

The effectiveness of The Clorox Company business ethics strategy

Corporate social responsibility and business ethics are vitally important in this day and age, especially for larger corporations such as The Clorox Company. Finding themselves on being responsible corporate citizens, The Clorox Company was the beneficiary of implementing and providing ethical products with all aspects of their business.

Studies show that ethical behavior and corporate social responsibility can bring significant benefits to a business (2015).

For example, they may:

- Attract customers via positive reputation with the community
- Reduce and cut out high quality employees and decrease company grade with employees which in turn reduces labor turnover and increases productivity
- Attract quality investors through positive image association and keep the company's share price high.

In an article for Forbes Magazine, Bob Knauss, the chairman and chief executive officer of Clorox, gives an insight into why the Clorox company put such an emphasis on Corporate Social Responsibility.

He then goes on to state that it is not enough to have a good reputation for being a 'best' company in the world, it is also important to be a 'good' company in the way they do business. He also states that through ethically established internal and external principles (Business 2015).

Legal Responsibilities and Ethical Compliance

The Clorox Company is a global company with hundreds of thousands of employees in over 100 countries. As a result, the company is subject to a wide range of legal responsibilities and ethical compliance issues. The Clorox Company is committed to ensuring that all its operations comply with the law and ethical standards.

The Clorox Company has developed and implemented an extensive code of conduct to ensure the ethical and legal standards of the company. This code of conduct is a key part of the company's commitment to ethical compliance.

The Clorox Company also has a number of other measures in place to ensure ethical compliance, including:

- A robust system of internal controls and monitoring
- A strong culture of ethical compliance
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Triple Bottom Line: Environmental

- Since 2008, Clorox has reduced its greenhouse gas emissions by 26 percent, water usage by 23 percent, energy usage by 12 percent and waste to landfill by 50 percent.
- Clorox Safe Water program will provide more than 100 million litres of safe drinking water to Peruvians over the next 4 years
- Top 2010 Newsweek Green Rankings and Top 100 Corporate Responsibility Magazine's Top 100 Best Corporate Citizens (The Clorox Company 2015)

Triple Bottom Line: Social

- Clorox has donated cash and products to aid in disaster relief in Costa Rica, the Philippines, Nepal, Japan, and Haiti
- Awarded 2015 Global Citizen Award from United Nations Association
- Employee-led GFT campaign has raised \$4.6 million to support 2010 Haiti relief
- Recognized by United Nations for its 'best in class' retirement plan (The Clorox Company 2015)



Recommendations

- Clearly indicate on packaging that it can be recycled
- Use recycled materials for packaging
- Continuously monitor bioaccumulation, biodegradation and monitor the effects of products on aquatic systems and wildlife

Perceived transparency

All 3rd party suppliers must comply with industry guidelines that define safe use. Based on individual fragrance ingredients, voluntary disclosure of all fragrance ingredients is required as potential allergens where it is appropriate. Ingredients being supplied must be safe for use in the intended application. To be more meaningful to consumers, The Clorox Company will update its website.

Perceived accountability

- Website press releases clearly mention results
- Signature of the UN Global Compact - the world's largest corporate responsibility initiative
- Website has easily accessible Safety Data Sheets for businesses and workplaces: health effects, clean-up and first aid procedures

References

Business 2015. The Clorox Company. Available from: www.clorox.com

United Nations Association. 2015. Global Citizen Award. Available from: www.una-undp.org

Newsweek. 2010. Green Rankings. Available from: www.newsweek.com

Corporate Responsibility Magazine. 2010. Top 100 Best Corporate Citizens. Available from: www.crmagazine.com

Recommendations

The Clorox Company's corporate social responsibility has been developed in a way that embraces the importance of being a socially responsible global citizen and far exceeds the minimum requirements, which allows a greater commitment to the greater cause.

To improve on the current systems in place at the Clorox Company two areas should be focused on: Employee Interaction and Corporate Partnerships.

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Ethical Business Strategy

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Ethical Branding

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Recommendation Cont

Employee Interaction:

The Clorox Company is committed to ensuring that all its employees are treated with respect and dignity. The company is committed to providing a safe and healthy work environment for all its employees.

The Clorox Company has developed and implemented a number of measures to ensure employee interaction, including:

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Triple bottom line reporting

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Mission & Vision

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Results of a Marketing Initiative?

