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Ben & Jerry's: Preserving Mission and Brand within Unilever

In December 2004, Ben & Jerry's head of Social Mission, Yola Carlough, sat in her office in South Burlington, Vermont, talking with the company's "social auditor," an external consultant hired to generate an independent perspective on the company's performance. Together, the two were compiling data for a forthcoming report, *Social and Environmental Assessment 2004*, in which Ben & Jerry's social and environmental performance would be assessed in a comprehensive, candid fashion. The auditor had been conducting the report annually since 1996, each year evaluating the extent to which the company lived up to its ambitious three-part mission of "linked prosperity" under which its product, economic performance, and social contribution were viewed as "interrelated."

Carlough took a moment to reflect on the dramatic change that had swept over the ice-cream company since she became its head of social mission in 2001. Since then the company had transitioned from a self-described quirky, independent-minded maker of premium ice cream, to a division within a large multinational corporation. When Ben & Jerry's was acquired by Unilever in September 2000, many familiar with the company's unique brand and mission were concerned with how the company might change under the direction of a large parent company. Many employees, customers, partners, and industry analysts wondered how the mission would weather the storm of ambitious cost cuts and restructuring aimed at ensuring the company's efficiency and profitability—an environment in which Carlough would face challenges and opportunities unique in the company's history. Among these critical issues were:

- *How to manage employee morale?*
- *Whether to consider inclusion of synthetic ingredients to meet consumer preferences?*
- *How to preserve the company's historical outspoken voice on public issues?*
- *How to maintain the company's distinctive brand image?*

Ben & Jerry's History

Ben Cohen and Jerry Greenfield, having quit their jobs and moved to Vermont, founded Ben & Jerry's on the strength of a $5 correspondence course in ice-cream making. They invested $12,000 to open their first shop in downtown Burlington on the site of a renovated gas station. Two years later the partners—known for their commitment to social causes and their open, relaxed demeanor—

Professor James Austin and Research Associate James Quinn prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

rented space in a local mill from which to distribute homemade ice cream to nearby groceries and convenience stores. As the product began to catch on, they relocated operations and opened the first Ben & Jerry's franchise in Shelburne, Vermont, in 1981.

Sales of Ben & Jerry's ice cream, which included creative names such as New York Super Fudge Chunk, Coffee Heath Bar, and Cherry Garcia, exceeded the founders' expectations. Gross revenue grew from $4 million to $58 million over five years, with distribution moving to cities outside of Vermont and the first out-of-state franchise established in Portland, Maine. Industry observers pointed to the quality of the ice cream—which made its mark in the super premium category and competed with the Haagen-Dazs brand—and acknowledged the "non-traditional" personality of the company and its founders. Unlike many other companies that engaged in systematic consumer advertising, promotions at Ben & Jerry's were characterized by its Cowmobile, "a modified mobile home used to distribute free scoops of Ben & Jerry's ice cream in a unique "marketing drive"—driven and served by Ben and Jerry themselves."[1]

The young company, which went public in 1984,[2] had its serious side. Committed to a variety of social causes on both a local and a large scale, the Ben & Jerry's Foundation was established to fund community-oriented projects. Initial funding came from the founders themselves; and thereafter, Ben & Jerry's pledged 7.5% of the company's annual pretax profits to fund the foundation. In recognition of this commitment, Ben & Jerry's received the Corporate Giving Award from the Council on Economic Priorities in 1988. In the same year, the company helped establish the nonprofit initiative "1% For Peace," with a stated goal "to redirect 1% of the national defense budget to fund peace-promoting projects and activities."

Sales continued to climb throughout the late 1980s and into the early 1990s, reaching nearly $100 million in 1991, as consumers became well acquainted with the company's offerings, including top-selling flavor Chocolate Chip Cookie Dough. At the time, Ben & Jerry's gained publicity over its innovative compensation practice, whereby the salary of the highest-paid employee would be pegged at no higher than five times the salary of the lowest-paid employee. This practice was strongly endorsed by the company founders, who believed the disparity between CEO salaries and entry-level wages in many U.S. corporations had grown too large.

For many employees, the distinctive culture was a factor that attracted them to the company, and/or kept them there once they had experienced it. The benefits packages, which included an onsite day-care center, were considered generous by industry standards. Employees valued the no-layoff policy instituted and adhered to by company founders: If a position required revamping or removal, the employee holding the position would be transferred to another position, with attention given to matching responsibilities and qualifications. One employee commented: "I took quite a big pay cut to come to Ben & Jerry's, and I came because I had been working in corporate America for 17 years and I was sick of it. I wanted to see what was different, and it was very, very, very different."

The presence of founders Ben and Jerry, whose casual dress and open demeanor set the tone for the company, was a welcome sight in the Vermont offices and factories. They knew employees personally and conducted business in an informal style. If anyone in the company had a promising idea—whether related to developing a new ice-cream flavor, assisting the local community, or organizing a drive in favor of a political position—Ben and Jerry were typically open to suggestions and quick to implement. One employee described a company brainstorming session:

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[1] Ben & Jerry's company website, www.benjerrys.com.

[2] When the company first went public, it issued roughly 74,000 shares to Vermont residents only, in accordance with company policy.

> We used to have staff meetings, and it was like, "what do you think?" I remember sitting around with Ben and Jerry at the plant—the discussion was about benefits. And there were 50 employees at the time, and most of them worked at the Waterbury plant. And the question on the table was, what do you think benefits should be? It was a total invitation. And then by trial and error, you'd see these people who were kind of quiet computer geeks stand up and raise a really good, pointed question. And they didn't get their heads cut off. I mean, Ben and Jerry said, that's a great question, thanks for asking. And then they would respond.

