Successful Sustainability Strategy:

Procter & Gamble Case

Franco Lucà

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EXECUTIVE SUMMARY

This case study examines Procter & Gamble’s (P&G’s) journey towards true sustainability. P&G is recognised and verified as a strong sustainability player and has received several certifications by independent organisations in the field of corporate sustainability. Furthermore, the company is working towards its long-term 2020 vision and pursuing significant initiatives in addressing social and environmental issues while successfully fulfilling its economic goals. Based on these parameters, P&G was chosen during the research process as a partner for this case study. This case study will reflect how an organisation makes progress and adapts during the challenging path towards sustainable development.

The case study explores the historical timeline of P&G to evaluate the progress made in the adoption of business sustainability. The second section will analyse the results from the sustainability culture and leadership assessment (SCALA) survey, which will provide the reader with the employees’ perspectives regarding the company’s sustainability culture. The third section will synergise the data provided in the first two sections and will compare the company to the Dyllick and Muff typology of sustainability (Dyllick & Muff, 2015). The story of P&G’s sustainability strategy is about change. This case study provides evidence that to implement its strategy and achieve the level of true sustainability, P&G has to develop a sense of urgency throughout the whole company. The main challenge in achieving true sustainability is the change process. Successful sustainability change initiatives have to be driven internally.

SUSTAINABILITY IN THE CONTEXT OF CHANGE

For the past 60 years, P&G has committed to creating an environment that includes social and environmental goals in their business conduct. Despite these consistent efforts for sustainability at P&G, in 2013 and 2014, the media repeatedly reported that P&G and many other companies were sourcing palm oil from suppliers connected to widespread forest devastation (Greenpeace, 2014b), done to create land for palm oil plantations. Articles with headlines like ‘P&G’s Dirty Secret’ reported that P&G’s sourcing policies expose its supply chain to forest fires and habitat destruction (Maitar, 2014). In 2013, Greenpeace began investigating P&G’s supply chain for more than a year and found that an orangutan habitat was being cleared in a plantation linked to P&G’s supply chain. Land used for palm oil cultivation owned by the BW Plantation Group, a company connected to P&G’s supply chain, was also linked with the deaths and burials of orangutans next to the Tanjung Putting National Park. In other cases, Greenpeace documented ongoing forest clearance within the concessions of two producers known to be directly supplying P&G. In June 2013, more than 150 fire hotspots were recorded within these concessions. A few months later, articles, such as ‘P&G Commits to Protect World’s Rainforests’, began to appear in the media (Gies, 2014). On 26 March 2014, five Greenpeace volunteers presented P&G with a ‘worst-of’ award (the Golden Axe), which claimed
that P&G was buying palm oil from companies that destroy Indonesia’s rainforests. Greenpeace presented the award at Europe’s biggest cosmetic and detergent convention, Cleaning Products Europe, in Manchester, England. The sustainability director for P&G was addressing the industry audience, and Richard George, forests campaigner for Greenpeace UK, joined her at the podium and presented her with the award. He said, ‘There were many companies in the running for this award, but P&G’s brazen claim that buying palm oil from companies that destroy the rainforest was sustainable made it the stand-out winner. That level of chutzpah needs rewarding, so we’re pleased to award Procter & Gamble with the Golden Axe award for services to deforestation’. The conference attendees were also provided with a brochure, which argued that, despite their protestations of sustainability and family-friendliness, P&G fuels deforestation by buying palm oil from some of the most destructive companies in Indonesia (Greenpeace, 2014c).

This case reflects the widespread effect of highly visible companies, such as P&G, promoting their active participation in the sustainability movement and the difficulty of evaluating the validity of such claims. The sourcing of palm oil is a complex topic because it has both negative and positive side effects, with a positive being that its economic value rescued many Indonesians from poverty. Furthermore, Greenpeace failed to underline that, in 2013, P&G and many other companies were actively working towards 100% ‘Roundtable on Sustainable Palm Oil’ (RSPO) certification as a way to demonstrate responsible sourcing. Greenpeace focused on their belief that RSPO certification was insufficient and pushed for specific changes to RSPO and supplier sourcing policies. Still, P&G did make changes to their sourcing policies that aligned with the requests of Greenpeace and other non-governmental organisations (NGOs); as a consequence, by the end of March 2014, The Guardian stated that Greenpeace believed that P&G was taking steps to clean up its palm oil sourcing practices (Hamid, 2014). In April 2014, P&G said it had eliminated deforestation from all of its palm oil sourcing practices and announced a non-deforestation policy for all of its products (Greenpeace, 2014a; Greenpeace, 2014b; Baker, 2014). In this perspective, P&G confirmed the goal of establishing traceability to palm oil mills by working closely with suppliers to ensure no deforestation in their supply chain by 2020 in its Sustainability Report 2015. This goal also applies to palm kernel oil suppliers with the aim of improving both practices and livelihoods to establish zero deforestation in the P&G supply chain by 2020. Currently, the company is under track to achieve these goals.

P&G’s issues surrounding palm oil indicate that P&G has proven its ability to react and change its sustainability strategy in urgent situations. Does it suggest that nothing will change without a sense of urgency including sustainability policy or strategy? Were Greenpeace’s claims true? In addition, does the palm oil accusation prove that P&G has not had sustainable practices in the past? The palm oil issue faced by P&G has proven to the outside world that the company has made a big step forward in making sustainability strategies a respected and integrated topic. This case study will investigate P&G’s
sustainability path and further analyse the company’s current sustainability position and possible opportunities to strengthen its sustainability practices.

**Purpose and objectives**

There are multiple realities inside such a complex and large organisation as P&G. In this context, ‘realities’ means that according to the hierarchical level of the organisation, including the region where people are working and the culture where they live, the way people look at a situation can vary significantly from person to person. As the constructivist theory (e.g. von Foerster, 2006; von Glasersfeld, 2011; Watzlawick, 1995) argues, reality does not exist; rather, reality is a mental construct. Therefore, based on the various socialisation norms, cultures and hierarchies, people will have varied perspectives about life. This notion is important in the perspective of change since it presumes that a management’s decision to change may not automatically lead to change if the employees involved in the change processes of the highest importance do not feel the need to change.

One of the most important factors for change is employee awareness towards change and their willingness to change in order to implement P&G’s strategy. If the employees—beginning from the top management in all regions and throughout the whole value chain—do not recognise the necessity and urgency of implementing sustainability as part of the process or do not see sustainability as an important factor for P&G’s success, the company will not reach its goals because it will lack a basis for the new pillars. Processes, policies and structures can be changed, but to succeed, the employees have to be aware of the necessity to change and have the willingness to live this paradigm change every day. Therefore, management has to create a context that empowers the employees and increases their awareness of the sustainability strategy and the urgency to change.

For P&G, it means that the company must grapple with the following key question: Are our employees aware of the necessity of becoming sustainable as a key success factor for the future of the company? Looking at the goals of the company, the management assumes that the employees are in line with the paradigm change to become more sustainable. The top management creates its own reality and, therefore, assumes that the employees share this reality. However, the employees live another reality and do not automatically share the same perspective; the management’s perceptions, thus, often do not correspond with what is actually happening within the company.

To change the sustainability strategy the leadership has to create a context or frame that enables the employees to become aware and sensitive to the need for change. P&G has already implemented principles, long-term goals, Key Performance Indicators (KPI) and values that help monitor and evaluate the process
and implementation of its strategies. However, leadership and organisational culture are necessary to support and focus attention on those employees lacking a sense of urgency to change or those who are reluctant to change. The aim of this case study is to investigate whether the management and employees of P&G are committed to the sustainability strategy and share the same urgency needed to successfully implement the change such a strategy requires. Furthermore, this case study will analyse whether the KPIs and values are properly implemented and communicated.

