jurgens, the company set up in 1872 by two entrepreneurs from Oss, Simon van den Bergh and Antoon Jurgens, who successfully produced margarine and marketed it as a nutritious and above all cheap alternative to real butter. The factory at the Rotterdam Nassaukade is firmly attached to the headquarters of Unilever Benelux. The place has smelled of margarine for 125 years. Polman's colleagues pointed out that profits may have fallen but that these spreads still generated a good deal of money, and that the revenue was needed to pay dividends and make investments in the Far East.

His Dutch colleagues accused Polman of indifference towards the margarines, which in their view resulted in his consistent failure over the years to invest enough money in the innovation of the spreads division. Things had become so bad that young Unilever talent no longer wanted to work there. And of course profits had fallen even further. Unilever had milked that business activity completely dry.

In Polman's view, the sale is a no-brainer. His mission at Unilever is to prove that it is possible to make money by doing good. Besides, he feels much more affinity with Unilever's British DNA, which came from William

Hesketh Lever, the first Lord Leverhulme. At the end of the nineteenth century, the co-founder of Lever Brothers set himself the task of improving sanitary living conditions in Victorian England by selling soap. William Lever is Polman's role model, the man who understood that the primary reason for a company to exist is to take care of a community.

A year and a half earlier, Polman decided to place the spreads in a separate division. But when eager financial analysts – whom the CEO of Unilever consistently calls spreadsheet monkeys – asked whether that meant the spreads were for sale, he naturally denied it. Admitting something like that would only drive down the price. A new management team was formed and the promise made that no effort would be spared to make the spreads more profitable. An internal decision was taken to look for a buyer on the quiet.

In late January, Alexandre Behring came round to tell them that Kraft Heinz wasn't interested in buying just the spreads. It was a bizarre meeting. Smiling broadly, the Brazilian asked Polman to consider doing much greater things together. He wouldn't go into details, but seemed to suggest the possibility of Unilever merging with or being taken over by the much smaller Kraft Heinz.

It came as a terrible shock to Polman. More and more often in recent years, the topic of activist shareholders, who take a small stake in the company just to be in the position to publicly put pressure on the board, was raised in board meetings; but the possibility of a complete takeover was never once discussed. Who would be able to shell out 130 billion euros or more? And that for a company that would be difficult to take over anyway due to the complicated British-Dutch structure it has been caught up in since being founded.

Polman immediately told Behring he wasn't keen on the idea, as the companies were too different. He explained to Behring that to Unilever, creating shareholder value was a result, not a goal. That the company was committed to serving the consumers and the wider society it operated in as sustainably as possible. That he was convinced that this was the only model that worked because it brought prosperity to all stakeholders involved. Not just in the here and now, but to future generations especially. But wanting to be polite, Polman also said he would think about it.

They agreed to meet again on the 10th of February. This time, Polman was able to prepare himself for the meeting. In the past ten days he had been travelling to Unilever subsidiary companies in Asia; despite his shock and having to plan his next steps, he had decided to go through with the trip. Cancelling it at the last minute would raise questions and cause a stir. While travelling, he had found the time to read up on his opponent. He read *Dream Big*, a book on the founders of 3G Capital, the investment firm of the filthy rich Brazilian businessmen who were behind this raid. Besides being the CEO of Kraft Heinz, Alexandre Behring is a managing partner of 3G Capital.

The driving force of 3G Captial are Jorge Paulo Lemann, Carlos Alberto Sicupira and Marcel Herrmann Telles. These Brazilian entrepreneurs discovered they shared a passion in the 1970s. Whether harpoon fishing or growing their businesses, their aim was always to beat the others and come out on top. At the heart of 3G Capital's philosophy lies a deep conviction that people must be given the space and opportunity to develop their talents, and should be amply rewarded for doing so. For decades, the company's undisputed leader Jorge Paulo Leman has searched for what he calls the PSDs: poor, smart people with a deep desire to get rich. He pays for young and mostly poor Brazilians to attend top American universities, after which they enter his company as fiercely loyal employees.

3G Capital has spent years bringing together global, well-established brands, ranging from banks to brewers, from hamburgers to ketchup. The central focus is to address costs – because costs, like fingernails, have to be cut constantly. Turning this into a discipline is the fastest way of increasing profit. Linking executive pay to this fast result with enormous bonuses has made these companies extremely profitable for years.

Polman read how 3G Capital through various takeovers built up the world's largest brewery AB InBev, and how they were building up another gigantic corporation at that moment, taking over first Heinz and then Kraft.

