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The Four Organizational Factors That Built Kimberly-Clark's Remarkable Sustainability Goals

Peggy Ward, director of the Enterprise Sustainability Strategy Team at Kimberly-Clark Corporation, says that having strong support from the company's Chairman & CEO, his global strategic leadership team, four business units and an external sustainability advisory board have been crucial to building and meeting aggressive sustainability metrics.

PEGGY WARD (KIMBERLY-CLARK), INTERVIEWED BY DAVID KIRON

As director of the Enterprise Sustainability Strategy Team at Kimberly-Clark Corporation, Peggy Ward helps to oversee a company with a long and impressive history. The consumer packaged goods company is 140 years old, and today has 57,000 employees in 36 countries. Every day, more than a billion people use its products, which include Kleenex tissues, Huggies diapers and Kotex feminine care products.

Kimberly-Clark's extensive sustainability efforts have garnered the company numerous accolades including being named to Ethisphere's 2012 World's Most Ethical Companies List, recognized by *Corporate Responsibility Magazine* as one of the top 20 "Best Corporate Citizens" for the fourth consecutive year and being ranked ninth on the 2011 list of the "World's 25 Best Multinational Workplaces" by the Great Place to Work Institute. The company has issued a sustainability report annually since 2003 (see the 2010 report at <http://mitsmr.com/JyeEXc>) and is now at work on an ambitious set of 2015 goals, which it calls Sustainability 2015.

In a conversation with David Kiron, executive editor of Innovation Hubs at *MIT Sloan Management Review*, Ward details the wide-ranging goals the company hopes to meet in the next three years, the organization structure that helped set that direction and the employee engagement project that has achieved 25% participation in its first year alone.

When you talk about sustainability, what do you mean by that term?

For us it's a couple of things. Our Chairman & CEO, Tom Falk, tells our employees that what's good for business must also be good for the environment and the people we serve.

We've had a longstanding commitment to sustainability. We've been in business 140 years, and that's no fluke. And we've established enterprise-wide goals, looking at addressing environmental issues, since back in 1995, ahead of a lot of the current business trends.

Let's talk a bit about the history before we get into the specifics of your agenda. Why do you think Kimberly-Clark's sustainability initiative started in 1995?

We could sort of see where things were heading. We knew that while we've been complying with regulation and laws and doing more of the compliance-based aspect of environmental management, we could see the cost value to our company. There was enough low-hanging fruit — I've heard other people say "fruit on the ground," even — that you could do, that could provide benefit to your company.

What were those kinds of things?

Addressing energy efficiency for example. But we were also looking at reducing impact in chemicals, looking at water use since we have manufacturing sites in some water-stressed regions of the world where you actually pay more for water. We could make some improvements in those areas and save the company some money.

So initially it was about cost savings?

Well, not really. We could see that in some parts of the world we needed to exceed and go beyond regulations, setting goals that were global in nature, protecting environmental resources that we used. But we also were able to make a business case about the cost value.

Kimberly-Clark is known for its five-year goal-setting.

We had global five-year goals, looking at energy reduction and energy efficiency, water use reduction and efficiency gains. And we varied each five-year

segment. For 2000, we addressed chemical issues. For 2005, we addressed packaging, and we had a 10% reduction in weight in packaging goal. For 2010, we made sure that we were looking at lifecycle analysis of our product initiatives.

So tell us about the 2015 goals.

2015 goes two prongs beyond the environment in looking at social and economic impacts as well. It's about looking at the full spectrum of sustainability, and it's the most comprehensive set of goals and metrics for us to date.

So for 2015, we are focusing on people, the planet and products. That equates to the social, environmental and economic pillars of sustainability. That's the triple bottom line for us.

Let's go through that "triple bottom line" of looking at people, the planet and products.