Some employees approached the work environment on personal terms, saying "it was like a family," "it was real," and "there was a magical quality to it." It was not unusual to find employees assisting each other and assuming ownership of the company's activities. One employee explained:

> People from the manufacturing site would bring their own utensils in to make ice cream. They'd come in on their own. This was phenomenal to me when I first came. They'd come in on their own time, on Saturdays and Sundays—they wouldn't expect to be paid—to check things out, to make sure everything was set up, ready to go. Many times you wouldn't even know it. They'd just come in and be sure things were going.

Competitive Challenges

Despite the apparent wave of momentum for its product, which was beginning to spread to parts of Europe with a shop opening in Russia and distribution of ice-cream pints reaching the United Kingdom, the company suffered a financial setback in 1994. It posted its first loss of net earnings—a $1.9 million earnings loss on roughly $150 million in sales. At the time, competition in the ice-cream industry was robust, with growth in the super premium segment slipping to less than 5% annually. Some analysts suggested that the company's manufacturing and distribution operation needed attention, arguing the system was less efficient than that of many other $100 million companies. Others pointed to Ben & Jerry's lack of traditional marketing as a potential Achilles heel. Still others simply felt it was time for a change of leadership at the helm, believing that the founders had taken the company as far as their capabilities would allow.

In February 1995, the company named Bob Holland as CEO, with founder Cohen stepping back from running operations. A former partner with the consulting company McKinsey & Co. and trained as an MBA, Holland was the company's first "professional manager." His tenure, which included the oversight of a new manufacturing plant in St. Albans, Vermont, was short-lived: He resigned his post in October of 1996, at which time he was replaced by another former management consultant Perry Odak. Under Odak, sales increased from $167 million to $237 million but net income remained relatively flat at $3.4 million. (**Exhibit 1** shows select financials.) Many analysts felt that inefficiencies in the supply change remained unaddressed, even as the company made strides in product development, brand awareness, and social mission.

Unilever[3]

Headquartered in the United Kingdom, Unilever was a leading multinational company with branded businesses in the food industries, as well as in home and personal care. Its core product categories included tea, culinary, ice cream, skin care, and deodorant. Many of its brands—Dove,

[3] This section draws select quotes and data from Unilever annual reports.

Lux, Lipton, Magnum, and Calvin Klein—enjoyed global recognition. In 1999, Unilever employed 246,000 employees and did business in over 150 countries.

Under the leadership of chairmen Anthony Burmans and Niall FitzGerals, Unilever saw itself as a "multi-local multinational"—a company with "deep roots in local cultures and markets around the world" committed to bringing its "international expertise to the service of local customers." Increasingly, Unilever conducted business in new and emerging markets, although its two major regional markets were Europe and North America.

With sales dipping from £31.5 billion in 1995 to £27 billion in 1999 (operating profit increased from £2.5 billion to £2.8 billion over the same period), Unilever management was looking for ways to drive top-line growth. Central to its strategy was an initiative called "Power Brands" through which the company identified 400 of its most successful businesses—those that had generated a strong customer base and exhibited potential for growth—and then focused its R&D, marketing, and human resources to those areas. Recognizing that the approach would require restructuring and divestiture of its underperforming businesses, management planned for a reduction of 25,000 jobs over five years.

Additional strategic priorities included 1) Developing the company's e-business capabilities to "improve brand communication and build consumer understanding," for which the company earmarked £130; and 2) Building a world-class supply chain anchored at 150 key sites around the world—requiring a reduction of 100 manufacturing plants.

Unilever measured and tracked financial performance in two ways: by region and by product category. In 1999, Europe posted the highest regional sales at £12.4 billion. Personal care led all product categories at £7 billion. (**Exhibit 2** shows sales and operating profit by region and product category.)

Consistent with the approach taken by many European companies, Unilever took pride in its corporate citizenship. Both "environmental responsibility" and "responsible corporate behavior" were stated priorities within the company. On the environmental front, Unilever completed environmental audits at 90% of its factories by 1999, with plans underway to complete audits of the remaining factories in 2000. The company also maintained a program of "eco-efficiency." Management reported: "Since 1996, our Tortuguitas personal products factory in Buenos Aires has cut pollution loading by 65%, waste by 45% and energy use by 25%. In Ghana, the national Environmental Protection Agency recognized Unilever Ghana as the leader in environmental management practices in the manufacturing industry."

The company's commitment to environmental sustainability included a complete screening of its fishery suppliers, with the stated goal of sourcing fish exclusively from sustainable suppliers by 2005. Unilever was also involved in a number of clean-water initiatives.

On the "responsible corporate behavior" front, management established a Company Code of Business Principles, which "set the framework for worldwide operational standards, covering issues such as employee health and safety, product quality and environmental impact." (**Exhibit 3** shows the Code of Business Principles.) Additionally, the company expressed commitments to 1) raising living standards in the communities in which operations were based, 2) developing its employees and business partners, and 3) working "with public authorities and a range of different organizations to address important social, economic, and environmental challenges." In 1999, Unilever spent roughly £26 million on community involvement and donated £3 million to disaster relief globally.

Unilever's Bid for Ben & Jerry's

In January 2000, rumors emerged that Ben & Jerry's had received unsolicited takeover bids from a handful of large, multinational corporations. Potential suitors included Dreyer's Grand Ice Cream, Diageo, Nestle, Roncadin, and Unilever.[4] Many of Ben & Jerry's customers and employees, as well as interested observers, were taken aback by the news. While the company had grown a great deal since its first scoops were sold from a converted gas station, there was a feeling that the company—which continued to buy all of its milk at a premium from local farmers in Vermont—was tied deeply to its local roots.

Many familiar with the company's history and brand worried that joining forces with a large multinational could potentially compromise the company's social mission. The business press reported: "The news [of a potential acquisition] provoked outrage among fans and followers, some of whom joined rallies outside Ben & Jerry's stores."[5] Observers speculated over whether the founders themselves were opposed to the takeover. Posthaste, a "Save Ben & Jerry's" website emerged, and company employees made buttons and pins with the message, "We remain hopeful." At the time, a little-known Vermont statute, instituted shortly after Ben & Jerry's became a public company, began gaining mention in the local press. Referred to as "the Ben & Jerry's Law," the statute permitted a company's directors to reject a takeover bid if "they deem it to be not in the best interests of employees, suppliers, and the economy of the state."[6] Thus, even when a company was offered a financial premium in a buyout situation, its directors were permitted to reject the offer based on the best interests of the State of Vermont.

