



SC JOHNSON

Doing the Right Thing: Corporate Case



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I. INTRODUCTION

What is the right thing to do? If you happen to climb Mt. Fuji, one of the sage advices you'll get by the wiser folks is - "make sure that you leave the mountain cleaner and more beautiful than you originally found it to be. It's the only one we got".

Well, that, in our opinion is the right thing to do. In business too, it essentially translates to the same thing – to leave soil, air and water cleaner than we originally found it, so that the future generations are able to live in an ecologically, economically and equitably just manner. And some companies have demonstrated that the right thing to do is also the right thing for the business.

For SC Johnson, a privately held, family owned consumer goods company, sustainability has always been about doing the right thing. After all, not many companies become 'hip' after 12 decades of existence, which is when SC Johnson's legacy of environmental leadership coincided with the 'green trend'. Headquartered in the US, they have been in the cleaning business since 1886 and have evolved into one of the leading makers of household cleaning products and products for home storage, air care and insect control like Pledge, Zip Loc, Saran wrap, Baygon etc.

With operations in 70+ countries, sales of over \$8 billion and a 12,000 strong work force world wide, SC Johnson has come to be known as a leader in the green space. The current Chairman and CEO is the great-great-grandson of the company's founder. An early adopter

company, they are in their 18th year of making sustainability reports, about the time when the term TBL was barely taking shape. Being privately held enables them to focus on doing what's right for the next generation, not just the next quarter's earnings report.

The most recent induction into their long list of environmental performance commitments is the www.whatsinsidescjohnson.com website, a radical transparency show-down of the full disclosure of all the ingredients that go into making their products. Another industry defining 'gold' standard that the company has pioneered is the award winning Greenlist™ ingredient classification process to weed out the restricted ingredients.

As founding members of the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI) and the main sponsor GHG Protocol Supply Chain standard, SC Johnson is taking aggressive steps to develop global metric standards within the supply chain. And the company's engagement with the Base of the Pyramid Protocol has created mutually beneficial businesses in the BOP communities – people living at the lowest economic level in the world.

A dedicated team of 133 people drive the company's sustainability efforts in the 4 key platforms: Improving Products, Reducing Resource Use, Strengthening Communities, and Protecting Families.

The following pages elaborate the strides this company has made in the area of incorporating the triple bottom line into the very core of its business practices with strong engagement with all its stakeholders.

II. STAKEHOLDERS

SC Johnson’s key stakeholders are illustrated in Figure 1, as set out by *This We Believe* values charter of expectations for operations around the world. Figure 2 shows some of the non-governmental organizations (NGOs) formed by SC Johnson’s stakeholders.

