

# The Impact of Enterprise ESG Performance on Business Strategy: Taking Procter & Gamble as an Example

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**Abstract.** In today's era of rapid development of the green economy, environmental protection has become a global consensus. Environmental, Social and Governance (ESG) is an emerging investment concept and enterprise evaluation standard that measures the sustainable development capabilities of enterprises. ESG performance reflects a company's contribution to the environment and society, as well as the effectiveness of its internal governance. This paper will explain the impact of ESG performance on Procter & Gamble (P&G) from three aspects of ESG. Analyze the current problems of P&G Company based on three cases, such as company product innovation design, inappropriate marketing topics and insufficient coordination between the company's production and logistics processes. The analysis results show that corporate innovation should be promoted, companies should be further encouraged to strengthen ESG construction and the company's products still need to be enhanced with innovative designs that help protect the environment. If companies cannot be green and environmentally friendly in their production and operation processes, their long-term development will be threatened.

**Keywords:** ESG, P&G, Company Performance.

## 1. Introduction

### 1.1. Research Background and Significance

The Environmental, Social and Governance (ESG) concept can be traced back to the ethical investment that originated from religious church investment in the 1920s; the concept of socially responsible investment was born in the 1960s. Entering the 21st century, the ESG investment concept was formed and became an important indicator for measuring sustainable development. As one of the world's mainstream investment strategies and investment methods, its importance has become increasingly prominent. In 2004, the United Nations Global Compact first proposed the concept of ESG, which is only 20 years ago.

ESG investment development background: First, the global population is expected to reach 9.7 billion in the 21st century, and the population is aging. Issues such as how to promote economic prosperity while achieving environmental protection have become common issues.

Second, investment trends have changed: more and more mainstream investment institutions have shifted from focusing purely on financial profits to paying equal attention to "ESG and ten profits" and pursuing long-term development.

Third, global climate change and environmental change: global warming, extreme weather, rising sea levels and other urgent issues that need to be addressed.

If a company can make positive contributions to environmental protection, it can win the trust and support of consumers, investors, and employees, thereby improving its reputation and competitiveness. Environmental protection is one of the important guarantees for the sustainable development of enterprises. If an enterprise cannot achieve green environmental protection in the production and operation process, the long-term development of the enterprise will be threatened. Enterprises need a sound governance structure. An imperfect corporate governance structure may lead to internal corruption, management chaos and other problems, affecting the long-term development of the company. If an enterprise can establish a sound governance structure and ensure that decision-making and operations comply with regulatory standards, it can not only improve the transparency of the enterprise and promote long-term stable development of the enterprise, but also

attract long-term investment from investors and provide financial support for the sustainable development of the enterprise.

This article attempts to start from a specific case to explore the specific impact of corporate ESG performance on Procter & Gamble (P&G's) corresponding strategies. It will provide more information and reference direction for future research on enterprise ESG performance and enterprise business strategy.

Through a specific analysis of the case of P&G, the author propose improvement measures for corresponding problems, hoping to guide the future development of the company, conduct more effective management and control of marketing business, and reduce ineffective marketing and inefficient marketing. Provide more information and reference directions for other companies' strategic improvement work.

## 1.2. Literature Review

Improvements in ESG performance can improve corporate investment efficiency levels. ESG performance can not only reduce the two types of inefficient investment behaviors of over-investment and under-investment by reducing agency costs [1].

From the perspective of information asymmetry theory, good ESG performance can effectively alleviate the principal-agent problem caused by information asymmetry, thereby reducing managers' adverse selection and opportunistic behavior, and helping to promote the relationship between enterprises and stakeholders. Effective communication and benign interaction make it easy to gain the trust and support of stakeholders and reduce agency costs and capital costs [2].

Companies with better ESG performance will also attract more investor attention. The external supervision pressure brought by attention will prompt companies to make more cautious and scientific decisions, thereby improving investment efficiency [3].

Good ESG performance reduces corporate risks. Enterprises with good ESG performance have more complete risk management mechanisms, which can effectively reduce risks caused by friction between enterprises and stakeholders. At the same time, better ESG performance helps companies accumulate moral and reputational capital, and can also exert a certain insurance effect, smoothing the adverse impact of negative events on companies, thereby improving the durability and sustainability of corporate sustainable development. Earnings stability [4].

Companies actively carrying out ESG practices can send positive signals to the outside world and demonstrate a responsible corporate image, which is conducive to improving corporate reputation, gaining favor from the government, attracting outstanding employees, and at the same time enhancing the market competitiveness of corporate products or services, thereby enhancing corporate profits. capabilities and sustainable development of core competitive advantages to promote the long-term value enhancement of enterprises [5].