The insights gained from this case study will be beneficial for all of P&G’s regional managers, stakeholders and the new chief executive officer, who began working for the company on 1 November 2015. P&G began to work on sustainability more than 60 years ago; although, it was not called that yet. P&G’s early efforts were mainly tied to eco-efficiency measures with a clear return on investment in terms of cost savings. This case study is written in the form of an organised journey comprising the company’s history, current status and suggestions for improvements. Additionally, this case study examines the sustainability culture of the chosen organisation to develop a deeper understanding of the cultural characteristics of sustainable organisations. Integrating sustainability into business focuses not only on sustainability concerns, but also on the organisational perspectives used within the context of business. These perspectives include managing risks and opportunities and embedding sustainability throughout the organisation and daily business. Introducing sustainability into business acknowledges that sustainability is more than just recognising the relevance and need to respond to social and environmental concerns in addition to economic concerns. The interpretation of the organisation, derived from using the Business Sustainability Typology Matrix (Dyllick and Muff, 2015), will help to understand the multiple concerns, values created and perspectives adopted by sustainable organisations.

Integrating sustainability into business is a strong step towards making business sustainability a respected and integrated business topic and will lead to competitive advantage in the near future. To change old paradigms and integrate long-term sustainability goals, creating a context that builds a sense of urgency regarding the need to change is important. This case study will help P&G and its industry peers learn more about how to effectively involve employees to transfer a sense of urgency to them and empower and enable them to actively change to help make their company truly sustainable. The following four research objectives will be pursued:

1. Assess the sustainability position of P&G based on the company’s ongoing business practices and best-practice policy.

2. Understand how P&G reached its current sustainability position through transformational shifts in the organisation and in the organisational culture.
3. Analyse the positioning of P&G using the Business Sustainability Typology Matrix.

4. Contribute to a wider pool of case studies of sustainable organisations from various industries in different regions to build knowledge and facilitate an exchange of know-how among practitioners and between academia and the business world.

This case study is part of a doctoral dissertation at the Business School of Lausanne (BSL), Switzerland and also part of a cohort of similar case studies in different industries and regions of the world. The task includes identifying two sustainability leaders in a specific region of the world and analysing their cases from a sustainability perspective. The organisations chosen are also recognised for their achievements and contributions in terms of adopting and implementing sustainability worldwide. P&G was selected for the sustainability case study research after measuring its sustainability validity against the following measures:

1. The company is a recognised and verified sustainability leader in its particular industry, having proof of third-party verification (the company had to be ranked on the Business Sustainability Typology Matrix from level Sustainability 0.0 to Sustainability 3.0).

2. The company has been pursuing significant initiatives to address and contribute to resolving important societal and environmental issues.

Once the organisation was selected based on the above criteria, secondary data collection (i.e. searching for existing data) was done to gain an insight about the organisation. Organisational newsletters were also analysed to gather the secondary data. The primary sources of data (i.e. data specifically collected for the objective of this case study) were the SCALA results, which will be explained in later sections, and interviews. In addition, for qualitative data, nine internal stakeholders were interviewed.

The details regarding the interviewees are as follows:

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<th>Number</th>
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<td>1.</td>
<td>Dr. Ionnis Hatzopoulos</td>
<td>Baby Care &amp; Fem Care GBU Scientific</td>
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<td>Communications E-IMEA; Global Sustainability Communications</td>
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<td>2.</td>
<td>Rene T. Co</td>
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<td>3.</td>
<td>Katherine Brown</td>
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SUSTAINABILITY JOURNEY AT P&G

About P&G
Both immigrants, William Procter from England and James Gamble from Ireland, established a new enterprise in the field of soap and candles in 1837 in Cincinnati, Ohio. Although this period was not the best time to start a new business, with the United States in the middle of a detrimental recession in which many banks went bankrupt, Procter and Gamble focused on how to compete with other market players by doing what would become the hallmark of the company: investing in the future, building new plants and focusing on research and innovation to improve the lives of consumers (Procter & Gamble, A Company History, 2006).

Today, P&G serves consumers worldwide with the 21 most-trusted, quality leadership brands, such as Always, Ariel, Duracell, Gillette, Head & Shoulders, Oral-B and Pampers, with annual sales over $1 billion. The products are sold internationally in more than 180 countries and territories, primarily through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, distributors, e-commerce, high-frequency stores and pharmacies. The P&G community includes operations in approximately 70 countries around the world by employing circa 110,000 employees and serving 4.2 billion customers daily.

P&G is a publicly traded company. The company’s stock is listed and traded on the New York Stock Exchange (NYSE) and NYSE Euronext – Paris. P&G’s net sales in 2015 were $76 billion worldwide. The sales are subdivided into the following business segments: 24% beauty, 10% grooming, 9% health care, 32% fabric care and home care and 25% baby, feminine and family care.
The business of the company over the 175-year history has grown and changed, but the business principle with which William Procter and James Gamble built their business has endured, seeking to improve more consumers’ lives in small but meaningful ways each day. More than 4 billion times a day, P&G brands touch the lives of people around the globe. More recently, the concern of the company of improving people’s lives led P&G to reconsider this purpose in a time frame perspective underlying for the improvement of people’s lives for now and for generations to come. Thus, the company started to reflect about the consequences of its business to the environment and acknowledged the responsibility to not only improve the lives of the consumers in a way that preserves and protects the planet, but also serve the communities in which the company lives and works.

**Improving lives of consumers and preserving the environment in practice**

Incorporating sustainability into the strategy led the company to change its corporate behaviour. P&G committed to incorporating sustainability issues into its strategy, especially regarding product policies and product life cycles, as well as management practices such as supply chain management and manufacturing policies. Early in P&G’s sustainability history, in 1952, the focus lay on charity and ecology; the company established the P&G Fund for the distribution of money to a U.S. charity. In 1956, the first environmental safety publication was created about P&G measuring surfactants in rivers. In the mid-60s, P&G switched to biodegradable anionic surfactant, and the use of linear alkylbenzene sulfonate began. Furthermore, P&G established its Environmental Water Quality Laboratory and published its 10th environmental safety paper to support new biodegradability test methods. In 1983, P&G launched Triple Concentrate Downy, one of P&G’s first products to reduce packaging and waste use. In 1989, the company committed $20 million to assist the development of a U.S. compost infrastructure. In the 90s, P&G moved to elemental chlorine-free pulp for all of the company’s paper products. More recent examples of the types of effects incorporating sustainability in P&G’s strategies has had on the activities along the company’s value chain will be discussed below.

Products and the ingredients

Because P&G is in the business of mass consumer goods, its sustainability efforts logically would start with the products and the ingredients. For example, in 2008, P&G started to work on suitable substitutes for phosphates in its Cascade dishwashing products after certain states, including Virginia and Maryland, banned the use of specific chemicals in the product due to the damage they caused when released into rivers and streams. However, P&G maintained that its use of phosphates was not harmful (Warner, 2008). This extended focus on sustainable issues led P&G to be more sensitive about certain consumer concerns regarding particular ingredients. In 2008, P&G’s products, such as Herbal Essences shampoo and Olay Complete Body Wash, contained high levels of 1,4-dioxin, a chemical characterised as a probable human
carcinogen and banned from personal care products in the European Union. Ensuring product safety is fundamental to doing business for P&G, and historically the company would not put a product on the market unless it was absolutely convinced of the product’s safety. However, the company has acknowledged that some consumers have concerns over certain ingredients and would prefer products that do not contain such substances. Therefore, to better meet consumer concerns, the company decided to eliminate certain ingredients, such as 1,4-dioxin.

