Unilever Goiânia & FDC

RESPONSIBLE FACTORY CLOSING AND RELOCATION AT A GLOBAL SUSTAINABILITY LEADER

Unilever

FDC
Para ser relevante.

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EXECUTIVE SUMMARY

In 2018 Unilever decided to consolidate operations and transfer production from Goiânia to Pouso Alegre, closing the Goiânia site by March 2020. For the Operations Director in Goiânia this created first a relocation challenge: maintaining production and product quality until the last production line is transferred. His second challenge was: how to do this responsibly, living up to the values of Unilever, which turned into a global sustainability icon especially after announcing its ambitious Sustainable Living Plan – doubling growth, reducing environmental impacts and creating positive social impact. How can you close an operation and create positive impact?

Unilever Goiânia partnered with Fundação Dom Cabral (FDC) to design a transformational L&D programme, that helped the local leadership deal with the people challenges involved in the transfer of operations, while at the same time leaving a positive legacy in Goiânia.

As operations are closing the results become visible. Unilever Goiânia was able to meet 100% of production targets with no workplace accidents, quality or production issues. 25% of employees and more than 50% of local leadership could be transferred to other operations. By engaging in shared value projects, Unilever was able to save costs, improve turn-over and absenteeism and deliver value to stakeholders such as employees, the local community, suppliers, clients and competitors alike. These shared value projects clearly contribute to some of the Sustainable Development Goals set by the United Nations. In sum, the local leadership was able to show that it is possible to close an operation responsibly and leaving a positive legacy, living up to Unilever´s values and fostering its reputation as a sustainability leader even in difficult times.

INTRODUCTION

In times of increased competition and logistical challenges, factory consolidation becomes a more frequent phenomenon. Closing and transferring production lines is not only an engineering challenge, but also a leadership challenge raising questions such as: How to keep operations running until the last production line is transferred? How to keep employees motivated under the prospect of being dismissed in the near future? As if this would not be enough, how to deal with a factory relocation and dismissals in a company such as Unilever which publicly announced to double growth while increasing positive social impact?

In June 2018 Unilever decided to transfer its production capability installed in Goiânia to Pouso Alegre. Unilever Goiânia and Fundação Dom Cabral partnerned in 2018 to design a leadership programme, aiming to develop the local leadership team to better deal with the relocation challenge.

About Unilever Goiânia

Unilever is an Anglo-Dutch consumer goods multinational. Its products include food, beverages, cleaning products and personal hygiene and they are available in about 190 countries. It has almost 400 brands including Hellmann's, Dove, Omo, Rexona, Ben & Jerry and Knorr. Unilever Brazil was established 90 years ago in São Paulo and currently runs 11 plants in Brazil, being distributed in four plants in the Northeast, one in the Midwest (Goiânia) and five in the Southeast. The Goiânia Plant, was responsible for 8% of Unilever's Brazilian turnover and manufacturing of products such as Mayonnaise, Ketchup, Mustard and Salad Dressings of the Hellmann´s, Arisco and Gourmet brands serving the Brazilian market and other countries in South America.

Globally, Unilever aims to increase business, while decreasing the environmental impact and increasing the positive social impact. It works hard to improve the health and well-being of one billion people.

About FDC

Fundação Dom Cabral (FDC) is a Brazilian Business School recognized by the Financial Times as a world leader in the development of executives and organisations.

FDC seeks to develop executives, public managers, entrepreneurs, business people and organisations through education. The school is committed to contributing to an inclusive, sustainable economy, adopting and promoting ethical business practices. This means