## 1.3. Research Contents

Through collecting and sorting out the research results of professionals on the Internet, the author can understand the specific ESG development status, analyze the relevant situation of P&G, summarize the impact of P&G's ESG performance on its business strategy, and propose corresponding improvement methods. Finally, this paper put forward prospects and hope that ESG can be better used in corporate development.

## 2. P&G's Environmental Performance

This part of the paper first describes P&G's specific environmental performance and business strategies. Today, the "white pollution" caused by plastic waste is shocking. Environmental protection is undoubtedly the social responsibility of P&G as a daily chemical giant. The industrial ecology team of the University of California estimates that humans have produced approximately 8.3 billion tons of plastic since its invention 65 years ago. products, equivalent to the total number of 1 billion

elephants. Nearly 8 million tons of plastic waste flows from land into the ocean every year around the world, causing direct economic losses of up to 54.5 billion yuan. Among them, daily necessities such as facial cleanser, toothpaste, cosmetics, and microplastic particles added to achieve exfoliation and dead skin effects flow into the ocean, pass through the food chain, and eventually flow to the dining table, posing a threat to the human body. public health.

At the "P&G China Sustainable Development Process Communication Meeting" held on November 6, 2023, P&G announced the progress of implementing the "2030 Mission" sustainable development goals in China, and released a new paper flexible packaging-Versa fill memory honeycomb for the first time in the world. This new paper-based flexible packaging draws inspiration and elements from nature [6]. Through the exquisite use of materials, consideration of mechanical principles, clever structural design and the use of geometric shapes, paper can become a flexible packaging that can change and fix the product according to its shape. It is made of recyclable paper materials, and its unique tensile structure can reduce material storage and transportation volume by up to 85%, making it very environmentally friendly [7].

P&G not only innovates in environmentally friendly paper packaging, but also through technological innovation, its brands can ensure product performance and help consumers achieve low-carbon and environmental protection while using P&G products every day. Olay's second-generation whitening bottle essence, the bottle body is upgraded from plastic to recyclable glass, saving plastic consumption equivalent to about 2.8 million bottles of mineral water bottles every year; Crest two-color whitening toothpaste, optimized and upgraded packaging, saving packaging materials every year More than 100 tons; Safeguard antibacterial hand sanitizer provides bagged refills, saving about 70% of plastic usage, helping consumers easily achieve "green washing" and making positive efforts to achieve sustainable development goals.

P&G's products have emphasized green environmental protection from the beginning of their design, hoping to make consumers feel the beauty of environmental protection and the significance of protecting the environment. With the spread of sustainable concepts, consumers have put forward higher requirements for green consumption. P&G serves billions of consumers around the world and continues to advance its long-term sustainability goals to make a positive impact on families, communities and the planet. Based on this, P&G actively adopts various methods to continuously embrace green consumption and provide positive companionship for current and future generations of consumers. This also reflects P&G's commitment to environmental protection and resource recycling in terms of sustainable packaging.

### 3. P&G's Social Performance

This section talks about P&G's social performance and company-related strategies. P&G often creates gimmicks to attract consumers' attention, but causes bad social repercussions. The official account of P&G Member Center posted a tweet titled "Women's feet stink five times more than men's feet, don't believe it!" The article revealed several "truths" such as "women's feet smell five times more than men's", "no matter how clean a woman is, her underwear is dirtier than a man's", "a woman's hair is twice as dirty as a man's", and tweeted at the end of the article He explained that the reason why a woman smells good all day long is because she owns the P&G 5-piece set. After this tweet came out, many netizens were dissatisfied. Articles related to P&G quickly appeared on Weibo's hot search list, and the comments on the topic were mostly negative, accusing P&G of using unscientific views to demean the image of women.

Ironically, P&G has always emphasized its status as a "friend of women" and claimed to break gender bias. P&G's official website has a dedicated "Gender Equality" section with the theme of "Our Influence", saying it will use its strong voice in advertising and media to address gender bias. In the 2021 Corporate Citizenship Report, P&G even committed to accurately displaying the images of different groups in advertising, avoiding stereotypes, belittling and name-calling, and always striving to embody unique and relevant insights and tell authentic stories.

The company's malicious marketing behavior gradually backfired, and consumers began to boycott the brand and its products, ultimately affecting the company's reputation and product sales [8]. Corporate marketing needs to respect consumers and achieve responsible marketing. Responsible marketing is a marketing behavior that starts from caring about people's survival, development and social progress, and uses social activities to communicate with consumers. While producing social benefits, it also creates consumer preferences for corporate products or services. This should not only benefit the welfare and interests of the enterprise itself, but also the welfare and interests of society. Therefore, if companies want to gain the lasting trust and favor of consumers, they should use this standard as a code of conduct for marketing and reject any vulgar marketing plans [9].