**Sourcing**

The next logical step in the journey towards sustainability of P&G is verifying that the sourcing process is responsible. In 2010, P&G implemented the Supplier Environmental Sustainability Scorecard to reduce its environmental footprint across the supply chain. Concurrently, P&G started to work on a dedicated and clear sustainability strategy with mid- and long-term goals. An important milestone in the company’s sustainable journey concerns the previously discussed manufacturing of palm oil and the related deforestation. P&G works with large and small palm plantation owners across Malaysia. Thus, in 2010, P&G began the intensive work of tracing its complete supply chain by partnering with the Malaysia Institute for Supply Chain Innovation (P&G, 2010).

In 2014, the company upgraded its supplier sustainability scorecard, making data management more efficient and actionable, to ensure it was not contributing to the destruction of rain forests. P&G aims to increase data collection and the ability to work with key strategic suppliers in reducing the collective environmental footprint. A challenge for P&G is the number of potential suppliers it must deal with because the ingredients in its products come from palm kernel oil at a secondary stage of processing. This means that the company is buying already processed palm oil, which, in a previous step, was gathered by different subcontractors, and therefore it was impossible to know exactly where it was coming from. In the face of these difficulties, almost half of the 500,000 tonnes of palm oil purchased in 2014 were certified sustainable; furthermore, the company committed to achieve 100% traceability by 2015. As of June 30, 2015, 89% of the company’s palm oil and palm kernel oil volume was tracked to the palm oil mill and palm kernel oil mill levels. These levels were on track to reach the target of 100% traceability to the mill level by the end of 2015. Due to such successes and further activities and efforts, P&G was able to confirm in its Sustainability Report 2015 the goal of establishing traceability to palm oil and palm kernel oil to ensure no deforestation in the supply chain of the company by 2020. Despite these efforts, P&G, like Nestle, underestimated the palm oil issue in the beginning and was attacked by Greenpeace. In March 2014, P&G appeared in numerous negative articles in the media due to its old palm oil sourcing practices. Nevertheless, P&G demonstrated its commitment to change these practices by speaking with Greenpeace and other stakeholders regarding rainforest preservation, thus, setting an example for others to follow (Baker, 2014).
Production

The next step of the P&G value chain is production, and one of the main sustainability challenges at this stage is the use of energy. P&G will only achieve its principles of improving the lives of consumers and preserving the environment if it is successful in reducing its environmental footprint during manufacturing, which, in turn, means a more efficient use of energy. Consequently, one of the company’s major focuses is to rely more on renewable energy. Since 2010, P&G has implemented or started many projects to improve its energy use, such as upgrading the existing onsite biomass in North America to a large-scale combined heat and power operation and five onsite solar photovoltaic projects across multiple regions that power several sites in Europe with 100% renewable electricity from wind and hydropower. The wind farm project near Muenster, in Cooke County, Texas (US), which will be built in partnership with EDF Renewable Energy, constitutes one of the most significant energy projects. Indeed, the wind farm will produce enough electricity to power all P&G’s North American fabric and home care plants in Ohio, Missouri, Louisiana, Kansas and Canada, where brands such as Tide, Gain, Downy, Dawn, Cascade, Febreze and Mr. Clean are produced. The power generated from the partnership will eliminate more than 200,000 metric tonnes of carbon dioxide (CO₂) emissions annually. The partnership was announced at the White House, as P&G became a signatory of the American Business Act on Climate Pledge. As part of the pledge, P&G agreed to achieve 30% renewable energy to power its plants globally by 2020, with a long-term vision of using 100% renewable energy (Brunsman, 2015). Since 2010, the production volumes of P&G have increased by approximately 13% while greenhouse gas emissions have been reduced 4% over the same time period.

We now illustrate the sustainable changes that P&G has undertaken in the production process of Pampers. P&G aimed to reduce the product weight by 50% and the packaging by 70% over the last 20 years, as well as releasing 28% less CO₂ emissions and using 18% less water and 8% less energy during the production process of this product. Another objective achieved was reducing CO₂ emissions. The company moved from boxes to bags for packaging, which saved 162 tonnes of CO₂ by reducing the number of trucks for transportation of this product to vendors.

An additional sustainability issue related to the production processes are working conditions. An important issue for P&G is having safe and healthy operations around the world. The goal is to protect the lives and health of its employees and the communities surrounding its operations. In order to achieve this goal, P&G follows uniform corporate safety standards around the world, constructs facilities in a way that does not compromise the safety and health features and monitors progress towards preventing injuries, illnesses and accidents. P&G ensures that this health, safety and environment program at all manufacturing facilities meets the intent of the global health and safety management standards (OSHAS 18001 and ISO 14001).
Waste management

The next step in P&G’s value chain is waste management and disposal policies. The question that P&G is facing is, similarly to all fast-moving consumer goods producers, what is happening with the products once the consumers have used them? As a producer of disposable consumer goods, reducing waste is a core sustainability objective.

Since 2012, P&G augmented the use of recycled raw materials by 39% and reduced generated waste by 8%. P&G’s brand Tide is a relevant example. The company began producing new Tide bottles from old bottles approximately 20 years ago and helped popularise recycling in North America.

Since 2008, Tide products have been produced with 40% less water and 40% less plastic per dose. The latest initiatives the company has taken concerning environmental sustainability include a pledge to cut water content in laundry detergent by 25% by 2018, saving 45 million gallons of water annually. As of today, for all activities, P&G has eliminated 3 million truck miles per year by consolidating its distribution centres. Bottles consist of 25% recycled content with a special three-layer bottle (P&G, 2014a).

For all activities since 2010, P&G has produced 50% less waste per unit of production (Johnson, 2013) and outperformed its goals in 2014 to reduce 70% of manufacturing waste to landfill facilities and to less than 0.5% of input materials by 2020. All other waste materials were left to the finished products or have been recycled, reused, repurposed or converted into energy. As of today, P&G has at least 50% of all its manufacturing facilities operating with zero manufacturing waste.

Furthermore, the company joined Wal-Mart in the Closed Loop Fund, with the goal of investing $100 million in recycling infrastructure for transforming the recycling system in the United States and making recycling available to all Americans.

Finally, when analysing the environmental impact of their products, P&G found, that one main problem was caused downstream by the consumer: When consumers used P&G’s detergents, they used a lot of energy by choosing high temperatures when washing. P&G stated recently (Sustainability Report 2015) that the impact of the energy used during machine-washing of laundry is the single biggest impact on the company’s greenhouse gas (GHG) emissions footprint. Working on innovation that enables laundry detergents to wash most clothes perfectly well in cold water, such as Tide Coldwater, P&G registered, since 2010, an estimated increase in cold-water loads from 38% to 56%. This action encouraged the company to establish a goal to have 70% of all machine-washed loads done in cold water by 2020.

Where does P&G stand today?
As evidenced through the milestones and historical commitments of the company along the value chain, P&G has gathered a long history of experiences and achievements towards social and environmental sustainability. Since 1999, all the activities undertaken by P&G in the field of sustainability and all other detailed activities and positive effects are listed and presented in its yearly Sustainability Report. The reporting standards used by P&G in this report are aligned with practices, such as the Greenhouse Gas Protocol (2012) and the Carbon Disclosure Project (2015).

