CASE STUDY UNILEVER
«TOWARDS A NEW ORGANIZATION»
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This case study is dedicated to the acquisition of major national ice cream producer (Inmarko) by Unilever — leading worldwide FMCG company. You should bridge the gaps between corporate cultures and organizational structures of two companies and elaborate the necessary organizational changes. Solution of the case should include a new organizational model, staff optimization proposal and a change management plan to achieve target acquisition synergies.
Anna, HR Director, Unilever, had just returned from the meeting with top corporate management. The meeting was dedicated to the recent transaction – acquisition of the large state-wide leading ice-cream manufacturer\(^1\). This transaction had been prepared, estimated and planned for a long time before and finally colleagues were celebrating the successful close-out. Anna was also quite happy with the changes. Even though she was not a key decision-maker on Inmarko acquisition she earnestly believed that this expansion would grant Unilever new business opportunities in Russia.

Anna had loads of work forthcoming. After all, the company employing over 5 500 people would now become a member of Unilever family. In fact the merger of two companies was a demanding challenge for Anna. Differences in corporate cultures, excessive Inmarko headcount, deeply rooted diverging organizational concepts – all that could result in certain integration issues. Anna was not expecting swift and easy wins. Moreover, she actually preferred complex tasks over simple ones. She was well poised for careful planning and productive scrutinizing.

Anna already had a positive experience of integrating a new plant into the company some time ago. In case with Inmarko Unilever management granted Anna almost unlimited powers related to integration of two companies cultures on one condition: as a result the planned synergy effect from merger should be attained. The following operating indicators should be reached with account for merger of both companies’ resources: improved cost efficiency should result in 3 million EUR saved per year and overall Inmarko and Unilever FTE productivity\(^2\) should increase 2.5 times in a year.

Anna called a meeting for her work team and listed all outstanding tasks with detailed descriptions on a flip chart:

1) Propose a new target organizational model — determine Inmarko autonomy range and Unilever control extent at the level of sales and revenues volume, decision-making in business processes, and managerial control.

2) Develop organization chart — what it will comprise, determine cost cutting approach, define target headcount on departmental level.

3) Develop Talent\(^3\) and Reward management policies.

4) Develop Change Management policy. Prepare a plan of organization activities for 12 months and incorporate performance indicators.

5) Develop plans for integration of two corporate cultures.

«Definitely, not a single task is the easy one» summed up Anna. “Should we remake and/or integrate organization charts of two companies? Should we reassign certain functions between departments and [if yes] how exactly? How can we preserve unique competitive advantages already pertinent to Inmarko whilst maintaining high Unilever environmental protection and production quality standards [and get the maximum effect]? Furthermore, we should not forget about our internal values and competencies model. How exactly are we going to define general and professional skills of our colleagues, and how can we blend/prioritize those skills in the new model? We could just leave all Inmarko employees in their current status as they are, evidently, very experienced in what they are doing, and yet on the other hand, since this ice-cream manufacturer is about to become a part of the global corporation, maybe we should consider adding our specialists into their team and decide what should be the ratio? In the latter case one team will comprise people very different in their skills, knowledge, values, and background. Another point for investigation — maybe certain processes should be outsourced?”

Should Inmarko employees be retrained and should Unilever business culture be propagated there? If so, how should we proceed – educating Inmarko employees or appointing Unilever reps? What corporate culture attributes are most important and what should be the implementation sequence in case of ice-cream manufacturer?

In a week we will be discussing a draft new organization concept. I’m expecting all of you to submit ideas on new model, structure, headcount and all other aspects we discussed today” — with these words Anna concluded the meeting. She was shivering with anticipation for huge amount of interesting and challenging work!\(^4\)

\(^1\) This case describes situation as of January 2009. Hereinafter any references to “current situation” should be regarded as references to the situation actual of January 2009. When using any additional materials please make sure that such materials are dated January 2009 or earlier.

\(^2\) Calculated as the ratio of T0 (Turnover) to FTE (Full Time Employee), where T0 - is turnover (volume of sales of goods or services in terms of money for a certain period of time), and FTE - full-time equivalent of one person in one day.

\(^3\) Talent Management - a set of tools of personnel management, giving organizations the opportunity to attract, retain and effectively use staff who makes a significant contribution to its development.
UNILEVER

COMPANY BACKGROUND

The multinational Anglo-Dutch company was established in England in 1880, and its contemporary name appeared when Dutch Margarine Uni and Lever Brothers (British soap manufacturing company) merged in 1930. The reasons for merger were the multiple benefits gained in purchasing of raw materials – oils and fats required in manufacturing of both products. Thus the company started with larger merger, and throughout the history of Unilever development M&As transactions played a significant role.

The current state of the company and the strategy of its development has been affected by a range of characteristic historical background features. First years of the company business coincided with the Great Depression in 1930s. These years were a period of trial for both Unilever and the entire world. The unfavorable economic conditions made the freshly united enterprise adapt and streamline as fast as possible. In the following years this furthered the creation of corporate methods of quick adaptation to the global changes and external economic factors.

World War II became the second trial for the transnational company. Unilever was fragmented during the years of war. German and Japanese enterprises were located on occupied territories and any connections to London and Rotterdam were completely severed. This resulted in development of the distinct corporate culture; local Unilever companies started to operate with high level of independence and focused on particularities of local markets. The trait kept up till nowadays: group operational management is split based on location of enterprises, and different brands are promoted on different markets. Geographical diversification of business makes it possible to acquire local companies and brands that are successful in the markets of Unilever presence (this strategy is impossible for many FMCG companies as their development strategies allow acquisition of global players and businesses only).

The postwar European prosperity and growth of wealth stimulated with the European Community take-off resulting in consumer demand boom and growing living standards, which also influenced new Unilever strategy. The company starts to pay additional attention to perfection of process solutions and establishes R&D units. Eventually, Unilever expands and the products of the company gain in variety; innovations are implemented and new acquisitions are effected. Advertising units also evolve, as do affiliated marketing research and packing companies.

By the beginning of 1980s Unilever becomes 26th largest company in the world.

The company businesses included tropical plantations, cargo forwarding, manufacturing of plastics, packing materials, and a wide range of food, personal, care and household maintenance products.

In 1990s the company changed the strategy abruptly: the strategy of brand portfolio diversification was replaced with the strategy of focusing on key products and best selling markets with high growth potential. By the end of 20th century Unilever decreased the number of marketed product categories from 50 to 13. At the same time, the company launched first environmental efficiency programs.

Unilever welcomed XXI century with the Path to Growth program. This new five-years strategy is aimed to further development of leading brands, improvement of production, and speeding up the company growth. Sweeping changes were introduced to the group range of marketable products: the company sold 140 various brands and focused on leading brands.

