

The Significance of Improving Environmental Performance to P & G's Sustainable Development

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Abstract

This thesis examines in detail how sustainability has affected the P & G's development and how the company has responded to the changing situation. In doing so, this thesis examines the initiatives that the industry has taken, the motivations behind these initiatives, and the challenges that the company faces in future implementation of sustainability initiatives. All of these points regarding sustainability are examined through Environmental Management Systems, thus making the analysis more comprehensive.

Keywords

Sustainable Development; Environmental Pollution; Environmental Management Systems.

1. Introduction

In today's world, with the increase of the environmental protection awareness of people, they pay more attention to industries' environmental performance, especially to great-scale enterprises. Hart (1996) states that "Corporations particular those with a global presence, are required to commit to a sustainability strategy, and many have accepted their responsibility not to harm the environment." Therefore, P&G as one of the biggest company of consumer goods needed to be a model for the improved environmental performance. The development of enterprise means the performance of long-term business success not just about short-term profits increasing. To help P&G improve environmental performance and achieve long-term company success. This essay will discuss the topics of pressure on business, P&G's environmental impact, Environmental Management Systems (EMS), expected performance. "In recent years, as companies must be challenged by environmental legislation and societal pressures, sustainability has become a key factor in long-term business success" (Elkington, 1997). The first part will prove that the governed by legislation and standards, and the supervised by people are helpful to meet enterprise's goal of protecting the environment and increase company profit. The second part will show that P&G already make contributions to the environment. The third part will explain the importance of EMS and the reason why the enterprise needs an EMS to integrate it into all aspects of the business operation fully. The last part talks about the expected difficulties and benefits during the process of improving environmental performance.

This essay explains how to improve P&G's environmental performance, and achievements achieved by enterprises using sustainable development strategies will have a significant role to play in the field of competition and expansion of production scale for the company. Sustainability development affects the way of a mode of production.

2. Pressure

With the completing environment legislation, raising awareness on the importance of environmental and increasingly severe environmental pollutions, companies were already

stressed as a pressure for businesses to protect the environment. These influences come from three aspects:

Firstly, faced pressure from legislation and standards, governments around the world are enforcing the environmental laws and standards seriously. The government will punish company by paying huge fines for breaching the rules or causing an environmental accident. There is a growing infrastructure of legislation and standards to help guide to enterprises, an increasing number of private businesses and national organizations are devoting to become certified as a green business. The legal framework of environmental includes participation in international agreements, such as ISO 14001, BS7750, SA 8000 and United Nations Global Compact. Among the legislation, UN Global Compact and ISO 14001 are the most commonly adopted principles and standards.

“The UN Global Compact is a United Nations initiative that encourages enterprises worldwide to adopt sustainable, responsible policies and report their implementation. The UN Global Compact contains ten principles in the areas of environment, anti-corruption, labor, human rights. Over 13,000 companies worldwide have become signatories. The UN Global Compact is the world’s largest institution devoted exclusively to sustainability. The UN Global Compact is the business extension of broader UN goals, including the Millennium Development Goals (MDG) and Sustainable Development Goals(SDG)” (Knight &Smith, 2008). ISO 14001 is an international standard that allows organizations to know the processes within the enterprise better. The aim of ISO 14001 is to support organizations with all the elements needed to prevent pollution and implement an EMS effectively. Company’s management, employees and external stakeholders can measure and improve environmental impact through using ISO 14001. Overall, legislation and standards are considered an effective means to protect the environment. The benefits of implementing environmental laws are include improving organization’s environmental performance, increasing customer confidence and reducing the impact of the environment especially on the air, forest, water, land, soil, etc. (Madar,2016).

Secondly, faced pressure from community residents, the people in the community will complain the environmental pollution to social media or local environmental protection bureaus, the complaints will influence the reputation of the enterprise. The supervision of the stakeholders plays a strong supporting to the implementation of legislation. “The persistent call for the corporation to be socially and environmentally responsible originates from sustained pressure exerted by a range of stakeholders, including customers, communities, employees, governments, and shareholders” (Sethi, 2003; Epstein, 2008; Hess& and Warren, 2008; Sarkar, 2008). Stakeholders’ supervision can assist companies to build a management control framework, which can eliminate impacts that pollute the environment.