P&G is working towards a long-term vision that defines success through implementing effective and lasting solutions for environmental and social sustainability. P&G’s sustainability objective is to create industry-leading value with brands and products that consumers prefer while conserving resources, protecting the environment and improving social conditions for those in the greatest need. Since 2010, P&G has established 14 goals regarding the following four segments to reach its long-term vision of being a fast-growing sustainable company:

1. Conservation of resources as the explicit commitment of P&G to create zero deforestation in its palm oil supply chain; moreover, the new goals call for traceability of palm oil and palm kernel oil to supplier mills by 31 December 2015 and to plantations by 2020.
2. In general, all measures taken point to the goal of making the entire production and supplier chain as sustainable as possible in terms of an environmental perspective.
3. (The number three should not be erased) Furthermore, P&G is on track to reduce packaging by 20% per consumer use by 2020.
4. P&G is also working across its supply chain to develop the capability to replace top petroleum-derived raw materials with renewable materials by 2020.

The company is continuously verifying and adjusting these goals. In 2014, P&G added four new goals and revised one of its existing goals (P&G, 2014; for an overview of P&G’s 14 goals, please refer to the appendices). These four goals include the following key sustainability initiatives:

1. Powering all its plants with 100% renewable energy as part of the climate pledge; P&G agreed to achieve 30% renewable energy to power its plants globally by 2020, with a long-term vision of using 100% renewable energy (Brunsman, 2015).
2. Using 100% renewable or recycled materials for all products and packaging.
3. Having zero consumers or manufacturing waste goes to landfills until 2020.
4. Designing products that delight consumers while maximising the conservation of resources.
These facts elucidate that P&G is strongly dedicated to create a better life for the community. However, to really be able to evaluate and judge the current position of the company, as it is seen and lived within the company, the researchers have conducted an in-depth study along the SCALA survey methodology.

**SUSTAINABLE CULTURE AND LEADERSHIP DEVELOPMENT (SCALA) SURVEY**

**Methodology**

The historical milestones achieved by P&G solidified that it is working towards becoming a sustainable organisation. Today, the company is considered to be a sustainable organisation with a long-term focus and sets an example for other companies to follow. In this section of the case study, P&G’s sustainability performance will be explained with the help of the SCALA survey results and interviews. In particular, the acceptance of sustainability goals and values by P&G’s employees, as well as the level of integration of sustainability goals, is a relevant performance indicator.

The SCALA survey was used as a quantitative measure to gather data in this case study. The survey was conducted across the organisation as an online survey through self-administered questionnaires. The survey comprised 30 questions developed by Miller Consultants, 10 questions added by BSL and two questions added by the researcher to gain insight into specific research needs. Ninety-six employees responded to the questionnaire. The sample was selected in consultation with P&G’s management through a random sampling technique. Fifty-two percent of the respondents were male and 48% were female. The organisation-wide survey involved 3% C-level executives, 9% senior managers, 46% mid-level managers, 19% first-line managers and 22% from other positions. In terms of the age groups, 15 respondents were 20–30 years old, 32 respondents were 30–40 years old, 21 respondents were 51–60 years old and one respondent was older than 60 years old. Geographically, 56% of the respondents were located in North America, 28% in Europe, 6% in Asia (4% in Asia/Middle East and 2% in Asia Pacific), 4% in Latin America and 4% in other areas of the world.

Of note is that while the SCALA survey shows positive results for P&G in various dimensions, it also points to further opportunities for improvement compared with industry benchmarks and to achieve ‘best in class.’ The purpose of the SCALA survey is to provide organisations with information about their current capacity for executing sustainability strategies. The SCALA survey was conducted at P&G in collaboration with Miller Consultants and BSL to understand the extent to which sustainability is embedded in P&G’s culture. The survey provides an insight into the organisation’s sustainability culture regarding the following five categories:

1. Organisational systems
2. Organisational climate
3. Change readiness
4. Internal stakeholders
5. External stakeholders

The employees’ responses with respect to these five categories of the SCALA survey will be analysed to assess their perceptions regarding the company’s sustainability performance.

*Organisational system*

The employees were surveyed regarding the extent to which the company has embedded sustainability in its organisational structure. The responses point out a medium-to-high degree of awareness regarding the organisational incorporation of business sustainability. Sixty-one percent of the respondents agreed with the statement that the company has embedded sustainability in the operating procedures and policies; 23% disagreed, and 16% neither agreed nor disagreed with this statement. SCALA survey respondents further confirmed that the company has an enterprise-wide management system for sustainability, with 72% agreeing and 28% disagreeing. Only 6% strongly agreed and 24% of the respondents agreed that the company had integrated sustainability-related goals into its performance management system; two-thirds of the respondents did not agree with this statement. Moreover, only 3% of the employees surveyed strongly agreed and 5% agreed that rewards and compensations were clearly linked with the company’s sustainability goals.

These insights are strengthened by the qualitative responses in which the respondents stated that sustainability is not always clearly linked to short-term benefits/bottom-line growth. The employees requested comprehensive commitment and clarity regarding the company’s commitment to sustainability. Top leadership may communicate the commitment or importance, but this commitment is not yet sufficiently translated to middle- and lower-level management. This gap leaves employees with a sensitivity towards and care about sustainability or even those that are committed to sustainability without encouragement (or without the relevant incentives) or direction from their management in this regard.

The survey also reveals that senior managers rate the company more positively than employees, which thus confirms that different hierarchical levels have different realities. Senior managers are more likely to report that their business unit/function leader has communicated the importance of sustainability. They are more likely to report that sustainability is embedded in the operating procedures and policies and that rewards and compensation are clearly linked to sustainability goals. 67% of C-level executives agreed that a commitment to sustainability was essential to the company’s success in the long-term. However, on the
contrary, 55% of line managers did not see the same importance of committing to sustainability. These exponents are principally found in the 20–40 age group, especially in the 31–40 age group, as 74% of respondents in this group did not believe that a commitment to sustainability was important for the company’s success.

These results suggest that the integration of sustainability objectives into the organisation’s systems is not yet clearly established across all levels. These insights are further confirmed by the responses generated through the open questions in which the respondents were asked to list any barriers they believed hinder their engagement with P&G’s sustainability commitments. The respondents identified a number of barriers with regard to the company’s culture, including time and resource availability, resource limitations dedicated to sustainability within the brand organisations, a lack of support from P&G’s leadership and a lack of funding for sustainability projects. Individuals’ workloads, combined with extensive use of contractors, prevent them from making sustainability projects a priority. One of the respondents also stated that there was zero engagement from management with regard to sustainability issues, and it was not clear what tools are available, who the internal experts for sustainability are or where one should start with sustainability.

Another response was that employees do not seem to achieve recognition for driving change; therefore, they do not have the drive to work towards change. The feedback also suggested that a sustainability culture is not yet fully deployed in the manufacturing sites. In contrast to these statements, some employees also mentioned that management supports and makes efforts in Research and Development R&D towards sustainability. Thus, although the majority of interviewees witnessed some commitment to sustainability within the organisation, many employees have a more critical opinion and do not completely share the management’s views.

Organisational climate
Most people in the survey stated that a commitment to sustainability was essential to the company’s long-term success. The employees who believe that sustainability is essential to success evaluated P&G’s leaders higher on sustainability than the employees who do not see sustainability as essential to success. However, this perception was stronger among employees who were 30 years or older. 29% of respondents aged 31–40 years old agreed, and 34% of those 41 years or older agreed. However, 28% of the respondents between 20 and 30 years old disagreed with this statement (only 2% agreed and 14% neither agreed nor disagreed), leading to the result that the younger respondents were the least positive about the company’s sustainability culture.
These results show that sustainability is viewed by P&G’s employees more as an ‘after thought’ rather than a success criterion for each new initiative. In practice, sustainability has to be a mind-set and not a problem to be solved. Thus, to enable a change in employees’ mind-sets, sustainability has to be a primary focus of the company in all communications, and sustainability goals have to link specifically to everyone’s work plans. Sustainability has to be included in the dimensions of projects’ success criteria. Therefore, including sustainability in employees’ work plans and defining sustainability as one of the project success criteria is recommended.

