

ETHICS

# SC Johnson's CEO on Doing the Right Thing, Even When It Hurts Business

by Fisk Johnson

FROM THE APRIL 2015 ISSUE



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**S**C Johnson has a long history of taking action to address concerns related to the environmental or health effects of the chemicals in our products. We've often made changes in product formulation before regulations required us to do so—even if it would hurt sales. One of the most notable examples of such a decision concerned Saran Wrap, not only a longtime market leader, but also one of the most recognizable brands in our portfolio.

Like several other iconic products, including Play-Doh, penicillin, and microwave ovens, Saran Wrap emerged from an accidental discovery. In 1933 a lab worker at Dow Chemical named Ralph Wiley came across residue in beakers that had been used in developing a dry-cleaning chemical from chlorine. He couldn't scrub away the residue, which he dubbed eonite after a fictional material featured in "Little Orphan Annie." Dow

researchers turned it into a slick green sheet and renamed it Saran. During World War II the U.S. military used the product in insoles for combat boots and to protect fighter planes from the elements. Carmakers used it in upholstery. In 1953 Saran Wrap debuted as a food storage product, and in 1998 SC Johnson acquired it from Dow.

The key to Saran Wrap's success was that it created an impenetrable barrier to odor. Its other competitive advantage was superior microwavability. Polyvinylidene chloride (PVDC) was responsible for both those unique differentiators. Without it Saran Wrap would have been no better than wraps made by Glad and Reynolds, which did not contain PVDC. No manufacturer of a product as successful as Saran Wrap would make changes to it without a lot of thought and groundwork beforehand. Not only product sales but the manufacturer's credibility—which in the long run may be more important than trust in any one product—would be in jeopardy. But sometimes not making changes, even to a profitable go-to household item like Saran Wrap, is just as risky.

## **Erring on the Side of Caution**

Around the time we acquired Saran Wrap, the U.S. Food and Drug Administration, environmental groups, and consumers began to express concern over the use of polyvinyl chloride (PVC), which is common in a wide variety of products in virtually every industry, including construction, electronics, consumer products and packaging, toys, health care, fashion, and automotive. We ourselves were concerned, because when materials containing chlorine, such as PVC and PVDC, end up in municipal incinerators and are burned, they may release toxic chemicals into the environment. Some of our product packaging contained PVCs.

Fortunately, we soon had a process in place that would help us reevaluate our use of PVCs. We called the process Greenlist. It launched in 2001 and has been one of the most significant steps in our ongoing sustainability efforts. In the Greenlist process, which has undergone a variety of rigorous updates since then, ingredients we use or are considering using are sorted into functional categories, such as solvents and insecticides. Within each category relevant criteria, including biodegradability and human toxicity, are used to rank the impact of ingredients on the environment and human health. An ingredient the company would use only when no alternative existed (and even then, only on a limited basis) is rated 0; 1 is “good,” 2 is “better,” and 3 is “best.” Scores for a product's

ingredients are averaged, and the product is assigned an overall rating. Once rated, ingredients are included in a database that SC Johnson product developers can access when creating new products or reformulating current ones.



