FMCG 'Footprint' urges review of wealth creation, sharing

The results of a critical study of global FMCG company Unilever's economic footprint in South Africa is expected to create the impetus for other multinationals and large businesses to reconsider how they create and share wealth.

The role of multinationals, especially in developing countries, has been the subject of debate for many years. Some governments and campaigning organisations have questioned whether multinationals do more good than harm in emerging markets.

The "Footprint" study carried out by Professor Ethan Kapstein of INSEAD (a leading European business school) looks at Unilever's economic impact in South Africa.

This is a rare study by a large company in South Africa to measure its economic influence on jobs and incomes, using an input-output analysis. The study also covered broader impacts on consumers, suppliers, the wider community and the environment.

Focus on developing markets

Gail Klintworth, Chairman of Unilever South Africa, said: "Developing markets are a priority for us as they are expected to grow much faster and we already have deep roots there.

"So we have recently worked on two studies to understand our wider impacts in developing countries. The first was a joint study with Oxfam of our impact in Indonesia, followed by the second study in South Africa.

"The whole idea is to get other companies to follow this groundbreaking example and also conduct studies on their economic impact to look at where deficiencies lie. It is only through measurement that gaps can be closed, and new markets and opportunities captured.

"We believe that businesses like ours are important generators of local income and jobs. Multinationals play an important role in bringing in technology, best business practices and high standards of behaviour.

"But we also recognise that we can have broader social, economic and environmental impacts, both positive and negative."

The results

The "Footprint" study found that every person employed by Unilever South Africa supported another 22 up and down the supply chain. This impact on jobs is regarded as significant in South Africa which has extremely high unemployment.

For every R100 of sales by the company, a further R145 of value-added is created in the wider South African economy. The associated economic activity also generated nearly 1% of South Africa's tax revenue.

The report also gave an overview of the wider social and environmental impacts. Unilever South Africa provides comprehensive health, pension and housing benefits in addition to paying considerably more than the average for South African listed companies. It devotes a lot of effort to training its employees and its suppliers. And it operates to higher environmental standards than required by South African legislation, with a declining environmental footprint in terms of water use, CO_2 and energy per unit of output.

Amendments to be made

Professor Kapstein also identified areas for improvement – more help to suppliers to improve their productivity and competitiveness, greater investment to improve R&D capability locally, more attention to environmental issues and especially packaging waste, and a more focused corporate social investment programme that uses Unilever's skills.

Unilever South Africa has responded to the report by committing itself to working with key suppliers to improve their socio-economic impact; to devote more attention to energy use, water scarcity and the consumer needs of low income consumers; and to continue to build its enterprise development model in a sustainable way.