Furthermore, 58% of the respondents did not agree that they had a good understanding of P&G’s long-term environmental sustainability vision and 2020 goals. In contrast, employees with a good understanding of P&G’s long-term vision and goals gave higher ratings for the company’s level of engagement in sustainability. These findings imply that clear goals communicated widely can make a difference in employee awareness, and employee behaviour may depend on management’s communication and involvement.

These results suggest that the employees do not believe the company has a sustainability strategy for the sake of sustainable purposes yet; rather, they believe P&G is still too focused on classical corporate issues, such as strategic direction and planning, growth prospects and current business development, including budget, risk situation and risk management. P&G’s employees do not seem to have a clear picture of the sustainability strategy, which has also been confirmed by internal stakeholder analyses discussed below.

In the qualitative feedback, employees stated that the company’s sustainability commitments have to be more visible and included in all organisation scorecards to achieve a real change. The competitive advantage driven through sustainability has to be explained in more detail to the employees, and the employees have to be educated and trained to better understand the impact of sustainability. The survey demonstrated that P&G employees are not only aware of this principle, but are also demanding that such programs and initiatives be put in place to better implement the sustainability strategy and achieve higher competitive advantage. Similarly, the fact that 58% of the respondents reported not having a good understanding of P&G’s long-term environmental sustainability vision and goals should be seriously taken into account by P&G’s management as an urgent insight to be analysed and for which concrete answers should be defined and implemented.

Because more than 52% of the employees surveyed strongly agreed and 44% agreed that they are familiar with P&G’s social responsibility efforts (i.e. Children’s Safe Drinking Water [CSDW] program, disaster relief, Pampers UNICEF campaign, etc.), they are more aware of social responsibility. The feedback about the
sustainability level and awareness at P&G was further strengthened by the responses generated through the open-ended questions. The respondents were asked to report any sustainability issues they believed P&G addresses especially well. The respondents narrated a number of environmental and social issues, including issues such as water, pulp, energy life, waste, supply chain, environmental footprint, child labour laws and disaster relief. In addition, employees spoke enthusiastically about P&G’s successful ‘Like a Girl’ campaign, which aims at building women’s confidence. P&G scored a big hit with this campaign, which even had a commercial slot during the Super Bowl. The familiarity with P&G’s social responsibility efforts and the success of these efforts seems to be related to a strong and well-managed marketing structure combined with goodwill (Beltrone, 2015). Thus, this example shows that in contrast to the ‘Like a Girl’ campaign, which was widely and expansively promoted, the sustainability goals are not communicated and shared enough. A critical point can be the lack of a detailed and well-grounded master and communication plan. P&G has a lot of internally communicated activities, but an overall strategy map is missing.

*Change readiness*

Many of the employees surveyed witnessed a strong change in the company’s sustainability strategy in 2014 when P&G started to clean up its palm oil sourcing practices. This action demonstrated that the company has the readiness and capability to change when change appears to be a necessity.

More than 50% (5% strongly agreed and 48% agreed) of the respondents agreed that the company has a strong track record of implementing large-scale change successfully. However, 62% of the employees did not agree that the company actively challenges the status quo. These two questions point out that P&G can change (when necessary) but is more reluctant to challenge the status quo. This idea suggests that P&G can change when the necessity to change is coming from outside sources (e.g. the palm oil scandal), or P&G can react and implement change but is less capable of initiating change.

The company’s ability to manage change is shown in the responses of the employees surveyed. Small changes can be solved more effectively. 10% of the respondents strongly agreed and 70% agreed that the company has a strong track record for implementing incremental (small, continuous) change successfully.

During the qualitative feedback, employees suggested that P&G should enhance its communication, inspire more to work towards the company’s sustainability goals and share locally relevant examples. One example from the personal interviews was related to the case of the palm oil situation. P&G was doing much more than the company communicated, but because P&G did not communicate enough, both NGOs and consumers did not realise all the actions P&G had taken. P&G had the readiness and the capability to behave differently, but the company was not able to realise at an early stage that addressing the
environmental crisis required new approaches and answers. P&G’s employees stated during the personal interviews that the organisation is driven by economic and consumer needs. Another statement was that the organisation seems to only consider sustainable products if the market is requesting them or if the sustainable product is cost neutral. The latter statement relates to the past, when sustainable products were more expensive than comparable competitors’ products; thus, the consumer did not appreciate the more sustainable products due to the higher P&G price.

**Internal stakeholders**

Two percent of the surveyed employees strongly agreed and 30% agreed that the company has a mechanism in place to actively engage all internal stakeholders in its sustainability efforts. However, 34% of the respondents disagreed and 7% strongly disagreed with this statement. Whereas 4% strongly agreed and 21% agreed that people are mostly engaged in work that is connected to sustainability goals, 40% disagreed and 28% neither agreed nor disagreed. When the respondents were asked what they thought the company was trying to achieve by addressing sustainability issues, 54% of the respondents opted for ‘reputation building’; 42% chose ‘manage risk and compliance’, and 40% thought the company’s approach towards sustainability was intended to ‘improve efficiency and the bottom line’. Other replies included elements of several different categories, demonstrating that the employees do not have a clear picture of P&G’s sustainability strategy.

**Benchmark analyses**

P&G’s SCALA results, which include the head of sustainability responses, were compared with the following three benchmarks: (1) an aggregate of 10 individuals representing North American companies, (2) an aggregate of 49 individuals representing European companies and (3) an aggregate of seven individuals representing companies in the consumer products industry. All of these companies participated in a research project related to the SCALA survey conducted by Miller Consultants and Harvard Business School.

The results suggested that P&G is performing higher than the benchmarks on one issue necessary for a culture of sustainability: rewarding innovation. Innovations bring the sustainable development realms of the economy and the environment into play and also have an inherent effect on the social aspect of sustainable development. P&G scored 1.0 points higher (1.0 = strongly agree and 5.0 = strongly disagree) than the industry benchmark of 2.3 points. That score means that P&G rewards innovation. P&G’s results appear to be comparable with the benchmarks in several ways, including leaders having a clear vision of the business case and the importance of sustainability. P&G was rated 2.0 (agree), which is close to the European benchmark of 2.0, the North American benchmark of 2.4 and the industry benchmark of 2.5. The benchmark analysis also shows that P&G’s ability to implement changes successfully
exhibits a good benchmark level of 2.0 (benchmark between 2.0 and 2.2). In terms of P&G’s efforts to embed sustainability in its operating policies and procedures, it reached an equally good benchmark level of 2.0 (benchmark between 1.8 and 2.5).

However, P&G appears to be behind the benchmarks in terms of several leadership issues (e.g. leaders’ personal knowledge of and commitment to sustainability, integrating sustainability into their decision-making and the ability to inspire others on sustainability topics) and organisational sustainability efforts, such as linking sustainability to performance, rewards and compensation.

Regarding the question of whether the leaders of the company use a long-term view when making decisions, P&G scored 2.0 (agree). However, the benchmark levels, with ratings between 1.5 and 1.7, were better.

P&G scored a 4.0 (disagree) regarding whether or not company leaders integrate sustainability into their decision-making, which clearly demonstrates a large gap in comparison to the European benchmark of 1.9. The North American benchmark and industry benchmark were better (1.9 and 2.3, respectively). P&G’s ability to embed sustainability-related goals in the performance management system was also behind the benchmark (P&G reached a level of 4.0 = disagree compared to the European benchmark of 2.2 = agree).

