

## CREATING VALUE FOR AND FROM THE ENVIRONMENT: THE ARM & HAMMER 6 P'S MODEL

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I would like to briefly run through the model of corporate environmental responsibility which we have developed and assiduously follow at Church & Dwight. First, a little background so you know who we are, what we do, and why we feel compelled to share our model with you, today.

Church & Dwight was founded 149 years ago. It is the world's largest manufacturer of sodium bicarbonate, or baking soda, as we say in the USA and Canada. We market our consumer products under the trade name, ARM & HAMMER. Sodium bicarbonate is a remarkably versatile substance. In America, we sell it in various grades and forms to over 300 industrial markets, for use in everything, from cattle feed and baking, to dialysis and even environmental pollution prevention markets. We are the world's experts when it comes to capitalizing on the incredible attributes of this magic crystal, sodium bicarbonate. Almost every home in America has the familiar "yellow box" of ARM & HAMMER Baking Soda in the pantry or refrigerator. In a Life Cycle Assessment conducted by an independent firm in 1992, ARM & HAMMER Baking Soda was found to be the most environmentally sound product of more than 150 products studied by that firm. They concluded that it could be deemed to be environmentally benign.

Our expertise in carbonate and bicarbonate chemistry is one of our core competencies. The other core competence, or core asset, is the value of our trademark: the ARM & HAMMER brand. Study after study over the years has placed it consistently in the top 10 of American brand names. The equity that we have in American consumers' minds is among the strongest. Consumer research plays back the same thing, year in, year out: ARM & HAMMER means trustworthy, pure, safe, natural, good value. Since those two assets are already closely linked to the environment, it was a logical step to leverage them into a leadership position in the area of corporate environmental responsibility. This is shown by several independent syndicated research tracking studies that we subscribe to, and we are seen by most Americans as one of the country's environmental leaders. Among the many awards for environmental stewardship that we have won in the past few years, the United Nations Environment Programme's recent medal and citation is one of our proudest. We are environmental stewards not simply because it is the "right" thing to do, but because it gives us a competitive edge in the marketplace. I will state unequivocally that anyone who does not tie this issue to their bottom line is not going to have staying power.

As a staff manager, you quickly learn that the best way to get funds for your programs is to measure how they play back to the bottom line. If you cannot prove that your department and your efforts are of tangible value (forget all the warm fuzzy "benefits"), your department will be seen as discretionary. We all know what happens to things during hard times - they get eliminated! In order to avoid that fate, we set about to measure the impact of our model on our corporate fortunes. We hired a former Research Fellow from Harvard Business School, who had spent two or three years traveling the world researching and writing business case studies for Harvard. We asked her to see if she could measure the impact of our efforts on our company's bottom line. Everyone we had talked to, said that you cannot measure such things; conventional wisdom says they are too intangible to measure. However, I am pleased to report, that after a year's effort, she was able to conclude that our model has provided a 10:1 return for our company. For every dollar we spend in our internal pollution prevention and our external outreach programs, we bring ten dollars back to our company. The best return most marketing departments can show over the long term is a 4:1 return. If traditional marketing spending in a consumer packaged goods company is about 25% of sales, year after year, then it follows that they are only returning, in the long run, 4 dollars for every dollar spent. In other words, we have measured that our model of corporate environmental responsibility is twice as efficient as classical marketing efforts.

But I am not here today to talk about how we measured our impact, because it is beyond the scope of this presentation. I would like to give you a brief summary of the ARM & HAMMER model, which we call the "6 P's" for reasons that will be obvious in a minute. First, let me say that we feel we have one of the only truly holistic models of corporate environmental responsibility in the world. It covers four broad areas and is not run by lawyers, scientists or engineers, but headed by a communications specialist. We believe that the environment represents an incredible opportunity for innovative, entrepreneurial companies to gain competitive advantages in the marketplace. Lawyers, scientists, engineers, and other "traditional EHS" people, while very well educated, are usually forced through their training and their reporting relationships to focus on internal problems rather than market opportunities.

As far as the model is concerned, it is best remembered using the "6 P's" mnemonic. At ARM & HAMMER, it's all connected - from commitment to action. When it comes to principles, not just policies, every individual in our company has "ownership" in our environmental mission.

*P is for Principles*

We do not have a lot of policies. We have principles. Throughout our facilities you will find the following Principles posted on large plaques. They state that we will:

- reward productivity, innovation, and dedication
- operate with a relatively small number of highly motivated people
- foster open and honest communication, teamwork, and trust
- treat individuals fairly and with respect
- promote the development of our employees
- apply high moral and ethical standards
- perpetuate environmental leadership

*P is for People*

We reach into our organization and throughout the community to draw upon the complementary skills and resources of all stakeholders, in order to optimize the quality of our decisions and the benefits of our programs. All stakeholder "partners" are energized by their "ownership" of ideas and actions.

Stakeholders include representatives from our employees, vendors, distributors customers, consumers, advocacy groups, educators, legislators, regulators, media, and other non-competing manufacturers or businesses. They are with us throughout the development of many of our programs from concept through execution

*P is for Products*

Sometimes, environmental products and technologies can be "better, faster, cheaper, safer." Using our expertise in inorganic chemistry, way back around the first Earth Day (1970), we started developing environmental products. Most Americans know that we introduced one of the first major brands of non-phosphate laundry detergent. What most people do not know is that we have carried on that innovative spirit by creating a whole line of industrial, environmental cleaning and pollution prevention technologies for industrial markets.