Unilever Health Institute was established in the beginning of the century. The Institute is dedicated to R&D in food, health, and life energy. In 2004, Unilever adopted a new corporate mission. Its essence is formulated in just one word – Vitality. The new corporate mission statement is Add Vitality to Life.
UNILEVER TODAY

Today, Unilever is one of the world leaders in production of FMCG goods. The company products are sold to more than 170 countries with 160 million purchase units worldwide using a Unilever product, and on any given day over two billion customers enjoy the company brands.

Unilever products are broken down into 4 product categories: personal care products, household maintenance products, food products, and refreshment.

Personal care products category covers antiperspirants, skin care products, hair care products, and oral care products. This category includes Dove, Lux, Rexona, Sunsilk, Axe, Close Up, and other brands.

Unilever household maintenance products category comprises softeners, washing powders and detergents, soaps, and dish washing and cleansing agents. In this respect famous brands are Omo, Surf, Comfort, Radiant, Cif, Domestos, and Sunlight.

Food products segment consists of soups, sauces, snacks, mayonnaise, salad dressings, margarine, and spreads. Well-known brands in this category comprise Knorr, Blue Band, Rama, Hellmann’s and Amora.

Refreshment category comprises ice-cream, tea-based cold beverages, weight loss products, and vitamin enriched staple food products sold in emerging markets. The category brands sold worldwide are Heartbrand, Lipton, Slim-Fast, Becel, and Flora.

Unilever pays particular attention to emerging markets as they have been demonstrating the stable sales growth for over 20 years. Today their share in the company total turnover is over 40%. Unilever sales in 13 emerging countries are in excess of EUR 0.5 billion, and the sales growth in these countries outpaces the total corporate sales growth.

The company focuses on implementing innovations and creating new products in all consumer segments. Unilever’s approach is that of open innovation, which helps to source new ideas all over the world. In 2009 the company announced a new R&D Genesis program that provides for a long-term streamlining of new ideas. Thanks to the program, the innovational pyramid-shaped Lipton Yellow Label tea bags were introduced to the market recently. These unique formed bags preserve the taste of fresh tea leaves. Another successful product is Rexona for Women deodorant that combats body odor even during active movements. The company has 6 research & development laboratories worldwide with over 6,000 employees. The high efficiency of R&D programs is proved with annual registration of 250 to 350 new patents in the corresponding industry fields. Total volume of annual investments into R&D is around 891 million EUR in 2009.

The top 25 brands from Food and Personal Care categories generate as much as 70% of the company’s revenues. The company owns 13 brands priced at over 1 billion EUR each: Lipton, Sunsilk, Dove, Rexona, Axe, Knorr, Becel, Hellmann’s, Rama, and also Omo, Surf, Lux and Heartbrand (not sold in Russia). The company’s sales amounted to over 40.5 billion EUR in 2009.
UNILEVER IN RUSSIA

Unilever entered the Russian market in 1991, and in 1992 it opened the Unirus representative office in Moscow. This office started by importing products, including Lux soaps, OMO detergent, Signal toothpaste, Impulse deodorants and Lipton tea.

The head office was created in St Petersburg in January of 1994; by July of the next year the fragrance and cosmetics manufacturing site Severnoye Siyanie was united with Unirus. Production of brands like Sunsilk, Timotei and Denim, and also of a wide variety of goods under Severnoye Siyanie label (Flowers of Russia toilet water, For men and Club cologne water), was started in Russia.

Investing further in its Russian assets and aiming at development in the food market, Unilever founded its Van den Bergen Jurgens B. V. office in April 1996. This is how brands like Rama, Delmy and Calve appeared. There was also Brooke Bond tea with similar to advertising concept of Lipton, because this brand was widely distributed and had gained consumer trust by that time.

In March 1998, the company acquired the Moscow Margarine Factory (MMF). In October 2000, Unilever bought the Bestfoods Company (former CPC Foods). This company’s goods, including Knorr and Hellmann’s, were well known. As a result of this merger, in Russia emerged another very modern production — factory in Tula. Along with companies’ acquisitions, Unilever was building its own factory in St. Petersburg, a copy of the plant in the United Arab Emirates. The construction of the tea-packing factory began in 1998, but adverse economic conditions allowed to complete the construction only by 2002. Today this factory produces the entire range of the Unilever tea: Lipton, Brookebond and Beseda. Since 2009, Unilever owns the St. Petersburg’s Baltimore company, which started producing in 1995 the same-name ketchups.

In 2008 Unilever became 100 % shareholder of Inmarko and anchored in Russian ice-cream market. Inmarko had a turnover of around USD 243 million, 16 % market’s share, about 5 500 full-time employees and 3 plants located in Novosibirsk, Omsk and Tula.

6 500 people work for Unilever in Russia, Ukraine and Belarus at the present date. The total amount of the company’s investment into Russian economy exceeds 20 billion rubles.

ORGANIZATIONAL SET-UP OF UNILEVER

To a large extent, company’s achievements result from work of its international management team that consists of Chief Executive Director, 5 Executive Directors (for Finance, R&D, HR, Supply Chain, and Marketing and Communications), 4 Directors responsible for major product categories (personal care, home care, foods, refreshment), and 3 regional Presidents.

Unilever manages its operations within three geographical segments, each headed by a regional President with a dedicated Board of Directors. Those are America, Western Europe, and all other regions: Asia, Africa, Central and Eastern Europe.

In the period from 2000 to 2008, Unilever reduced global workforce numbers by 41 %, from 295 000 to 163 000 people.


GLOBAL EMPLOYMENT AT UNILEVER 2000–2008

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<th>Year</th>
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Numbers in Europe (for 2000–2003 it is whole Europe, from 2004 only Western Europe)
Represents the Americas
Represents Asia, Africa, and Middle East (since 2004 including Eastern and Central Europe)
UNILEVER ORGANISATIONAL STRUCTURE AT REGIONAL LEVEL

Operation of Unilever companies in Russia, Ukraine, and Belarus (Unilever RUB) is organised through a unified structure and headed by President and the Board of Directors, who define the general strategy of business development for all businesses in the territory of Russia, Ukraine, and Belarus. Company headquarters are located in Moscow. It hosts all departments of the company and its management: Directors by function, and the Chairman of the Board.

The company organisation has a matrix structure, with the following basic departments by function: sales function is represented by Customer Development Department, supply function is represented by Supply Chain Department, marketing function is represented by Brand Development and Brand Building Departments, and other functions, in line with Unilever model, are instrumental and include the following departments: Human Resources, Finance, IT, Legal, and PR. Each Department is headed by a Vice President.

Customer Development Department is one of the biggest departments at Unilever, and its employees work in all the regions of Russia and ensure availability of products on the shelves from Kaliningrad to Vladivostok. It consists of several departments.

