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HINDUSTAN UNILEVER LTD.: CREATING SHARED VALUE IN A VUCA WORLD

It was a Monday morning in April 2010. Utkarsh Deshpande, executive director–Supply Chain, at Hindustan Unilever Ltd. (HUL), felt the pressure mount as he prepared for an upcoming critical meeting of HUL's Management Committee. HUL had ambitious plans for growth across its entire portfolio. Home & Personal Care (HPC) was the largest of HUL's businesses, and, within HPC, Personal Products (PP) was the key category for growth. Thus, investing in capacity creation in PP was essential. The meeting's agenda included a decision on the location of the proposed capacity expansion; in particular, whether to undertake fresh capital investment in one of HUL's strategic units, its PP factory in Doom Dooma, in the northeastern Indian state of Assam. Assam typified the volatile, uncertain, complex and ambiguous (VUCA) environment, which businesses throughout the world (including HUL) increasingly had to contend with.

The Doom Dooma PP factory lay in the heart of a conflict-prone zone — the Upper Assam region. Since the 1980s, the entire region had been besieged by problems of insurgency and militancy. The PP factory had been set up in 2001 in Doom Dooma, a town where HUL had been present for a very long time and where it had, at one stage, owned the largest tea plantations in Assam. The government had also declared policies to promote investment in the economically disadvantaged areas of Assam. Under Deshpande's leadership, and in keeping with the company's ethics and values, a corporate responsibility (CR) program had been implemented, almost from the first day of factory operations. The program sought to create shared value for both internal and external stakeholders in the midst of a troubled business environment in a conflict zone. The factory had borne the brunt of a militant attack in 2003, when it had been subject to an extortion demand followed by an attack on the Residential Officers Colony. In 2003/04, as part of its Code of Business Principles (CoBP), the company decided not to succumb to the pressure and instead continued its factory operations. The value created by its CR program and the resultant goodwill and legitimacy it earned from the local community, combined with support from the state government and internal stakeholders, had led to a spillover effect on the conduct of business. As a result, HUL was able to carry on its business operations in the midst of risk and uncertainty during that tumultuous period.[1] However, fresh waves of militant activity continued to batter Assam.

[1] *The Indian Army, together with the Bhutan government had launched a massive offensive against insurgent groups in 2003/04. Thirty camps of the United Liberation Front of Assam (ULFA), the National Democratic Front of Bodoland (NDFB) and the Kamtapur Liberation Organization (KLO) had been destroyed, and militants were arrested. "Bhutan Launches*

Militant activity was not the only challenge HUL faced. In July 2007, the management declared a 45-day lockout of the factory following the refusal of workers to call off a strike and for disrupting activities over the issue of payment of allowances. Although the company had resolved the matter in September 2007, and production had resumed, labour problems persisted. In 2008, the Centre of Indian Trade Unions (CITU) took the company to the Assam High Court over its recognition of a new, rival union, the Indian National Trade Union Congress (INTUC).

An important factor in deciding HUL's investment strategy was the choice of location, as, in 2004, the company had already set up another PP plant in Haridwar, in the northern state of Uttarakhand. HUL was the single largest private investor in Assam, as most other multinational corporations (MNCs) preferred not to enter the state. In fact, in response to the Indian government offering a 10-year special tax and central excise concession to manufacturing units in the states of Himachal Pradesh and Uttarakhand in early 2003 to attract investments in their industrial sector, several MNCs had set up units there, including Colgate-Palmolive, Procter & Gamble, Nestle, Cadbury and HUL. With the sole exception of HUL, however, none of these companies had invested in Assam.

