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Sustainable Development: Finding the Real Business Case

George Carpenter and Peter White

While much has been written about “the business case for sustainable development,” companies have struggled to show that they have built their business by taking on a sustainability agenda. The debate has focused on the need for corporate social responsibility and environmental protection, and the benefits claimed in terms of risk reduction, improving employee morale, and enhancing recruitment and corporate reputation. Yet this approach is limited to areas of responsibility; to removing, or avoiding, the negative, non-value added aspects of doing business. Business has another significant contribution to sustainable development, through development of new products, services, initiatives, markets, and business models to ensure a better quality of life for everyone, now and for generations to come. This goes beyond corporate social responsibility, into the area of “corporate social opportunity.” This paper shows how one company, Procter & Gamble, is trying to link opportunity with responsibility, to demonstrate the real business case for sustainable development.

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Introduction

Since it rose to prominence in 1987 in the Brundtland report,¹ the concept of sustainable development has evolved significantly. Initially concerned with linking environmental protection and economic development, it became “all about being green” in the 1990s, and then social and economic development in developing countries became the primary focus of the Johannesburg World Summit on Sustainable Development in 2002. The 15 headline indicators of sustainable development used by the United Kingdom,

which range from purely economic measures such as GDP, through social indicators such as education and crime levels, to environmental measures of air and water quality, biodiversity and resource use, provide a good example of the breadth of today’s sustainability thinking (Table 1).²

Table 1
Indicators for Sustainable Development
The UK’s 15 Headline Indicators

<table>
<thead>
<tr>
<th>Economic</th>
<th>Social</th>
<th>Environmental</th>
<th>Resource Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Output</td>
<td>Employment</td>
<td>Climate Change</td>
<td>Land Use</td>
</tr>
<tr>
<td>Investment</td>
<td>Poverty &amp; Social Exclusion</td>
<td>Air Quality</td>
<td>Waste</td>
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<tr>
<td></td>
<td>Education</td>
<td>Road Traffic</td>
<td></td>
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<tr>
<td></td>
<td>Health</td>
<td>River Water Quality</td>
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<td></td>
<td>Housing Conditions</td>
<td>Wildlife—Farmland and</td>
<td></td>
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<tr>
<td></td>
<td>Crime</td>
<td>Woodland Birds</td>
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The evolution of the concept has not been matched by improvement in its communication, however. The original definition from the Brundtland report failed to communicate or relate to the person in the street, nor has it made clear what the role should be for business in delivering sustainable development. In many ways, it has become all things to all people. One definition that may make this role clearer, and the concept more appealing and aspirational to the general public, is that used by the UK Government. In their words “Sustainable Development is a simple idea. It’s about ensuring a better quality of life for everyone, now and for generations to come.”³ We have consulted many stakeholders around the world, and most agree that this definition includes all the elements of sustainable development, but does so in a much simpler, aspirational and “can-do” manner.

The UK Government definition also makes clear how business can increasingly contribute to sustainable development—by providing products and services that improve quality of life for everyone, in developed and developing countries, now and for generations to come. This is not how the sustainable development role of business has been viewed historically. For the last 10-15 years, both society and business have viewed the business role as focused on eliminating the unintended byproducts of doing business (waste, air and water pollution, and now improving labor practices in developing countries). Business accepted this role and responded at the Rio Earth Summit with visions of system-wide environmental management systems across global corporations, of eco-efficiency benefiting the environment and the bottom line, and of total quality applied to environmental management.

This was accomplished by looking at the sustainability role of business in the context of its “responsibility” to society. This focus was also very clear in the outcome of the Johannesburg Summit. The Summit addressed the needs of a planet with a future population of some 8 to 9 billion people. It confirmed the need to achieve the Millennium Development Goals—eradication of poverty and hunger, reduction of childhood mortality, improving maternal health, halving the proportion of people without access to safe drinking water—and added a much needed target on sanitation. However, in the Johannesburg Plan of Implementation,


³ Ibid.
business is mentioned mainly in terms of corporate responsibility and accountability, and the need to eliminate the negative environmental or social side effects of business. Viewed in this “responsibility” context, business often appears to be more part of the problem than part of the solution.