The ambition of Kraft Heinz, dominated by 3G Capital and Warren Buffett's investment fund Berkshire Hathaway who jointly own 49 percent of the shares, sounds a bit like Unilever's. Kraft Heinz wants to make consumers 'wealthy' by supplying them well with good food at a low price. But in the Brazilians' view, the company's most important task is to make as much money for its owners, the shareholders, for as long as possible. Of course you don't break the law to do so, but if, say, local authorities allow you to burn down a piece of primeval forest, and if, by doing so, you can make a lot of money, you'd be a bad businessman if you didn't. And if you're worried about the climate and think trees are important, you can always decide to invest your private savings in planting new trees. A businessman who wants to save the world is not a good businessman. That is not his role.

Buy, squeeze dry, buy, squeeze dry, buy, and so on. That is Polman's summary of the Brazilians' business model. Shortly after taking over Kraft two years earlier, they cut 13,000 jobs there. The profit margin shot up, but turnover didn't. Now that there were apparently no more costs left to cut at

Kraft Heinz group, a new, large prey had to be devoured so the game could be repeated.

Of course Polman had also read about the remarkable friendship between Jorge Paulo Lemann and Warren Buffett. About how they have ventured out on their business adventures together since 2013. This is how Buffett, often called 'America's most successful investor', become a major Kraft Heinz shareholder and even board member. Polman had been surprised by Buffett's regular praise of Lemann's work. Didn't the 86-year-old American like to foster the image of a quiet, engaged investor, aiming for sustainable results?

Before this meeting, Alexandre Behring had agreed with his board that he would only present the proposal to take over Unilever completely if he got the impression during the meeting that the idea would be welcomed by Polman. But what does welcome mean, exactly? Isn't it primarily a matter of money? In any case, Behring interpreted the outcome of January's meeting as a maybe, as an opening – and that is how he presented it to his own board.

Before that second meeting, Polman gave Kees Storm a call. They knew each other well. Up until two years ago, the Dutchman had been a supervisory director at AB InBev as well as at Unilever. Behring told Storm that his conversation with Polman had been constructive, and that he and the CEO of Unilever actually got on really well. Storm responded by warning the chief executive of Kraft Heinz that he may have misread Polman – that in fact the CEO of Unilever would do anything to avoid going down in history as the man who sold the multinational.

But in this second meeting, Behring still doesn't hear Polman utter a firm and decisive 'no', and so he presents him with a summary of his plan to take over all of Unilever. To his astonishment, Polman is staring at a concise but carefully worked-out plan. Behring talks about the structure of the new concern, and explains that the merger will reduce costs by about a third, especially in Unilever's subsidiary companies. Smiling, Behring points out that in terms of turnover, their combined companies will be the largest producer of fast-moving consumer goods after Nestlé. He talks about plans establishing the corporate giant's headquarters in New York.

To make this dream come true, Kraft Heinz is prepared to pay roughly 143 billion dollars (135 billion euros) for Unilever. An 18 percent premium to the company's current share price. Behring emphasises that this is an opening bid – and incidentally, the same goes for the 200 million euros earmarked for Polman.

The CEO of Unilever lets him know, in no uncertain terms, that he is not interested in the offer, but adds that in a rapidly changing world, it is always wise to explore all the options. Polman also makes it clear that the decision is of course not his own. He will need to put it to his board of supervisory directors, who will then issue a recommendation to Unilever shareholders. They will seal the company's fate by choosing whether or not to sell their shares to Kraft Heinz. Behring, who is yet to hear anything he would interpret as a definitive rejection, leaves the offer on the table for Polman.

Once Alexandre Behring has left, Polman calls Marijn Dekkers, who has been his supervisory board chairman for almost a year. He reads the offer to him. They soon agree: the board of Unilever is not interested. The cultural differences are too large, and if costs can be cut at Unilever, they will be better off doing it themselves. They also conclude that the 18 percent premium is much too low. In Dekker's view, Kraft Heinz has shot itself in the foot with it. A couple of months ago, Unilever's stock market value was roughly what the Brazilians want to pay for it now; so it won't be hard for the board to shrug this off and promise the shareholders an equal or higher rise in value within a reasonable time. The two men conclude that if Kraft Heinz want this offer to be a success, it will have to raise it substantially.

At the same time, however, they realise they will have to arm themselves for the battle ahead. They decide to call a Unilever board meeting the following weekend. The small army of bankers, legal experts, PR specialists that has been hard at work these past ten days will need to be reinforced. They have to assess their opponent's strength, and weigh up and calculate the various scenarios. All of this will have to be done in the greatest secrecy. If the outside world gets wind of the take-over bid now, shares might sky-rocket and the board will risk losing control of the process.