#### 4. P&G's Governance Performance

This part of P&G's corporate governance performance is described from the perspective of internal and external logistics and production. Intralogistics. P&G currently adopts logistics outsourcing, but as its business volume increases and the development conditions of different regions vary, it will also build its own logistics distribution centers in some regions. By combining these two methods, you can meet your own logistics needs. For example, the transportation management system and informationized transportation control implemented by the Guangzhou Distribution Center will increase the turnover rate of transportation vehicles by 25%. Due to the long-term cooperative relationship between P&G and third-party logistics companies, P&G can provide P&G with the most comprehensive logistics services through communication based on mutual trust and understanding, thereby improving P&G's inventory turnover rate, distribution, transportation and other logistics efficiency.

The coordination and cooperation of the company's internal logistics and external logistics are closely related to the company's product production. The reason why this century-old company can remain invincible in the increasingly fierce market competition is largely due to its continuously innovative production model. This model includes steps such as consumers deciding on innovation, from R&D to joint development, and breaking innovation boundaries. The launch of P&G's products includes the following contents: First, determine the products to be developed; Second, determine the product development method through a collective and general approach; Finally, let some consumers experience the quality of the company's products for themselves. If there are no problems, then put it on the market.

external logistics. P&G has established an inventory management system for its dealers, laying the foundation for the establishment of a dealer integrated system and a university dealer replenishment system in the future. The advanced replenishment system allows P&G to clearly understand the out-of-stock situation, replenish goods in a timely manner, and achieve a high cargo turnover rate. P&G also has its own unique distribution management model and has established long-term cooperative relationships with dealers. Distributors have become an important part of P&G's channel strategy. Most of the existing distributors have become strategic partners of P&G's business and have made significant contributions to the development of P&G. But there are two figures that make the hot seller uneasy. One is the inventory data. P&G has \$3.8 billion worth of inventory in its distribution system, and one is on sale. Of the 2,000 most important products in retail or discount stores, 11% are out of stock at any time. Puzzlingly, the large amount of inventory in the system did not reduce sales. In fact, out-of-stock items on shelves often pile up in warehouses, and although the inventory system shows them in stock, inventory managers can't find them. Inventory piled up, but customers often couldn't buy the products on offer. Consumption and cost of inventory management model: 1. The inventory is large, inventory management is difficult, and inventory costs are high. second. The high sales volume and the inability of customers to purchase P&G's products have affected P&G's brand image in the minds of customers. third. High sales and declining sales impact company revenue [10].

## 5. Suggestions

Based on the issues stated above and the operations of P&G. The following suggestions hope to help companies improve their business strategies. First, P&G should continue to maintain the image of a green development enterprise, constantly improve products and innovate, and develop its product materials and packaging towards green, harmless and recyclable development. As a role model in the industry, it should always bear in mind the company's obligations to society and respond to calls for a greener environment. activity. Let consumers feel the importance and significance of environmental protection from using P&G products. Second, P&G should avoid the negative effects of product marketing. Delivering positive content is the best way to make consumers remember the product. It should not create controversial topics in order to attract consumers' attention. Taking the needs of consumers as the guide and emphasizing the many benefits to consumers themselves, society, and the environment when marketing products is the correct way for enterprises to develop long-term and gain favor from consumers. Third, P&G should optimize the internal and external logistics processes, strengthen the skills training of company managers, and create smoother operating conditions, such as regularly inspecting the knowledge and skills of logistics employees and customizing employee work manuals and scoring mechanisms. Product production must also be carried out in strict accordance with production standards. Production volume can be adjusted according to consumer preferences, inventory ratios can be controlled, and company logistics and production processes can be closely integrated.

## 6. Conclusion

As an industry leader, P&G has assumed social responsibilities and actively responded to the requirements of green corporate development. However, if it wants to continue to win the favor of consumers, it needs to continue to improve its products, pay attention to consumer needs when marketing products, and continuously improve the quality of company employees. Professionalism and improved service processes. This article collected limited ESG materials during the research process, and there may be problems with P&G's business strategy that have not yet been suched. This paper hope it can have a positive impact on P&G's improvement of its business strategy and be helpful to subsequent researchers. Work together to improve the relevant concepts and application indicators of ESG. Companies should be further encouraged to strengthen ESG construction, accelerate the establishment of ESG information standardization and mandatory disclosure systems, and improve the quality of corporate ESG information disclosure. It is hoped that more companies will pay attention to ESG in the future and participate in green development.

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