**Responsibility**

Let us be clear, however, that we see sustainable development as a responsibility for business—a responsibility to ensure environmental protection, exercise corporate social responsibility and promote economic development.

Although the term “corporate social responsibility” may be new, the subject has a long history in many companies. In P&G, for example, the first code of regulations—for ethical conduct—was written in 1915, while profit sharing for employees began in 1887. More recently we have been trying to make such internal codes more accessible to external stakeholders leading to publication of our policies, plus our expectations of suppliers, on the P&G web site. Environmental protection is also a significant business responsibility. Through the development of risk assessment, lifecycle assessment and environmental management, it has been possible to ensure that a company’s products and processes are safe for consumers, employees and the environment.

In the Brundtland report, the role of business in delivering sustainable development was in providing “more with less”—more value from goods and services with less use of resources and less production of waste. Through the work of the World Business Council for Sustainable Development (WBCSD), and UNEP, this objective has been translated into the parallel concepts of “eco-efficiency” and “cleaner production” respectively. Today this same concept is referred to as “de-linking”—de-linking increasing human welfare from the use of natural resources.

P&G’s efforts at eco-efficiency have included both new products and improved processes. “More from less” products have included compact detergents that achieve a better wash performance, while using only 50% of the ingredients and a fraction of the packaging needed for conventional “big box” products. In manufacturing, designing waste out of products allowed us to avoid over two million tonnes of waste over the last decade. In logistics, we recently re-organised our distribution systems across Europe to give a better service to our customers, while at the same time cutting 10 million truck kilometres per year.

**So where is the Business Case for Sustainable Development?**

Many argue that there is a moral case for business fulfilling its responsibility towards sustainable development. Many companies, P&G among them, have a strong ethics base and a principle of “doing the right thing.” On top of this moral case, however, many companies, organizations, NGOs and academics have been pursuing a business case for sustainable development—the notion that addressing sustainable development will make a company more, not less, competitive. The development of indices such as the Dow Jones Sustainability Index and the FTSE4 good are built on the premise that there is long term business value for investors in companies committed to sustainable development. Many think the jury is still out on this connection. Indeed, one might ask that if the business case was already proven, why don’t all companies take this path? Perhaps the plethora of articles (including this one!) that claim to show the business case indicate that “the lady doth protest too much.” If there

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4 See www.pg.com.


really is a business case, would we still be writing articles such as this?

In truth, progressive companies have long been frustrated by the failure of green marketing and by the failure of sustainability efforts in general to bring real competitive advantage in the form of top-line growth, new consumers and new markets. For example, the technical innovation of compact detergents has not been matched in many countries by changes in consumer behaviour, since many still prefer the more bulky “big box” powders. The business case that has been the subject of numerous case studies tends to focus on often indirect benefits, such as improving reputation, enhancing employee morale, retention and recruiting, which are hard to quantify. There is a real benefit in risk reduction, but this is also hard to quantify—in advance. The one exception is eco-efficiency, where cost savings can be directly translated into the bottom line. P&G’s programme to “design manufacturing waste out” saved the company over $500 million as well as 2 million tonnes of waste; our redesign of distribution in Europe saved an annual $25 million as well as 10 million truck kilometres. Yet even here there are diminishing returns, since once initial eco-efficiency savings have been made, it becomes harder to find further improvements. It is even more difficult to find where companies have actually built their business through taking on the sustainability agenda.

We believe we have found at least part of the answer. In focusing only on responsibility, business has been focused only on eliminating what never had value in the first place for our consumers. The focus has been on eliminating pollution, waste and natural resource depletion, or more recently poor working conditions or child labour. When you focus only on being “less bad,” by definition you can never be “good.” The best you can be is “less bad” than you used to be, or less bad than others. This is not a positive message, nor a way to grow future business value. One possible way round this conundrum, however, is to link opportunity with responsibility.