Deshpande had joined HUL in 1980 as a management trainee and had risen through the ranks over the next two decades. As the HPC technical head in 2000/01, he had been instrumental in envisaging and implementing the factory operations in Assam. Deshpande had vast experience of handling technical operations. Under his leadership, factories in Khamgaon, Chhindwara and Pondicherry had adopted a model of creating shared value for the company's stakeholders as a basis for profitable operations. He totally believed in the company maxim of "Doing Well by Doing Good." He was reminded of what the company managing director and chief executive officer, Sanjay Khanna, had stated in 2009: "The simple truth is that in the long run, you cannot have a thriving business in a failing society."[2]

In spite of militancy, labour issues and the discontinuance of fiscal incentives, Deshpande believed that the company could continue its commitment in Assam by creating shared value for both internal and external stakeholders. In his view, a fresh round of investment aimed at capacity expansion could be undertaken at the Assam factory (as opposed to other relatively risk-free locations), so that Doom Dooma could retain its strategic position as both the chief point to maintain the entire supply chain of Eastern India and the main stocking unit in Nagpur. In doing so, HUL would reiterate its stance of operating in line with the national priority of balanced regional development, by ensuring that its investments were in designated industrially disadvantaged areas and, thereby, could catalyze employment in the region. Thus, even against the backdrop of a difficult business environment, where no other major companies had invested despite government incentives, Deshpande felt that HUL could continue to grow and expand strategically through its system of ethics and values, exemplified in its value-creation approach.

It was this proposal — to invest in a fresh round of capacity expansion in the Doom Dooma factory — that Deshpande sought to present to the management committee that Monday morning.

BACKGROUND

HUL, the largest fast-moving consumer goods sector company in India, was a subsidiary of the Anglo-Dutch MNC, Unilever. After its early beginnings as a trading company in 1888, HUL[3] had grown to a

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Operations against ULFA," Times of India, March 9, 2004, www.articles.timesofindia.indiatimes.com/2004-03-09/india/28347341_1_indo-bhutan-border-bhutanese-army-royal-bhutan-army, accessed April 10, 2013.
[2] HUL Annual Sustainable Report, 2009.

base of more than 350,000 shareholders and a 52 per cent equity stake held by Unilever PLC as on March 31, 2010.

The company subscribed to a CR philosophy[4] that maintained that although it would not seek a direct correlation between CR and financial success, CR activities would be carried out in such a manner to either deliver business success or at least improve the possibilities of business success.[5] Thus, the company identified CR initiatives on the basis of synergistic interests with business areas. One element of this CR strategy, which had been followed since 1977, was the policy of setting up manufacturing units in underdeveloped districts with little or no industrial development. This policy had both historically ensured the grant of industrial licences for non-core sectors and provided the company with tax benefits in exchange for such investments. As part of this policy, HUL set up nine manufacturing units after 2000, including the PP unit in Doom Dooma, Assam.

HUL'S DOOM DOOMA UNIT

Assam, the largest state in Northeast India, had a poor economic development record compared with the rest of the country. The Assam Development Report[6] revealed that from 1980 to 1998, Assam's per capita income grew by 10 per cent, compared with 39 per cent growth for all of India. When the economy decelerated in the 1990s, all sectors witnessed poor growth performance. Capital expenditures for development fell, and, in 1991, approximately 90 per cent of Assam's revenue was spent on wages, salaries and pensions with very little left for developmental purposes. Human development indicators for the period also looked grim, with a decline in the literacy rate from 1997 to 2001, increasing rural poverty during the period 1957 to 1994, and a poor record with regard to infant mortality, life expectancy at birth, and birth and death rates.

Industries in Assam and other northeastern states traditionally suffered a twin handicap — lack of markets and good infrastructure within the region, along with high transportation costs — that hampered demand from outside. Corruption and extortion by different underground groups imposed a further burden on transportation costs.

To reduce the tax burden on industries facing a transportation disadvantage and to attract new industries to the region, the central and state governments announced several concessions in the form of special packages and incentives post-1991.Thus, the Government of India's New Industrial Policy for the Northeast offered grants to set up industrial estates, transport subsidies, fiscal incentives, assistance for techno-economic studies and other inducements. The state government offered further incentives.