International Issues

- The falling US dollar increases exports which adds to revenues, but the cost of the foreign exchange increases.
- The international government has been putting price controls on products, negatively affecting sales and profits (Knauss 2015).
- 2. Venezuelan government has been taking away by the government, after Clorox withdrew from the market due to financial difficulties from price controls and reputation control issues (Knauss 2015).

Triple Bottom Line: Financial

- Stockholders are kept informed on company strategy, financial performance and growth through quarterly conference calls, annual meeting, annual report and online information.
- Target plans drive demand for products at three moments of consumer choice: desire (perceptions), desire (point of purchase) and delight (postpurchase).
- A redesigned financial forecast acknowledges the sequence of activities, saving 80,000 hours per year (The Clorox Company 2015).

Xerox Example

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Corporate Partnerships:

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Business Partner Ethics - Improving Supply Chain

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Global Trade Laws

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provide more than
water to

Rankings and Top 100
World's Top 100 Best
Company 2015)

International Business

- 2 operating segments:
 - North America (80% of business)
 - International (20% of business)
- Targeted products
 - For example, more than 70% of the Hispanic population own a charcoal grill, almost 70% of Hispanics grill year round
 - As a result, grill cleaning products are marketed more heavily to this demographic

- Awarded 2015 Global Citizen Award from United Nations Association
- Employee led GIFT campaign has raised \$4.6 million to support 2500 non profits
- Recognised by White House for it's 'best in class' retirement plan (The Clorox Company 2015)

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The Clorox Company Goes Green

Ethical Business Strategies

2010 saw the company establish a formal corporate social responsibility strategy. A strong focus on integrity and quality guided by their core values of doing the right thing every single day.

"We know choices we make have a significant impact on people, our planet and our communities. That's why we're continually strengthening our commitment to Corporate Responsibility, focusing on five pillars" (The Clorox Company | Corporate Responsibility, 2016).



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In the beginning

The Clorox Company, originally named the Electro-Alkaline Company, was created in 1913. In 1928 the company changed its name to the Clorox Chemical Company after going public.

Procter & Gamble purchased the company in 1957 subsequently renaming its new brand. From a rival company the buy out was challenged by the Federal Trade Commission. The court decided that Procter & Gamble must divest the company and as of January 1, 1969, the company was independent.

After the acquisition of the many brands in the 1990's and the joint venture with Procter & Gamble brand GLAD, the company focused on consumer megatrends that included sustainability and social value. (Cloud, 2013)

In the beginning

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Proctor & Gamble purchased the company in 1957 subsequently renaming its new subsidiary "The Clorox Company" but after a purchase objection from a rival company the buy out was challenged by the Federal Trade Commission. After a lengthy 10 year battle in the U.S Supreme Court it was decided that Proctor & Gamble must divest the company and as of January 1, 1969, The Clorox Company was once again independent.

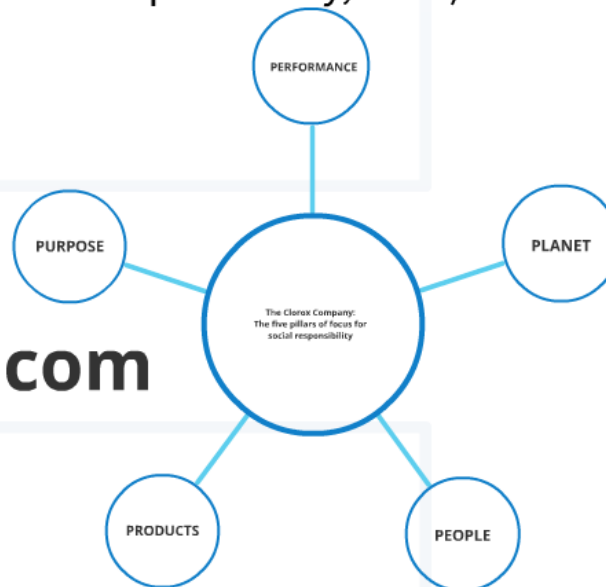
After the acquisition of the many brands in the 1990's and the joint venture with Proctor & Gamble to create household plastic items under the brand GLAD, the company focused on consumer megatrends that included sustainability, health and wellness, multicultural, and affordability/ value. (Cloud, 2013)