Our goals around people are wide-ranging, and include our people, the people in the communities where we live and work, and our suppliers. We have goals that correspond to those three areas. For instance, for our people, we've set a goal of zero workplace fatalities, and that involves a program where we've been educating all of our mills and manufacturing operations on "Sentinel Events" hazards that pose the greatest risk to workers and have been linked to fatal and near-fatal injury experiences. For our communities, we have socially focused programs in over 60% of the communities where we operate, and a longstanding history of giving back, and now we're focusing globally on a couple of key areas about providing essentials for a better life. With our suppliers, we set a goal of 100% compliance to a set of social standards that we've developed. We're targeting our contract manufacturing supply base first, in regions around the world where we think we need to ensure that we have those social standards in place.

On the planet side, we're still following our traditional focus on energy, waste and water, but we're pushing ourselves even further. So, we've set an ab-

solute greenhouse gas reduction goal of 5%, which is aggressive for us in the sense that we understand where we need to grow and how much we're projecting to improve in manufacturing capability. On the water side, our goal is a 25% reduction in water use, while maintaining the quality of discharge that we have. And in waste, our goal is to achieve zero manufacturing waste sent to landfill. About 48% of our mills are landfill-free currently. Then in addition, we set a goal a few years back, independent of our environmental goals, of having 100% of our virgin fiber from certified suppliers.

Finally, on the product side, we're pushing ourselves in product innovation and we're still addressing packaging. We've added a net sales goal of 25% of our 2015 net sales coming from environmentally innovative products. By "environmentally innovative," we mean based on an LCA [life cycle analysis] of total environmental impact of our products. We're not just looking at whether the product has a green claim to it, but how it looks from start to end, what the total environmental impact is. We've come up with a definition so that our brand teams can push themselves to deliver against that. We've also got a goal of 20% reduction in packaging environmental impact, and a goal to touch 250 million new consumers with our products by 2015.

How long did it take to develop the plan?

This took us a while. It was a good 12- to 18-month process. For us it was great: we got a good reception from our peers and from media, and we were noted by Triple Pundit, which said that this plan was an exceptional example of integrating all three pillars of sustainability.

For the development process, it sounds like you had strong CEO support. Who else was involved in the planning, and what kind of buy-in were you getting from other executives?

We do have strong support from our Chairman & CEO. He can have a very detailed, well-informed conversation on the topic of sustainability with anyone. It's great.

We worked on this with Kimberly-Clark's global sustainability team. That's the VP of global sustainability, my boss Suhas Apte, who reports to our global strategic leadership team, who are the deputies of our CEO. That group consists of our chief financial officer, our chief legal officer, our chief marketing officer, chief HR officer and so on. The global strategic leadership team has ownership in this. We reviewed with them at certain touch points along our development process where we were heading.

But in addition to our Chairman & CEO and our global strategic leadership team, we also have something that's quite unique and different: an external sustainability advisory board. That's a board which is comprised of seven external members who are all experts in varying aspects of sustainability. The group involves someone from Walden Asset Management; someone who is the former head of sustainability at Procter & Gamble, one of our biggest competitors; and someone who used to be the VP of Dow Chemical in Europe, who now participates in a lot of United Nations climate programs; a woman who founded the Centre for Social Markets and who does a lot of her work in India on the social aspects of sustainability; the author of *Green to Gold* and *Green Recovery*; our former head of sustainability, who retired a few years back; and someone from Brazil who used to head the Ethos Institute there and then ran for the Green Party Senate in Sao Paolo.

These external advisors reviewed our strategy as we went along, provided a lot of input, challenged us and pushed us. We have them for two-year terms which can be renewed up to three times.

What was the impetus for getting the external sustainability advisory board together?

The driving force was that we knew we wanted to keep improving, and we wanted to have another voice to advise us on trends and impacts that our C-suite ought to be thinking about related to sustainability.

KIMBERLY-CLARK'S SUSTAINABILITY 2015 GOALS

Kimberly-Clark's "triple bottom line" integrates the three pillars of sustainability – people, the planet and products.