According to the 2001 Census, Doom Dooma, a tea town in the Tinsukia district of Assam had an average literacy rate of 70 per cent, higher than the national average literacy rate of 59.5 per cent. More importantly, Doom Dooma was also the site of HUL tea plantations in the Northeast — Doom Dooma India Tea Ltd.[7]

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[3] The company's name was formally changed from Hindustan Lever Limited to Hindustan Unilever Limited in 2007. To maintain consistency, the case text refers to the company as HUL throughout.
[4] HUL Annual Report, 2008, p.11. CR activities were subsumed under the Unilever Sustainable Living Plan from 2010.
[5] HUL Sustainable Development Report, 2009, p.4.
[6] Assam Development Report, Chapter 1, 2002, http://planningcommission.nic.in/plans/stateplans/sdr_assch1.doc, accessed on January 9, 2009.
[7] The proximity of HUL's tea plantations explains the company's decision to invest in Doom Dooma instead of investing in the more developed city of Guwahati.

HUL had invested INR 2.5 billion to set up its PP factory in Doom Dooma in the midst of its plantations. Deshpande, who, at the time, was the technical head (HPC), had been instrumental in conceptualizing the plant in 2000. Project activities began in January 2001, and Phase I was commissioned in July 2001. In September 2001, HUL decided to expand the site to provide additional capacity for shampoo and skin cream and new facilities for talc and toothpaste. These Phase II and Phase III expansions were completed by April 2002 and April 2003, respectively. The factory produced the entire portfolio of HUL's PP brands, except Lakmé[8].

Salient Factors and Risks of the Doom Dooma Investment

Doom Dooma was the hub of militant activity, which created significant security and economic risks.[9] Yet, Deshpande recalled, HUL had decided to invest in the zone based on factors such as the support and pro-investment stance of the government (and the opposition party), huge market potential, favourable development indicators (such as literacy) and its own prior experience in the zone. The HUL Doom Dooma unit was set up after a thorough risk analysis and close consideration of salient factors (see Exhibit 1).

CORPORATE RESPONSIBILITY IN DOOM DOOMA

Deshpande had decided that in keeping with HUL's CR legacy, and given that it would need to contend with growing societal expectations, the company would need to undertake some key initiatives, both internally and externally.

Internal Corporate Responsibility Measures

The beneficiary stakeholders of internal CR included employees, business partners and the ecosystem.

<u>Employees</u>

As a conscious policy decision, the PP factory was designed to generate employment opportunities locally. The entire workforce in 2001/02, of 464 workers, largely comprising young men aged 18 to 26, was drawn from the local area. A majority of the 40 officers (and one manager) were also from Assam. Tapping the company's available pool of talent, eight of the nine managers were brought in from other HUL units. Again, as a conscious policy decision, HUL transferred some of its best managers to help run the Doom Dooma factory to ensure the transfer of skills to the new unit (see Exhibit 2 for the workforce composition in 2009).

The company conducted training sessions for the workers to bridge identified gaps (as mapped against their job requirements) in such areas as products, processes, quality systems, skill-building and safety systems. Factory workers were empowered through Total Productive Maintenance initiatives, which enabled them to participate in decision-making that affected their work. As part of HUL's employee

[8] All HUL PP brands - Fair & Lovely, Pepsodent, Closeup, Ponds, Vaseline, Clinic Plus, All Clear and Sunsilk were produced in Doom Dooma, except Lakmé — a brand of women's cosmetics. Lakmé had been acquired from the Indian group TATA in 1996. With its different product profile, the Lakmé brand of cosmetics was produced in HUL's Silvassa factory.
[9] The 28th battalion of the United Liberation Front of Assam (ULFA), its most notorious wing, operated in the jungles bordering Burma and the area that included Doom Dooma.

relations policy, the workers' rights to freedom of association and collective bargaining were recognized, and an employees' union was formed in 2003.