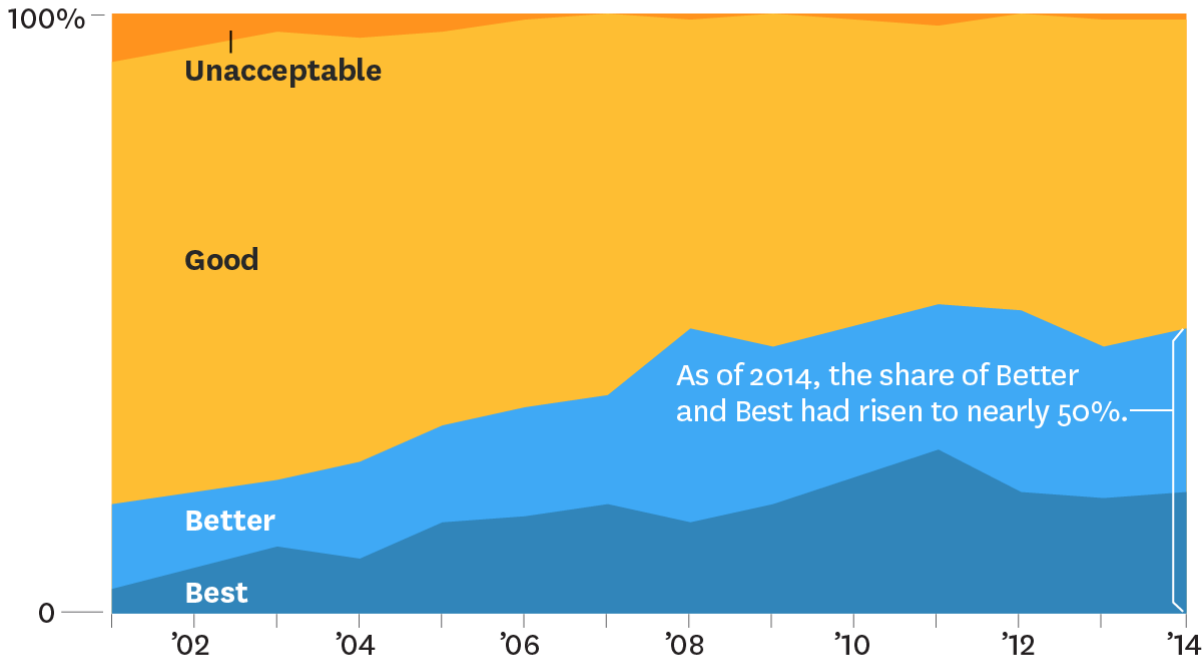
COURTESY SC JOHNSON

**2007:** Windex shifted to lightweight bottles, saving one million pounds of consumer waste annually.

## Finding a Greener Formula

Since 2001 SC Johnson has ranked chemicals used in its products (and, since 2011, in its packaging) in four categories. The goal is to increase, every year, the percentage of ingredients that have a lower impact on the environment and human health.

### Percentage of ingredients and materials that fall into each category



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Under Greenlist criteria, PVC rated 0, so we pledged to eliminate it from our external packaging altogether. But concern over PVCs, used in one of our main competitor's wraps, was moving beyond packaging to the products inside. Although Saran Wrap did not actually contain PVC, the wrap category as a whole came under scrutiny, and the difference between PVC and PVDC got lost in the discussion.

It didn't matter, however, whether concern over PVDCs was misplaced or conflated with concern over PVCs, or whether people were calling for manufacturers to stop using PVC specifically but not necessarily PVDC. Although most decisions are a matter of trade-offs and evolving priorities, one priority doesn't change for us: acting in the best interests of our customers, whose trust in our company is a primary reason they buy our products. As a result, we go out of our way to act with care. When it comes to the safety of our ingredients, we prefer to err on the side of caution.



COURTESY SC JOHNSON

**2011:** Glade replaced a plastic lid and wrapping with 100% recycled paperboard.

This was not the first time we had been faced with eliminating a key chemical from a formulation. We've removed product ingredients for reasons of health or environmental hazard many times, especially since we introduced Greenlist—and we've taken whatever hit accompanied each instance. For example, we simply do not use some of the active ingredients available for use in pest-control products because of their Greenlist score, even though our competitors do. We found a substitute for them, and we maintained performance. Despite the cost, it was the right thing to do, and as someone with experience in chemistry and physics, I sleep better at night because of it.

## My Forefathers' Values

When I became the chairman of SC Johnson, in 2000, and then the CEO, in 2004, I wasn't just taking over those positions. I was assuming guardianship of my family's good name and of a legacy built on the hard work of four generations before me. I knew that part of this job was to protect not only our business interests, but also the values on which my great-great-grandfather Samuel Curtis Johnson founded the company, in 1886.