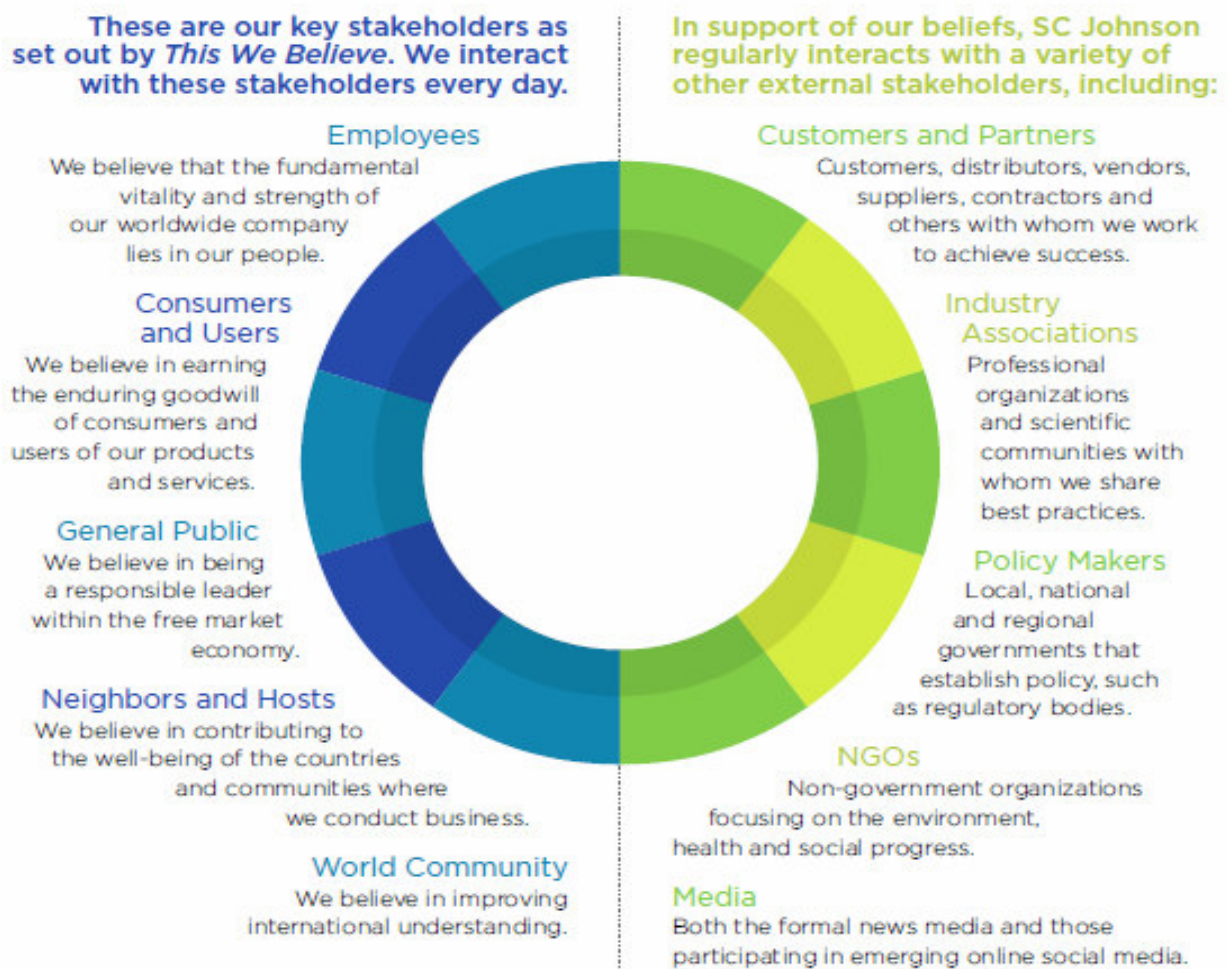


Fig. 1. SC Johnson Stakeholders



Fig. 2. SC Johnson's stakeholders NGOs

III. 4 KEY SUSTAINABILITY PLATFORMS

1. IMPROVING PRODUCTS (Using Earth-responsible raw materials)

By looking at their ingredients as biological or technical nutrients and incorporating safer chemicals policy that use Earth-responsible materials, the company strives to reduce the toxic footprint of their products and processes. And the way to progress is to be transparent about it. That is why, the company started the 'What's inside SC Johnson' initiative.

"Consumers want transparency and we're committed to providing it", stated SC Johnson's Chairman and CEO Fisk Johnson in March 2009. It was followed by the launch of their new website with full disclosure of all the ingredients in their products.

A part of a broad communication ingredient program which builds on the Consumer Product Communication Initiative, this website is a move towards a higher transparency level in their products through communication, not only via the website, but also via a toll-

free phone call. It means that a consumer can simply call up the company and get a direct answer to any concerns they have related to the product.

Greenlist™ process: institutionalizing product stewardship

The Greenlist process developed in 2001 is used to find and formulate better ingredients for performance, environment and human health. It provides ratings for more than 95% of the ingredients with each ingredient receiving a rating from 3 to 0. An ingredient with '3' rating is Best, '2' is Better, '1' is Acceptable and '0' rated material are used on limited basis only. The goal is to raise the toxic score on their Greenlist, which is, and rightly so, tied to the employee compensation system.