In terms of occupational safety, which formed part of the CoBP, the company conducted safety training programs for managers, officers and workers. The Doom Dooma factory adhered to the globally recognized DuPont Behavioural Safety Model and conformed to Unilever's Internal Safety Health and Environment Framework Standards modelled on Occupational Health and Safety Advisory Services (OHSAS) 18001 standards.[10] Regular education and training, counselling, prevention and risk-control programs on health and safety were carried out to address all major and minor risks at the workplace. As part of the safety system, safety audits were conducted periodically, with the company maintaining a record of all major and minor accidents.[11] The safety code was also implemented with regard to vendors, who were required to maintain the minimum mandatory standards.

Business Partners

The company engaged local business partners for the production of packaging materials such as bottles, cartons and tubes.[12] Local operators were contracted to build the factory. More than 2,500 people were indirectly associated with Doom Dooma's operations. Thus, the unit generated significant indirect employment opportunities.

Relations with business partners were guided by HUL's Business Partner Code and a Supplier Assurance Policy to ensure a consistent approach to supplier assessments across all business areas. Further, a set of minimum mandatory standards of safety and environment were applied to third-party manufacturers and co-packers, all of whom were encouraged to monitor their own performance.

Ecosystem

To reduce its total environmental footprint, the company modelled the Doom Dooma unit as a zero-effluent discharge factory, by setting up an effluent plant within the factory to treat factory waste. Unilever's Environmental Care Framework Standard (based on the internationally recognized ISO 14001 environmental management system), which required that all Unilever operations establish a formal environmental management system, was implemented in 2002. To reduce carbon dioxide emissions from manufacturing operations, the company's boilers used natural gas rather than diesel or furnace oil.

External Corporate Responsibility Measures

The setting up of the factory led to the rapid growth of Doom Dooma in just 10 to 12 months. The large scale of operations increased HUL's visibility, leading the company to realize that it needed to contend with growing societal expectations. Hence, in keeping with its CR policy and as a proactive measure, Deshpande and the Assam managerial team identified a few important and relevant social-service activities in Doom Dooma that the company could become involved in. These activities would help HUL

[10] OHSAS 18001 standards were internationally recognized occupational health and safety management standards developed by major standards bodies.
[11] Since its inception, the factory had experienced no fatalities.
[12] The packaging materials used by HUL in its other factories were generally sourced from established suppliers, which ensured compliance with quality standards, an extremely important consideration for personal care products.

to build a lasting relationship with the community and, in turn, would have a positive influence on the functioning of the factory.

During its long existence, the company's plantation operation had been involved in numerous community-related activities.[13] However, these activities, often one-off events, did not have the reach envisioned by the new CR program.

The managerial team considered numerous projects based on a survey of local needs and expectations. Keeping in mind the lack of quality in medical facilities in and around Doom Dooma, the team chose to support a project to provide free medical care through a mobile medical facility. Another project focused on educating children with disabilities**.**

Sanjivani: Mobile Medical Facility

The mobile medical facility, Sanjivani, was implemented in villages within a 30 kilometre radius inside Doom Dooma. These villages were home to many of the factory employees. Although government-owned Primary Health Centres were available in these towns, medical facilities were woefully inadequate.

Sanjivani aimed to provide medical facilities to more than 25,000 patients, with a similar number covered through vaccination camps. Schools and football fields in these villages served as sites for the medical camps. The project entailed a budgeted capital expenditure of INR5 million and a revenue expenditure of INR4 million[14] annually. Various stakeholders, including the factory human resources (HR) team, the plantation team, the local administration and the local *sarpanch* (village headman) were responsible for the smooth implementation of the program.

Sanjivani started operations on May 29, 2003, through camps that provided medical facilities at least twice a week. Two mobile vans were dedicated to the project, which each year conducted approximately 400 camps under the Sanjivani project. The Sanjivani team also provided support to government agencies and held camps in collaboration with the Indian Medical Association in Tinsukia district. Data on Sanjivani camps undertaken from 2003 onwards (see Exhibit 3) showed a general upward trend in the number of camps held and patients treated. In 2010, the company spent approximately INR5 million per annum on treating patients under the Sanjivani program.