We initially proposed this idea through our global strategic leadership team. They were on board for it. It took us a little while to develop a list of folks that we wanted to invite. But when we asked folks, they were very willing to participate. I think the interest for a lot of them was that this was innovative and new, this was a topic that they were heavily involved with, and this was a chance to counsel a large CPG [consumer packaged goods] company like Kimberly-Clark.

Can you characterize their contributions to the development of the 2015 plan?

A lot of the counsel and advice they gave us was to say, "you can't just say you're going to obtain leadership, you really have to earn it. So, how are you going to earn it?" They gave us a lot of perspective up front to help us put boundaries and a framework around our strategy.

When we started to set the metrics, they had a wealth of expertise on what might be most meaningful, what should we be looking at and pursuing. Finally, when we were talking with our own management team, they helped us explain the business case and how material a lot of these goals and metrics are to our operations.

The other thing is, I'm Peggy Ward, one in 57,000 in Kimberly-Clark. When I tell our leadership what we

need to be doing on a regular basis, it's Peggy Ward telling them. But when our advisory board tells them, it adds that extra credibility. Having that external set of eyes and viewpoint is extremely valuable.

What kinds of internal organizational hurdles did you face in developing these goals?

Just like in anything that's going on, some of the challenges can be that there are lots and lots of business priorities in a publicly-traded company like Kimberly-Clark. So it was making sure we were dem-

onstrating the business case in a way that showed business value or business justification. As long as we were able to do that, it really wasn't as much of a challenge.

I think the key for us, and the key thing that really turned things around for us, was having our sustainability strategy process be part of the company's total global business planning process. It wasn't a standalone, side, strategy-building effort. We were able to demonstrate the competitive advantage that could be provided for sustainability, and we were included in the total business planning.

There's one other thing. We have four business units: consumer tissue business; personal care business; away-from-home business — we call it our K-C Professional business; and healthcare business. Those are vastly different businesses. What's worked for us organizationally is that each of our four business units have appointed sustainability leads that work with us, and we help build the roadmaps for each of the businesses on how they can help the enterprise achieve its Sustainability 2015 goals.

Part of what I do is to meet with the sustainability leads every other week. We'll talk on particular topics on an as-needed basis, and we're in constant communication. I've been at Kimberly-Clark for 14 years, and in all the roles that I've had, we work the

most together. It just amazes me — every two weeks everybody still is engaged and as interactive and enthusiastic as when we first started the whole thing.

So you don't see much pushback?

I think the real challenge is, it just takes longer. I don't know that it's so much of a challenge or a case of pushback. It's just that they are difficult topics to flesh out.

When you're talking social compliance standards for your supply chain, that's just a challenging topic, and there are a lot of people that have to input on that, from human resources to your legal to your product supply side to sustainability. A lot of pieces to think through and pressure-test.

Again, it's balancing current business priorities with everything else, so always making sure that you've got enough engagement and enough interaction from the right folks to meet these goals is important. It's just like any other priority-setting exercises in a company, you've got to work on that. You've got to have patience, and you've got to have thick skin when people tell you no, or they say not now, to keep pursuing and being persistent in what it is that you want to get done. So it's not unlike any other business opportunity.

How do you measure success with your sustainability efforts?

There are a couple of ways. One is that we've set these goals and we're going to track and measure them, so it'll be progress against the goals. In addition to the 2015 end goal, we have annual targets that we need to meet. Our Chairman & CEO has asked us for regular sustainability updates. The way our data is tracked, with our over 150 locations around the world, we can do a really good job providing quarterly data on our energy, waste and water use. So, we're giving quarterly updates on our progress against our goals to him and his leadership team. We meet annually with our board of directors to talk about how we're doing, and we meet twice a year face to face with our external sustainability ad-

visory board. So we have a lot of check-in points for our goals.

Say a target is off for a quarter. Whose responsibility is it to ensure the correction happens in a timely manner?

Suhas Apte, our VP of global sustainability, and his team will have that responsibility.