- Key Accounts department is responsible for sales through major customers (defined by sales volume and in relation to channel of trade, for instance, Metro Cash & Carry, X5 Retail Group, etc.).
- Field Sales department is responsible for sales through network of distributors. Customers Marketing department is engaged in organising promotion activities in line with sales tasks for specific categories, and with account to brand concepts.
- Capability Building Department takes strategic decisions on where to and how the whole Department will develop.
- CD Operations Department supports keeping Sales Department databases, together with planning and analysing sales figures.

Then, there are divisions that are not direct parts of CD, but they work closely with it as specialised partners:

- CD Finance division renders commercial support, analyses efficiency of funds’ application, and fulfilment of business results KPI8.
- CD HR division
- CD Customer Services division

Supply Chain Department is comprised of specific areas: production, planning (planning functions for production and shipments), procurement (negotiating with suppliers, enforcement of contracts with suppliers), logistics (production and storage), and monitoring service levels (tracking the level of customer service and developing measures to improve it). In addition, this Department includes production facilities.

Marketing Department works along two major directions: Brand Development and Brand Building. Brand Development is responsible for brand concepts, and the needs to introduce changes and develop new brands. Working results of Brand Development team (for example, responsible for Central and Eastern Europe) are transferred to a local Brand Building team (for example, in Russia, Ukraine, and Belarus) for further introduction of brand to the market. Brand Building, in its turn, analyses the market and its requirements, and organises brand promotion in view of this analysis.

Brand Building, Supply Chain, and Customer Development jointly plan sales volumes for various periods. The anticipated production volume they order from Production Department. In the event that factories located in Russia, Ukraine, and Belarus are not capable of producing the necessary volume in the required timeframe, the order may be transferred to a different factory in a different country, if it is appropriate from efficiency viewpoint. Thus, factories “compete” with one another in order to provide the company with quality products at a relevant original cost.

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8 Key Performance Indicators
Purposes & Principles

Unilever Corporate Purpose states that the company strives to succeed through “the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact”.

Conducting company’s operations with integrity and with respect for the many people, organisations and environments Unilever business touches has always been at the heart of it’s corporate responsibility.

The company aims to make a positive impact in many ways: through own brands, commercial operations and relationships, through voluntary contributions, and through the various other ways in which the company engages with society. Unilever is also committed to continuously improving the way company manages its environmental impacts and is working towards their longer-term goal of developing a sustainable business.

Corporate Purpose sets out company’s aspirations in running business. It’s underpinned by Code of Business Principles which describes the operational standards that everyone at Unilever follows, wherever the company is in the world. The Code also supports company’s approach to governance and corporate responsibility.

Compliance with these principles is an essential element in Unilever business success. The Unilever Board is responsible for ensuring these principles are applied throughout Unilever. The Board of Unilever will not criticize management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions.

Unilever is socially responsible business

Day by day Unilever is working to create a better future.
Company helps people feel better, look better and get more from life due to friendly products and services.
And by leveraging Unilever’s global reach and inspiring people to take small, everyday actions, everyone in the company believes that all together we can help make a big difference to the world. Unilever inspires people for small daily actions that will help all of us to make great advances.

Unilever will develop new ways of managing the business, which will give it the opportunity to double its volumes, at a time decreasing environmental impact.

Corporate Culture and Values
Unilever values guide people in their judgments, decisions and actions they take every day. These values underpin everything people say and do.

Integrity
We are committed to integrity because it creates our reputation, so we never compromise on it. It defines how we behave, wherever we are. It guides us to do the right thing for the long-term success of Unilever.

Respect
We are committed to respect because people should be treated with dignity, honesty and fairness. We celebrate the diversity of people, and we respect people for who they are and what they bring.

Responsibility
We are committed to responsibility because we want to take care of our consumers, customers and employees, as well as the environment and the communities in which we operate. We take this personally and always do what we say we will do.

Pioneering
We are committed to the pioneering spirit because it created us and still drives us as a business. It gives us the passion for winning and for creating a better future. It means that we are always willing to take intelligent risks.

Standards Of Leadership
The company encourages its employees to sustain high behavior standards in their daily work, corresponding to the company’s values: integrity, respect, responsibility, and the manifestation of pioneering spirit. Sustainable profitable growth can be reached if the company would have people with a winning mindset, a passion for consumers and an appetite to drive personal performance. Standards of Leadership are behaviours Unilever expects to see in its employees, because they drive company’s performance and culture.

Growth Mindset — this is competitive leadership. It’s a positive, yet realistic, attitude about the company’s future. It’s passion for winning.

Consumer & Customer Focus — this is purpose-driven leadership. It’s externally focused on consumers, on customers. It’s seeing our brands through their eyes.

Bias for Action — this is action-driven leadership. It’s a sense of urgency in decision-making. It’s thoughtful action, intelligent risk-taking.

Accountability & Responsibility — this is performance-driven leadership. It’s staring reality in the eye. It’s owning Unilever’s overall performance.

Building Talent & Teams — this is people-driven leadership. It’s investing in people’s development. It’s building teams that pull together to win.
INMARKO

COMPANY BACKGROUND

In 1992 two entrepreneurs in Novosibirsk came up with an idea to organize ice-cream sales from the portable street stands. It was a successful move as ice-cream was in short supply in the city at that moment and there was no specialized ice-cream trade network. Inmarko company was officially registered on January 26, 1993.

Company owners were not considering own manufacturing at first. Initially, the company sold ice-cream made by Novosibirsk Cold-Store Combine, and later Inmarko started to cooperate with other regional manufacturers. The sales proceeded from eighty stands located in city. Distribution was set through personal contacts.

Later in 1993 the company turned its attention to overseas products, reaching out for complex ice-creams like fruit ice or chocolate and nuts sundaes as opposed to traditional ice-cream cones or briquettes. This was a novelty for Russia as local ice-cream factories only manufactured popular low cost items. Inmarko imported cornets and eskimo from Poland, Denmark, England, Sweden, Spain, and cooperated with internationally renowned companies like Koral, Augusto, ISCO, Menorquina, Frederic’s. The assortment backbone remained to be Danish (premium segment) and Polish (economy class).

Manufacturing Capacities

In the mid-90s customs duties changed drastically in Russia. It became more affordable to establish own manufacturing lines rather than continue importing ice-cream from foreign countries.

In 1996 Inmarko opened first own factory (capacity – 5 thousand tons) in Elitnoe village, Novosibirsk Oblast. This factory was built under supervision of Danish subjects from Frisco. The product composition and packaging was developed by the designated unit. At that period, there was no purported advertisement of Inmarko brands, as the company believed that the extraordinarily flashy packaging would serve as such. In addition to wholesaling and sales through kiosks, the company started to supply products to grocery stores.

In about a year, the existing factory manufacturing capacity began to run short. The corporate management started to consider manufacturing lines expansion but that was impossible at Novosibirsk plant due to space limitations. In 1997 Inmarko acquired a tendered block of state shares of Omsk factory. This plant required modernization and the company invested all its profits into reconstruction. The same Danish and German specialists were in charge of the modernization. As of today Omsk factory has undergone three stages of reconstruction, and its potential capacity is 50 000 tons. Potential capacity of Novosibirsk factory is 35 000 tons.