Ankur

The PP factory at Doom Dooma also set up a school called Ankur, which provided special education and rehabilitative training to physically and mentally challenged children. Launched in March 1993 and initially run by the HUL plantation, Ankur grew over the years and was eventually run by trained and qualified full-time teachers and helpers drawn from the families of HUL employees. The school provided vocational training in embroidery, crochet, needlework, painting and other crafts. Items made by the children were sold, and proceeds from these sales were deposited in the children's names in accounts at

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[13] As part of these activities, HUL had donated buildings to the local college, granted books to the college library and contributed toward the construction of a stadium in the district town of Tinsukia. HUL had also set up a rehabilitation centre at Raidang Estate to train the area's physically challenged children. Some of the other activities included the adoption of villages to promote development and helping small growers produce quality tea.
[14] The average Rupee dollar exchange rate in 2010-11 was US$1 = INR 45.5768. www.rbi.org.in/Scripts/PublicationsView.aspx?id=14503, accessed December 17, 2013.

the local post office. Ankur provided the children with free medical aid, food, uniforms, play materials, transportation (to and from the school) and other facilities. As of 2010, approximately 1,000 children had benefitted from Ankur since the program's inception.

BUSINESS ENVIRONMENT IN ASSAM: MILITANCY AND STRIFE

Assam had a violent past, with several militant outfits operating in the state, prime among them the United Liberation Front of Assam (ULFA).Various indicators of militancy activity in Assam for the period 2002 to 2009 (see Exhibit 4) revealed that Assam had been a hotbed for militant activity throughout that period, with 424 militant incidents occurring in 2009 and an estimated eight insurgent groups active in the state.[15]

Despite careful risk analysis, the very existence of the Doom Dooma factory was threatened in September 2003, when the Residential Officers Colony was attacked following an extortion demand from insurgents. It was common knowledge that the tea plantations in Assam would regularly pay insurgents to ensure the peaceful operation of their business.[16] However, HUL, as part of its CoBP, and with the support of the state government and the goodwill of the local community and internal stakeholders, had decided not to succumb to pressure after the attack and had continued factory operations.

Despite occasional offensives launched by the Indian army to curb militancy, Assam continued to witness violence. In 2009, with two major blasts in the state capital, Guwahati, in January and April, the state government announced in the Legislative Assembly that eight militant groups were active in Assam. In December 2009, the then Union Home Minister, P. Chidambaram admitted, "Militancy is indeed continuing in Assam (and Manipur) and I do not deny it."[17]

Added to the risk posed by militancy, Deshpande was aware of another challenge facing business in Assam, namely, the disruption and uncertainty caused by regular *bandhs* (general strikes). In fact, at the height of militancy in Assam from 2001 to 2004, bandhs had led to an estimated loss of 25 workdays per year in the state. However, at the PP factory, no workdays were lost due to strikes. The factory continued its work six days a week, with three shifts a day scheduled even during the height of militancy in Assam. The production figures for the period showed a sustained increase in production, contributing to both the top-line and bottom-line growth of the company.

Deshpande was certain that this production increase was made possible only because of the value-creation approach HUL had followed.