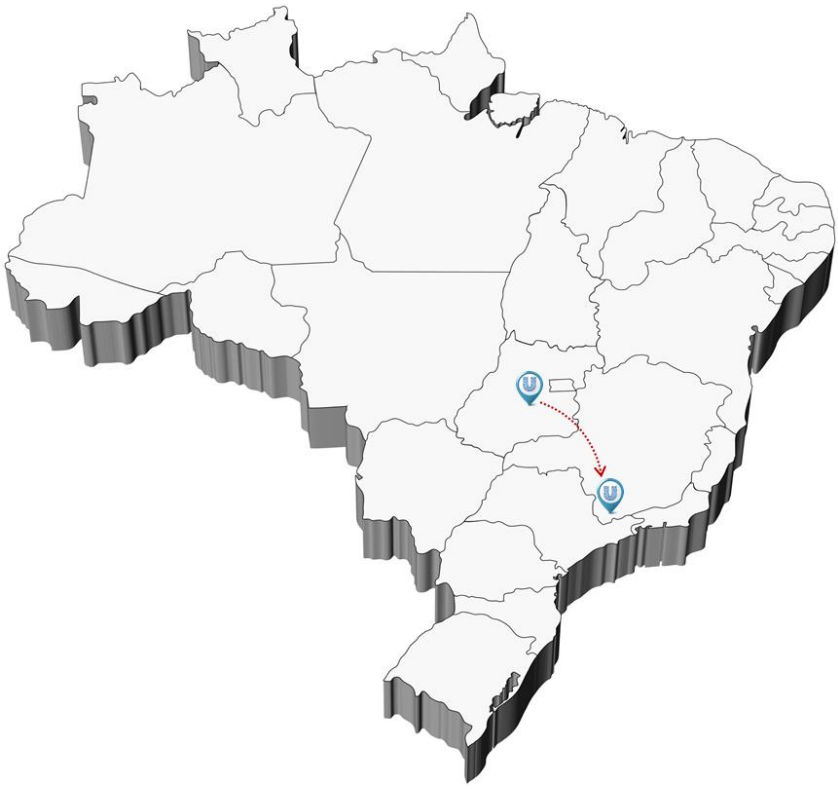
developing students/participants to become protagonists for the betterment of society, going beyond empowering them technically for the efficiency of their organisations.

The mission of FDC is “to contribute to the sustainable development of society by educating, developing and building the skills of executives, entrepreneurs and public managers”.

THE CHALLENGE

Unilever Goiânia had been developing its leadership in collaboration with Fundação Dom Cabral since November 2017. It had achieved 44 points in the WCM´s development program by a series of improvements but needed to continue on this journey. As processes and management systems were already in place the focus shifted on leadership and people management issues.

Therefore, Unilever Goiânia and FDC were already collaborating on a leadership programme, when in June 2018 the notice arrived, that Unilever had decided to incorporate Goiânia operations in Pouso Alegre. Official announcement of this decision was scheduled for beginning of July 2018. The main reasons were of logistical nature allowing Unilever to operate more closely to big consumer centers such as São Paulo, Rio de Janeiro and Belo Horizonte. Until the end of March 2020 all production lines would have to be transferred and operations in Goiânia would be terminated.



"The right way to close an operation" by Kenneth W. Freeman, an article published in the HBR 2009 issue[1], is one of the few references regarding responsible factory transfers and closings. He observes: "Many managers never had to shrink their operations of workforce drastically, and as a result (…) they assume they have to be the tough guys who make the decisions and that afterward they can delegate the implementation to others with one marching order: go fast."

Transferring operations from one place to another, reducing drastically the number of employees while maintaining operations until the last product line is dismantled represents a challenge in itself. But doing it for a sustainability icon such as Unilever is a particular tricky job. The company developed its famous Sustainable Living Plan under the leadership of Paul Polman – aiming to decouple growth from its environmental footprint, while increasing positive social impact. Is there a way of transferring operations and closing the site without negative social impact?

Oscar Ramirez was responsible for the Goiânia production site and resumes the main challenge as "not only maintaining, but continue to improve results in the moment of transferring operations while keeping alive the sense developing a better organization and better people". He realized that beyond the engineering and logistical challenge, the main issue was of human nature. First, the relocation causes employees of the site to worry about their future once the decision to transfer operations had been made public. Second, the leadership needed to be prepared for a caring, humane and responsible way of managing the transfer to keep the motivation of the team until the last day of operation and living up to Unilever´s values and reputation. Third, Unilever wanted to leave a legacy behind in Goiânia that would extend well beyond the last day of operations.

With these objectives in mind, Oscar Ramirez was looking for suitable partners. Potential candidates needed to have the trust of employees and experience of providing executive education in challenging environments. It came to FDC´s advantage of having acquired a profound knowledge of Unilever Goiânia´s business challenges, next to its people management priorities. Additionally, being considered the best business school in Latin America for more than 10 years by the Financial Times might have been an asset.