With respect to the question of whether the leaders of the company are knowledgeable about the issues pertaining to sustainability, P&G (3.0 = neither agree nor disagree) was behind the benchmark (e.g. European benchmark of 1.7 = strongly agree). The benchmark analysis confirms the insufficient visibility of the sustainability strategy and, above all, that P&G is similar to the North American benchmark in this regard but does not rank so well compared to the European benchmark, where competitors are outperforming in this regard. These results are problematic for reasons related to both competition and attractiveness (i.e. the war of talents). Although management communicates that it has a clear vision of sustainability, the benchmark analysis provides evidence regarding the weakness of the management’s implementation of sustainability and the different realities experienced and perceived by management and employees.

**Discussion of SCALA survey results**

The survey shows that the company has embedded sustainability in its operating policies and procedures including procurement, human resources, innovation and supply chain management. Therefore, the researchers acknowledge that P&G has proven its ability to implement changes in the organisation under pressure. It seems, however, that the company needs to become more proactive to initiate fundamental corporate changes towards true sustainability.
P&G’s leaders should integrate sustainability deeper into their decision-making process, as well as the performance management system, and communicate with employees about sustainability-focused issues and initiatives. Company leaders should increase awareness, willingness and personal commitment to sustainability to incorporate sustainability more deeply in operational management issues, particularly into organisational and employee goals. The link between corporate goals, scorecards and sustainability should be further developed.

This insight—has been strongly communicated during individual interviews. Employees stated that sustainability would be perceived more strategically relevant if it was included on the scorecard at all levels of the company. In the current situation, from the perspective of most of the employees interviewed, sustainability is seen more as something that would be nice to have, rather than a fundamental pillar of the long-term strategy of the company.

On the basis of the facts already presented about P&G’s sustainability journey and the conclusion of the interviews results, it seems that P&G’s record on sustainability is strong, but the company still has to make significant organisational changes to reach higher steps on its sustainability journey. In the following section, P&G’s achievement will be examined regarding whether it is adequate to further develop the company towards the true sustainability leadership position and which upcoming challenges need to be tackled.

THE CHALLENGING JOURNEY TO TRUE SUSTAINABILITY

In the article ‘Clarifying the Meaning of Sustainable Business: Introducing a Typology From Business-as-Usual to True Business Sustainability’, Dyllick and Muff (2015) develop the Business Sustainability Typology (BST) starting from a ‘business-as usual ‘(0.0) level and going through increasingly relevant types of BST called Business Sustainability (BST) 1.0, 2.0, and 3.0. The authors emphasise that the companies, as they move from 1.0 to 2.0, are increasing the relevance and the contribution to resolve sustainability issues to finally achieve BST 3.0, representing the ‘True BST’. 
### Table 1. The BST with key characteristics and shifts

<table>
<thead>
<tr>
<th>BUSINESS SUSTAINABILITY TYPEOLOGY (BST)</th>
<th>Concerns</th>
<th>Values created</th>
<th>Organisational perspective (How?)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business as usual</td>
<td>Economic concerns</td>
<td>Shareholder value</td>
<td>Inside-out</td>
</tr>
<tr>
<td>Business Sustainability 1.0</td>
<td>Three-dimensional concerns</td>
<td>Refined shareholder value</td>
<td>Inside-out</td>
</tr>
<tr>
<td>Business Sustainability 2.0</td>
<td>Three-dimensional concerns</td>
<td>Triple bottom line</td>
<td>Inside-out</td>
</tr>
<tr>
<td>Business Sustainability 3.0</td>
<td>Three-dimensional concerns</td>
<td>Creating value for the common good</td>
<td>Outside-in</td>
</tr>
</tbody>
</table>

The key shifts involved:
- 1st shift: broadening the business concern
- 2nd shift: expanding the value created
- 3rd shift: changing the perspective

The first level of the matrix represents the current economic paradigm, or ‘business-as-usual’ (BST 0.0). Firms at this level have a purely economic understanding of their business and are driven by economical concerns to generate the highest economic value in the form of profit, market value or shareholder value.

Firms take the first step in the sustainability journey (BST 1.0) as they become conscious and recognise that business organisations are facing new challenges coming from outside their direct market situations, creating a new extra-market environment. These new challenges result typically from environmental or social concerns arising from external stakeholders like NGOs, media, legislation, or governments creating new social or environmental constraints through public opinion pressure or new legislation. Thus, without changing their economic principles and premises, business organisations realise they have to take into account these new conditions in their existing decision-making processes.

The next step in introducing sustainability into business consists of companies becoming aware that sustainability is not a matter of merely reacting to social and environmental concerns, as is the case in BST 1.0, but, rather, an action towards substantial change in defining the creation of value for business organisations. Indeed, for BST 2.0 companies, value creation means going above shareholder value and includes social and environmental values equally. This idea is known as the triple bottom-line approach. Companies, therefore, must define specific goals, programmes and actions to sustainability issues that must then be measured and reported like any other company goal. At this level, sustainability is integrated...
into business, and sustainability concerns are, therefore, embedded in structures and the culture, including strategy and organisation, governance and management processes.

The most accomplished level of truly sustainable business, the so-called BST 3.0, is where a business organisation has reached a level of consciousness that allows it to change its perspective from an inside-out to an outside-in direction and reflects on questions about how the company can, with its products or services, contribute to resolving sustainability issues in society and create value for the common good.

By moving to more effective levels of BST, three important shifts take place (Dyllick & Muff, 2015):

1. The relevant concerns shift from economic concerns to three-dimensional concerns (social, environmental and economic)
2. The value created by business shifts from shareholder value to a broadened value proposition, including all three dimensions of the triple bottom line
3. The shift in organisational perspectives from an inside-out perspective to an outside-in perspective with a focus on society and sustainability challenges. This shift moves the value-creating perspectives from the triple bottom line to creating value for the common good.

For business organisations, this journey constitutes going through several changes in paradigm. Indeed, business organisations are historically driven by economic concerns, with the aim of producing economic value in form of profit, market value and shareholder value. The path proposed by Dyllick and Muff is, therefore, a real perspective change: from a business-as-usual understanding, driven by an inside-out understanding of the business (economic and financial concerns being the reference compass of all actions) to a truly sustainable business (BST 3.0), driven by an outside-in approach translating sustainability challenges into business opportunities. Yet, goals, strategies, the organisation and structures are not the only things that have to change; behaviour and the culture of business organisations must change, as well.

A BST 3.0 firm looks first at the external environment within which it operates and then asks what it can do to help overcome critical challenges that demand the resources and competencies it has at its disposal. As a result, a BST 3.0 firm translates sustainability challenges into business opportunities, making ‘business sense’ of societal and environmental issues. This behaviour follows the line of thinking suggested by Peter Drucker, who commented that every single social and global issue of our day is a business opportunity in disguise (Cooperrider, 2008).

In 2012 The Guardian (Guardian Professional Network, 25.4.2012) reported an example in India that referred to the idea of shared value (Porter and Kramer, 2011). Novartis saw a business opportunity in
selling pharmaceuticals in rural India, where 70% of the population lives. The obstacle was not the prices but the social conditions in these regions. Healthcare providers had practically no healthcare training, and a large amount of local clinics had no reliable supply chain. Novartis hired hundreds of health educators, held training camps for providers, and built a distribution system to 50,000 rural clinics. For Novartis, the result was an entirely new business model dedicated to the future of the company. Subsequently, emerging markets with similar challenges are predicted to account for 75% of the growth in global pharmaceutical sales. For 42 million people in India, the results are access to a vastly improved level of healthcare that neither the government nor NGOs were providing. In 2015, Novartis launched Novartis Access, a program focusing on affordability and availability of 15 on-and-off patent medicines addressing key non-communicable diseases, such as cardiovascular disease, diabetes, respiratory illness and breast cancer. The Novartis Access portfolio is offered as a basket to governments, NGOs and other public-sector healthcare providers at a price of $1 per treatment per month.