For this reason, the decision is taken not to book rooms at the Crowne Plaza Hotel this time, situated immediately next to Unilever's London head offices in Blackfriars. Instead, they will pitch camp at the Mandarin Hotel. Polman thinks that the board members will appreciate this, at least. They have regularly pointed out that they don't consider the Crowne Plaza to be up to their standards.

When he puts down the phone, sixty-year-old Polman feels completely gutted. This happening now is partly his fault. He is the one in charge, and his being the target of this unwelcome attack is no coincidence. Should Unilever get crushed between Kraft Heinz' claws, it is because he took his eye off the ball. If this goes wrong, he is the one responsible.

Polman looks out of the window. He has had this office for eight years now, on the site bought by Lord Leverhulme almost a century ago. The stunning Art Deco head office was completed after his death in 1933. From the sixth floor, the CEO has a majestic view sweeping from St Paul's Cathedral, barely a stone's throw away, to the gigantic Tate Modern on the other side of the Thames.

No, Unilever's story must not end here. His own story must not end here. Because that's another thing. In recent years, Polman has gradually come to realise that Unilever is a vehicle for him. Only now, in this role, does he understand his purpose on earth. He needs Unilever to prove that multinationals can play a crucial part in solving the great challenges of our time. They have to commit to solving the climate crisis, take their share of responsibility for persistent global poverty.

That is why he steered a radically different course at Unilever. First he abolished the presentation of quarterly results, then he drew up the Unilever Sustainable Living Plan (USLP), which sets out how Unilever can contribute to a sustainable planet. A plan with a ten-year horizon. In 2020, Unilever would have doubled in size while halving the environmental impact of the production and consumption of Unilever products.

In recent years, he has taken an ever more explicit stance against the way of thinking that dominates the stock market, and the way financial analysts work – a bunch of idiots, in his opinion. In eight years' time, none of them has ever asked him about the crucial ambitions and achievements of his Unilever Sustainable Living Plan. With financial markets dominated by short-term thinking, multinationals have not done what should have been their role on earth: finding solutions to meet the future needs of humanity. By failing to do that, they are putting the world – and an ever-growing global population – at great risk.

The 2008 financial crisis made him realise that the one-sided financial analysis of the economy has become far too dominant, which is drastically limiting the scope for long-term corporate social responsibility. The general public had justifiably started to wonder whether companies were working for or against the community they came from. Polman himself had actually started out as a financial controller at Procter & Gamble and left a post as chief financial officer at Nestlé in 2008, vowing never to be forced into that corporate straitjacket again. This has been his great struggle, a struggle for the soul of capitalism.

Of course he realised that Unilever wouldn't be able to enforce such a fundamental change to the system on its own, and he made every effort to get other companies on his side. But most of all, he worked on building up the trust of governments and NGOs. Such collaborations were the only way a company could really contribute to making the economy more sustainable.

This was what inspired him. In this world, which was new for him, too, he learned his most important life lessons.

On behalf of the United Nations he co-authored the 17 sustainable development goals (SDGs). He put a lot of effort into bringing about the Paris Climate Agreement in late 2015. He advised the pope on his encyclical ‘Laudato Si’, helping ‘Christ’s representative on Earth’ to understand that the business world, especially, had to be called on to play its part. He saw himself as the CEO who had expanded the playing field, not just for Unilever but for the whole industry.

He was faced with mountains of scepticism. Day after day. Inside Unilever and outside of it. The media and the financial world never really trusted him. He was accused of green-washing. Of using a marketing gimmick to pander to public opinion.

On the other hand, he garnered plenty of applause and enjoyed the appreciation and enthusiasm he received from NGOs and charitable organisations, who regarded him as the first CEO to look beyond profits and be open to dialogue. He won awards the world over, including the United Nations’ ‘Champion of the Earth’ award, the highest distinction for leaders committed to a sustainable world.

For years, everything went well. Unilever increased its turnover, its stock market value rose and, with plenty of trial and error, various USLP goals were realised. Polman dreamed that the world would make an about-turn in 2016. That global agreements would be reached on climate change, on taxing CO_2 emissions, tackling poverty and promoting equality between men and women. After several years of being guided by the company’s USLP goals, Unilever would be at the forefront of this change and profit from it.

But in that year, the world took a different turn. Britain voted to leave the EU and America elected Donald Trump, who promptly pulled the United States out of the Paris Climate Agreement. To Polman, this is incomprehensible. He considers himself a cosmopolitan, a citizen of the world who wants to solve the world’s problems. Problems that will only grow if people, companies and countries focus increasingly on their own small local interests. It is taking two steps back. This everyone-for-themselves-and-God-for-us-all-attitude, which he has seen at Kraft Heinz, stands for a business model that is on its last legs. So why is it so hard to make the world see this?