Thirdly, faced pressure from the market, once the organization can obtain the certification of ISO 14001, it will amount to get a green passport to access international market. Under the limited by the legislation and supervised by stakeholders, P&G should pay more attention to source materials, products and so on.

3. Impact to Environment

In recent years, consumers are very interested in the impact to the environment from raw materials and products, because of the increasing concern for enterprise environment influence and environmental protection are common concerns of humanity. Banerjee (2001) results indicate that “Proactive sustainability strategy improves corporate environmental performance through efficient use of resources, increased cost advantage, reduced waste and discharge, promotion of social reputation, improved customer preferences, and generation of new innovative capabilities.” P&G already integrate sustainability objectives into the operation

of the enterprise and take effective actions in achieving sustainability goals. The actions are as following:

For the source materials, Philippines and Indonesia are the major sources of coconut oil for P&G. Due to poor awareness of environmental and lack of training resources, low productive efficiency and unsustainable existed in local agriculture. P&G will remain in danger of supply chain break. Therefore, P&G corporate with German development agency GIZ to roll out plans for Sustainable Agriculture Network (SAN) and Good Agricultural Practices (GAP). Through the program, around 3,000 farmers in the Philippines and 300 in Indonesia will receive training on GAP. Also, nearly 800 farmers will receive additional training on the SAN to apply for the certification of Rainforest Alliance (P&G,2016). The program not only improving the productivity of farms but also avoiding P&G supply chain break.

For the products, all the product boxes and packing cases of P&G are making of 100% recyclable materials; it already saves more than 6,000 tons of packaging material. P&G also reduce the number of heavy metals in the packing printing ink to ensure a better safety image. It is worth mentioning that, Tide purclean™ is the first liquid laundry detergent developed by P&G which could benefits to sustainable development without the influences on cleaning result. The liquid laundry contains up to 65% of its total ingredients from plants and other renewable that were certified by the USDA (P&G, 2016).

For the workplace, in the earliest of 2016, P&G partnered with a subsidiary of Exelon-Constellation to develop a 50-megawatt biomass plant. Compared to the traditional thermal power plant, the new facility significantly improves the use of renewable energy and closer to its 2020 goal of ensuring plants are powered by 30% renewable energy. During the same period, P&G cooperated with EDF RE to develop a new wind farm in Texas to bring 100 MW renewable powers online. The new wind farm would eliminate 200,000 metric tons of greenhouse gas emissions per year. All the electricity from the wind will be used to manufacture commodities such as shampoo, soap and laundry detergent (P&G, 2016).

Clients want to have sufficient confidence in the products by P&G. To earn this trust, P&G must be able to demonstrate that it has implemented an effective EMS (Neacșu, 2015).

4. Environmental Management Systems

EMS can help P&G improve environmental performance, and it is necessary to become part of the organization's strategic planning. EMS involves systems and procedures which implemented by the company to avoid the occurrence of damage to the environment (Welford, 1996 p2-3). The implementation of EMS is based on ISO 14001. It is effective keeps the balance between environmental activities and organizational performance (Herghiliciu, Sarghie, and Robu, 2017). Plan Do Check Act model is an excellent choice to develop EMS which is proposed by Deming. This model includes four steps.

The first step was in 1988, P&G set up its first factory in Guangzhou, China. In a start-up, there were not many buildings around the factory. With the development of society, currently, the factory is surrounded by schools, restaurants, residential quarters, etc. The facility was producing a plenty of washing powder and toothpaste every day. The production process required large amounts of energy and raw materials which create waste including CO₂, phosphorus and plastic packing. Based on the definition of ISO 14001(2004), "The practices of sustainability and environmental reporting are strongly affected by the approach of the company on the environmental side, if it has an Environmental Management System in place." Therefore, P&G had to develop an efficient EMS for reducing pollution. P&G had to spend an enormous cost to invest the system. The investment has brought many benefits such as improve environmental performance, enhance corporation image, reduce noise pollution. Besides, according to Comoglio & Botta (2012) "The EMS implementation increases commitment

toward environmental performance and determines higher investments toward environmental improvement.” Compared with select a new location, the costs of EMS were much lower.