In March, it became known that Unilever had an interest in acquiring Ben & Jerry's. As part of its effort to consistently earn top-line growth of 5%–6% and operating margins greater than 16%, the company was evaluating potential acquisitions of a number of well-known brands, including Best Foods, Amora Maille, and Slim-Fast. In Ben & Jerry's, Unilever saw a company with strong growth potential not only in the U.S., but also abroad, where its brand was becoming known in the premium ice cream segment.

In April 2000, Unilever made its bid for Ben & Jerry's: A cash tender offer of $43.60 per share, or $326 million, a 25% premium over the current stock price.[7] In response to Unilever's overtures, a small consortium of companies gathered at the eleventh hour as a potential "White Knight" to try to purchase the company themselves. The consortium was, however, unsuccessful in mounting a serious bid. As a deal became imminent, some observers close to the deal began looking carefully at Unilever's own corporate social responsibility (CSR) practices, wondering if it was possible for Ben & Jerry's to maintain its social mission once under the Unilever umbrella. Was there enough organizational alignment? Could the increased access to capital and new foreign markets actually stimulate social mission growth for Ben & Jerry's, as well as economic growth?

Unilever leadership was well aware of Ben & Jerry's unique history and brand. At the time the deal was moving toward consummation, its top executives made a number of pre-deal commitments. First, Ben & Jerry's would retain its brand name, rather than be absorbed into one of the company's existing brands, a standard practice for Unilever acquisitions. Second, Unilever pledged to retain all of Ben & Jerry's employees for a minimum of two years following the acquisition. Third, Unilever

4 "Ben & Jerry's takes a licking," *Eurofood*, February 3, 2000.

5 Ibid.

6 Ibid., citing U.S. Federal law.

7 "Unilever Gets Ben & Jerry's for $326 million," *Dairy Foods*, May 2000.

committed an initial $5 million contribution to the Ben & Jerry's Foundation. A calculation for the company's contribution to the Foundation was recommended by the trustees with the objective of securing a more favorable contribution. The original formula of 7 ½% of pretax profits was rewritten to specify a percentage of sales with a minimum of $1.1 million for 10 years following the acquisition. In September 2000 the acquisition was finalized, following the approval of Ben & Jerry's shareholders and the board, at the agreed-upon price of $43.60 per share. At the time, Unilever took a step considered unique in the world of corporate governance: Working closely with Ben & Jerry's management, it created what it called an "external board"—made up of Ben & Jerry's CEO, as well as five business people selected for their long-term association with the company. Board members included former regular Ben & Jerry's board members Pierre Ferrari and Jeffrey Furman, both of whom had deep knowledge of the company's founders, history, mission, and corporate identity. (**Exhibit 4** shows biographies of the two board members.) The stated role of the board was to assist Ben & Jerry's CEO with managing the brand. Established in perpetuity, the external board would conduct business in much the same way as a company's board of directors—meeting at regularly appointed times throughout the year, keeping minutes, and helping shape company policy with respect to managing the brand. Unlike a more conventional board, however, it did not report to any group outside of itself, such as shareholders or other Unilever management. Rather, its relationship to the Ben & Jerry's CEO was strictly advisory.

The board did have a mechanism to exercise third-party legal rights: Individual board members were empowered to file lawsuits "in the event we didn't feel [Unilever was] living up to the agreement," said Furman. While this circumstance potentially gave the group its "teeth," the board was established to work in concert with the Ben & Jerry's CEO, not as a legal adversary. Ferrari recalled the origin of the board, which he saw as "an amazing statement of humility and cooperation" on the part of Unilever:

> I'm told that it was an idea of Unilever's. They essentially said, "We know you're deeply worried about the values of the company. What we're buying here is the integrity of the brand. We can build an ice-cream plant at a third of the cost you built yours. . . . What we have not done is build a super premium brand, which is what you did. We would like you to continue advising us so we don't mess this up."

After the Merger: Ben & Jerry's within Unilever

It was generally felt that the Unilever executives who traveled to Vermont from their home offices in the United Kingdom made a favorable first impression on the Ben & Jerry's employees whom they met. As Unilever had in place its own Code of Ethics and had a history of making social contributions to the countries in which it had operations, there was a basis of discussion and some commonality on the subject of CSR. One longtime Ben & Jerry's employee commented: "It's like the European sensibility—very open and more accepting than most, I guess. I don't know much about other European companies, but there was some symbiosis between us. They were very supportive." A colleague added, "Very nice. They came to Waterbury, a whole group to Waterbury. And they were very gracious and protective of the brand. I thought it was a nice match—I was pleasantly surprised, actually."

At the time of the acquisition, CEO Odak stepped down and was replaced by Unilever executive Yves Couette. It was felt that Couette—a native of France who had been an executive with Unilever for 24 years, including head of Unilever's ice-cream operations in Mexico—had the expertise to help guide the integration of Ben & Jerry's under the Unilever corporate umbrella. His work would require communication and coordination not only with Unilever headquarters in Europe, but also with Unilever's U.S. based ice-cream operations in Green Bay, Wisconsin. Out of this location, Unilever managed a number of well-known ice-cream brands, including Breyers, Good Humor, Popsicle, and Klondike.

Before assuming leadership at Ben & Jerry's, Couette's own experience with CSR activities had been limited, but he remained open to learning as much as he could, and saw his involvement with Ben & Jerry's as somewhat timely: "I'm not an early adopter of all these kind of things. It didn't hit me when I was a 16-year-old kid or something. But once you've done other things in your life and have been living in many countries in the developing world, you start thinking that maybe selling ice cream is nice but there is something else in life. So this opportunity came at the right time."