Polman looks at the papers on the table in front of him. He goes through Alexandre Behring’s proposal one last time. The combined pockets of his besiegers are terribly deep. His eye falls on the name Warren Buffett. The famous billionaire is probably providing a large portion of the funds, just as he did in earlier deals. Polman realises that the days ahead are going to be nerve-racking.

In that respect, Kraft Heinz has the upper hand, having been able to prepare for this attack for months and to make sure they have all possible means at hand to respond to any eventuality. The attacker also has British law on their side. The moment an offer has been made that may be interesting to Unilever shareholders, management is relegated to the sideline. Shareholders focused on short-term profit, especially hedge funds, will then get on board in the hope of making some fast cash by hitching a ride on soaring share prices. On top of that, Unilever is not allowed to approach its own shareholders to convince them to side with the incumbent management. To Polman it feels like Unilever is fighting with one hand tied behind its back. This in his view unfair proceeding is stimulated by the UK Takeover Code, which is intended to give the selling and buying parties the chance to see if they can arrive at the right price – haggling and bargaining, as it were. They are given 28 days. Polman hates the British rules.

He is under no illusion. If enough money is dangled in front of them, his shareholders will sell. Large pension funds often like to talk about the importance of sustainability, but the one thing that has disappointed him most in recent years are these large investors. Despite having a long-term responsibility for pensions and insurances, they are governed by short-term incentives. They will sell their Unilever shares to a company like Kraft Heinz, claiming with a shrug they have no choice as they need the return to do their social duty and provide good pensions.

It's exactly what he talked about to Dekkers. If Kraft Heinz raise their bid to, say, 35 percent, Unilever will have a serious problem. They will have to persuade the shareholders of Unilever to ignore the pots of gold they are promised. But how? His advisers have already calculated that Kraft Heinz would be able to fund a 35 percent premium – maybe even much more. And not just out of the pockets of the four enormously wealthy billionaires. Polman has learned that, too. They can make such a high bid because Unilever has comparatively little debt on its balance sheet, a fact they can use to clock up tens of billions in extra debt.

Then it dawns on Polman. This highly unwelcome takeover will largely be funded by Unilever itself. How could he have let this happen? It's a nightmare, it feels like a near-death experience.

Paul Polman looks at the signatures at the bottom of the proposal. He recognises one of them. Eight years ago, he saw Warren Buffett's signature on just such a letter, when the American billionaire congratulated him on his decision to stop publishing quarterly results and focus on a more sustainable business management system. Polman was chuffed, and read this compliment by one of the world's most successful investors to several of his colleagues.

Does Buffet even realise what he is getting into now? Didn't the American, when he was the majority shareholder of Kraft seven years ago, harshly condemn the 19 billion dollar takeover of Cadbury, calling it a stupid deal? Similar to Unilever's Marmite, Cadbury is a quintessentially British brand that no one should be allowed to get their hands on. After the takeover, Kraft failed to keep its promises of not shutting down any factories or cutting jobs, which has tainted the name Kraft in the UK ever since.

The elderly businessman has spent decades building up an image of an investor who focused on long-term value. And hasn't Buffett claimed, repeatedly and publicly, that he is dead set against hostile takeovers? That he doesn't believe in them at all? Surely people became more sensitive about their legacy, about their image, the older they get? Why should Warren Buffett suddenly be in favour of a hostile takeover? It doesn't make sense. Does he even know he risks getting involved in such a battle? It occurs to Polman that the American might just be naive, that he's putting too much trust in the Brazilians.

It is clear the latter have sunk their teeth into Unilever and are not going to let go again. But they can't see the deal through without Buffett's financial backing. The CEO of Unilever decides that his best course of action would be to target the elderly American.

How much time does he have? A week, perhaps two? This is the fight of his life. If he fails to keep Unilever out of the hands of Kraft Heinz, it has all been for nothing. Then he has failed. Then he has not been able to prove that a large, listed multinational like Unilever can make sufficient money by doing good.

Making Money & Doing Good

1994-2007

1 Mea culpa, we've been wrong

1994-1998

Let Unilever invent it, we'll take care of global sales. Paul Polman and his colleagues at Procter & Gamble like to poke fun at their much larger competitor. The 37-year-old manager of P&G Spain is baffled by the arrogant British-Dutch multinational. What on earth are they doing?