VALUE CREATION BY HUL

HUL sought to mitigate the risks attached to operating in a conflict zone by following a strategic value-creation approach of CR based on the needs and expectations of its various stakeholders, particularly the local community. HUL was successful in deriving the acceptance, legitimacy and cooperation it needed to carry out sustainable business operations in the midst of conflict through the process of value creation for

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[15] *Government of India Ministry of Home Affairs Annual Report 2011-12, www.mha.nic.in/sites/upload_files/mha/files/AR(E)1112.pdf accessed April 9, 2013.*
[16] *"Corporates Breathe Easy as ULFA Runs for Cover," Times News Network, The Economic Times, December 31, 2003,http://articles.economictimes.indiatimes.com/keyword/doom-dooma/featured/2, accessed April 20, 2013.*
[17] *South Asia Terrorist Portal, www.satp.org/satporgtp/countries/india/states/assam/timelines/2009.htm., accessed April 5, 2013.*

all stakeholders. In this context, the significant activity was not merely the *outcome* of value creation per se but also the *process* of value creation. The key elements of this proactive value-creation process were the firm's strategic commitment to CR issues, risk and salient factor analysis, identification of key areas of CR, dialogue and consultation with key stakeholders, an evolving support base, and the evaluation of the costs and benefits (both proximate and ultimate) of the CR initiatives (see Exhibit 5).

Deshpande recalled the words of the factory's HR manager during the turbulent period from 2001 to 2004:

> The extortion note had, in fact, cast serious doubts about the continuation of "Sanjivani." It was local community support which ensured the project's success. On receiving the extortion note, HUL approached the state and the central governments, which provided its operations with security cover. HUL also discussed the issue with the local *sarpanches*, and on the basis of their assurance, decided to continue Sanjivani operations.

In the aftermath of the attack, the leadership team dispelled any uncertainty regarding HUL's Assam operations by communicating to the workers and internal stakeholders the company's decisions to continue operations with the support of the state government and to not succumb to the pressures of insurgent groups. The company's transparent dialogue with its key stakeholders and the legitimacy provided by the latter allowed it to operate and, in fact, grow its business during that tumultuous period.

HUL was able to successfully create one of its largest operations and ramp up its production in a conflict zone during a period of extreme external strife due to its value-creation strategy of CR. Aggregate production data and data for individual component elements of PP products revealed a continuous increase in production volume and the variety of products manufactured, illustrating the company's ability to utilize its full capacity within a very short period.[18]

The growth in gross sales in the period 2000 to 2009 (approximately 60 per cent) was led by a 76 per cent growth of the PP segment.[19] The rising production volumes of the Doom Dooma factory inferred the strategic importance of the Doom Dooma factory to the HPC segment and hence to the company's top-line growth. In fact, the seven-week lockout in the Doom Dooma factory in 2007 was noted as one of the major factors responsible for the fall in HUL's net profit by 21.6 per cent to INR4.08 billion that year.[20]

The growth in the number of stock keeping units (SKUs) was a sign of the growing complexity of operations. In fact, the company had initially envisaged a small-scale operation. However, the stability and profitability of operations prompted the company to both expand capacity and enlarge the complexity of its operations in 2002 and 2003, which were reflected in higher production volumes and a larger number of SKUs.

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[18] For reasons of confidentiality, the company did not share the details.
[19] Company annual reports.
[20] Nandan Singh, "Lockout at Doom Dooma Curbs HUL," November 7, 2007, www.dnaindia.com/money/1130959/report-lockout-at-doom-dooma-curbs-hul, accessed February 5, 2013.

LABOUR ISSUES

An employees' union affiliated with the Centre of Indian Trade Unions (CITU) had been formed in 2003, and a long-term wage settlement had been signed in 2004.

The Doom Dooma factory had witnessed serious labour unrest in 2007, which had culminated in disruptive activities by some of the workers and had prompted HUL to declare a lockout of the unit. The 45-day lockout was called off after a tripartite discussion involving the Assam government, HUL and the workers. When the factory reopened in September 2007, most workers aligned themselves with an alternative trade union, the Indian National Trade Union Congress (INTUC), which was approved by the Assam State Labour Commissioner. The company entered into a dialogue with this union, and the second wage settlement was arrived at in 2008.