In the words of Oscar Ramirez: "To initiate this journey it was necessary to find an experienced partner. Luckily, we found Fundação Dom Cabral, an organization which has helped us to train leaders in the past".

[1] Freeman K. W. (2009): The Right Way to Close an Operation, in *Harvard Business Review* (May).

The desired impact of the joint initiative was:

1. Provide psychological safety to Unilever´s local employees and demonstrate that the relocation will be done with care and respect. Key indicators were: employee engagement and motivation, avoiding risks such as work accidents, labour actions, union protests as well as issues regarding the delivery and quality of products.
2. Train the local leadership team to deal with the relocation in an effective but humane way. Key indicators were: meeting the targets above while managing stress and building competencies that allow the leadership to relocate to other operations.
3. Engage with local stakeholders in order to leave a legacy in the region. Key indicators were: stakeholder engagement and feedback, value created for Unilever.

> “For transformational L&D programmes to be successful four ingredients are necessary: a clear purpose, courage, capacity to influence and adaptation. All these ingredients were present in this programme. The purpose was very clear: executing the relocation in a responsible way. The courage of local leadership investing in people during a factory closure and defending this decision internally. And adaptation to the changing realities as the transfer process unfolds.”
>
> **Carolina Goyatá**
> FDC Programme Director

Urgent first steps were a) planning the employee engagement process as well as b) preparing the leadership team for the upcoming turbulent times.

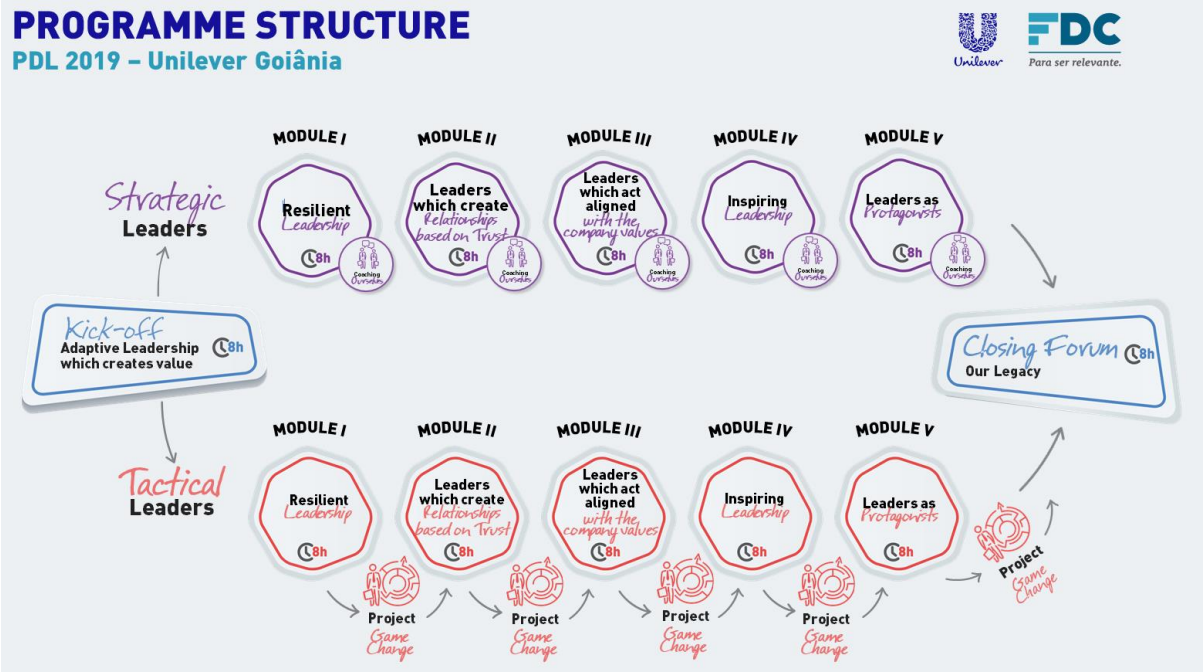
THE COMMITMENT

FDC´s approach to executive education is co-creating solutions together with clients. The school´s motto is: FDC works WITH clients and not FOR clients. In order to understand the context of Unilever Goiânia's challenges a dedicated management team composed of both organizations was set up and its roles & responsibilities were defined.