In the early 90s, corporations like P&G and Nestlé have rapidly come to dominate world markets. Large scale international advertising campaigns are launched to cleverly and effectively drive sales of Dreft, Ariel, Maggi and Nescafé. Unilever has not hit back with a campaign of its own for years. The company is run by a bunch of conceited managers in charge of local activities, who among them manage to keep over two thousand comparatively small brands afloat. It is why they can't turn large brands like Calvin Klein, Elizabeth Arden and Pond's into a success after taking them over. That would require a central, global approach, something that the decentralised Unilever could never get off the ground.

Polman finds it telling that at the Unilever headquarters, the manager of a category of products is called a 'coordinator'. A word that smacks of deliberation and slow bureaucracy. He regularly hears 'Unileverans' complain about being trapped in a 'matrix', in which the responsibility for results is divided according to a complex system between regional managers and product category managers.

There is a lot of complaining. The British, who are primarily trying to make a profit with personal care products like Dove and Omo, grumble about the other half of the company, where the mostly Dutch managers are in charge of food products like Blue Band and Unox. They in turn feel the British don't understand what they're doing.

In marketing terms, Unilever's two main activities Food and Personal Care are two separate worlds; the act of buying something you apply to your skin is dominated by the rational left hemisphere of the brain, while buying food is about taste and health, which affects you on a deeper emotional level and is controlled by the right hemisphere. So why doesn't Unilever choose between the two? If analysts ask this question, Unilever's answer is always the same: they belong together, all being fast-moving consumer goods usually sold through retail channels like supermarkets.

At Unilever, a lot of energy is invested in balancing complex relationships. The company's remarkable structure can only be explained in the light of its history. Sixty-five years after the merger, it still consists of two separate companies – a Dutch NV (*naamloze vennootschap*, public limited company) and a British PLC, each with their own chairman and board of directors. The same people, between twelve and fifteen, sit on both boards, meeting alternately in Rotterdam and London.

Polman can understand why the highest ambition of his colleagues at Unilever is becoming the manager of an important country. Because of this two-headed consultative body, a lot of the power lies with the local managers in the over 150 countries Unilever operates in. As long as they make enough money, they can do more or less whatever they like. They use this freedom within the Unilever matrix to make their own decisions, and they invest in all kinds of things. The most important form of central control of all these local activities is through financial reports.

Procter & Gamble, by contrast, is a hierarchical organisation, tightly run from its headquarters in Cincinnati, where plans are constantly made to increase growth and join forces with other companies to beat global competition. Everyone has clearly defined responsibilities and is held to account for their actions. If you do well, you can move up the career ladder very fast. The American company, which has only been active in Europe for 30 years, is taking over markets and whole regions one by one. Successful managers like Paul Polman are leading the way.

Some, especially young, Unilever managers are jealous of the speed of what they think of as a state-of-the-art marketing machine. But most are indifferent to this new American force. They still consider Unilever the 'Marketing School' – once you have made it marketing fast moving consumer goods, you can sell anything. And their advertising budget of almost 9 billion Dutch guilders is the largest in the world. In short, they're not worried. The world's population is growing and getting wealthier, and will always need reliable food and hygiene products. And thanks to the colonial pasts of its two 'mother countries', Unilever has deep roots in today's developing economies. The company considers its local engagement in such countries a great strength and promise of future success. Many poor people can't afford to see a doctor. To avoid getting ill, they choose the slightly more expensive but safe Unilever products, which they trust more than locally produced alternatives. Besides, there are still billions of people in such countries who've never even heard of, say, deodorant. The figures for 1994 show a growth in turnover and profit. The company makes an operating profit of over 3 billion euros on a turnover of almost 38 billion euros. Enough money for investments and to increase shareholders' dividends a little each year.

The figures are impressive, though the analysts employed by large banks to monitor the sector don't think so. They compare the company's performance to that of various other players in the market. On their spreadsheets, Unilever is increasingly outflanked by Procter & Gamble, who with a 30-billion-dollar turnover is the smaller company, but almost twice as profitable.

This worries Niall FitzGerald. The ambitious 49-year-old coordinator of laundry detergents is not a typical Unilever manager. The son of a customs officer and a journalist, he even used to be a member of the Communist Party a long time ago. He went to a job interview at Unilever because a friend of his was required by the company to provide candidates, and to his surprise, he was hired. In this environment of British, mostly Oxbridge-educated, colleagues, the Catholic Irishman quickly rose up through the ranks of the financial department.

The Dutch treat him as an Englishman, but coming from a small country like them, he is able to take a more distanced view of the faltering British-Dutch cooperation. The apparent consensus hides a great deal of distrust. According to FitzGerald, this lack of trust is caused by the fact that his colleagues are continuously searching for their counterparts' hidden agendas. Despite the constant discussions and meetings, the various divisions of the company – such as marketing and research – often don't cooperate well.