In 2007 the company considerably strengthened its positions in European Russia after purchase of OAO Tulski Cold-Store Combine with the annual production capacity of over 25 000 tons and ready products storage capacity of over 18 000 tons. After the full-scale reconstruction the factory capacity rose to 45 000 tons.

The company makes full use of five own low-temperature storage facilities and rents three more with the total capacity of 7 420 tons.
Throughout its development Inmarko company transformed from the distributor of Novosibirsk cold combines into the major Russian ice-cream manufacturer. At the beginning of 2009 the total number of kiosks owned by Inmarko is around 600, located in Omsk, Novosibirsk, Krasnoyarsk and Barnaul. Over 92,000 frost chambers and low temperature counters are installed at retail points, including retail stands and kiosks. Inmarko also owns the largest Russian fleet of refrigerated trucks (330 vehicles) that delivers products to retail outlets, and 8 large refrigerated trucks for long distance cargo transportation. Inmarko is the leader in retail segment in terms of total number of retail trade units (frost chambers) and its distribution network leaves behind all Russian competitors (80 distributors in 100 Russian cities).

Inmarko has 10 own sale centers located in Novosibirsk, Omsk, Krasnoyarsk, Moscow, Tula, Kazan, Novokuznetsk, Yekaterinburg, Barnaul and Kemerovo. Company headquarters are located in Novosibirsk. In contrast with many Russian ice-cream manufacturers, Inmarko focuses on sales of branded ice-cream in middle and middle-top price segments. Company range of products includes such brands as Magnat, Zolotoi Standart, Djemka, Cornetto, Carte d’Or and more. Several key brands of the company are actively promoted by both ATL and BTL advertisement thus preserving the high level of brand awareness. Huge corporate portfolio comprising 139 product items covers all price segments, which results in high demand from distribution channels.

In 2008 Inmarko became the absolute leader of Russian ice-cream market in production and sales volume. As of the beginning of 2009 Inmarko controlled 16.2% of sales (natural units) in Russia. Inmarko revenues in 2008 totaled 243 million USD in cash and 72,700 tons of ice cream in kind.

On the date of acquisition, Inmarko has been employing 5,500 staff members, and operating three plants in the cities of Omsk, Novosibirsk and Tula. The main office of the company is located in Novosibirsk; the company also owns 10 branches.

The main Inmarko units are commercial, production and logistics sectors.

The commercial sector effects sales of the Company’s products. It is regionally divided into departments and comprises the Eastern department (Urals, East and Siberia divisions), the Central department, the Key Chains department (in charge of sales to the key federal and regional retailers), and the Moscow department. To cover the demand of large territories the companies resort to selling via their own branches, where it is difficult to find a distributor satisfying the requirements of Inmarko. The branches allow for direct sales of products, both to third trade units and to epy in-house chain of kiosk (600 units).

The production sector is in charge of operations in Tula, Omsk and Novosibirsk, as well as for quality control and feedstock procurement. The plant in Tula produces 40% of Inmarko ice-cream and covers North-Western, Central, Southern, and North Caucasian Federal Districts, while the plants in Omsk and Novosibirsk [60% of production] supply ice-cream to the Volga region, Siberia, Far East, and Kazakhstan. The logistics sector secures timely deliveries of end products to the retail chains and the distribution network; it includes the transportation and products logistics departments. Given the fact that ice-cream is a short shelf life product, and strongly dependent on the temperature conditions too, it is therefore subject to higher requirements in terms of storage and transportation. Inmarko uses expensive specialized transportation equipment and special low-temp storage facilities.

The rest of the sectors are regarded as support services (manpower, financial, marketing, legal sectors, etc.).

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10 Required staff of one kiosk - 2.5 FTE
11 Required staff of one vehicle - 2 FTE
MISSION, VALUES AND CORPORATE CULTURE

INMARKO

Company Mission

Inmarko is an actively developing company, a leader in ice-cream production and sales in Russia. Leadership of Inmarko is based on high standards of product quality, guaranteed level of services and is being achieved by continuous innovations and professional teamwork.

Company’s mission is defined as follows:

“We meet the customers’ needs better than the competitors can do. We produce not just ice-cream, we produce pleasure for you”.

Values

Responsibility

This means responsibility for your own result. Fulfillment of accepted obligations on time and on a full scale. Achieving high quality results. Understanding that the result is the key, not the amount of work performed. Courage in taking decisions within your competence and responsibility for consequences.

This means responsibility for the results of the teamwork. Taking care of interests of the subordinate employees and colleagues when making decisions. Accepting responsibility not only for your small part of the job, but also for achieving the company’s goals in general.

This means social responsibility of the company. Ensuring safety and high quality of products and services. Fulfillment of commitments to employees, customers and partners.

Leadership

Whoever does well, we shall do better. We are not satisfied with what has already been achieved, and aspire to continuously improve our performance and our professionalism. We are constantly moving ahead. Every one of us aspires to be the best in his place. We are already thinking today, what will let us be the best tomorrow.

We wish to go beyond just being better; we wish to be substantially better than the competitors: best producers, best employers, best distributors, - best in everything! So that we wish to go beyond just being better;

Innovations

This means constant search for new, bright, unusual, positive ideas and solutions in our industry. Successful implementation of a new approach, product, method of work. Unconventional approach which goes ahead of the market and thus ensures the leadership.

We are investigative; we are constantly involved in self-development - aimed at acquiring new knowledge and experience.

We are a professional united team, where each one of us has his strengths and weaknesses, our principle is concerted teamwork. every one of us is responsible for the development and improvement of our work and the company’s position in the market.

We aspire to change relations, products and the world to the better.

Teamwork

We are a professional united team, where we value the atmosphere of mutual help and support in order to achieve the joint goal. We aspire to base our cooperation on mutual trust and readiness for joint constructive work.

We aspire to coordinate all important decisions.

Goals and Principles

As a result of the interviews with 10 managers of the company, main principles that had helped ensure leadership in the market and best describing the culture of working at Inmarko, were formulated:

Leadership and ambitiousness. Set new ambitious goals on a regular basis to outperform competitors. Passion to win. If the company does not win, there is no success for everyone.

Prompt decisions — prompt result. High speed and flexibility in taking decisions. Less discussions – more simple actions. Result is in the first place and is the main indicator. «You better do it than not».

Market and consumers. Flexibility and attention to every market and to every consumer.

Involvement of the employees through trust and openness.

Close personal approach — establishing emotional ties with employees, lack of barriers to discuss the concerns with the manager (without an appointment through a secretary or within special visiting hours)

We help each other. We share our experience and knowledge with the members of the team. Our principle is concerted teamwork. Every one of us has his strengths and weaknesses, but altogether we can achieve more, we take proper solutions needed to succeed. We are proud of our team!