Members of this team were:
Unilever: Oscar Ramirez –Operations Director, Fernando Oleto –Manufacturing Manager, Paulo Vaz – Maintenance Manager, Rachel Carvalho – Quality Manager, Neuber Pereira – SHE Manager (safety, health and environment) and Cristiane Carvalho – Information Coordinator.
FDC: Carolina Goyatá – Program Director, Michelle Demori – Program Director, Heiko Spitzeck - Professor of Intrapreneurship and Game Changer Mentor, Lilian Graziano - Associate Professor and Technical Coordinator, Daniela Vilaça – Technical Coordinator, Alda Marina Campos Melo and Flávia Alvim - Game Changer Mentors, Camila Anchieta – Executive Coordinator.

A total of 12 semi-structured interviews were conducted with the local operations director, the RH function as well as with a selection of participants. Additionally, 4 focus groups were executed with a total of 40 participants from diverse business functions. Based on these inputs an initial draft structure was set up to be discussed in the programme's management team until a final version emerged.

The following figure shows the main programme blocks:



The commitment was to:

- Prepare the local leadership for the people challenges involved in the upcoming relocation process;
- Help Unilever Goiânia construct a legacy by creating shared value with five different stakeholder groups;
- Use the shared value project done with employees to provide them with a positive outlook into the future.

THE L&D INITIATIVE

The target audience of the L&D initiative was a total of 65 executives at the Unilever Goiânia site, divided in two groups: 1) 4 Strategic Leaders composed of the director and 4 senior managers and 2) 60 Tactical Leaders composed of junior managers and analysts. The design of the L&D initiative was based on positive leadership, appreciative inquiry, flipped classroom and the sharing of learnings from real-life experiences.

KICK-OFF (ALL 65 PARTICIPANTS)

Using an appreciative inquiry[2] approach, participants were provoked to think about "Golden Stories". Golden Stories are real-life examples, in which employees already expressed the behavior which would help them dealing with the upcoming challenges. Based on that reflection five general leadership qualities were identified, which needed to be explored in more depth. These qualities (e.g. resilience, trust, …) oriented each of the five Leadership Sessions (see table below).

In a second step, the concept of shared value[3] and intrapreneurship[4] was introduced as part of the "Game Changer" methodology. The "Game Changer" methodology consists of creating shared value projects with key stakeholders such as employees, suppliers, clients, community and competitors. Creating shared value with the stakeholders requires teams to find win-win situations in which value is created for the stakeholder as well as for Unilever Goiânia.

"Shared Value is not Social Responsibility. It needs to be a win-win situation".

Oscar Ramirez
Unilever Operations Director

[2] See e.g. Cooperrider, D. L. & Srivastva, S. (1987). "Appreciative inquiry in organizational life". In Woodman, R. W. & Pasmore, W.A. (eds.). Research in Organizational Change And Development. Vol. 1. Stamford, CT: JAI Press. pp. 129–169.

[3] See Porter, Michael E., and Mark R. Kramer. "Creating Shared Value." Harvard Business Review 89, nos. 1-2 (January–February 2011): 62–77.

[4] See e.g. Grayson D.; McLaren M. and Spitzeck H. (2014): Social Intrapreneurism and All That Jazz, Greenleaf, Sheffield.

Additionally, a "journalist team" was challenged to document the learning journey and to showcase the legacy which was created by the shared value projects.

All of the 65 participants passed through the same leadership topics, which were:

> "The Game Changer projects aim to create mutual value. Value for Unilever as well as for the stakeholder."
>
> **Cristiane Carvalho**
> Informations Manager

