

MANAGEMENT

# a matter of principle

Procter & Gamble, the household products company, has underpinned its sustainability programmes with a strong set of published values and a manual on business conduct, allied to messages on ‘doing the right thing’ that are reinforced by its most senior executives

Most companies that take sustainability seriously strive to integrate responsible business principles right across their organization rather than allowing them to exist only within the confines of their sustainability department. But doing so is often harder than it first appears, and few businesses have yet reached that happy state.

Procter & Gamble would not claim to have finally arrived at that point either, but the household products multinational does believe it has made good progress towards embedding sustainability principles throughout its operations. And it feels it has been able to do so for one reason above all others – a solid base of policies and principles that should continue to stand it in good stead for many years to come.

The basis for P&G’s sustainability programmes is the company’s Purpose, Values and Principles, known in-house as the ‘PVPs’, which the company argues have underlain the P&G operation more or less since it started business in 1837, even if for much of that time they have not been written down. There is now a 24 page easy-reading guide to the PVPs, as well as P&G’s *World business conduct manual*.

The PVP guide, which carries a foreword by the chief executive, states that ‘we believe that doing what is right for the business with integrity will lead to mutual success for both the company and the individual’. It

categorically commits the company to being a ‘good corporate citizen’, but also outlines what is expected from employees, making it clear, for instance, that ‘we believe it is the responsibility of all individuals to continually develop themselves and others’.

The booklet is a companion to the *Worldwide business conduct manual*, which also applies to every employee in the company’s operations. Each is required to take a short e-training course on the content of the manual and undersign it, having read and understood what is in there. The manual reminds staff members that ‘while we value business results, we place equal value on how we achieve those results’ – and provides several clear examples of how to deal with potentially delicate ethical situations.

Peter White, P&G’s director of global sustainability, says the importance of the two documents cannot be underestimated, as ‘they form the basis for every decision we make at P&G’. By way of example, he points to a section in the Values and Principles booklet that commits the company to improving consumers’ lives ‘now and for generations to come.’ While this may seem an easy, even bland, thing to say, White claims that such a clear statement of purpose has helped to drive P&G’s research and development into innovative new products such as PUR, a powder provided in sachet-form that makes it possible for people in

■ Procter & Gamble believes a clear overall statement of corporate purpose has given its staff the licence to explore the development of new products whose main aim is societal benefit rather than just profit. Such products include its water purification powder PUR, seen here being used by a young African mother



developing nations to purify their water quickly and cheaply.

‘In simple terms, the Values and Policies document and the *Worldwide business conduct manual* provide a reference point so that when someone asks “why are we doing this?” then we have somewhere to point to’, says White. ‘Without that foundation it would be difficult to drive sustainability issues throughout the company or to integrate them into our day-to-day business decisions. This way it is within P&G’s fabric.’

On top of the principles, however, there have to be real mechanisms for bringing about change. From an early date – July 1999 – P&G has had a global sustainability department that focuses on defining its overall sustainability policy, identifying emerging sustainability issues and managing corporate responsibility reporting. It also builds external relations and helps all business units to incorporate sustainable development into their operations.

This has led P&G to develop a raft of new ‘big idea’ products – such as Tide Coldwater and Ariel Cool Clean, washing up powders that reduce energy use by making it easier for customers to clean clothes in cold water.

It’s also important to keep the challenge fresh, and at the time of P&G’s 170th anniversary in October 2007, the company decided to renew its commitment, setting out new five-year goals for its products, operations and programmes. The new sustainability strategy has led to quantitative commitments on both the environmental and social aspects of sustainability.

By 2012, for instance, P&G has undertaken to generate at least \$20billion (£10.6bn) in cumulative sales of products with reduced environmental impact. These ‘Sustainable Innovation Products’ will have to meet a number of scientific criteria showing a significant improvement over previous or alternative products.

Over the next five years, the company will also reduce the environmental footprint of its operations: carbon dioxide emissions, energy and water consumption, and disposed waste per unit of production will all be reduced by an additional 10 per cent, contributing to a 40 per cent reduction for the decade. P&G is not just working on the environmental impact of its production sites, but also encouraging all employees to integrate sustainability into their daily lives inside and outside the company.

It has also set a five year goal for its corporate cause, the Learn & Thrive programme, which by 2012 aims to improve the lives of 250 million children in need. Through the Children’s Safe Drinking Water programme P&G also commits to deliver two billion litres of safe water, preventing 80 million days of disease and saving 10,000 lives.

All of this, however, would have less strength

## the company

P&G is a multinational manufacturer of hundreds of household product ranges covering personal care, household cleaning, laundry detergents, prescription drugs and disposable nappies. Among its brands are Crest, Duracell, Gillette, Pampers, Tampax, and Tide. The 170-year-old US-based company employs 138,000 people in more than 80 countries and had a turnover in 2007 of \$77billion (£38bn). It:

- has been a part of the Dow Jones Sustainability Index since its inception, and has been sector leader seven out of nine years
- prepared its first Sustainability Report in October 1999, piloting the Global Reporting Initiative guidelines and had been producing separate reports on environmental, economic and social performance for several years before that
- is an original charter supporter of the Global Sullivan Principles of Corporate Social Responsibility, which set out standards on worker and human rights; health, safety, environment; bribery and corruption; employee and consumer privacy, and relationships with suppliers.

without leadership from the top. As long ago as 1977 the then P&G chief executive Howard Morgens made a key announcement to employees that ‘we do not – and must not – mistake business for an end in itself: it is only a means to an end, and the end is a constantly improving society’. That message has often been repeated by his successors.

‘Doing what’s right has been in our chief executives’ messages for a long time, and some have been very vocal on this’, says White. ‘In the final analysis you can’t expect to make things work without a clear lead at the top. Whatever principles and systems you have in place – and we think we have sound ones – you always need to have direction from the senior members of the company to make sure that everyone knows where

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**P&G will generate \$20billion in sales of products with reduced impact on the environment**

## ibe comment PROCTER & GAMBLE

Procter & Gamble’s commitment to integrating corporate responsibility into all aspects of its business operations is impressive. Its ethics and corporate responsibility programme follows recognized good practice and sets a fine example for other corporations to follow. P&G has acknowledged the importance of integrating its commitment to meeting environmental targets into the company’s overall corporate responsibility activity.

### Features that impress are:

- the company bases its corporate responsibility programme on clear values and principles
- employees are expected to understand the company’s ethical commitments and what they mean for their job
- the provision of detailed guidance and training for all staff
- leadership and commitment from top-management

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