No company would change a product as successful as Saran Wrap without much thought.

Our first decision to unilaterally remove a major chemical occurred in 1975, when research began suggesting that chlorofluorocarbons (CFCs) in aerosols might harm Earth's ozone layer. My father was CEO at the time, and he decided to ban them from all the company's aerosol products worldwide. He did so several years before the government played catch-up and banned the use of CFCs from everyone's products. Although a decision like this is never easy, as a privately held company, SC Johnson doesn't have to take into account how it will affect shareholders. That's not to

say the decision went unnoticed. Not only were some of my father's colleagues unhappy with him, but other leaders in the industry were really upset. My dad was in the middle of his remarks at a Business Roundtable meeting when the CEO of a major chemical company stood up, pointed at him, and said angrily, "Sam, you're gonna ruin this industry."

Banning CFCs was the right thing to do, and my father never regretted his decision. When we were faced with determining Saran Wrap's future, I was inspired by his perseverance in the face of doubters. We, too, had to choose between what we felt was right and what we knew might be the beginning of the end for one of America's most iconic brand names, because changing the chemicals in Saran Wrap could result in a product that didn't perform as well. That would disappoint consumers, who might lose trust in the company. So it was not a decision we made lightly.

We could have simply eliminated PVCs from our product packaging and left Saran Wrap as it was. Instead we pledged to stop selling wraps that contained chlorine of any kind, including PVDCs, by 2004. We gave the research, development, and engineering team a year to try to re-create Saran Wrap without PVDCs. We assigned a dedicated team to the project full-time, and we allowed a substantial budget.

At first RD&E was optimistic that it could develop a PVDC-free product that would be every bit as good as the original. Then reality set in. To provide the odor barrier and microwavability of the original would require a multilayer film. Not only would it be noticeably thicker (think trash bags), but we would need new industrial machinery to manufacture it, which meant a prohibitive financial outlay. Still, the team continued working hard. We were doing everything we could to save the original characteristics, but with little success.

Then a glimmer of hope appeared, in the form of a packaging company in Europe with which we were working to find a solution. It created a chlorine-free polyethylene wrap. We had high hopes that it would provide the same benefits as the original Saran Wrap. But our tests found it to be less sticky, less effective at preserving foods' freshness, and a lower-quality product overall.

## **Revenue or Goodwill?**



COURTESY SC JOHNSON

**2011:** Pledge began using an aerosol propelled by compressed air, eliminating 6 million pounds of volatile organic compounds from the atmosphere each year.

We had a choice: Risk losing customers and market share by replacing the original product with an inferior one, or continue with the original formulation and risk losing the goodwill we had built over the years with consumers and other stakeholders. Some on the team argued that we should keep the original formulation and wait it out; others disagreed.

Back in 1927 my great-grandfather said something that has been a guiding principle for me throughout my career: “The goodwill of people is the only enduring thing in any business. The rest is shadow.” In other words, trustworthiness is the most important quality a company can have. It has to be earned. At the same time, we need to be transparent and make sure the public is aware of our efforts. So we replaced the original Saran Wrap with this newly reformulated polyethylene product, knowing full

well that it would no longer have competitive advantages over other wraps on the market. But we believed that it was still a useful product.

As predicted, Saran Wrap’s market share dropped—from 18% in 2004 to only 11% today. That wasn’t solely because the product became less competitive. Once Saran Wrap had been reformulated and we no longer had a claim to make about its superiority, we chose to reduce marketing support for it as well. We took some comfort in the knowledge that the overall wrap market was shrinking anyhow, as Ziploc containers and bags (also our brands) and similar products grew. Given the circumstances and the team’s valiant efforts to re-create Saran Wrap, I don’t regret the decision. As in the past when we eliminated ingredients, we gained a surer sense of who we are as a company and what we want SC Johnson to represent.

Fisk Johnson is the CEO of SC Johnson.

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