The second step is, on the one hand, to reduce air pollution, P&G uses solar panels of total 2330 square meters. The solar boilers are 2.5 meters in width, and they can adjust automatically to the sun’s angle. The solar panels could reflect the sunshine back into pipeline and head to 180 degrees, and then heat water rapidly into steam. This innovative way effective alternative to natural gas boilers, it allows lower power consumption and air pollution, thus would decreasing SO₂ and CO₂ emissions by more than 500 tons per year. On another hand is reduce pollution in phosphorus and plastic bags, the waste products are collected and translated for manures, shoe soles, title by the authorized enterprises with which the operation signed by the contracts (PR Newswire, 2017).

The third step is, the production process involves the washing operations, process generating polluted water. The wasted water has to flows into Slant Plate Clarifiers to remove solid particles, and then flow into Watermark Dissolved Air Flotation to attach sir bubbles with small contaminants and remove by a skimming mechanism. This reclaimed water joins up to form filter press and desulphurization wastewater conditioning pool. Through the processes of filtration, the treated wastewater can reach the second grade of sewage comprehensive discharge standard, in the end P&G can realize qualified waste water. Wastewater dealing equipment can help P&G save huge costs better than pay fines for environmental pollution.

The fourth step is, to reduce emissions of polluted water, P&G should consider installs the biological treatment system, to reduce leakages through the specific colour of the water. Also, to improve the performance of EMS continuously, P&G should arrange related activities, such as strong water-sewer installations, regularly scheduled maintenance, communicate clear environmental goals to staff.

Through the implementation of EMS, improve not only P&G image but also increasing the environmental awareness degree of the entire organization. P&G’s behaviour increase in customer confidence, once they get confidence, more customers will purchase products from P&G as well (Madar,2016). EMS can help enterprise improve environmental performance, during the process of increasing performance; it brings both benefits and difficulties to the company.

5. Benefits and Difficulties

The implementation of improved environmental performance provided some advantages to P&G. According to Muhammad, Scrimgeour, Reddy, & Abidin (2015), “Corporate Environmental Performance enables businesses to improve corporate image, reputation and competitive advantages, strong the quality of enterprise’s products or services, increase the environmental awareness degree thus leading to improved firm financial performance.” The analyser is as follows: A new study conducted by The Guardian indicates that enterprises with high-sustainability and environmental performances always create more profits, return on asset and return on equity to their stakeholders. The main reason is compared with the low-sustainability organization. Sustainable enterprise continues to attract and keep more loyal employees and customers, thus gain a more competitive advantage (Firstcarbon Solutions, 2014).

During the improving processes, the difficulties are coming from two sources: one is the enterprises’ external strategic environment, these impediments include transport, supply, communicate, and policy support. For example, businesses will spend more time and costs on environmental protection, such as purchase new machine and learn to operate it. If there is no national policy support, as well as incentives, it might reduce the enthusiasm of enterprises to improve environmental performance. Another is the plans' underlying factors, and it includes the investors support, management quality. For example, if the investors only focus on short-

term profits, without the awareness of sustainable development, it will absence enough capitals for the EMS implementation and operation.

6. Conclusion

The primary purpose of this thesis is to prove P&G should seek to become a sustainable enterprise and committee to improve environmental performance. The results reveal that the improving organization environmental performance positively connects to developing companies sustainable strategies. The theories are that increasing the pressure from the society and laws will help company reducing environmental risks, improving comprehensive management system, complying with environmental legislation and standards. Through the legal certification, it can effectively promote P&G to take the road of sustainable development. The essay contributes to a better understanding of P&G future sustainable development. The findings also raise EMS for P&G to be embedded in the strategic plan to help realize the aim of increasing compliance and reducing waste. In particular, through the EMS implementation, during the processes of establishing new energy power plants, it needs for more efficient testing and potential careful research. For different locations, especially in the residential area require more stringent control.

P&G's future research is necessary to look for more environmentally friendly materials and energy, and further increase corporate image and visibility. There is a need for further research to potential difficulties and overcome it. In today's world, the earth has numbers of enterprises faced the shortage of natural resources. To store and protect natural environment means to achieve sustainable development and only by protecting the environment can P&G have a better life for its future, so that all aspects of development can continue to have stamina.

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