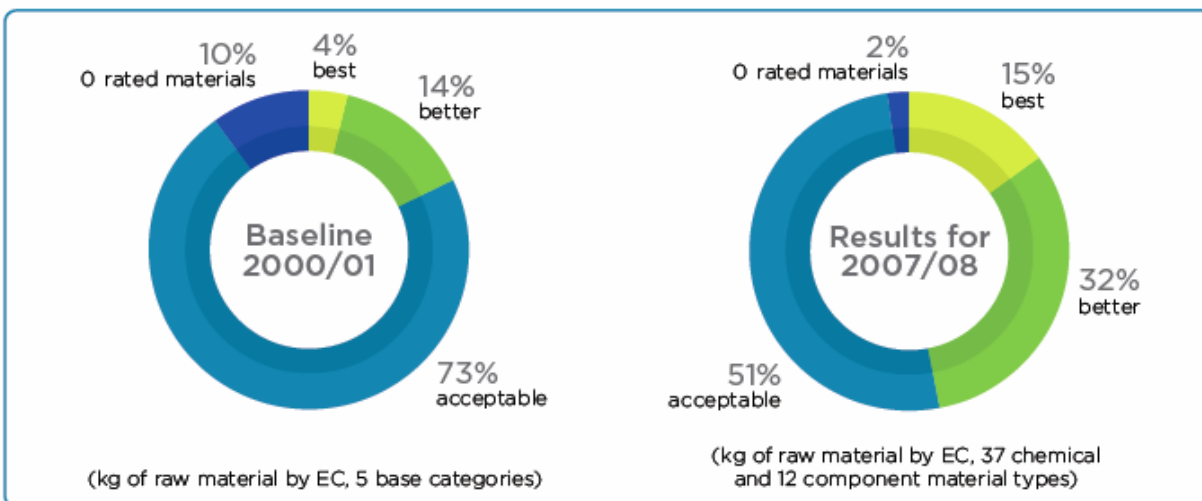


Figure3. SC Johnson's total environmental classification (EC) score results in the baseline year 2000/01 and the year 2007/08, using the Greenlist™ process.

This patented Greenlist™ process has been reviewed by numerous organizations like World Wildlife Fund (WWF), Society of Environmental Toxicology and Green

Chemistry and also received a third party validation from the Chemistry Institute, in the US. A collaborative effort, it was developed with inputs from UK's Forum for the Future, and US Environmental Protection Agency(EPA), suppliers, university scientists and other organizations. Over time it has become a model for how companies can harness the power of their supply chains to promote sustainability.

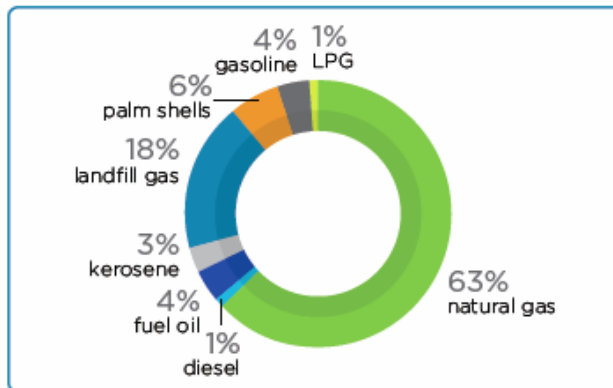
2. REDUCING RESOURCE USE (Reducing energy consumption and GHG emissions)

In 2000, SC Johnson established a GHG emissions benchmark and by 2005 they had significantly cut down their emissions. They further set a goal to reduce and conserve the critical resources by 2011 on which they are dependent on. The company has already surpassed their 2011 goals of GHG emissions reductions and continue to make progress on the renewable energy target.

Using Renewable Energy

SC Johnson has 3 main renewable energy projects underway – making power from wind turbine farms, landfill trash and waste palm shells. In 2008, 46% of the entire energy consumption in one of their factories came from wind power and they're taking this to other plants in US and Europe as well. Their largest facility in the world is powered by co-generation turbines using the landfill trash. In Indonesia, the waste of the palm shells is used as a fuel source.