**Linking Opportunity with Responsibility**

We are not suggesting that the substantial business efforts focused on responsibility have been misplaced. To the contrary, we would propose that a “responsibility” focus is a necessary foundation before business can expect to find “opportunity” and top line value. However, could it be that business has seen itself for so long as part of the problem, that it has lost sight of its opportunity to be part of the solution? While companies continue to work on and improve their “responsibility” role to society, it is time for them to also think about the “opportunity” potential that lies within the concept of sustainable development. The beginnings of those links to new “opportunity” for companies such as P&G are found in some of the UN Millennium Development Goals (Table 2).

For companies such as P&G, the challenge to make sustainable development part of the goods and services we deliver is not business as usual. It means reaching consumers we have never reached in rural villages and urban slums of the developing world. It means developing new products specific to the needs, frustrations and aspirations of those new consumers at an affordable price. It means exploring new business models, often built on volume instead of margin, and with new supply and distribution systems to lower cost and reach where we have never gone before. Such ideas have been proposed from many quarters in both the business and academic fields. The “bottom of the economic pyramid” work of Hart and Prahalad, the report on Sustainability Through the Market and the “Sustainable

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8 Holliday, C., Pepper, J. (2001) Sustainability Through the Market–seven keys to success. World
Livelihoods’ working group of the WBCSD are all converging on these concepts.

**Table 2**

**Millennium Development Goals**

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<td>• To halve the proportion of people who suffer from hunger.</td>
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<tr>
<td>• To halve the proportion of people who do not have access to safe drinking water.</td>
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<tr>
<td>• To halve the proportion of people who do not have access to basic sanitation (Johannesburg WSSD Plan of Action).</td>
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<tr>
<td>• To reduce under 5 mortality rate by two thirds.</td>
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<td>• To reduce maternal mortality by three-quarters.</td>
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<td>• To empower women and promote gender equality between men and women, and</td>
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<th>By 2020</th>
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<td>• To achieve a significant improvement in the lives of at least 100 million slum dwellers.</td>
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**Pursuing a Sustainability Business Model**

So how are companies trying to meet this challenge? P&G has worked with UNICEF to combat micronutrient malnutrition. Over half a billion people worldwide are deficient in iodine, iron and vitamin A, resulting in stunted growth, impaired learning, increased child and maternal mortality. 250,000 children go blind every year. To address this problem, P&G developed a powdered drink product, Nutris- tar, which effectively delivers the missing micronutrients. The product was clinically tested in Tanzania, test marketed in the Philippines, then marketed in Venezuela.

Every year, over three million people, many of them children, die from diarrhea. One billion two hundred million people are without access to safe drinking water, yet safe water would reduce diarrhea incidence by about one-third. The UN Millennium goal equates to delivering safe drinking water to 125,000 new people every day. The consumer marketplace is one of the few places where one can envision creating that kind of scale. Yet it has been largely ignored until now in the pursuit of safe drinking water. Several years ago, P&G purchased the PuR brand, a U.S. based in-home water purification business. We are developing low cost technologies, and business models to bring those technologies to consumers, that will be effective on the more serious water problems in the developing world.

Similarly, over 2 billion people are without adequate sanitation, and better hygiene can reduce deaths caused by diarrhea by up to 33%. P&G has been in the bar soap business for decades, and our Safeguard brand, working in developing countries with local health ministries to create awareness about the importance of hygiene, is showing how public-private partnerships can reach far more people with health messages than either the ministry or we could do individually.

Individuals will change their consumption practices when they realize they can improve their quality of life. In many parts of the world, dental hygiene is virtually unknown, or poorly developed. P&G has partnered with national organizations in many countries, including China, Poland and Russia to raise awareness. Clinical studies in Poland and Russia showed a 60% reduction in cavities. In the process, we laid the foundation for a new market where none existed before.