“Customer Mania”

What is a customer for us? A customer is who receives our services and products. This means not only consumers and buyers, but also partners and colleagues.

Every one of us is responsible for the company’s image as perceived by the customers and by the society in general. We aspire to let our customers feel supportive of the united team. We are oriented at long-lasting mutually beneficial relations. Strategic partnership is important for us. We are committed to the win-win principle in our joint work.

We aspire to explore in detail and understand the situation, interests and needs of our customers in order to exceed their expectations. We show respect to our customer’s opinion. We aspire to understand first, and then to be understood.

We meet commitments to our customers and to each other. We understand that any unresolved problem affects all customers of the company. We sincerely take care of our customers.

A customer should not be just satisfied. A customer must be happy and pleasantly surprised!
Company Style

Openness
We are open and friendly to contacts and communication. When we have problems, we speak about them openly. We are not afraid to voice our opinion even if it goes against the majority. When discussing the problems, we propose solutions.

We aspire to make our company comprehensible for those who work with it. Every employee understands the company structure and areas of responsibility, has access to non-classified information. He is informed about key developments in the company’s life.

We care about what people think of us. We are open for feedback and proposals from outside.

Individuality
We take people as they are. We show respect to different styles of work, thinking and appearance. We consider that the employee may choose any style of dress and behavior which is convenient for him and does not interfere with his fulfilling professional tasks. We appreciate bright individuality in people. Every one of us has a zest. Our ideas are a surprise.

Enthusiasm (Drive)
We are enthusiastic in our approach. We feel inspiration and encouragement to give the world something more than just a product. We have sense of humor, optimism, positive and good spirits. We find pleasure in what we are doing.
The purchase of Inmarko group by Unilever and its proper integration in Unilever business can create a variety of synergies. In economics a synergetic effect is an improvement in work effectiveness as a result of combination, integration, merger of parts into unified whole. During merger and acquisition, synergies stop being abstract notions — they are identified and each synergy is evaluated.

Synergies can show themselves through two major aspects: sales and expenses. While calculating synergies, it is important to realize the necessity of taking into account not only the potential growth of income (and cut in expenses), but also readiness to incur expenses on carrying out synergies. Fulfillment of synergies is a complex process, which is conducted during company’s integration, and often expenses on integration substantially exceed planned figures. Also it is essential to keep in mind, that synergies can’t be reached instantaneously, and it’s important to expect in which timeframe certain synergy can be achieved.

Hereafter, as an example, possible synergies from Unilever and Inmarko merger are cited.

1. Synergy in purchase of raw materials and packing

Growth of values, due to purchase of different raw materials can lead to major improvements on the part of suppliers. With delivery expansion, suppliers are likely to give discounts leading to reductions in the product cost. In particular, the discount rate of sugar and vegetable oil can usually be amounted to 1.5-2 %, condensed and dried milk — to 3-4 %, while discounts on purchase of products with higher price, such as various filling agents and packing, can reach 10%.

2. Synergies in brand promotion (through mass media)

Inmarko did not invest in advertisement of their product until 2006, when the national advertising campaign on the television started for the first time. This advertising campaign focused on two super specialties — Magnat brunette and Magnat blond. In 2008 Inmarko advertising budget totaled around 350 million rubles directed to ATL advertisement. Unilever is much more dominant when it comes to investing in media promotions. In Russia, the price on purchasing the broadcast time for advertisement is calculated individually for every client and that is why the power of negotiation is of high importance. Consolidation of companies will substantially increase negotiation power and will contribute to achieving better terms and conditions when purchasing media services.

3. Synergy in transportation and storage

Increase in production volume will lead to restructuring and consolidation of two separate logistic networks into a large-scale joint network. Due to the scale effect this can decrease the corresponding maintenance expenses. However, one should not forget that restructuring of logistic network is a long and high cost process.

Unilever can also be characterized by a more stable level of stock during the year, faster circulation of receivables (15 days instead of 80 days) and payables (70 days instead of 78 days). Altogether, introduction of Unilever’s management techniques into Inmarko can improve financial indicators of the latter.

However, if the clientele of both companies is not merged and the overall business presence is not increased, this might result in considerably worse conditions for clients in the ice-cream market. This should be taken into account when combining financial and trade policies.

4. Synergy in administrative costs

Inmarko headquarters (together with financial department, IT and HR) is located in Novosibirsk. Preserving management team, strengthened by Unilever leaders, in Novosibirsk, all supporting functions (finances, IT, HR) could be relocated to Unilever service center in Omsk, which could make it possible to considerably decrease labor expenses while reducing the total headcount. Furthermore, a set of functions like, for example, safety control can be outsourced (thus reducing labor expenses and shifting costs from labor expenses to expenses for third party services).

5. Synergy in sales department costs

Currently Inmarko has a network of 10 branches. Merging teams, internal restructuring and letting go a number of employees can significantly decrease the expenses of the united enterprise. Sales can also be stimulated with inclusion of Inmarko goods distribution into distribution network of Unilever.

At the same time there are certain issues in unification of sales teams as ice cream business requires special assets (low temperature storage facilities, frost cameras in cargo vehicles fleet, special sales equipment at retail outlets), which imposes certain requirements to distributors. These issues are of significant impact on sales department headcount decrease possibility.

6. Synergy in technologies

Incorporation of Unilever process solutions in Inmarko manufacturing lines could also lead to costs reduction, along with promoting the environmental friendliness when it comes to working conditions and manufacturing processes.
The main problem, which arises during integration, is how to properly and effectively distribute the spheres of influence between the acquirer and the acquiree. Will integration be effected as acquisition, merging of equal entities, or as transformation? There is no single answer to this question, although there are models that could be held up as an example.

There are several models distinguished by the extent of centralization of management

1) Authoritarian model
In such a case, one company would fully blend into the other (acquirer as a rule) and build into the existing organizational structure. There would be a full integration of business processes and a replacement of top management of the acquiree. The consolidated company would continue operating under the brand name of its mother company, while the acquired company’s brand name would not be used at all. The acquiree would inherit the mission and values of the acquirer, and a substitution of the corporate culture would take place.

2) Autonomous model
In such a case, the acquiree would assume a position of a comparatively independent element in the acquirer’s structure, e.g. it would become a separate division. Once consolidated, the companies would then continue acting almost independently of one another. This would be a reasonable scenario provided that the business of the consolidated companies remains diversified. The acquiring company would set up an overall objective (e.g. volume if sales or revenue), while business processes would continue to be controlled by managers of the acquired company. The new brand names would be included into the acquirer’s brief-case, or vice versa, the brand names of the acquiree would suffer a transfer. The personnel replacements would not be numerous, nearly all employees would remain in their positions, and the only need would be to identify the roles of the top ranking managers. There would be a possibility of existence for various corporate cultures, sometimes even with different lists of values/principles.