The British and the Dutch, they don't really understand each other. The British consider the people from the low countries too forward, bordering on rude. They doubt whether the Dutch really think things through. Dutch people like to say what they think and are not shy to give their opinion, without realising that this isn't always effective.

Conversely, the Dutch don't trust the British because they never say what they really think. None of their British colleagues bats an eyelid when a decision is slowly and systematically reversed from the moment it is implemented. And if they claim to find a proposal incredibly interesting, they usually mean that as far as they are concerned, it is fit for the bin. They may always sound interested and polite, but they are not sincere. And if accused of this behaviour, they'll explain with a friendly smile that of course they are sincere – they just like being 'economical with the truth'.

The British often give the impression they consider the Dutch a dim-witted bunch. At least, that's how it appears to those Dutch, who respond with frantic efforts to get through to the arrogant Brits – which in turn is often perceived as rudeness by the latter.

In the London head office especially, which the Brits consider the one and only real headquarters, the Dutch stick together. They are constantly made to feel they have to hold their own against the English onslaught. Many Dutch people are frustrated by the British ability to casually take centre stage. The classically educated especially – and there are plenty of those at the top of the company – have been trained to take to the spotlight with ease and charm, and to enunciate with the clarity and precision of an actor. Their Dutch colleagues can't compete with that, no matter how good their English is. Sometimes, they give in to the urge to just switch to Dutch, at which their British counterparts deploy their most difficult vocabulary that goes straight over the heads of the Dutch. Only a handful of Brits have taken the trouble to learn Dutch, and the language difference is a constant handicap. As native English speakers, the British often take on the task of writing the meeting minutes and summarising them afterwards.

The condescending tone of these summaries often rubs the Dutch up the wrong way. The British don't understand the Dutch culture of consensus, or why their Dutch colleagues would want to meet with works councils and keep on good terms with trade unions. In their eyes, unions are the enemy – they can't be trusted, are forever going on strike.

That latent incomprehension and the distrust constantly lying in wait is not helpful in a matrix organisation that relies on compromise and consensus. All of Unilever's local activities are divided between the NV and the PLC, and some have a foot in both camps. From the beginning in 1929, the NV, governed by Dutch law, has had a 55 percent stake in the company. Quite a bit larger than that of the PLC, which operates under British law. Subsidiary companies are divided along the lines of former colonial borders, among other things. Turnover and profit from Indonesia go to the NV, those from India go to the PLC. A complex set of rules, the so-called Equalisation Agreement, is in place to compensate any differences and to constantly restore the balance, ensuring that the various shareholders of each company are treated exactly the same. If it turns out that the PLC side of the company has not made enough money to pay its shareholders the same dividend as the NV side, the PLC has to take out a loan in order to transfer part of the NV to them, so that the results achieved there can be used to redress the balance. This obscure practice has been heavily criticised for years, by analysts and investors in particular. They believe it hampers the company's agility and effectiveness. Unilever always has to pay for takeovers in cash because it is technically all but impossible to pay in two different kinds of shares, those of the NV and the PLC.

Analysts frequently suggest it might be better for everyone involved to split up the company – but the moment that suggestion is made, the Brits and Dutch fall into each other's arms. Split up? Never. Despite all the grumbling and mutual distrust, they do acknowledge how successfully they have complemented each other over the decades. The Brits are good at drawing up plans and discussing every detail of what needs to be done. The Dutch start doing those things while the planning and discussions are still ongoing. They are the implementers, and they know they are benefiting from Britain's scale and clout, its powerful history, the Commonwealth of Nations and the access it has to many markets in the world.

Unileverians of both nationalities also feel a bond with each other, simply because they often go on adventures together in foreign countries. Far away from London and Rotterdam, they have to rely on one another. They also have a similar sense of humour – if you can laugh at yourself, you can laugh at each other. They get on best when the atmosphere is relaxed. And finally, it also helps that in the past decade, executive meetings have become more and more nationally diverse.

Despite the continuing grumbling, by far the most executives are 'lifers', that is, they work at Unilever all their lives. The company is their club. Its executives, on the British as well as the Dutch side, grew up together. Many first met in students unions, some even shared a dorm or were in the same pledge class. This shared history can make it hard for those who get higher up the corporate ladder to approach such a lifelong friendship in a businesslike manner – let alone to fire a 'friend' whose performance is not up to scratch. For this reason, the company culture is aimed at keeping the peace, in a constant effort to keep the British and the Dutch together.