First Steps

In guiding the integration, Couette and other senior managers at Ben & Jerry's worked to establish a number of organizational processes and controls to assure financial transparency and ease of communication between Ben & Jerry's and the whole of its parent company. Employees were required to learn new accounting and financial reporting procedures, to enter and retrieve data through new software and computer systems, to complete new intra-office forms, and so on. Walt Freese, then chief marketing officer, commented: "It's far more complicated being part of a multinational company. As opposed to being a small publicly traded business, you spend a lot more time talking within your own company. You spend a lot more time presenting to each other." Couette explained:

> A lot of it is in the processes; you have to realign it. Once you do, you just have to close the months [financials] here and then your quarterly results come in . . . . When you have probably 150 businesses around the world, and you've got two days to make sure your numbers get rolled into North American ice cream in the U.S. and then Europe, you like to have one simple process where you push the button and it goes. So we had to make processes easier.

Couette and his team faced a series of difficult choices regarding layoffs and restructuring. The predeal agreement protected Ben & Jerry's employees for 24 months following the acquisition. However, it was widely expected that a sizeable fraction of employees would be laid off once the two-year term expired. Jobs that appeared particularly vulnerable to staff reductions were the finance and administration jobs. Back-office activities could be consolidated in the wake of the acquisition with the Unilever staff in Green Bay, Wisconsin. That unit was well equipped to handle the bulk of financial reporting and other administrative activities, once a system was put in place to assemble and transfer the correct data. There was also much talk about Ben & Jerry's manufacturing and distribution system. With Unilever looking to achieve cost synergies, plant closings and job losses appeared inevitable. Ferrari explained:

> They had to look at the way Ben & Jerry's was organized. And we knew this. The value-chain organization was really very badly organized. It was very inefficient: Way too much transportation, which frankly had a negative impact on the environment; way too much shuttling of goods, lots of inefficiencies. So they knew they would have to reorganize production, warehousing, transportation, and that would mean some closing of some operations and rationalization.

Employees were required to learn new skills and processes, even as they worried about the longevity of their positions. One employee explained, "There was definitely a clock ticking. OK, we're a year and nine months away. We're now a year and six months away. OK, we're less than a year until the layoffs. Just waiting for that meeting."

Founders Ben and Jerry were no longer a presence at company headquarters or the local manufacturing sites. Under the acquisition agreement, the two became "ambassadors for the brand," but neither had day-to-day management responsibilities within the company. Employees observed that the founders' involvement in the operations of the company actually subsided in the late 1990s when Odak was hired as CEO. Still, many within Ben & Jerry's had long tenure with the company, with some tracing their roots back to the company's original location established in the late 1970s. One employee commented: "Many of our people started at the gas station in Burlington, or slightly after, and grew up into management positions. This was the only place they'd ever been."

The External Board

As Ben & Jerry's employees worked through initial stages of the integration, the six external board members met regularly in New York, holding quarterly meetings and discussing the most pressing issues facing the business. To guide its decision making, the board endeavored to create a "Statement of Values." Ferrari explained:

> The governance process we used was to say to the new management, these are the set of principles and values we [Ben & Jerry's] operated with before. This is part of our legacy. We invite you, the new management, to look at those things and amend them the way you think they should be amended. Then let's have a discussion to see whether or not it meets our obligation as a board to you.
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> They went off on their own, reworked some of the things, nothing particularly important. In fact, if anything they sharpened it a little bit, came back, and we agreed. So now we have a statement of values, a brand perspective from which we all operate. There is constancy there: A three- or four-page document that has our guiding principles.

Principles in hand, the board went about its work of advising the CEO on managing the Ben & Jerry's brand. For some, the subject of many of the early discussions was disappointing. With the company focused on improving distribution and finding cost synergies, there was little opportunity initially to focus on the brand. Ferrari explained:

> I think the main challenge was early on when we were so focused on creating efficiency. I kept telling the board, given my experience as a business manager, I said: "They have to do this. They have to organize and find $15–$20 million in operating inefficiencies around here. It's going to be unpleasant while that's going on . . . you don't have time for anything else, guys." It's hard work to do that. Folks who had never done that didn't quite get it. Finally they did.

Ferrari remained highly optimistic about working within the Unilever umbrella. Of the companies initially interested in acquiring Ben & Jerry's, he saw Unilever as "not only the one that offered the best price, but also, I think—no question in my mind—the one that offered the best set of alternatives and perspective that they were indeed going to continue with the values of the company." He remarked that at the time the deal was being consummated, Unilever "brought its two chairmen [to the U.S.] to talk and offer their perspective and the values they had for their company." Given the relative size of the companies at the time ($200 million versus $60 billion in revenue), Ferrari was "very impressed" by their effort and their stated commitment to CSR.

As discussions moved from restructuring and layoffs to issues more directly related to Ben & Jerry's unique brand, an aspect of Unilever's code of ethics became more and more salient. While the company was committed to many value-creating social efforts—including sound environmental practices, community development in countries in which it did business, and so on—its code of ethics prohibited its employees from engaging in their company capacity in any politically partisan activities. Now that Ben & Jerry's was a part of Unilever, all of its employees were subject to the terms of the code of conduct, including the prohibition against company-sponsored political partisanship. A Ben & Jerry's employee commented:

> Everything now has to be Unilever legal. We wanted to send a busload of employees down to the "Stop the War" march, a year ago February. And we wanted to put Ben & Jerry's on the side of the bus. But Unilever wouldn't allow us to do that. We were allowed to put "Peace Now" on our front, but it couldn't say "Ben & Jerry's" anywhere on it. Because we had to get the trip approved by Unilever.