3) Combined model
This integration model represents a combination of elements of the above models in various proportions. During merging, there could exist different options for incorporation of the acquired company into the acquirer’s organizational structure, or creation of a new one differing from the structures of both companies. A selective integration of business processes would take place. For example, logistics, sales network, marketing, feedstock and advertising space procurement procedures would consolidate, while production processes would be implemented in an autonomous control mode. A mixed team of top managers would be created with a possibility of hiring of new employees, which would contribute by providing missing experience, or their transfer from the acquiring company to the acquired one. The management of brand names would also include several optional scenarios: creation of a new brand name, incorporation of brand names into the acquirer’s brief-case, transfer of a part of the acquiree’s brief-case.

The value system would then transform with a possibility of a simultaneous assumption of the acquirer’s mission at a global level and preservation of a part of the functioning philosophy and corporate culture of the acquired company. There is an option of development of a new culture based on effective factors and values of the two companies this time, not one.

Corporate culture and mergers of companies
Corporate culture helps the company in being successful in its trade. For instance, the “good today is better than perfect tomorrow” principle can be productive in FMCG or IT industries, where being ahead of competitors and capturing the market share is important. The same principle may not work in other companies, in oil & gas industry for example, where the cost of error would be too high and where a “measure thrice, cut once” principle would rather be applied. Any culture can be evaluated only with reference to a specific strategy of a particular company. There is no poor or good culture; there is culture that facilitates company’s efforts in achieving its goal, and culture that undermines them.

How should corporate culture be managed in case when two companies are merged or one company is acquired by the other? The first thing to do is to understand the development strategy of the merged company both in general and in relation to eventual results of the integration. Would it lead to adding a new product in the company’s portfolio to be marketed alongside other products? Or should the acquired company be integrated in the value chain of a joint product?

Which specific processes in every company would be altered after the integration, and how exactly? The second step is to identify in every company’s culture the features that would complicate or assist implementation of this strategy, and also to determine the missing, but important features. Based on the understanding of cultures of the merging companies and the strategy, a scenario of working with the merged company’s corporate culture should be elaborated.
ORGANIZATIONAL CHANGES IN THE CONTEXT OF HR STRATEGY

When two companies are being merged, the HR department is required to perform a consistent job in the following directions:

1) Changing the organizational set-up includes as follows:
   • Optimization of organizational structure;
   • Transformation of business processes, decision making system, information management;
   • Support of released manpower.

2) Coordination and adaptation of talent management system (human assets) implies solutions in the following areas:
   • Assignment to key managing positions;
   • Transfer to equivalent levels (grades);
   • Integration into a new model of career management and professional development processes;
   • Retention of key employees in short and long terms;
   • Harmonization of remuneration and exemption system.

3) Transformation of corporate culture should be based on the following principles:
   • Understanding of the integrated company’s culture;
   • Employee assistance during integration into a new cultural environment [main principles, “language” and traditions, corporate standards and policies];
   • Observation of high moral standards before, in the process of, and after integration.

The success of an integration project is estimated by the key business indices – “profitability” and “market share” — e.g. in one, two or three years after acquisition. The most crucial integration success rate for HR department can be “HR budget” (salaries and exemptions) and “efficiency”. Organizational changes should also be tracked for timing, as any transient state of an organization can turn out to be inefficient. Therefore, it should be minimized.

Restructuring flow-sheet in the context of HR Strategy development

[Diagram showing flow-sheet with HR Strategy leading to Organizational Structure, Talent / Human Asset, Corporate Culture, Transformation Integration, HR Result (New Structure, Renivated Organization, Enhanced Culture), Business Result (Profit)]
KEY HR RISKS AND ISSUES RELATED TO ORGANIZATIONAL CHANGES

Information support of restructuring

Changes in employee professional life can lead to a rise of the stress level: certain employees will perceive these changes as an opportunity to advance, while other will see it as a threat. Planning informational announcements on every restructuring stage is one of vital tasks. All corporate channels should be used: headquarters’ announcements — public or through e-mails, publications in corporate mass media, series of meetings with various managers and employees, getting feedback and reacting on employees’ requests. If a vision of future, after the changes take place, is not clearly communicated to employees in advance, the hunger for information can occur, which in its turn might lead to appearance of rumors. It is difficult to separate empty rumors from objective information and that is why extra efforts could be needed to show the real state of affairs to all employees.

During any changes, the most talented employees are likely to use them to move up inside or to move out to another company. Noncompetitive employees are likely to adjust to new circumstances and all in all are not so dynamic. In addition, it is of high importance to illustrate well in advance and in simple words the strategic nature of changes, stimulated by particular goals and conducted through transparent steps. It is essential to explain new employee duties as quick as possible, to show goals and future career potential.

Resistance to changes

As a rule, changes in the company are always accepted with resistance. Employees can respond layoffs, reduced productivity and rejection of new ideas. They could refuse the rules of unfamiliar corporate culture. The main task of management in this case — as quickly as possible to reduce the resistance, to transfer personnel in the neutral stage, and then to stage of contribution.

In order to minimize such risks, it is necessary to maintain systematic and regular work to ensure highest participation of employees in the process of reorganization (both by informing and involving them in decision-making).

The goal of managers and HR specialists is to forecast reasons, which can lead to employees’ resistance, as well as to design initiatives, which could help to prevent such scenarios or minimize negative effects and adapt people to new conditions.

Competence assessment

The results of personnel assessment can show that lack of necessary competence does not allow employee to effectively hold desired job position. This is a challenge for both an employee and a manager: the employee has either to stay on lower position and develop necessary skills or try to realize his/her potential in other fields. The very fact of mismatching can appear unexpected to both sides and require administrative decision.

Furthermore there is issue of cooperation between Inmarko and Unilever employees — in what proportion should Unilever representatives be incorporated in the new organization, how to soothe differences in corporate culture, the level of skills, values and traditions. Generally mixed teams are characteristic of higher possibility of conflict, the predictability of administration is declining, and efficiency reduction could be observed. It is important to establish a proper selection procedure so that it is both just and non-discriminating.

Retention of talented members and key stakeholders

For the first time in the company after the merger may be an outflow of personnel, but it is not always a negative process. The company may leave employees who doesn’t support the new owner or doesn’t fit into values framework of new organization. But business success and stability depends on professionalism of key employees (for example highly qualified technologist or efficient seller).

Usually, during integration the management would distinguish several employee categories:

- Key employees, which would be needed to assure efficient performance after integration;
- Employees, which would not be needed within the consolidated structure, but should be retained for the period of integration;
- Employees, which are opinion leaders or “opinion shapers”;
- All the rest.