**On the way to Business Sustainability 2.0**

As we have seen at different stages of this paper, P&G, in line with the fundamental company purpose of improving people’s lives for now and for generations to come, has reflected about the social and environmental implications of its business for many years. Thus, P&G has taken into account sustainability issues and left the purely economic paradigm, or business-as-usual stage in the BST.

As a matter of fact, using this typology to qualify the P&G business sustainability positioning, there is evidence that the company should be situated on the continuum between BST 1.0 and 2.0. As the historical sustainability journey of P&G has shown, some motivations and actions taken by P&G were typically relating to BST 1.0 concerns. By recognising its responsibility not only to improve the lives of the consumers, but also to preserve and protect the planet and the communities, the company has de facto implemented different activities that led to the BST 1.0 level.

The previously mentioned examples relating to efforts to substitute phosphate in its products remove carcinogenic ingredients or make changes to palm oil production practices show that P&G has attained BST 1.0. This action shows that the company’s concerns go beyond the products themselves and consider the direct impact the company has on the resources of the planet by doing business.

BST 2.0 means broadening stakeholder perspectives and pursuing a triple bottom-line approach. In this framework, value creation goes beyond shareholder value and includes social and environmental values. The company creates (social and environmental) value not just as a side effect of the business activities, but also as a result of deliberately defined goals and programs intended to address specific sustainability issues or stakeholders. These values are not only addressed through particular programs, but are also measured.
and reported on. If BST 1.0 is mostly considered to represent sustainability management, although it is only a first step towards true business sustainability, then BST 2.0 is clearly more ambitious and represents a big step forward in making sustainability a respected and integrated topic within the company. This approach allows a business to align its concerns with the values it seeks to create by relating economic, environmental and social concerns to the triple bottom-line values of sustainability. Whereas this shift is a quantum leap in the value creation from refined shareholder value (=BST 1.0) to creating social, economic and environmental value (= BST 2.0), it is still not what we understand as true sustainability. In that sense, the partnership with EDF Renewable Energy with the goal of providing 100% of the electricity to all P&G fabric and home care plants in the United States and Canada (Blum, 2015) is also a valuable example.

The policies, initiatives and actions of P&G definitely bring the company close to a BST 2.0 level. However, the company still has to fully integrate its sustainability goals and long-term vision into its overall strategy to achieve BST 2.0. As seen with the data collected from the SCALA survey, sustainability is not yet part of the core goals of the company. P&G has many important activities and objectives planned, but to reach the BST 2.0 level, the company needs to integrate all these single activities in an overall master and communication plan and anchor them into the organisational and management structure of the company.

**BST 3.0 is reachable for P&G**

Truly sustainable businesses are business organisations that have completely realised the change of paradigm that is suggested by Dyllick and Muff. They are driven by environmental challenges and try to find answers to big challenges our society is confronted with at the economic, social and environment levels through its resources, competencies and experiences. Recent programmes and initiatives of P&G provide evidence that reaching the level of BST 3.0 is a possibility.

The Children’s Safe Drinking Water (CSDW) program is an example of an outside-in initiative taken by P&G. 748 million people lack ready access to improved sources of drinking water (WHO and UNICEF, 2014 update). Drinking contaminated water is consequently a global issue that is still a leading cause of illness and death among infants and children (WHO, 2015). Therefore, fighting children mortality is having a huge visibility on the agenda of many governmental, non-governmental and international organisations. Following the outside-in approach, P&G launched in 2004 the CSDW program. Relying on a strong competence in cleaning technology the P&G laundry scientists invented a new technology based on P&G know-how used in separating dirt from used laundry water. P&G succeeded to develop a water purification product called PUR that enables people anywhere to purify water according to the WHO standards in a simple and affordable way. PUR is available in a four gram sachet, enough to purify ten litres of contaminated water. It functions like a dirt magnet, pulling dirt and contaminants out of unclean water.
The light-weight packet makes it easy to distribute in (difficult to reach) rural areas and in emergency situations like natural disasters for example. (P&G, internal information)

In 2015 P&G celebrated the 10th anniversary of the CSDW program. The company estimates that over 9 billion litres of clean drinking water had been delivered due to the usage of this technology to this date, saving estimated 32,000 lives and prevented 250 million days of diarrheal illnesses across 71 countries. P&G has the goal of delivering 15 billion litres by 2020.

Another example is related to hand hygiene. Through a campaign of the World Health Organisation, information about hand hygiene is well known, including the measures needed to reduce healthcare-associated infection and patient safety. Washing hands with soap and water is clinically proven to prevent almost 4 million children per year from dying before their fifth birthday. During the Fiscal Years 2014/15 a project of P&G with the name ‘Safeguard’ reached over 6.8 million children through school education. Safeguard was committed to teaching school children good hygiene habits that would keep them healthy and free from preventable illnesses, such as diarrhoea, coughs and colds, through school programs and an online hub with resource materials for parents and teachers alike.

Furthermore, companies in the true sustainability group have a substantial number of environmental and social policies that have been adopted for a significant number of years and reflect policy and strategy choices independent of and long preceding the current hype around sustainability issues (Eccles and Krzus, 2010). Companies in the true sustainability group use monetary incentives to help executives focus on non-financial aspects of corporate performance that are important to the company and align senior executives’ incentives with environmental, social and external perception performance metrics (in addition to financial metrics). As seen, P&G has not made this link yet, which is a further reason why the company is not a BST 3.0 company.

All these facts support the thesis that P&G has already created an essential basis and a good start for developing into a true sustainable business. The company has achieved a good performance in its journey to sustainability and can be ranked between BST 1.0 and BST 2.0. P&G has even shown evidence of being in the position of starting and implementing BST 3.0 actions and programs.

However, to reach the level of BST 3.0, P&G will need to anchor the sustainability strategy deeply in all business activities and be more outside-in driven in the future. The SCALA analysis led to the conclusion that the employees are not 100% aware of and confronted with the overall sustainability vision of the company; thus, the implementation of this vision in every step of P&G’s activities is still missing. How can P&G manage the journey to a more robust 2.0 level of sustainability or even to true sustainability? Will P&G be able to introduce and follow the transformational steps and make sustainability a respected and
CONCLUSION: THE CHALLENGES AHEAD

Truly sustainable businesses shift their perspectives from seeking to minimise negative impacts to understanding how they can create a significant positive impact in critical and relevant areas of society and the planet.