While these developments seemed to stabilize the situation in the factory, CITU had challenged the decision of the Assam State Labour Commissioner to recognize the new union in the Assam State High Court. In November 2007, the International Union of Food, Agriculture, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Association (IUF)[21] lodged a complaint with the Organisation for Economic Co-operation and Development (OECD) on behalf of the Doom Dooma Hindustan Lever Workers Union, alleging that the company had conspired to force workers to join a new trade union as a precondition for their continued employment at the factory and, by doing so, had breached the freedom of association provisions of the OECD guidelines.

In response, HUL petitioned the Assam State High Court seeking the court's view on how best to organize free and fair elections. The matter was still pending.

THE FINANCIAL INCENTIVES

Deshpande was well aware that his proposal to invest in Doom Dooma would be a tough sell at the meeting. The extremely challenging business environment in Assam made business uncertain and risky. Add to that the labour issues and imminent discontinuance of fiscal incentives, and Deshpande knew he was faced with one of the most challenging tasks of his career. Perhaps it would be better after all to expand capacity in the relatively risk-free city of Haridwar.

Shaking off the thought, Deshpande recalled what he had learned a few days earlier through a casual perusal of the Government of India Ministry of Home Affairs' annual report. The report had indicated that 21 (of India's 28) states had suffered from varying degrees of conflict (internal violence and militancy).[22] Thus, operating in a VUCA environment was a challenge that all businesses would increasingly need to contend with. He knew that HUL had always believed in doing business with a conscience and was convinced that all businesses should follow this path. The decision to favour capacity expansion in Doom Dooma was born out of this belief.

[21] The IUF was a global union federation for trade unions, representing workers in the food, agricultural, hotel, restaurant, catering, tobacco and allied sectors. A large majority of Unilever workers, including those of the Indian subsidiary of Unilever PLC, HUL were members of IUF. Since Unilever PLC was registered in the United Kingdom, IUF had lodged a complaint with the UK National Contact point, Department of Trade and Industry, with the responsibility for the OECD Guidelines for multinational enterprises. From www.iufdocuments.org/www/documents/OECDUnileverAssam.pdf, accessed April 14, 2013.

[22] The report included mention of 13 Indian states suffering from left-wing extremist violence (Government of India Ministry of Home Affairs Annual Report 2008/09, p. 171), seven Northeastern states suffering from militant activities (pp. 168–169), in addition to the state of Jammu and Kashmir, which has been subject to severe terrorist and secessionist violence for more than two decades (p. 6). From www.mha.nic.in/sites/upload_files/mha/files/AR(E)1112.pdf , accessed April 14, 2013.

Could HUL continue to operate and grow in this conflict zone, thereby benefitting society at large, by following a fair approach and creating shared value for its numerous stakeholders as it had done in other locations (e.g., Khamgaon and Chhindwara) in the past? Could HUL provide an ideal for sustainable business even amid conflict? These were the thoughts that occupied Deshpande's mind as he entered the boardroom.

EXHIBIT 1: FACTORS AND RISKS RELEVANT TO HINDUSTAN UNILEVER'S DECISION-MAKING IN DOOM DOOMA

SALIENT FACTORS	
Geographic impact of conflict	Localized in the area of investment
Severity of conflict	Conflict involving insurgent groups
Attitude and policies of government and opposition	Business-friendly regulatory environment, government support (subsidies and military support)
	Opposition parties are also pro-investment
Sector of industry	Technology stable, FMCG with huge market potential
Investment structure	Medium-risk ventures with high capital Investment
Prior experience in the conflict zone/other conflict zones*	Earlier experience of running tea plantations in Doom Dooma. The factory was located in the midst of tea plantations
Status of key development indicator — literacy*	Doom Dooma had an average literacy rate of 70%, which was higher than the national average literacy rate of 59.5%. Further, Doom Dooma had a large labour force — 12% of the population was younger than six years of age (2001 Census figures).
Specific issues in Doom Dooma, Assam*	No housing facilities in Doom Dooma Poor medical facilities Absence of public transport Comparison with the plantation/ public oil sector
SALIENT RISKS	
Political risks	Change of government regime
Security risks	Asset damage and personnel well-being threatened
Reputation risks	Supply disruption for a factory in a volatile environment
	Adherence to high standards of quality in a region with an inadequate industrial infrastructure
Legal risks	Legal action against companies claimed to be involved in human rights abuses or other unethical behaviour
Economic risks	Extra costs incurred by political, security, reputational and legal risks
Specific risks/sensitivities*	Workforce highly politically aware Possibility of approaching the insurgents (ultras). Union leadership evolving, for the company and its associated contractors Union leadership