Board member Furman stated, "When issues around the Iraq war came up, if it had been the company 10 years ago, Ben & Jerry's would have had a position on it, would not have been afraid to take a public position on it. Unilever would never permit a political position like that."

Furman believed that Ben & Jerry's prior social and political involvement not only contributed to a national dialogue, but also "created a huge amount of brand loyalty." It was difficult for him to see that aspect of the company disappear. He saw this as a missed opportunity. While he appreciated that "some of the basic things we had going were continued," including partner shops (franchises with nonprofit organizations) and the development of an organic line, he pointed out that "the new energy, the excitement, the creativity, the willingness to take risks for a certain set of values doesn't exist." He continued:

> I think what they're doing is keeping some of the old stuff alive, but that wasn't part of who we were either. I mean, part of it was trying to be creative about some of the new things we could do. So there are new franchise concepts, for example, that I think could be developed and be profitable for Unilever, but require pushing the envelope in terms of how you think about your stores. So I've been quite disappointed looking at the stores. They look kind of boring and not exciting. And I think there were many things they could have done that would have been a value-driven franchise concept that would have helped the company.

Ferrari concurred that "part of our role as a board is to say, guys, you've got to live on the edge." He continued: "I wrote them a paper saying, the reason Ben & Jerry's became an icon is that it always was an 'edge dweller,' not only in business practices but also in progressive politics and social issues, and that edge-dwelling behavior is what enamored a lot of people to the brand as well as the delicious ice cream."

Restructuring

To improve the efficiency of Ben & Jerry's manufacturing and distribution system, hundreds of jobs were severed following the two-year grace period established at the time of the acquisition. This included job cuts associated with the closing of a manufacturing plant in Springfield, Vt., and a distribution center in Bellows Falls, Vt. Director of Social Mission, Carlough, explained, "When the Springfield and Bellows Falls plants were closed, we made an effort, a successful effort, to find buyers immediately who would come in and retain employees." An ice-cream company bought the plant in Springfield and hired some of the former Ben & Jerry's employees. A fraction of employees from the Springfield plant were also transferred to the company's northern plant in St. Albans. Nonetheless, Carlough observed that the layoffs that did occur were "hugely impactful to areas of social mission" through which the company had historically sought to "provide employment in [Vermont] communities that were distressed."

Over time, more and more supply-chain activities were directed by Unilever's North American Ice Cream (NAIC) unit in Green Bay, Wisconsin, where another of Unilever's ice brands, Good Humor-Breyers, was located. Management described the changes that took place in 2004:

> The supply-chain group underwent significant restructuring to improve efficiencies between Ben & Jerry's and Good Humor-Breyers. Through the reorganization, there were changes made to the Materials and Logistics groups, which included management of the supply chain, and [which] resulted in those functions reporting directly into Good Humor-Breyers. While the Quality team remains in Vermont, the director of Quality will be moving to Good Humor-Breyers' head office in Wisconsin.[8]

Improvements in operational efficiency were credited not only with reducing Ben & Jerry's cost structure, but also in bringing more ice cream to market through better manufacturing techniques and improved distribution. The company succeeded in hitting and in some cases exceeding its new growth targets, as business expanded in both the United States and abroad. CEO Couette reported: "In 2004, we celebrated a robust business year of unparalleled results. . . . We grew our top line impressively and improved market share. Sales in 2004 increased by 19% over 2003 levels, surpassing even our own performance expectations for the year by 5%."

Preserving the Social Mission

The first 24 to 36 months after the acquisition were particularly challenging for Carlough, who became head of Social Mission at Ben & Jerry's in 2001. Carlough's first position with the company was as marketing director in the franchise department in 1991, which saw her "working with Scoop Shops around the country." She later joined Ben & Jerry's core marketing department where she oversaw written communication as the "Keeper of the Written Word." As a marketer, she served in the role of liaison between Marketing and Social Mission, "keeping open communications between Social Mission and Marketing to make sure that we were moving on parallel paths, first of all, but communicating the same intentions, more importantly." In 1998, Carlough left Ben & Jerry's to join a wildlife conservation firm before returning in 2001. Carlough believed that the critical issues she faced touched all areas of the organization, because "our social and environmental practices are so integrated into our business practices." She explained:

> I believe that if you speak to any department director or manager, they will include in their job description their responsibility for the social mission component as it manifests itself within their area. So if you were to speak to the director of retail operations, who directs the development our franchise shops across the country, he will speak with authority and ownership about our Partner Shop program . . . the Supply Chain group is responsible for working collaboratively with Social Mission and with Marketing and with R&D on furthering what we call our socially-aligned sourcing programs . . . and so on.

Central to the Ben & Jerry's three-part mission were three interrelated elements: Product, Economic, and Social—all areas in which the company sought to create and account for value. (**Exhibit 5** shows the company's mission statement.) Although all areas of the company were accustomed to practicing business in accord with the company's social mission, the social mission was explicitly reflected in three organizational groups: The Social Mission group which Carlough directed; the Natural Resources areas which focused on environmental concerns; and the Ben & Jerry's foundation to which company profits flowed, and from which charitable donations were made. Following the acquisition, a manager of Social Mission for Europe was established, as well as a

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[8] Ben & Jerry's company report, *Social and Environmental Assessment 2004.*

number of international brand champions—Ben & Jerry employees "hand-selected by Unilever as the right people to carry the Ben & Jerry's brand" to foreign markets.

Employee morale Carlough acknowledged that one of the primary challenges facing the company generally, and her work in social mission particularly, was low employee morale. In a 2004 company survey, only 30% said that Ben & Jerry's remained true to its roots and origins. (**Exhibit 6** shows 2004 employee survey results.) Carlough explained, "the severance of so many people was hugely impactful. I really think part of that has to do with a Vermont mentality where change is difficult, but also with a Ben & Jerry's mentality where camaraderie exists within the workplace as much as it does outside. . . . Ben & Jerry's is very much a community where people lost what they felt to be family and friends."