Direct energy consumption by source:



Indirect energy consumption by source:

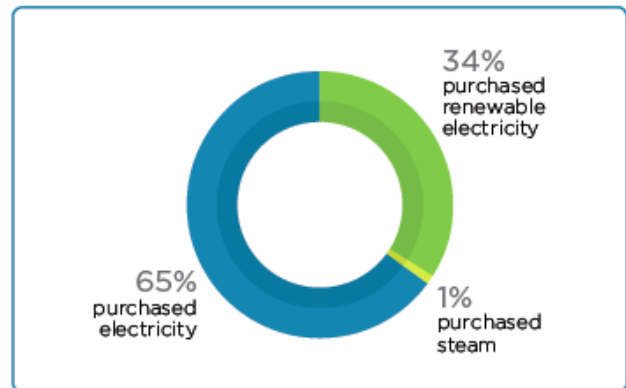


Fig.4 Direct and indirect energy consumption of various fuel sources. The maximum impact comes from the supply chain energy usage.

Leadership Programs and Partnerships

- In 2002, SC Johnson became the first consumer packaged goods company to join the US EPA's Climate Leader's initiative;
- It also received a Green – e certification for their production of clean energy. The Green – e program is a third party leading renewable energy certification program in the US;
- SC Johnson also joined the Smart Way Transport Partnership, a voluntary and a collaborative partnership with US EPA, to further reduce their GHG emission of their freight carriers;
- Further changes in how the trucks are loaded, impacted the use of trucks by plying 2100 fewer trucks in one year.

In addition to large projects like launching wind power or using bio fuel, people at SC Johnson believe that small changes do make big differences. Through small, but smart choices, the company has helped make an impact by using more efficient air compressors, chillers and energy efficient lighting systems.

3. STRENGTHENING COMMUNITIES (Advancing social progress and public health)

SC Johnson believes unwavering support is fundamental to being a responsible and resilient member of communities around the globe. In the past decade they've made more than \$180,000,000 in philanthropic contributions thereby creating mutual value in new communities around the globe. Since 2003, the company has been working to engage and grow with base of the pyramid (BOP) communities in Kenya and other places with 3 main focus areas: partnering in sustainable BOP enterprises, working with the BOP as a supply chain partner, and better reaching BOP consumers. One success story in Kenya is the Community Cleaning Service program that serves 120 public toilets per month, providing at least 600 families with clean sanitary bathrooms.

Leadership Guidelines

Each SC Johnson company around the world follows the 'Community Leadership Guidelines' to help drive accountability with the following objectives:

- To demonstrate senior management leadership in the community by having the General Manager hold at least one board-level membership with a major local community non-profit organization;
- To give local charities at a target of 2 percent of pre-tax profits;
- To promote and coordinate at least one significant employee volunteer effort in the community each year.

A Commitment to Volunteerism

In 2008, the United Way campaign in USA raised more than \$902,000 in employee contributions. SC Johnson is very proud of their employees giving generously of their time and treasures to worthy organizations such as the Salvation Army and other service groups.

Helping where help is needed

The company has always been swift in providing emergency support to areas affected by disaster. For example, in May 2008, the devastating earthquake in Sichuan, China, left unprecedented destruction of people and their lives. SC Johnson made a \$50,000 donation and rushed cases of Raid® coils and OFF!® repellents in relief efforts.

Annually, the OFF!® brand donates approximately \$200,000 in product and contributions in the United States alone, to help protect people from mosquitoes that may carry the West Nile virus.

4. PROTECTING FAMILIES: (Preventing insect-borne diseases)

Half a billion people are affected by insect-borne diseases each year. From malaria, dengue and encephalitis, to West Nile virus and others, these dangerous infections have a tremendous impact. As the leading marketer of household insect control products, SC Johnson is working every day to make products that are more effective and that reach more people. Malaria and dengue programs that span countries from Brazil to Mozambique to Indonesia have spread the much needed awareness and education about disease protection methods. The community based malaria education program in South Africa has positively affected over 1 million people.

Entomology Center

In 1968, SC Johnson opened their first entomology research center which has grown to be the world's largest private, urban entomology research center, with more than 65 experts working to develop pest control solutions like Raid®, Baygon®, OFF!®, Autan® and AllOut®.

Partnerships

Partnering with the Global Business Coalition, SC Johnson is helping to create a repository of information for NGOs, governments, businesses and community health groups to help them educate about critical public health issues.