Note: FMCG = fast-moving consumer goods
**New factors and risks considered by the case writer.*
Source: Adapted from Dima Jamali and Ramez Mirshak, "Business – Conflict Linkages: Revisiting MNCs, CSR and Conflict," Journal of Business Ethics, 93(3), 2010, p.447.

EXHIBIT 2: WORKFORCE COMPOSITION OF HINDUSTAN UNILEVER'S DOOM DOOMA FACTORY, 2009

	External	Local	Total
Managers	8	1	9
Officers	13	29	42
Staff	–	6	6
Workers	–	574	574
TOTAL	21	610	631

Source: Company files.

EXHIBIT 3: SANJIVANI CAMPS HELD AND PATIENTS TREATED, 2003–2009

Year	Camps	Patients
2003	138	11,480
2004	319	27,814
2005	386	29,114
2006	391	24,707
2007	344	22,395
2008	438	32,000
2009	444	27,916

Source: Company files.

EXHIBIT 4: ASSAM SECURITY SITUATION, 2001–2009

	2001*	2002	2003	2004	2005	2006	2007	2008	2009
Incidents	1,335	412	358	267	398	413	474	387	424
Extremists Killed	572	308	207	1,007	544	752	759	1,237	1,239
Security Forces Killed	175	26	12	17	7	32	27	18	22
Civilians Killed	600	193	182	194	173	164	287	245	152

** Pertains to the security situation in the entire Northeast. Separate figures for Assam are not available for that year.*
Source: Government of India Ministry of Home Affairs Annual Reports 2003/04, 2008/09 and 2011/12.

EXHIBIT 5: ANALYSIS OF HUL'S CORPORATE RESPONSIBILITY STRATEGY OF VALUE CREATION AT DOOM DOOMA

Principles of Value Creation	Activities / Strategy
Strategic Commitment on Corporate Responsibility Issues	Adherence to Code of Business Principles Continued factory operations despite extortion notes and militant attacks
Risk and Salient Factor Analysis*	Analysis of political, economic, security, reputation, legal and other specific risks Analysis of salient factors determining investment
Area Identification (External Corporate Responsibility)*	Based on gap analysis. • Lack of quality medical facilities in villages in and around Doom Dooma Synergistic business interests • Villages that contributed a large proportion of employees. Better medical health facilities to employees and their families
Key Stakeholders — Dialogue and Consultation	• Employees, business vendors • Local community where the factory operates
Partnership and Collective Action — Evolving a Support Base — Government and Others	• Support of district administration and the Government Health Department • Sarpanches (headmen) of the villages who helped in the regular functioning of the mobile medical camps
Evaluation of Costs and Benefits* Expenditure/Costs Benefits	• A total expenditure of INR9 million earmarked for the Sanjivani project Proximate benefits Increased number of beneficiaries (no. of patients) Ultimate benefits • Legitimacy to carry out local operations • Reduction in risks • Economic benefits • Continued higher volumes; • Cost reductions in terms of the excise, income tax benefits and sales tax waivers for these larger volumes.

Note: HUL = Hindustan Unilever Ltd.; CR = corporate responsibility;
** New and modified principles considered by the case writer.*
Source: Adapted from Jane Nelson, "The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution," The Prince of Wales Business Leaders Forum and International Alert, London, 2000, p.28-34.