The survey showed that P&G has many strengths and opportunities that can be further strengthened and developed to succeed in this journey. P&G’s positive aspects include the following:

- P&G has concrete and challenging goals pertaining to environmental sustainability, and many of those who took this survey recognise the progress the company is making in energy consumption, solid waste reduction, global footprint reduction goals and environmentally friendly product formulations, to name a few.
- P&G has concrete goals pertaining to the social aspects of sustainability, including access to clean water, disaster relief, commitment to the health and wellbeing of consumers and commitment to diversity, equality and human rights. Unfortunately, concrete measures are not made accessible to the public.
- P&G’s employees believe that the company is better at innovating than its competitors.
- Concerning the leaders’ clear visions of the business and the importance of sustainability, P&G achieved the European benchmark and has, thus, a good starting point for further development.
- The clarity and commitment of leadership is critical for a sustainable culture. P&G has a strong cultural foundation, including trust, a focus on continual learning and previous success in implementing incremental change.
- P&G has a track record of truly sustainable outside-in products, such as Safeguard, which is a perfect example of Drucker’s argument that “every single pressing social and global issue of our time is a business opportunity” (Laszlo, C, 2008, pp. 19)

The areas in which P&G requires improvement to advance on the continuum of sustainability include the following:

- There is a need for widespread communication driven by P&G’s leaders and a broad understanding of the leadership’s vision, commitment and priorities pertaining to sustainability.
- P&G needs to clearly communicate a comprehensive strategy and business case for sustainability that integrates it into the core of the company strategy to ensure the initiatives will not be viewed
as peripheral, optional or ‘nice-to-haves’. The company must incorporate sustainability more deeply into the fabric of the organisation, particularly into organisational and employee goals, as evidenced by its inclusion in performance metrics, rewards and compensation at all levels of the company. This measure should help employees understand how the tasks and objectives are connected to the vision and provide evidence of the commitment of senior management.

- There is a discrepancy between the senior managers’ perceptions of the corporate culture and the employees’ perceptions.
- There are differences in perceptions between the age groups; for instance, the younger respondents were the least positive about the company’s sustainability culture.
- P&G should involve employees more in the company’s commitment, goals, strategies and actions regarding sustainability.

P&G has built the foundation to embark on the journey to true sustainability and demonstrated its ability to succeed in implementing incremental change. Whereas the lessons learned from these changes will be useful, a shift towards a culture of true sustainability presents some unique challenges. These challenges have been confirmed by Martin Riant, P&G’s executive sponsor of sustainability, who stated, in 2014, that he was in charge of a business that was essentially a disposable business (Makower, 2014). The challenge to meet sustainability goals will not only be based on the technology, but also relate to external forces that have driven the motivation underlying the company’s sustainability change initiative. Going forward, however, the change has to be more motivated internally (Bertels, 2010). The sense of urgency to proactively change has to be established. To successfully introduce a change, the change process has to go through a series of phases that usually require a considerable amount of time and effort. Skipping steps only creates the illusion of speed and will not produce a satisfying result. P&G has a strong cultural foundation, such as trust and a focus on continual learning, which is the basis for successfully embedding sustainability in the organisational culture. A culture of sustainability is one in which organisational members believe in the importance of balancing economic efficiency, social equity and environmental accountability (Bertels and Papania, 2010).

The fields for improvement show that P&G should work on the communication process and make sustainability a respected and integrated topic. Employees should be involved in the company’s commitment and empowered to act on the vision. Furthermore, the plan for visible performance improvements, including recognising and rewarding the employees, should be enhanced. Finally, to become a truly sustainable business, P&G has to shift its perspective from seeking to minimise its negative impacts through the improvements listed above to understanding how it can create significant positive impacts in relevant areas for society and the planet.
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## APPENDIX 1 - P&G sustainability goals

### Conservation of Resources

<table>
<thead>
<tr>
<th>Goal</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce energy use at P&amp;G facilities and total CO₂ (Scope 1 and Scope 2) by 20% per unit of production by 2023.*</td>
<td>Since 2012, we have reduced our energy usage by about 7% and our total CO₂ emissions (Scope 1 and Scope 2) by about 15% per unit of production.</td>
</tr>
<tr>
<td>Ensure 70% of all washing machine loads are washed in cold water.</td>
<td>Since FY2013, our data indicates the percentage of global washing machine loads washed in cold water increased from 38% to 59%.</td>
</tr>
<tr>
<td>Reduce truck transportation kilometers by 20% per unit of production.*</td>
<td>We continue to make progress by optimizing distribution routes and increasing the use of multi-modal transportation to reduce our truck-based kilometers per unit of production.</td>
</tr>
<tr>
<td>Reduce packaging by 20% per consumer use.*</td>
<td>Since 2010, we have reduced packaging by about 4% per consumer use.</td>
</tr>
<tr>
<td>Reduce water use in manufacturing facilities by 20% per unit of production, with conservation efforts focused on water-stressed regions.*</td>
<td>New goal announced October 13, 2014; we will report progress next year.</td>
</tr>
<tr>
<td>Provide 1 billion people access to water-efficient products.</td>
<td>New goal announced October 13, 2014; we will report progress next year.</td>
</tr>
<tr>
<td>Double use of recycled resin in plastic packaging.*</td>
<td>New goal announced October 13, 2014; we will report progress next year.</td>
</tr>
<tr>
<td>Ensure 90% of product packaging is either recyclable or programs are in place to create the ability to recycle it.</td>
<td>New goal announced October 13, 2014; we will report progress next year.</td>
</tr>
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</table>

### Renewable Resources

<table>
<thead>
<tr>
<th>Goal</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure plants are powered by 30% renewable energy.</td>
<td>Our use of renewable energy is about 8%. We continue to evaluate and expand our portfolio of energy sources.</td>
</tr>
<tr>
<td>Create technologies by 2020 to substitute top petroleum-derived raw materials with renewable materials, as cost and scale permit.</td>
<td>Revised goal announced October 13, 2014; we will report progress next year.</td>
</tr>
<tr>
<td>Ensure traceability of palm oil and palm kernel oil to our supplier mills by December 31, 2015, and to plantations by 2020 to ensure zero deforestation in our palm oil supply chain, with a commitment to working with small farmers.</td>
<td>We continue making progress against our goals for full traceability in our palm oil supply chain. Please visit details of our progress on pg.com/sustainability.</td>
</tr>
<tr>
<td>Have 100% of the virgin wood fiber used in our tissue/towel and absorbent hygiene products be third party certified by 2015.</td>
<td>About 99% of our virgin wood fiber was third party certified.</td>
</tr>
<tr>
<td>Have 40% of the virgin wood fiber used in our tissue/towel products be Forest Stewardship Council® certified by 2015.</td>
<td>54% of the virgin wood fiber used in our tissue/towel products was FSC® certified — exceeding our 20% goal one year ahead of schedule.</td>
</tr>
<tr>
<td>Have 100% of our paper packaging contain either recycled or third party-certified virgin content by 2020.</td>
<td>96% of materials surveyed this year were either recycled or third-party-certified virgin content.</td>
</tr>
</tbody>
</table>

### Worth From Waste

<table>
<thead>
<tr>
<th>Goal</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct pilot studies in both the developed and developing world to understand how to eliminate landfilled/dumped solid waste.</td>
<td>Feasibility studies have been completed for the landmark city for the Waste to Worth project in the Philippines. This year, P&amp;G also became a founding member of the Closed Loop Fund, which will provide low-to no-interest loans to support projects intended to increase recycling in the U.S.</td>
</tr>
<tr>
<td>Reduce manufacturing waste to landfill to less than 0.3% of input materials.</td>
<td>We reduced the manufacturing waste to landfill to 0.4% — exceeding our 2020 goal six years ahead of schedule.</td>
</tr>
</tbody>
</table>

### Social Programs

<table>
<thead>
<tr>
<th>Goal</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve the lives of 50 million people each year through our social sustainability programs.</td>
<td>P&amp;G has exceeded this goal for 2013/14, with a focus on providing programs and daily essential products when and where they are needed most and perform at their best.</td>
</tr>
<tr>
<td>Save one life every hour by 2020.</td>
<td>The P&amp;G Children’s Safe Drinking Water Program delivered 1.4 billion liters of clean water this year and is on track to meet our goal by providing 2 billion liters of drinking water each year by 2020.</td>
</tr>
</tbody>
</table>