Leadership Session Topic	Objectives	Content & Approach
Resilient Leadership	Build resilience and enable leaders to cope with stress, create self-help groups.	Sources and stages of stress; Sharing of challenging situations and how people dealt with them; creating self-help groups.
Leaders which create relationships based on trust	Alert leaders on the importance of trust in organizational change, enable leaders to create trust.	The importance of vulnerability; meta-communication; sharing stories on how trust had been created.
Leaders which act aligned with company values	Connect leaders to Unilever´s company values and strategy and enable them to act consistently with them.	Personal and organizational values; values-based decision-making; sharing of stories were executives acted aligned with their values.
Inspiring Leadership	Read and name attitudes and behaviours of inspiring leaders in order to apply that to the own practice.	The human @ work – the seven areas of life and their potential for inspiration; positive psychology as a reinvention of power and value-creation; neuroscience; the five practices of inspiring leaders.
Leaders as Protagonists	Reflect on how mindsets and mental models frame relationships and results, increase the capacity of participants to influence and be influenced.	Fixed and developmental mindsets; perception and creativity as a base of protagonism; dialogue and relationship-building.

COACHING OURSELVES

The ***strategic leadership track*** (5 participants) started with a "Coaching Ourselves" session. Henry Mintzberg developed this coaching method[5] which brings 4-6 participants together in

[5] See e.g. https://coachingourselves.com/henry-mintzberg/ (accessed 09.03.2020).

90-minutes structured peer-coaching sessions, which are supported by a facilitator and guided by one of over 100 Coaching Ourselves modules.

The discussion during the Leadership Sessions was based on challenges which each participant was experiencing in their routine operations. Guidance was given by the Session topic (e.g. resilient leadership). Due to the small group size, FDC adopted a more dialectic and Socratic working modus.

Within the ***tactical leadership track*** (60 participants) the leadership session topics were discussed in sub-groups to facilitate intensive discussion in which participants were challenged to bring in their personal stories and experiences. To put the learnings into practice beyond their daily work, all participants have been engaged in the Game Changer Projects.

GAME CHANGER PROJECTS

Based on the discussion at the kick-off event 5 groups formed around creating shared value for local stakeholders and thus creating a legacy in Goiânia. The projects defined the following objectives:

1. Employees – help employees to find new jobs.
2. Suppliers – transfer Unilever´s management technology to improve the supplier´s management
3. Clients – transfer Unilever´s competency in logistics and security to a client
4. Community – help graduates of a public school situated in a low-income community find their first employment
5. Competitors – define shared value projects which leverage synergies, help reduce costs and create positive impact in Goiânia.

A mentoring process helped the teams to set up and meet deadlines, submit key deliverables and track results. All mentors were experienced in creating shared value and made sure that projects created results for Unilever Goiânia as well as stakeholders.

> “We want Unilever to become a positive memory for its local stakeholders. So we identified key stakeholders such as employees, suppliers, clients, competitors and the community and asked: what legacy can we leave for them?”
>
> **Lilian Graziano**
> **Associate Professor FDC**

CLOSING FORUM

The closing forum started with the story of climber Juarez Gustavo Soares, sharing his experiences of climbing some of the highest mountains on earth. Bringing in the metaphor of climbing and how to take important decisions under pressure, reflecting on the meaning of “failure” as well as “success” helped to set the tone of the day, which focused on sharing experiences and results.

After a short refresh on the intent of the learning journey and the purpose of the game changer projects (especially for some external stakeholder which participated), the video of the journalist group was shown, summarizing the programme and results achieved. After that, the results fair was opened in which each Game Changer project received participants, explained their project and results.

Finally, building a bridge to a previous training in intrapreneurship done in 2018, a Jazz Band welcomed participants for the closing celebration, in which every participant received its course certificate. To sustain learning beyond their current job and organization, participants were invited to continue their intrapreneurial learning journey by becoming members of the League of Intrapreneurs.

> “This programme has shown that people are capable of incredible things when they pursue a purpose. A courageous leader, a responsible organization and a qualified team are capable of dealing with any scenario. Certainly, the professionals who were involved in this programme developed competencies which help them in future challenges. And all of them became multipliers – they turned into "Game Changers".
>
> **Michelle Demori**
> FDC Programme Director

THE IMPACT

Operations will cease by the end of March 2020. All production lines have been transferred. Since the announcement of the factory relocation and closing, production has been meeting 100% of targets with no incident of failing to deliver a single product. No work accidents have been reported during the last three years and no product quality issues have been reported.

After announcing the relocation, the leadership team immediately opened a hotline and promised employees to answer any concern within 24 hours. During the first 18 months of the relocation process a total of 305 anonymous questions were filed and all of them have been answered on time.