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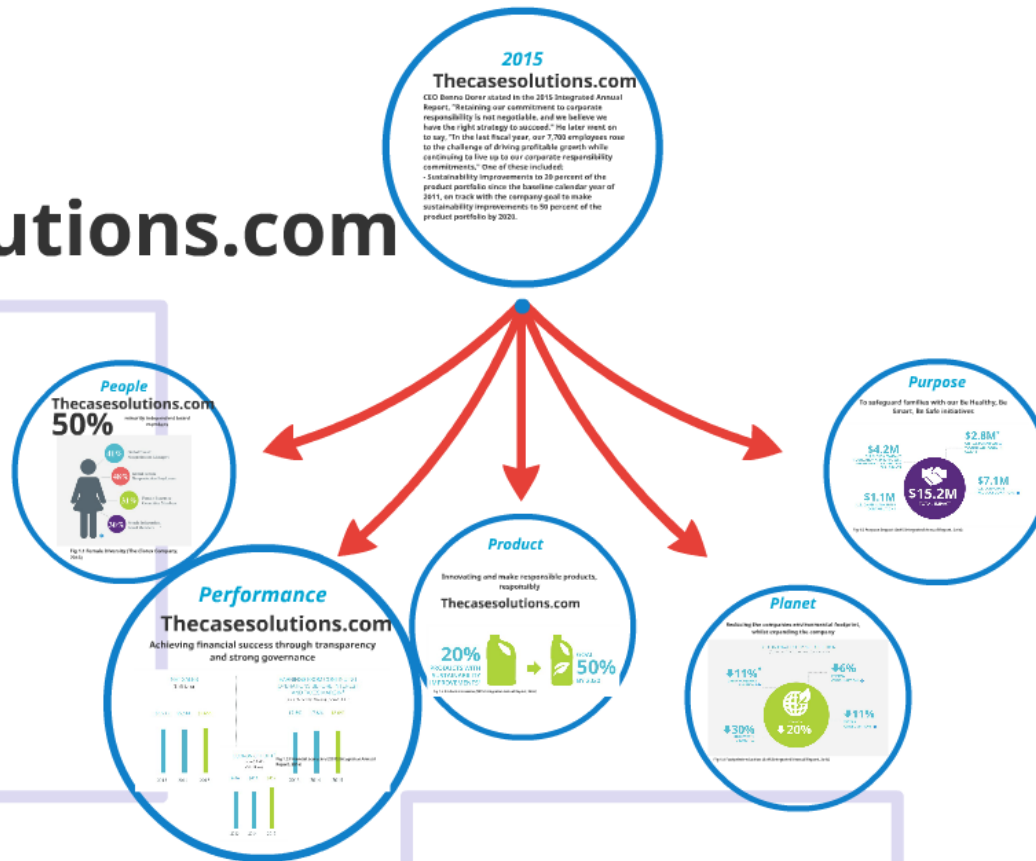


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Strategy Effectiveness

The 2015 Integrated Annual Report illustrates the effectiveness of current CSR initiatives in the past fiscal year. Increased profitability, higher employee engagement and productivity rates, along with return on investment for shareholders, significant positive impact on individual lives and communities as a whole.

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2015

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CEO Benno Dorer stated in the 2015 Integrated Annual Report, "Retaining our commitment to corporate responsibility is not negotiable, and we believe we have the right strategy to succeed." He later went on to say, "In the last fiscal year, our 7,700 employees rose to the challenge of driving profitable growth while continuing to live up to our corporate responsibility commitments." One of these included:

- Sustainability improvements to 20 percent of the product portfolio since the baseline calendar year of 2011, on track with the company goal to make sustainability improvements to 50 percent of the product portfolio by 2020.

People

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50%

minority independent board
members



Fig 1.1 Female Diversity (The Clorox Company, 2016)

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Performance

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Achieving financial success through transparency
and strong governance



Fig 1.2 Financial scorecard (2015 Integrated Annual Report, 2016)

Innovating

Thecas

20%
PRODUCTS WITH
SUSTAINABILITY
IMPROVEMENTS⁴

Fig 1.3 Product innovation (2015)

Product

Innovating and make responsible products,
responsibly

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Fig 1.3 Product innovation (2015 Integrated Annual Report, 2016)