All these categories should be surveyed in order to find a way to identify such employees and develop an action plan for each category. Should there be an aim for retention, there must be a clear understanding of motivation and retention of an employee.

Upon completion of activities to retain the key employees, a dismissal procedure should be thought over. Respect for both the employees which are staying and those who are leaving, can help reserve their loyalty and retain them as potential partners of the company. The best long-term strategy is a dismissal compensation, reservation of exemptions for the transient period, assistance in further employment.
Appendices
Field sales units have a functional organizational structure in each region. Each region contains two independent branches sales: the group Food and group of products for Home and Personal Care (HPC).
An organizational structure is a form of labor division by making and implementation of managerial decisions. There are linear relations (administrative subordination), functional relations (by business segment without direct administrative subordination), interfunctional or managerial decisions. There are linear relations (administrative subordination), functional

### APPENDIX 4. TYPES OF ORGANIZATIONAL STRUCTURES

<table>
<thead>
<tr>
<th>Graphic Expression</th>
<th>Distinctive Features</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear organizational structure</td>
<td>Unity of command principle – only one direct manager Position ranking – top to bottom Supervision of downline subdivisions in all activities</td>
<td>Simplicity of organizational forms and clarity of interrelations Coordination of managers’ actions</td>
<td>High requirements to managers’ qualification - exceptional competency in all areas (accounting, production, sales, etc.)</td>
</tr>
<tr>
<td>Functional organizational structure</td>
<td>Departments are formed by functionality (production, sales, finance) Multiplicity of personnel subordination to managers in accordance with the scope of competence</td>
<td>Exclusion of duplication of managerial functions High competency of specialists</td>
<td>Hard to maintain constant interrelations between various functional services Long duration of decision-making procedures</td>
</tr>
<tr>
<td>Linear-functional organizational structure</td>
<td>Division of managerial labor Linear departments – main job (sales and production), functional departments – support services (finance, HR) Dual subordination of personnel</td>
<td>Rational combination of linear and functional interrelations Access to the chief line manager from detailed problem analyses</td>
<td>Duplication of managers’ and specialists’ functions in the process of management Impossibility of quick response to changing conditions Absence of flexibility of interrelations between departments</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Graphic Expression</th>
<th>Distinctive Features</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear organizational structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional organizational structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linear-functional organizational structure</td>
<td></td>
<td></td>
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</tr>
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</table>
APPENDIX 5. PERSONNEL STRUCTURE AND COSTS IN INMARKO, 2008

<table>
<thead>
<tr>
<th>Position</th>
<th>FTE</th>
<th>Personnel cost, EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inmarko</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Management</td>
<td>5</td>
<td>11900</td>
</tr>
<tr>
<td>2. Department of automation and QA/QC [total]*</td>
<td>62</td>
<td>79220</td>
</tr>
<tr>
<td>2.1 Process development</td>
<td>1</td>
<td>4375</td>
</tr>
<tr>
<td>2.2 Management systems development</td>
<td>4</td>
<td>6174</td>
</tr>
<tr>
<td>3. Financial sector (total)</td>
<td>272</td>
<td>212356</td>
</tr>
<tr>
<td>3.1 Planning and business support</td>
<td>13</td>
<td>9065</td>
</tr>
<tr>
<td>3.2 Internal audit</td>
<td>8</td>
<td>9590</td>
</tr>
<tr>
<td>3.3 Accounting</td>
<td>153</td>
<td>120926</td>
</tr>
<tr>
<td>3.4 Finance &amp; accounts</td>
<td>7</td>
<td>8750</td>
</tr>
<tr>
<td>3.5 Category development</td>
<td>7</td>
<td>7298</td>
</tr>
<tr>
<td>3.6 Monitoring</td>
<td>61</td>
<td>34066</td>
</tr>
<tr>
<td>4. Legal</td>
<td>22</td>
<td>17301</td>
</tr>
<tr>
<td>5. Marketing</td>
<td>18</td>
<td>27003</td>
</tr>
<tr>
<td>6. Commercial sector</td>
<td>2696</td>
<td>1824846</td>
</tr>
<tr>
<td>6.1 Eastern department</td>
<td>1917</td>
<td>900855</td>
</tr>
<tr>
<td>6.1.1 Urals division</td>
<td>136</td>
<td>142482</td>
</tr>
<tr>
<td>Yekaterinburg sales branch</td>
<td>123</td>
<td>115812</td>
</tr>
<tr>
<td>6.1.2 East division</td>
<td>354</td>
<td>186606</td>
</tr>
<tr>
<td>Krasnoyarsk sales branch</td>
<td>253</td>
<td>112448</td>
</tr>
<tr>
<td>Barnaul sales branch</td>
<td>88</td>
<td>54453</td>
</tr>
<tr>
<td>6.1.3 Siberia division</td>
<td>1384</td>
<td>527493</td>
</tr>
<tr>
<td>Novosibirsk sales branch</td>
<td>769</td>
<td>266844</td>
</tr>
<tr>
<td>Omsk sales branch</td>
<td>470</td>
<td>149832</td>
</tr>
<tr>
<td>Novokuznetsk sales branch</td>
<td>140</td>
<td>100528</td>
</tr>
<tr>
<td>6.2 Central department</td>
<td>297</td>
<td>309188</td>
</tr>
<tr>
<td>6.2.1 Tula division</td>
<td>24</td>
<td>31955</td>
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<tr>
<td>Tula sales branch</td>
<td>62</td>
<td>64467</td>
</tr>
<tr>
<td>Kazan sales branch</td>
<td>126</td>
<td>107409</td>
</tr>
<tr>
<td>6.3 Key Accounts department</td>
<td>88</td>
<td>104117</td>
</tr>
<tr>
<td>6.4 Moscow department</td>
<td>389</td>
<td>444655</td>
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<tr>
<td>7. HR sector [total]</td>
<td>58</td>
<td>61380</td>
</tr>
<tr>
<td>7.1 Branch service desk</td>
<td>16</td>
<td>8862</td>
</tr>
<tr>
<td>7.2 Employer personnel and brand name development</td>
<td>9</td>
<td>12285</td>
</tr>
<tr>
<td>7.3 Business partnership</td>
<td>2</td>
<td>2450</td>
</tr>
<tr>
<td>8. Production sector [total]</td>
<td>1772</td>
<td>891540</td>
</tr>
<tr>
<td>8.1 QA/QC department</td>
<td>64</td>
<td>41258</td>
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<tr>
<td>8.2 Procurement</td>
<td>27</td>
<td>33492</td>
</tr>
<tr>
<td>8.3 Novosibirsk production unit</td>
<td>221</td>
<td>126952</td>
</tr>
<tr>
<td>8.4 Tula production unit</td>
<td>539</td>
<td>287160</td>
</tr>
<tr>
<td>8.5 Omsk production unit</td>
<td>1016</td>
<td>452022</td>
</tr>
<tr>
<td>8.5.1 Cold Storage Facility</td>
<td>692</td>
<td>278030</td>
</tr>
<tr>
<td>9. Economic security</td>
<td>17</td>
<td>21088</td>
</tr>
<tr>
<td>10. Logistics [total]</td>
<td>717</td>
<td>407570</td>
</tr>
<tr>
<td>10.1 Product logistics</td>
<td>22</td>
<td>21466</td>
</tr>
<tr>
<td>10.2 Transportation logistics</td>
<td>15</td>
<td>9107</td>
</tr>
</tbody>
</table>