Healthy Children, Healthy Homes™ program, is a collaborative effort between SC Johnson, South Africa's National Department of Health, the Medical Research Council and RTI International.

UNICEF as a partner

For the last 2 years, SC Johnson France has been donating a portion of every Baygon® brand sale to UNICEF, to help finance the organization's Central African Republic program targeting malaria and other health concerns.

Education outreach

SC Johnson's insect-borne disease education outreach results of the past year have been highly successful.

- 10,000 Mosquito coils donated to National Malaria Day held in Kwazulu-Natal in South Africa;
- In 2008, \$158,000 contributed to UNICEF from the Baygon® brand to support vaccinations, vitamin supplements, distribution of mosquito bed nets and other activities;
- 43,000 people protected by SC Johnson Thailand's free spraying service;
- 405 community centers impacted by dengue-prevention educational caravans from SC Johnson Philippines.

IV. BEYOND THE RIGHT THING

SC Johnson just doesn't aim to do the right thing – they also work to improve the international understanding of sustainability, by sharing their knowledge. The Greenlist™ is being used by all their suppliers and retailers and other companies worldwide. The above mentioned platforms were established long before the “green trend”.

SC Johnson also uses its buying power to encourage its suppliers to produce more environmentally sustainable ingredients and help their supply chain stakeholders to move towards sustainability, which is a truly proactive way to foster sustainability in the broad sense of this word. For example, SC Johnson is one of the world's largest purchasers of pyrethrum, a flower with naturally insecticidal properties. Through the company's partnership with pyrethrum farmers, SC Johnson hopes to improve the consistency of the pyrethrum crops which will lead to significant returns for the farmers, their families and their communities.

These are just a few examples representing the kind of sustainability leadership that is most needed today. The more companies do “the right thing”, the more it will become a minimum expectation and a part of “business as usual”. But it will always be this handful of proactive industry leaders who are courageous enough to take one, two or more extra steps and move beyond the right thing, therefore expanding this notion. As SC Johnson's CEO put it, “incremental is not enough”.

V. CONCLUSION

Someone once said – Hypocrisy is the first step of change. All of business first has to reach that level. Once the business is past hypocrisy and gets serious on the environment and broader sustainability front, then, accountability sets in – accountability spurs competition and that enables companies in doing the right thing. But none of it will come to pass, until first a company engages in a dialogue - an honest transparent climate map with almost child-like curiosity. Because sustainability is huge, no one is expected to solve their pollution issues or governance issues or whatever the challenges companies are facing with regards to TBL, overnight. But, a company's got to be trying – honestly. And that's where SC Johnson, stands like a vanguard for the sustainability movement.

The 2 drivers of sustainability – product innovation and operational changes require collaborative efforts across the industry and supply chains, between scientists, companies, governments and NGO's. Incremental yet humungous savings can result from the operational changes, because there is so much low hanging fruit out there. But after a while, a company gets to a point of diminishing returns, if the focus is solely on incremental improvements in efficiency.

Disruptive innovations that help companies take the quantum leap into sustainability, is the beacon of hope today. Companies like SC Johnson, Nike, Method, Dell, Samsung and others are the harbingers of that disruptiveness. The damage done by the industry, ironically, can only be salvaged by the industry it self. In the words of Paul Hawken –“It is the business of business to tackle these problems. It may be the only institution left on the

planet that is big enough, resourceful enough and well enough managed to take on these challenges.” And the way to do it is for the businesses to operate like forests. In forests, there is no waste. One organism’s waste is another’s food. And that is where bio-mimicry, green chemistry, and cradle to cradle design systems take the challenge head-on as we move into a world where there will increasingly be blurring of the boundaries between industries that complement each other through collaboration. Neither do measures to increase the bottom line have to come at the expense of environment and nor do measures to improve the environment have to come at the expense of economic prosperity. We don’t need any more Katrina’s or tsunamis to remind us of the problem at hand. Toxifying the planet is not the right thing to do – using every bit of natural capital is not the only way forward. There are other ways – sustainable ways, the right ways to move forward. Most of those ways acted upon by SC Johnson are showcasing different facets of the “sustainable accounting” in a broad sense of this word.

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