There is also the possibility to link developed world markets to developing world needs, through cause-related marketing initiatives. P&G’s Fairy brand organized an initiative

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Finding the Sustainable Development Business Case

with UNICEF to help combat tuberculosis in West Africa. For every bottle of product purchased, P&G paid for a TB vaccine to be delivered by UNICEF where it was most needed. This initiative was run in Spain and Portugal, then twice in the UK, and in total delivered some 11 million TB vaccines, while building P&G’s business.

These product and business model innovations can significantly improve lives, and help build business. This is not business as usual and it is not philanthropy; it is building social, environmental and economic sustainability into business in a strategic way.

Developing new products and new business models for developing markets present significant challenges, however, and not all initiatives succeed. Our Nutristar product, for example, was intended for developing world markets, yet was developed with a developed world mindset. It included all of the available technology, rather than being aimed for a low purchase price. Consequently it proved impossible to reach all of the consumers who needed the product. Combined with political instability in Venezuela which prevented us from refining our business model, this led to Nutristar being withdrawn from test markets.

Managing Sustainable Development

The importance of the business case for delivering sustainable development cannot be overstressed. If we rely on philanthropy to deliver improved quality of life around the world, it will only go as far as the funding will allow. If we rely on the moral case alone, it will be restricted to those companies driven by high ethical standards. If there is a real business case, however, then such initiatives will continue to grow and spread, and we can start to achieve the considerable scale that is needed to deliver against the millennium development goals. Once there is a real business case, the water will start to run downhill; until now we’ve been trying to push it uphill.

The real business case requires that companies link opportunity with responsibility. If the focus stays limited to just areas of corporate responsibility, the oft-quoted view that sustainability provides long term value, but short term costs, will prevail. It can also cause problems with how sustainability is managed within companies. If it is seen only as a responsibility, sustainable development will be treated as an issue to be managed, rather than as a business opportunity to be pursued. Consequently, it will be managed by a corporate function, much as health, safety and environment has been managed in the past. Only if responsibility is linked with opportunity is sustainable development likely to get the attention of senior management and become built into businesses in a strategic way.

In Conclusion

To find the real business case for sustainable development, companies need to find ways to link opportunity with responsibility. They need to:

• Turn attention from just eliminating negatives to creating positives;
• Move beyond eliminating “non-value” to creating “new value;”
• Not just look for market-based solutions, but see the market itself as a solution; and
• Evolve from seeing the value of sustainability as removing the risk from business, to seeing sustainability as their business.

In no way do we claim that we, or our company, have fully figured out the business case for sustainable development. However, we do know that a robust business case is necessary to deliver a better quality of life on the scale needed to achieve the development goals that the world has set.
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The longest running publication focusing on business sustainability, Corporate Environmental Strategy: International Journal for Sustainable Business (CES Journal), is now in its 11th year of publication. CES Journal is published in a loose leaf format and online (CES Journal OnLine). A print subscription includes a sturdy three-ring binder which is tabbed to facilitate insertion of the contents from 10 issues each year. CES Journal OnLine includes current issues as well as issues from past volumes (Volume 8-2001, Volume 9-2002, and Volume 10-2003).

Editor in chief, Don Smith, provides a thought-provoking Editorial in each issue. The Articles and Commentaries are written by leading sustainability experts and opinion leaders. Some of those same leaders provide their unique insights in the journal’s exclusive Interviews. In addition to the comprehensive Table of Contents, and Calendar which are updated with each issue, CES Journal includes Legal & Legislative Developments, and In the News sections, which focus on late-breaking news and trends about sustainable business. The Resource Review section now includes reviews of Books, Conferences and Software. CES Journal OnLine includes a powerful and fast search engine so that subscribers can easily locate content of interest.

Businesses are facing increasing attention and higher societal expectations relative to their “sustainability performance” from an entire host of stakeholders including regulators, policy-makers, investors, and non-governmental organizations to name but a few. CES Journal provides an important and lasting resource for those seeking to travel this often uncharted territory, all undertaken in the context of making your professional efforts more effective. Implementing one idea that you learn from the journal could more than pay for the cost of a subscription—a good ROI! Get CES Journal working for you today. Subscription pricing, sample content, and ordering information are available on the journal web site:

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