Can you imagine Kimberly-Clark without its sustainability commitments?

In my opinion, we would not be competitive. We've set up our goals in such a way that we really call them our "right to play." These are things that we must do in order to remain competitive. If we don't do those 2015 goals we'll fall behind our competition in the marketplace. Now, some of them are challenging to do, like the goal of 25% of our net sales coming from environmentally innovative products. That's a huge chunk of our sales.

But there are other things that we're setting goals on to be *ahead* of competition on, and we call them our "right to win" areas. We're still working on those, and we'll be announcing them this year.

Can you give us some examples of those "environmentally innovative products"?

Sure. I'll tell you about three. We launched in the Northeast in a test market with Wal-Mart a product called Scott Naturals Tube Free. You know the paper core that's in the middle of your toilet paper roll? These are bath tissue rolls that do not have that cardboard core, and you can use every single sheet of the roll. The amount of waste that will eliminate that's going to landfills is large — basically it's enough to go to the moon and back two times.

We just recently announced that we became the first U.S. tissue maker to offer FSC certified [Forest Stewardship Council], branded consumer tissue products. Our Kleenex brand facial tissue and Scott Naturals brand products sold in North America both now carry the FSC label. The reason that this

is so important is that to get enough certified fiber to supply our consumer tissue brands in North America was quite a challenge. Making sure we had enough of a continuous supply stream of FSC, we had the right suppliers on board, and that we could launch it and be the first consumer brand with the FSC label on it, was really the advantage and driver for us.

And we launched a diaper a few years back in the US called Huggies Pure and Natural. It's taking, as we say, baby steps towards getting something that's better for the environment. The diapers have a couple of features to them. They have a component that has a renewable alternative material in it — instead of a petrochemical-based input. It has organic cotton, it's fragrance-free and dye-free and it has 20% post-consumer recycled content in the package.

Those diapers, do they not go into the trash bin, or —

They do. They mostly go into the trash. That's why moms are so interested. They start thinking, "gosh, I'm putting six to ten diapers a day when they're an infant in the diaper bin that's going in the waste stream." And while it's for a concentrated period of time, let's say in that two- to four-year time frame, it makes them much more aware of their impact on the environment. So we provide that option for them.

Finally, what about your employees? How do you work employee engagement?

We're doing a couple of interesting things. We've recently instituted an award that we call the Crystal Tree Leadership Award in Sustainability. We have three different categories in which people can participate: our mill level, which allows our manufacturing sites to exceed the goals that we've set in reducing energy, manufacturing waste and water; our business unit level, to focus on the product side of sustainability and how they engage consumers in new and unique ways; and our individual employee level, which focuses on community involvement or out-of-the-box thinking. The winners will get a small amount of money that they get

to then donate to a charity of their choice. And they get the option to participate, if they're able to, in an activity with a partner NGO organization. So let's say we're helping to plant trees in the Amazon in Brazil or dig a well in India on a water project, they will have the opportunity to help do that. Upon returning, they would become a sustainability ambassador within the company.

The other thing we do is educate employees on how they can help reduce their environmental footprint. Sustainability is a topic that can appear so big and so broad, that we created a program called Small Steps. We break it down into nine options that people can choose to commit to doing some action on a regular basis, like taking shorter showers, or using reusable shopping bags, or changing out light bulbs in their house to compact fluorescent bulbs. People sign up online, and when they do, they get an e-mail signature that says, "Small steps make a difference. Ask me how."

Over 11,600 people have signed up, starting from just over a year ago, which is nearly 25% of our employees — which is a lot. All of these small actions add up to one large impact. Everywhere I go, I get people pulling me aside and asking me all kinds of questions, saying, "Wow, I'm so glad to hear that Kimberly-Clark is doing these things. And did you know, by the way, I secretly compost. I love to compost. What else can I do?" It's just amazing.

David Kiron is executive editor of MIT Sloan Management Review.

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