* Exchange rates for calculations shall be adopted as follows: one dollar - 30 roubles, one euro - 41 roubles
## Appendix 6. Number of Employees Inmarko and Unilever RUB, 2009 (FTE)

<table>
<thead>
<tr>
<th>Function</th>
<th>Unilever RUB</th>
<th>Inmarko</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Development</td>
<td>2,339</td>
<td>5,782</td>
<td>8,121</td>
</tr>
<tr>
<td>Marketing</td>
<td>551</td>
<td>2,770</td>
<td>3,321</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>94</td>
<td>23</td>
<td>117</td>
</tr>
<tr>
<td>General Management</td>
<td>143</td>
<td>199</td>
<td>342</td>
</tr>
<tr>
<td>Facilities (incl. security)</td>
<td>3</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Total (main departments)</td>
<td>800</td>
<td>3,027</td>
<td>3,827</td>
</tr>
<tr>
<td>Deliver</td>
<td>197</td>
<td>732</td>
<td>929</td>
</tr>
<tr>
<td>Make</td>
<td>1,034</td>
<td>1,595</td>
<td>2,629</td>
</tr>
<tr>
<td>Plan</td>
<td>20</td>
<td>25</td>
<td>45</td>
</tr>
<tr>
<td>Total (production)</td>
<td>1,250</td>
<td>2,353</td>
<td>3,603</td>
</tr>
<tr>
<td>Marketing research</td>
<td>7</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Communications</td>
<td>7</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Finance (incl. regional)</td>
<td>106</td>
<td>236</td>
<td>346</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>68</td>
<td>9</td>
<td>78</td>
</tr>
<tr>
<td>HR (incl. regional)</td>
<td>76</td>
<td>61</td>
<td>137</td>
</tr>
<tr>
<td>Information Technology (incl. regional)</td>
<td>13</td>
<td>72</td>
<td>85</td>
</tr>
<tr>
<td>Legal</td>
<td>12</td>
<td>22</td>
<td>33</td>
</tr>
<tr>
<td>Total (support functions)</td>
<td>288</td>
<td>403</td>
<td>691</td>
</tr>
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### APPENDIX 7. HARMONIZATION REWARD COSTS FOR INMARKO PERSONNEL

<table>
<thead>
<tr>
<th>Elements of Harmonization</th>
<th>Additional cost, EUR</th>
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</thead>
<tbody>
<tr>
<td>Managers (Work level 2+)</td>
<td>514 546</td>
</tr>
<tr>
<td>Directors (Work level 1)</td>
<td>147 990</td>
</tr>
<tr>
<td>Social Tax</td>
<td>439 300</td>
</tr>
<tr>
<td>Current relocation cases</td>
<td>66 801</td>
</tr>
<tr>
<td>New relocation cases (incl. relatives)</td>
<td>490 625</td>
</tr>
<tr>
<td>Long – service award</td>
<td>25 852</td>
</tr>
<tr>
<td>Test – drive implementation (to provide corporate car)</td>
<td>11 500</td>
</tr>
<tr>
<td>Recruitment policy harmonization</td>
<td>113 620</td>
</tr>
<tr>
<td>Medical Insurance for relatives Wl2+</td>
<td>56 884</td>
</tr>
<tr>
<td>Harmonization compensations, benefits and rewards [all work levels]</td>
<td>2 026 491</td>
</tr>
<tr>
<td>Harmonization compensations, benefits and rewards [for workers]</td>
<td>1 795 071</td>
</tr>
<tr>
<td>Inmarko on-top bonuses</td>
<td>308 200</td>
</tr>
<tr>
<td>Retirement policy</td>
<td>190 000</td>
</tr>
<tr>
<td>Mobile phone policy</td>
<td>23 592</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6 210 472</strong></td>
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</table>
### APPENDIX 8. FINANCIAL RESULTS OF INMARKO ACTIVITIES, 2008

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Thous. $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>243 242</td>
</tr>
<tr>
<td>Net cost</td>
<td>122 756</td>
</tr>
<tr>
<td>Feedstock and materials</td>
<td>73 686</td>
</tr>
<tr>
<td>Sales technical support</td>
<td>2 128</td>
</tr>
<tr>
<td>Transportation</td>
<td>8 188</td>
</tr>
<tr>
<td>Storage costs</td>
<td>8 646</td>
</tr>
<tr>
<td>Advertising</td>
<td>11 800</td>
</tr>
<tr>
<td>Salaries and taxes</td>
<td>8 021</td>
</tr>
<tr>
<td>Overhead operating costs</td>
<td>5 016</td>
</tr>
<tr>
<td>Depreciation in net costs</td>
<td>5 271</td>
</tr>
</tbody>
</table>
We are building a winning culture, in which every employee is encouraged to grow to his or her full potential. We have developed a performance-based reward structure that recognises people have delivered results and have the right values for our business.

Our goal is to deliver Unilever’s promise to consumers and the world through a pioneering employment experience that our competitors wish they had.

That means we don’t just encourage employees to give us feedback, we have developed leading-edge tools to help us hear clearly how reward feels from the point of view of our people.

We aim to give every employee access to a Total Reward Statement in real time. This describes and values every element of the reward package. It also provides useful information on how the elements of each individual’s package work.

We will stretch the content and coverage of Total Reward Statements to more than just money; we want employees to be able to see the value of all their benefits at Unilever, including learning to help individuals keep track of their progress and potential.

Our Total Reward Statements also have a unique feature in ‘Rate-my-Reward’ through which our people can tell us what they think of every aspect of their package. How important is each element to an individual? How satisfied are they with it? We want to see reward from our employees’ point of view and hear their suggestions for improvements.

We create a longer-term Reward Development Plan for each country so that we can continuously improve the relevance and effectiveness of the rewards we offer our people.

We know that reward is important. Reward should not be a ‘black box’. We believe that rewards should be ‘open, fair, consistent and explainable’ and we aim to deliver every aspect of this in everything we do.

We also offer employees attractive incentives. If the company does well in meeting its goals, our total pay should be around the top quarter of the market. That means that pay for highly rated people making an exceptional contribution will be towards the top of the market range. If we all work together to deliver excellent results for Unilever, we will be well rewarded.
This case study was prepared by Changellenge — the leading case organisation in Russia
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