While management sought to handle the layoffs as "humanely" as possible—offering severance packages that included one-month's salary for every year of employment with the company—no easy answer emerged regarding low employee morale.

Product development In early 2004, the company was, for the first time, considering developing a low-sugar (or no-sugar) ice-cream product. At the time, SlimFast, a Unilever-led company that was purchased about the same time as Ben & Jerry's, was experiencing a drop-off in value resulting from the so-called "Atkins diet" movement and the attendant consumer preferences for low-carbohydrate foods. The development of such a product would represent a departure from some aspects of the company's social mission. Carlough explained:

> The decision came on the table about whether or not to offer consumers a healthful (no-sugar or low-sugar) product. The marketplace demanded such a product. But the product would require an artificial sweetener, and our social mission is very much about an all-natural product.
>
> If the company were to decide to go for this, it would use what it believed to be the best-tasting sweetener on the market, but there would be a little bit of irony there because the manufacture of this sweetener involves a chlorination process. And of course one of the programs that we're very proud of is having manufactured and driven a process that gives us a pint packaging that's process-chlorine-free.

A public voice At the same time, Ben & Jerry's employees and managers were wrestling with the question of how to lend support to social causes while working under the umbrella of a large multinational whose code of business conduct prohibited partisan activity or campaigning. In the past, employees participated in public demonstrations for issues they believed in, often organizing themselves on short notice and piling into cars after work or on weekends to make their positions heard. But now such spontaneity was difficult to come by, with employees accountable to the Unilever code of conduct on and away from the job. Carlough pointed out that employees' decisions about whether to weigh in publicly on a social issue became a point of contention. She explained: "For instance, when the issue of civil unions came along, that is an area where the old faction would jump right in and want to be involved. Under new ownership, however, there was question about whether it was appropriate for us, or anyone, to be involved in the discussion around civil unions, and so on."

Carlough observed that the company's consumers often wrote letters either in favor of or against a political idea or activity, and also had an opportunity to learn about Ben Cohen's political activities as part of his new organization, True Majority, where he was "representing his organization and not necessarily Ben & Jerry's."

New initiatives Carlough noted that many of the social mission practices active in 2001 were still in effect at the end of 2004, with new ones being added since the company joined forces with Unilever. Counted among social mission successes were 1) continued support of socially aligned suppliers, including the purchase of rBGH-free milk and cream from the St. Albans, Vt., Cooperative; 2) the introduction of Fair Trade Certified coffee into all of Ben & Jerry's coffee-based flavors; 3) rapid expansion of retail operations (106 new U.S.-based Scoop Shops, a 23% increase), plus development of Scoop Shops in 14 countries abroad, thus providing additional opportunities for social mission activities; 4) meeting and exceeding environmental goals, including effective wastewater reduction and improved energy efficiency in the company's Vermont-based plants; 5) continued philanthropic giving; and 6) a reinvigorated commitment to values-based campaigns and events on behalf of issues such as opposition to the proposed drilling in the Arctic Refuge, the survival of America's small-scale family farms, and redirection of wasteful nuclear-weapons spending toward support of the basic human needs of America's children. (**Exhibit 7** shows social mission and philanthropic disbursements over time.) Yet Carlough felt there was much to be done in the coming years:

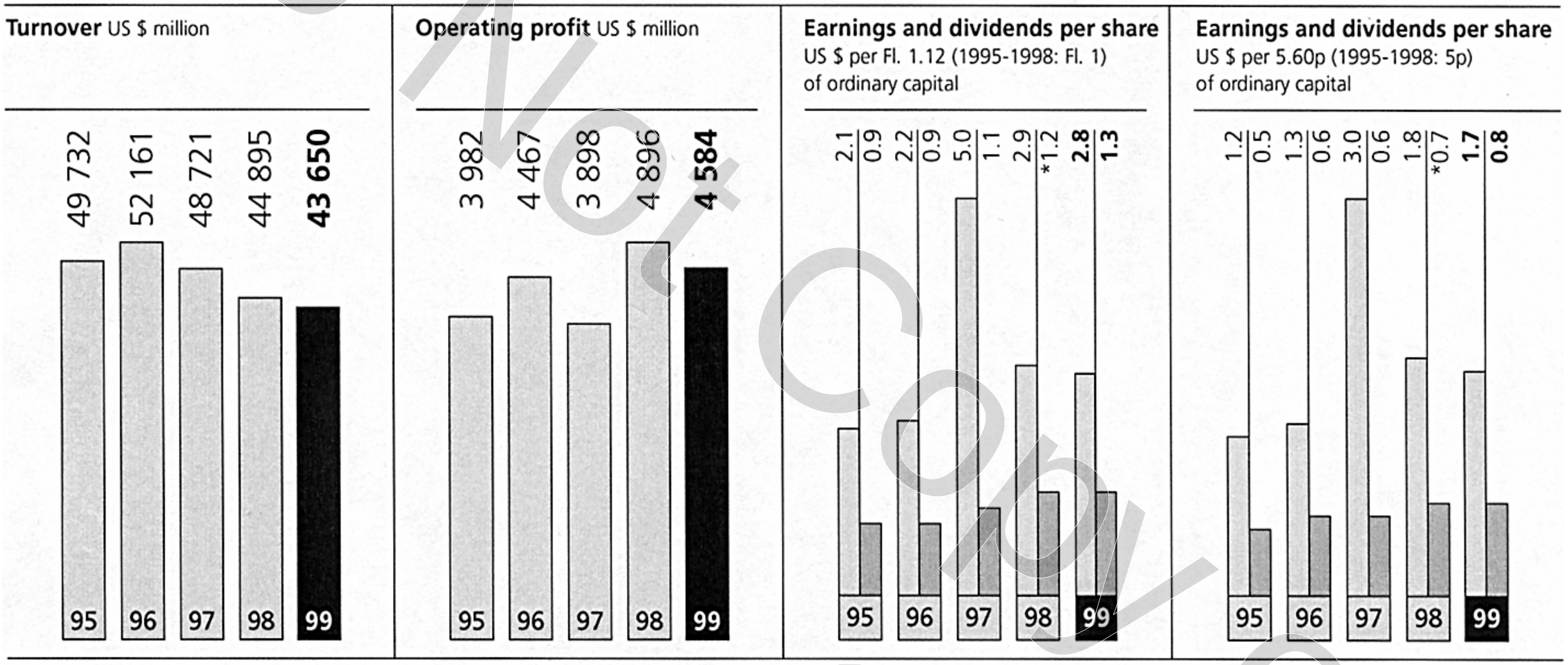
> How do we turn equal focus to getting back on a progressive footing? We slowed down [during three years following the acquisition], I think. Our business practices are compatible with our mission statement, but the question is now, How do we step up the energy and really get out there to be leading-edge again? Because that is what served our brand.

