

# Innovative Annual Reports

Ally Heeter is a five-year-old girl. Like all five-year-olds, she loves to play. And, like all children, she often gets real dirty while playing. She makes a complete mess of her clothes, her hair, her hands, and her face. Imagine a picture of this girl, in her glorious dirt, adorning the front cover of your company's annual report.

The inside of the front cover has a picture of a spruced up, clean, and pretty Ally riding a swing in her garden. The back cover shows a collage of dirty kids of all ages. The accompanying writeup reads thus: Dozens of kids from New York and around the country participated in a 'Stain-a-thon' in New York's Central Park, where Monique Eldred, from Olive Branch, Mississippi, was crowned the 'Dirtiest Kid in America.'

No, this can't be true, you tell yourself. Which company in its senses would dream of such a silly thing? Well, actually this is the front cover of the annual report of a corporation which was voted the second most admired company by Fortune in 1995.

Here's the caption that accompanies Ally's picture in the front inside cover: 'I don't even think twice about dirty clothes because I know that Tide will get them clean.' In one corner of the page you see a box of Tide detergent, with the following words, 'For nearly half a century, Tide has been America's favorite laundry detergent.'

Of course, you guessed right, this is the 1996 annual report of Procter & Gamble. In fact, CEO John Pepper's address to shareholders starts with the following words: 'Ally Heeter, our 'cover girl' for this year's Annual Report, is one of America's Dirtiest Kids. But her mom, Jenni, doesn't mind...'

P&G has set three growth goals:-

- Double unit volume in 10 years.

- Achieve share growth in the majority of P&G's categories (a one percentage point share increase in a major global category could mean more than US\$100 million in additional sales). Deliver total shareholder return that ranks P&G over

time among the top third of their peer group. John Pepper then goes on to describe how P&G intends to get there. Here are the steps:

- Expand P&G's line-up of global brands.
- Strengthen the ability to deliver breakthrough innovation.
- Achieve an extraordinary level of cost effectiveness.
- Work more effectively with retail and wholesale customers to build consumer loyalty. Expanding on the fourth point,

Pepper has this to say: 'Until recently, manufacturers, retailers, and wholesalers rarely saw one another as business partners. In many cases, we saw one another as adversaries. As a result, we created inefficiencies in the supply chain that increased consumer prices, and eroded loyalty to brands and stores alike.'

Wow! Quite a remarkable statement, coming from a major producer of consumer goods. While all these matters take up the first four pages of the report, the next ten pages deal with Building Leadership Brands. It starts with a pyramid made up of five elements to it:



The foundation of the pyramid is made up of 'The Best People.' Which reminds me of an old saying: winners make great products; great products don't make winners.

Next on, each of these elements has two pages devoted to it. The report is filled with pictures: pictures of people-like consumers and employees and products. Not

offices and factories, but people and products. What a welcome relief! Instead of telling everyone how good P&G thinks it is, the report on page 14 (The Best People section) shows a picture of the book 'Built To Last' by James Collins and Jerry Poras, which has this to say: 'P&G understands the importance of constantly developing talent so as to never face gaps in succession at any level, and therefore to preserve its core throughout the Company.'

There is another testimony to P&G's success: a photograph of the book 'The 100 Best Companies To Work For in America' by Robert Levering and Milton Moskowitz, which regularly ranks P&G as a top employer in the US and around the world.

Then there are comments from three employees. Instead of the CEO talking about leadership, the annual report has three employees talking about it. Here's one from Toufic Waked, a manager at the Beauty Care Plant in Cincinnati: 'The great benefit of driving leadership responsibility down to every level in the organization is continuity. Most of our technician leaders will spend their career at a single P&G plant.

And that continuity breeds mastery - which is fundamental to the speed and excellence today's business environment requires.' And then there's something about product innovation. The report describes how new absorbency technology has made gender specific disposable diapers obsolete. Just imagine this category has become so complex that many consumers walk away unsure of whether they have got the best value or even the right product. The more choices there are on size, gender, and feature, the more daunting the task of selection becomes.

Worse, wider choices based upon size, gender, and feature means more shelf space at the re- tail outlet, to say nothing about the transportation and distribution nightmares. Thanks to this innovation, parents can buy diapers more easily including picking up the right ones.

P&G's annual report looks more like a fun document. For sure, the serious business is all there. But at the right place. The financial review begins at page 20.

Consider these statements: Insight equals advantage. Knowledge is Power. Accelerating the time to insight is the key to your competitive business advantage

in the age of the interactive enterprise.

Suppose you could: Connect product teams on three continents. Join partners and customers around the world. Connect with sight, sound, and a shared vision. Create things faster. Turn concepts into reality in the blink of an eye. Transform the world around you. See the possibilities, envision success.

Where do you think these thoughts are most likely to be found? Magazines, e-zines, business periodicals and books? Well, I pulled out these statements from the Annual Report of Silicon Graphics.

So did these guys forget to print the balance sheet and income statement? Of course not. They simply shoved it to the latter half of the report. To page 33, in fact. Financial highlights do appear on pages 1 and 2, for less patient stockholders, I guess.

And then how about these thoughts? Browse through 400-year-old manuscripts deep in a European library. Run a meeting where six people draw on the same white board at the same time, even though none of them are in the same room. Read an electronic book where the illustrations move, the charts evolve, and the footnotes come alive.

We had a huge effect on the Internet and it had a huge effect on us.

Throughout history, gold was the currency that drove business, even though it was bulky and hard to distribute. But today, the currency that matters is information. We believe so strongly in this new, expanded concept of wealth that we have restructured our entire company around it.

Would you like to hazard a guess where these words originated? Well, they are straight out of Microsoft's 1996 Annual Report. Naturally, these guys didn't forget to print the financial figures, either. They begin on page 14. Not bad, considering that the report has only 32 pages in all.

Companies like P&G, Silicon Graphics and Microsoft are in the serious business of making money. The point is that their annual reports make such enjoyable reading. Sure, you can get to know a lot about results by reading income statements and balance sheets. But these reports also provide the reader the opportunity to learn some of the things that were done to achieve those results.

How about reviewing your annual reports, and coming up with something completely different next time? Ask yourself one simple question would the reader get something more than financial information about us? What are the chances that this document would be remembered six months from now by those who read it?



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