More than 25% of the Goiânia headcount was transferred to other regions. Looking at the Goiânia leadership this percentage more than doubles to 54%.

In Pouso Alegre, all the open leadership positions were filled with staff from Goiânia .

Apart from these numbers, postings like the one below have been spotted in social media:

> “In my 31 years at Unilever the relocation from Goiânia to Pouso Alegre was by far the biggest, transferring more than a 100 employees. The advanced leadership quality of the people coming to Pouso Alegre was a very pleasant surprise.”
>
> **Edmundo Mollo**
> Operations Director at Pouso Alegre (the receiving operations site)

Life is made of cycles. Cycles start and end along a journey. Today, I close one of the most beautiful cycles of my life. I had the opportunity to work in the best factory producing Mayonnaise and Ketchup in the world. I learnt, developed and grew as a professional as well as a human being. I´ve traveled unimaginable pathways and obtained results that fill my heart with pride. Unilever plants in our hearts a feeling of pride and love. Pride to be part of the team and love for the culture and work. Today I am leaving Unilever with an aching heart and a feeling of mission accomplished. I am grateful to Unilever, to my team. You guys are the best! #Unilover

> I have never seen employees so engaged in the execution of a strategy facing the prospect of being dismissed in the near future."
>
> **Heiko Hosomi Spitzeck**
> FDC Professor

Regarding the local legacy Unilever Goiânia achieved the following results:

Stakeholder	Project Name	Objective	Results
Employees	Career Academy	Trainings which help employees to relocate themselves	9.304 hours of training provided in a total of 11 courses 229 employees participated Turn-Over down by 0,94% points Absenteeism down by 1,04% points.
Community	School for the Common Good	Trainings aiming to prepare students for their first employments	A total of 64 students trained 296 hours of training provided
Suppliers	Conscious Management Seeds	Sharing Unilever´s management technology to improve suppliers management	A total of 60 people trained and 7 management tools shared.
Clients	Intelligent Bridges	Sharing Unilever´s knowledge about logistics and security with a client to improve its management	Turnover down from 6,75% to 3% 83% of staff trained in logistical analysis tools
Competitors	Joint Sustainability Projects	Bringing the industry together to address common environmental challenges collaboratively	Reduction of waste led to yearly savings of R$ 850,000 at Unilever, R$ 420.000 and R$ 401.000 at competitors. 4 tonnes of waste collected at a joint volunteer day engaging 120 participants from various companies

> The Game Changer projects helped to show employees that their work was something much more significant, than they perceived at the beginning."
>
> **Lilian Graziano**
> Visiting Professor FDC

These results clearly contribute to the following Sustainable Development Goals (SDG) defined by the United Nations:

- SDG 4 – Quality Education
- SDG 12 – Responsible Consumption and Production
- SDG 17 – Partnerships for the Goals

See below some comments from Game Changer participants:

(Employee) - Abel Amaral – Machine Operator at the Unilever Goiânia site: “The courses helped me to envision my future. I discovered that I want to open my own business and I know which steps I need to take to get there.”

(Community) - “The Unilever team offered training in how to prepare for the first employment, how to work with Excel and financial education. This will definitely help me in my first interviews.”

(Client) - “The exchange of practices as well as the technical visits helped us to identify opportunities to improve our business.”

(Competitor) - “Even being competitors in some local markets it makes total sense to collaborate in projects which benefit the community.”

Beyond these results local Unilever leaders and employees registered the following learnings during the Game Changer Pects:

- The importance and time it takes to build trust: “Our first visit was very difficult and we were not received very well, had to wait a long time at the reception. After the programme our treatment was very different, more like VIPs, and they were happy when we came to visit.”
- Understanding the importance of the job within the value chain: “Staff from production sites normally don´t talk to clients. Usually, the client is always right, but this does not work in an environment where you train the client. You need to be pedagogical and delicate in your interactions. The experience helped to build a better relationship with the client and also improved our own interaction within our operations. It´s a great learning experience to see a different operation.”
- The potential of having this learning experience without the challenge of relocation. Oscar Ramirez: “The process we followed here in Goiânia could be replicated in other regions”.

FDC TEAM

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