Headquarters does its best to keep that informal club atmosphere alive. It is the glue that holds the company together. When the managing directors fly to London from all over the world, they are shamelessly pampered. They fly first class, with their families if necessary. In London, they usually stay at the five-star Grosvenor House Hotel, in a suite of their own where the fridges are filled and assistants at hand to reserve tables at restaurants and seats at the theatre, which they are driven to in the company Bentley.

The 100 top executives at Unilever consist almost exclusively of the same type of respectable married men. If any of them attends one of the frequent after-meeting social events without his wife, he can be certain of raised eyebrows. What's wrong? Surely a tough career like that shouldn't be undertaken alone?

They are ambitious men, always in need of a fresh challenge. Who is the best man for a certain job is a regular topic of discussion. Whenever an Englishman has been given a high-profile post, the Dutch pipe up that it's their turn next, and vice versa. By supplying executives with a new, and preferably slightly larger, responsibility every couple of years, headquarters makes sure they stay loyal.

On the condition, however, that they attend all the parties at which people are appointed or retire. Never mind if you have to spend 20 hours in a plane to get there – be sure to show up! Seeing each other at these regular informal gatherings is meant to foster a sense of connection. And it is comforting to know that, should your performance not live up to expectations, there will always be a place for you somewhere safely on the sidelines. This is how Margarine Unie and Lever Brothers have built up a giant since 1929.

Niall FitzGerald's detergent activities account for 22 percent of Unilever's turnover. But even in the Netherlands, the company hasn't been market leader since the early 90s. Procter & Gamble, the joint venture founded in 1837 by candle maker William Procter and soap boiler James Gamble, is advancing on Europe's 7.5 billion euro detergent market with its global brands and its dubbed American advertisements. As this market is hardly growing anymore, the increase of one company's market share always means the decrease of another's. With almost 15 percent of the European market, P&G's Ariel is almost twice as large as Unilever's Omo-Persil.

High time to score, according to Niall FitzGerald. He's excited about a discovery that he considers revolutionary. One of Unilever's four large laboratories, the British Port Sunlight, has discovered a new organic molecule. A manganese-based catalyst, named 'Accelerator', allows laundry to be washed at lower water temperatures. With plenty of media hullabaloo, Unilever announces it will revolutionise washing powders. The new detergent will be called Persil Power in the UK and Omo Power in the Netherlands.

The revolution is to take place on multiple fronts, as FitzGerald, for the first time in Unilever history, is planning to launch the new detergent at practically the same time all over Europe. Feeling the Americans breathing down their necks, the local managers responsible for each of the countries have agreed to the plan. FitzGerald has given the operation the codename

'Winnipeg': 'winning (against) P&G' The success of the introduction is of great personal importance to him, too. The Irishman is about to join the ranks of the British-Dutch multinational's highest executive committee, the three-man Special Committee. The third man will eventually become one of the two all-powerful chairmen – in his case, of the British PLC

Omo Power is first introduced to the small Dutch market. The new detergent's advertising campaign makes great promises. It is concentrated, environmentally friendly and cleans laundry at low temperatures.

Stef Kranendijk immediately pricks up his ears. The CEO of Procter & Gamble Benelux sends 100 boxes of Omo Power to P&G's laboratory in Belgium. What is this stuff? After two days of washing, his colleagues can't believe their eyes. Everything is fine at 30 degrees, but at higher water temperatures, the clothes are ripped to shreds after 30 or 40 washes.

Procter and Gamble's CEO Ed Artz calls FitzGerald immediately. Unilever's arch rival wants Omo Power to be discontinued at once. With each 10-degree rise in temperature, the chemical reaction of the catalyst goes twice as fast. At higher temperatures, the oxidation process doesn't just remove stains but also damages the fabric. The effect is dramatic. People will literally wash their clothes to shreds. And because they regularly switch brands, they might think it was down to Ariel. Artz says that he fears this will be hugely damaging to the whole industry.

When the phone call does not produce the desired result, Artz and Roel Van Neerbos, marketing manager for P&G Europe in charge of detergents, decide to visit their competitor's London headquarters with a suitcase full of detergent-damaged clothes.

FitzGerald's reaction is guarded. This can't be – Unilever is very scrupulous, employing over 9000 researchers and spending 700 million euros annually on in-house, often scientifically based, research. Besides, new products are tested extensively before they are put on the market. There's nothing wrong with Omo Power; the Americans are just jealous of Unilever's discovery. FitzGerald has also read the recently published, widely discussed book by Wallstreet Journal reporter Alecia Swasy, *Soap Opera*. Swasy depicts Procter & Gamble as an extremely aggressive player who has no qualms about using highly questionable methods to crush the competition, and calls Ed Artz, lauded by analysts for doubling the company's profits, the Prince of Darkness. FitzGerald is determined not to be intimidated by him. This visit has strengthened him in the conviction that his competitor is shaking in his boots – we are onto something big, full steam ahead!