Exhibit 1 Ben & Jerry's Select Financials

Year Ending December	Statement ($ million)	Net Income ($ million)	Net Profit Margin	Employees
Income Statement				
1999	237.0	3.4	1.4%	841
1998	209.2	6.2	3.0%	751
1997	174.2	3.9	2.2%	736
1996	167.2	3.9	2.3%	708
1995	155.3	5.9	3.8%	703
1994	148.8	(1.9)	--	537
1993	140.3	7.2	5.1%	500
1992	132.0	6.7	5.1%	472
1991	97.0	3.7	3.8%	371
1990	77.0	2.6	3.4%	356
1999 Year-End Financials				
Debt ratio	18.7%			
Cash ($ mil.)	25.3			
Current ratio	1.9			
Long-term debt ($ mil.)	16.7			
Shares outstanding (mil.)	6.9			
Dividend yield	0.0%			
Divided payout	0.0%			
Market cap ($ mil.)	172.0			

Source: Available from Hoover's, Inc., http://www.hoovers.com, accessed September 8, 2005.

Exhibit 2 Unilever Select Financials



These tables above and on the facing page are Total Business results, after exceptional items, and at average current exchange rates. They include the speciality chemicals operations up to the date of disposal in July 1997 and, for earnings per share, the related disposal profit.

Combined earnings per share
Dividends per share
* Excluding 1998 special dividend

Combined earnings per share
Dividends per share
* Excluding 1998 special dividend

Source: Unilever 2002 annual report.

Exhibit 3 Unilever Code of Business Principles

Standard of Conduct: We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law: Unilever companies and our employees are required to comply with the laws and regulations of the countries in which we operate.

Employees: Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company. We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour. We are committed to working with employees to develop and enhance each individual's skills and capabilities. We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communications with employees through company based information and consultation procedures.

Consumers: Unilever is committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders: Unilever will conduct its operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business Partners: Unilever is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own.

Community Involvement: Unilever strives to be a trusted corporate citizen and, as an integral part of society, to fulfill our responsibilities to the societies and communities in which we operate.

Public Activities: Unilever companies are encouraged to promote and defend their legitimate business interests. Unilever will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests. Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

The Environment: Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business. Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation: In our scientific innovation to meet consumer needs we will respect the concerns of our consumers and of society. We will work on the basis of sound science, applying rigorous standards of product safety.

Competition: Unilever believes in vigorous yet fair competition and supports the development of appropriate competition laws. Unilever companies and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

Business Integrity: Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management. Unilever accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interests: All Unilever employees are expected to avoid personal activities and financial interests which could conflict with their responsibilities to the company. Unilever employees must not seek gain for themselves or others through misuse of their positions.

Compliance - Monitoring - Reporting: Compliance with these principles is an essential element in our business success. The Unilever Board is responsible for ensuring these principles are communicated to, and understood and observed by, all employees. Day-to-day responsibility is delegated to the senior management of the regions and operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs. Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by the Audit Committee of the Board and the Corporate Risk Committee. Any breaches of the Code must be reported in accordance with the procedures specified by the Joint Secretaries. The Board of Unilever will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions. The Board of Unilever expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

In this Code the expressions 'Unilever' and 'Unilever companies' are used for convenience and mean the Unilever Group of companies comprising Unilever N.V., Unilever PLC and their respective subsidiary companies. The Board of Unilever means the Directors of Unilever N.V. and Unilever PLC

Source: Adapted from Unilever company website, "Our Principles," http://www.unilever.com/ourvalues/purposeandprinciples/ourprinciples/.

Exhibit 4 Biographies, Two External Board Members

Pierre Ferrari has served as a director of the Company since June 1997. In 1997 Mr. Ferrari became President of Lang International, a marketing consulting firm. From 1994 to 1997 Mr. Ferrari was the Special Assistant to the President and CEO of Care, the World's largest private relief and development agency. Prior to 1994, Mr. Ferrari held various senior level marketing positions at The Coca-Cola Company.

Jeffrey Furman has served as a director of the Company since 1982. Mr. Furman is Treasurer and director of The Ben & Jerry's Foundation, Inc. Currently, Furman is a self-employed consultant. From March 1991 through December 1996, Mr. Furman was a consultant to the Company.

Source: Ben & Jerry's annual reports.