For example ARMEX Blast Media is a non toxic, water soluble alternative to harsh chemical cleaners and solvents. Its many uses include machinery cleaning, paint stripping and graffiti removal. It consists of specially designed formulas of baking soda and other "food grade" ingredients. You can actually bake (and eat) cookies made of several of the formulations. The City of Chicago has used ARMEX in the past two years to remove graffiti from more than 40,000 buildings - better, faster, cheaper, and safer than any other process available today!

ARMAKLEEN E-2001 is a patented, environmentally preferred, inorganic based aqueous cleaner used as an alternative to CFC's and other solvents for the electronics industry. The success of this product has led to promising research into other more general solvent-replacement market opportunities.

ARM & HAMMER Dry Injection Technology and sorbents can reduce acid gas, dioxin, furan and heavy metal emissions from incinerators and furnace stacks by over 90%. This non-irritating, non-corrosive, safe and easy to handle sorbent reduces materials handling and capital costs the "environmental way." This waterless technology conserves water as it improves air quality.

Alkalinity First TM Brand sodium bicarbonate (baking soda) helps water treatment plants meet EPA Safe Drinking Water Act regulations by greatly reducing lead and copper levels in drinking water supplies. The sodium bicarbonate forms a protective coating inside water pipes and also reduces the corrosiveness of the water, thereby preventing heavy metal leaching. It is also used in water purification to help remove manganese that gets into water supplies from farmland run-off.

*P is for Processes*

Almost 1/4 of our corporate purchasing budget is for goods that are naturally derived (such as soda ash and glycerin). Another 1/4 is spent on paper products, of which 80% are made from recycled materials.

Of the more than 300 chemicals regulated under SARA 313 Toxics Release Inventory, our processes are so relatively benign that only 4 reportable chemicals apply to our facilities.

In late 1993, ARM & HAMMER Liquid Laundry Detergent began the withdrawal of the standard 1/2-cup per washload formula and introduced the environmentally-preferable concentrated (1/4-cup per washload) formula. Much of the detergent industry stayed behind in larger dosage formulas. A recent, independent study shows that concentrated products require less packaging and less energy, resulting in less

waste and less pollution. The study said that converting all 1/2-cup liquid laundry detergent containers to 1/4-cup concentrated detergent would save 55 million pounds of plastic container material; conserve 18.2 million gallons of gasoline and 1.1 billion pounds of water and eliminate the disposal of millions of containers per year.

#### *P is for Partnerships*

Environmental education is a top priority for us. That is why we work closely with educators, environmental organizations, universities, government agencies and other stakeholders under the theme Multi-stakeholder Partnerships for Environmental Education.

We have helped to pull together many projects ranging from the development of a "water curriculum" with more than 30 partners that will reach millions of kids each year, to the co-funding and development of a television special such as one we co-developed for the National Audubon Society, that won two "day-time" Emmy Awards.

We conceived of and co-funded a partnership which involves the educating and training of homeless people to run their own businesses for the purpose of ridding America of graffiti. One of our graduates, a 36-year-old wunderkind, who was homeless in 1994, now runs a graffiti removal business that, on an average day, employs several other formerly homeless people.

We put together, in cooperation with several environmental organizations, a 65-part radio series which generated almost \$3,000,000 worth of free media support for those organizations.

We have made hundreds of cash grants to environmental organizations in the past few years, at the national and community levels, in order to foster the dissemination of information on the environment.

#### *P is for Profits*

Businesses are not sustainable without profits. No matter how well-intentioned corporate philanthropy, community relations, and other public service efforts funded by corporations try to be, the fact remains that, unless those programs ultimately bring a return on investment, they will be eliminated in hard times. Our model of corporate environmental responsibility has been independently quantified as providing a 10:1 return on our investment.

The benefit to our company has been demonstrated to be so great that it has allowed us to push our pollution prevention programs harder, faster and farther than conventional EHS (environment, health, and safety) models.

We are proud of our past 149-year profit performance and we know that our focus on bicarbonate chemistry and our environmental principles will serve us well into the future.

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**Bryan M. Thomlison** is Director of Public Affairs and Environmental Management for Church & Dwight Co., Inc., the manufacturer of ARM & HAMMER branded products. He is responsible for corporate pollution prevention programs, environmental outreach programs, constituent relations, employee communications, and corporate giving. Mr. Thomlison directs Church & Dwight's external outreach programs through the "Multi-stakeholder Partnerships for Environmental Education" theme, which is often cited as a model for public/private-sector coalitions. These have included: Church & Dwight's annual Earth Day campaign, the co-production of environmental education radio series, environmental education programs for students and educators, and the co-sponsorship of many environmental conferences and fund-raising events. During his tenure as Director of Public Affairs and Environmental Management, the company has received numerous environmental awards, including the United Nations Environmental Programme's Corporate Achievement Award for environmental responsibility, the Council on Economic Priorities Corporate Conscience Award for Environmental Stewardship, the American Rivers' Corporate Achievement Award, and the American Marketing Association's Edison Achievement Award. In 1993, Church & Dwight was also recognized by Fortune magazine as a Top Ten Corporate Leader in the Environment.