Stef Kranendijk, meanwhile, is pleased to get a call from an *Algemeen Dagblad* journalist a fortnight later, who asks whether Procter & Gamble really believes that Omo Power damages clothes. After consulting with his lawyers, he launches an attack. What angers him most is Unilever's implicit claim that the detergent is suitable for all water temperatures and fabrics – all-purpose, as they call it. According to Kranendijk, the stuff is dangerous in any case and nothing short of disastrous at higher temperatures.

The next day, the headline reads, 'War of the Washing Powders'. In the article, the manager for Unilever Netherlands, Willem Selman, defends the product, 'Omo Power produces even cleaner results at lower water temperatures, which is of crucial importance to the environment. It is our own invention, Which I can imagine is making some of our competitors very nervous.' Unilever calculated that 60 percent of CO_2 emissions generated by detergents is caused by consumers washing laundry at too high a temperature.

But Selman also admits that Unilever has not paid much attention to the quality of the washed clothes. They have not conducted a 'tear strength test', designed to find out whether the strength of the fabric is affected by the new detergent. The product has only been tested for its 'washing properties', because according to Selman, 'damage to fabric just isn't an issue any more'. Selman says he is considering legal action against his competitor.

The news soon spreads around the world and the 'soap story' is widely publicised in the media – who, having been inundated with often dead boring 'washes whiter' and 'gets clothes cleaner' advertisements for many years, report on it with a certain satisfaction. The dirtier this fight gets, the better.

And it certainly gets dirty. A fortnight after the news broke, Stef Kranendijk and his secretary are stuffing large brown envelopes with underpants and leggings that were damaged in the washing trials at Procter & Gamble's R&D centre in Brussels. Accompanied by a stack of photographs of other damaged fabrics, these rags are sent to the country's largest media publishers. The next day, Willem Selman is horrified to find not only the startling photographs in the morning papers, but an envelope with damaged clothes in his letterbox.

The photographs are distributed throughout Europe. In Spain, Paul Polman is ordered to send the offensive images to the media. In his view, his bosses are overreacting to the situation. But orders are orders, and he also knows that only 30 percent of consumers are loyal to one detergent; if they find a special offer on a competing detergent – and there are plenty to be found – they switch brands. And because the manganese adheres to the clothes, consumers might think that the damage happened during the last washing cycle, using 'his' Ariel. This crossover effect must be avoided.

Besides, Polman could do with a win. Procter & Gamble's Spanish division has been a source of worry to the company. He has been charged with making a success of this almost bankrupt operation. And this campaign can help him achieve it, by showing that P&G looks after the interests of the Spanish consumer.

The battle is soon decided. After just a couple of months, Unilever decides to pull its 'revolutionary discovery' off the market. The 800 million Dutch guilders invested in marketing and R&D are written off. But far worse is the damage done to consumer trust, Unilever's greatest capital. The company couldn't have suffered greater defeat, and the confidence of many Unileverians has suddenly become very brittle. How could this have happened? Everyone is quick to pass on the blame. The researchers blame the marketeers, who in turn point an accusing finger at the researchers. At the Rotterdam headquarters, they believe the Brits are at fault, and even fantasise about splitting up the company.

With all eyes trained on the failed introduction of a new detergent, hardly anyone outside of the company has noticed that Morris Tabaksblat has taken over as chairman of the Dutch NV. He and his British counterpart Michael Perry now have 300,000 employees under them. Tabaksblat is Floris Maljers' successor. The two men have known each other almost 35 years and are both lifers.

As early as the 1980s, Maljers started to notice that in the dominant American corporate culture, Unilever was increasingly regarded with pity. They didn't understand it, regarded it as a half-finished merger, which regularly led to the question whether the companies wouldn't be worth more apart. According to Maljers, Unilever was even receiving signals that the company was high up on the list of interesting targets of some large American takeover specialists. He voiced his concerns in his exit interview with *NRC Handelsblad*, 'It appeared that we were only saved by the company's prohibitively complex legal structure, which goes back to the original British Dutch contracts from 1929. But even that hurdle could have been taken. We were in the remarkable situation of having so much money in the kitty that anyone buying Unilever for its market value plus a takeover premium would have been able to pay a substantial part of that sum from our own funds.'