Exhibit 5 Ben & Jerry's Mission Statement

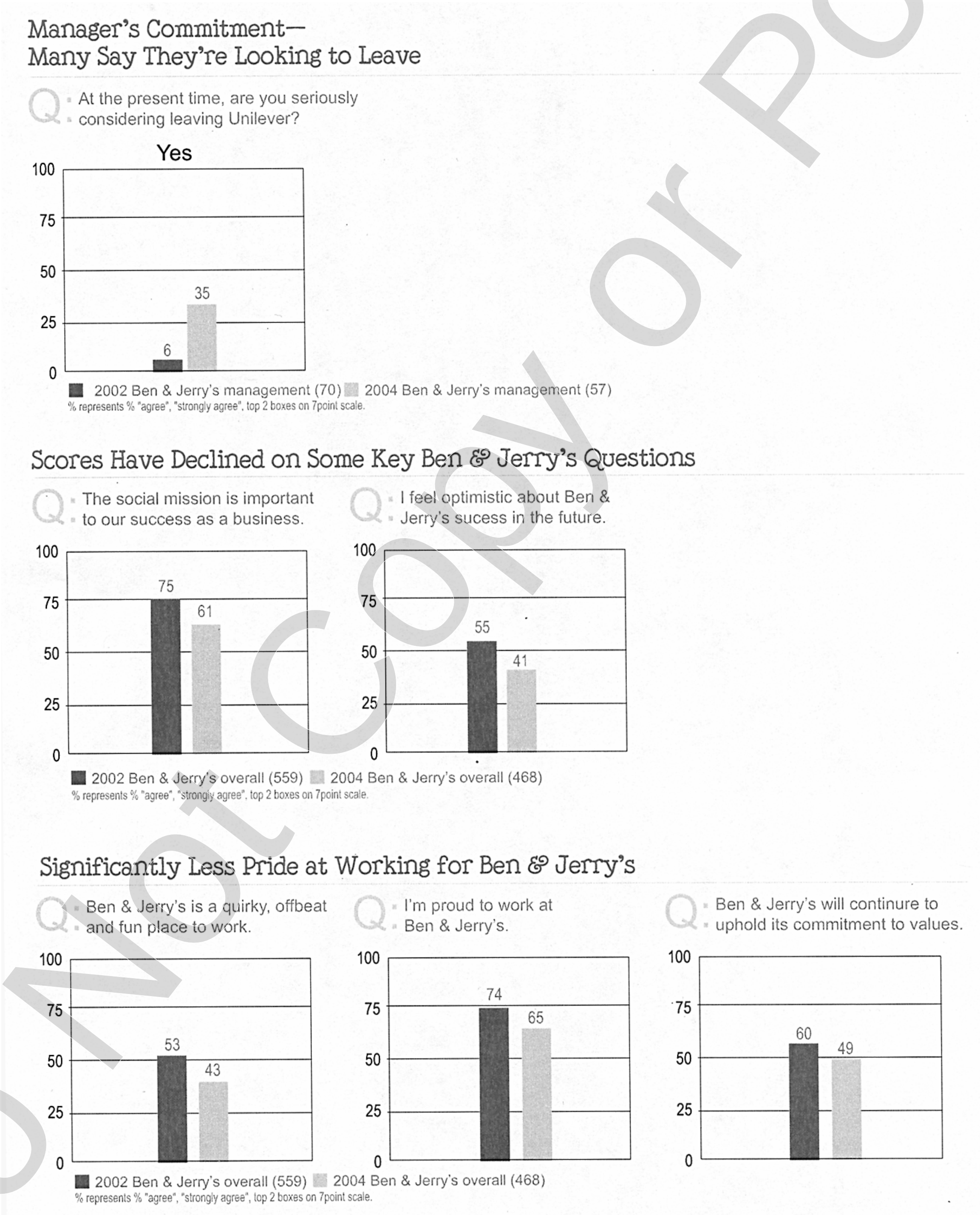
Ben & Jerry's is founded on and dedicated to a sustainable corporate concept of linked prosperity. Our mission consists of 3 interrelated parts:

PRODUCT	ECONOMIC	SOCIAL
To make, distribute & sell the finest quality all natural ice cream & euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients & promoting business practices that respect the Earth & the Environment.	To operate the Company on a sustainable financial basis of profitable growth, increasing value for our stakeholders & expanding opportunities for development & career growth for our employees	To operate the Company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally & internationally.

CENTRAL TO THE MISSION of Ben & Jerry's is the belief that all 3 parts must thrive equally in a manner that commands deep respect for individuals in & outside the company & supports the communities of which they are a part.

Source: Ben & Jerry's 2004 *Social and Environmental Assessment*.

Exhibit 6 Select Employee Survey Results



Source: Ben & Jerry's 2004 *Social and Environmental Assessment*.

Exhibit 7 Social Mission and Philanthropic Disbursements

	1999	2000	2001	2002	2003	2004
Foundation	283,950	622,050	755,900	893,300	851,873	873,900
# of recipients	45	64	82	92	91	101
Community Action Teams	159,423	184,408	193,320	194,539	187,100	172,101
# of receipients	253	208	210	211	181	163
Corporate Giving	89,363	102,128	80,620	80,200	101,000	96,200
# of recipients	69	51	36	43	28	41
Employee Matching Gifts	22,205	37,215	30,880	29,986	25,871	28,740
% of staff participation	10%	14%	13%	13%	15%	12.5%
Totals	$554,941	$945,801	$1,060,720	$1,198,025	$1,165,844	$1,170,941

Foundation: The mission of the Ben & Jerry's Foundation was to make the world a better place by empowering Ben & Jerry's employees to use available resources to support and encourage organizations that were working towards eliminating the underlying causes of environmental and social problems.

Community Action Teams: Each of the company's Vermont sites had an employee Community Action Team (CAT). The teams reviewed and decided on small grant requests, generally $100 to $1,000 for local Vermont-based nonprofit organizations. These grants were intended to express both employees' concerns and the company's intent to be a good neighbor.

Corporate Giving: Corporate Giving supported statewide nonprofit organizations such as Vermont Public Radio, socially responsible organizations such as Business for Social Responsibility, The Council on Economic Priorities, and organizational issues of importance to the company such as the Vermont Public Interest Research Group.

Matching Gift Program: The Matching Gift Program was designed to encourage and support employees' generosity. Employees made donations to nonprofits of their choice and the company matched dollar-for-dollar up to $1,000 per employee annually. Roughly 10% of employees partcipated in the program.

Source: Adapted from Ben & Jerry's Social Mission reports.