Manager's Notebook

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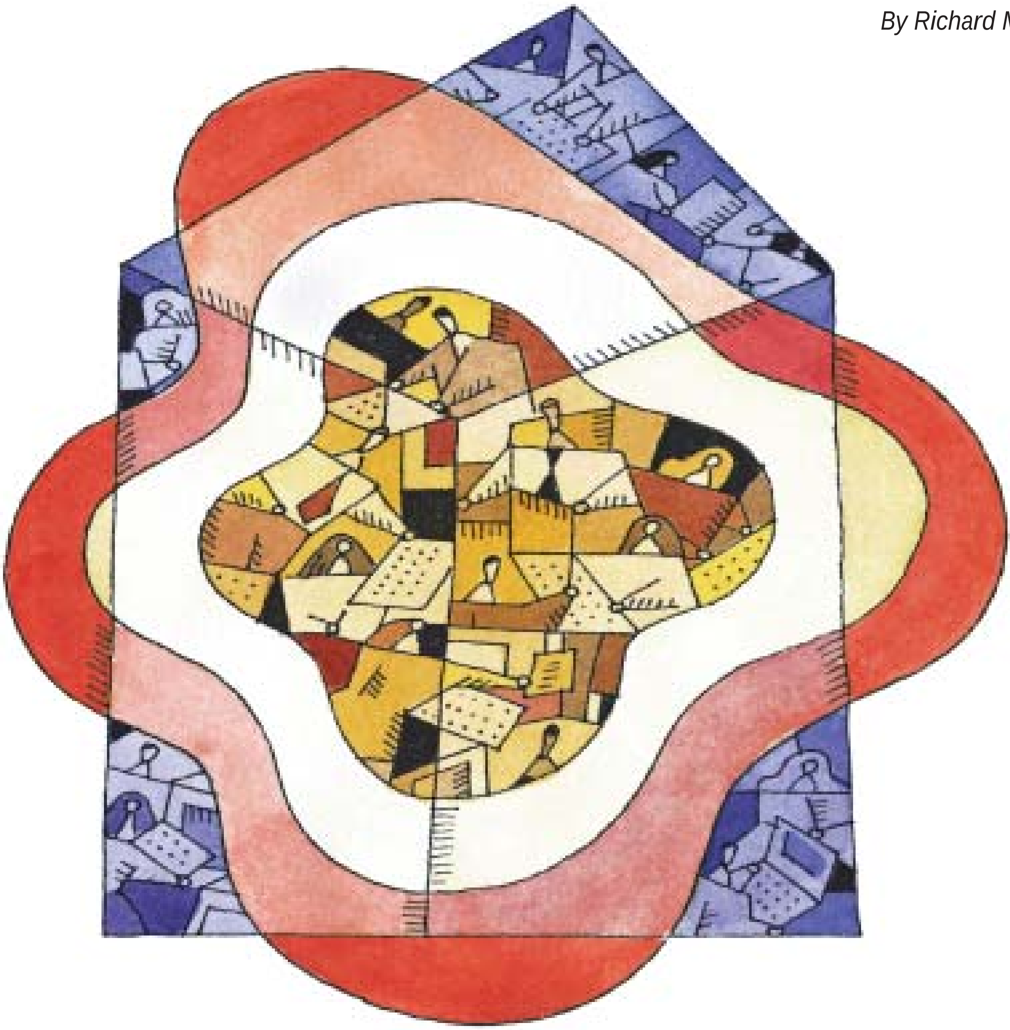
Environmental Management Systems

Do they provide real business value?

By Richard MacLean



The winter meeting of The Auditing Roundtable was a wakeup call to environmental auditors. The keynote speaker did not mince words: Conformance-based environmental management systems, such as International Standard Organization (ISO) 14001, are fundamentally flawed. What is the point of auditing systems that don't bring value? If certification is not on management's must-do checklist to enable entry into certain markets, why are these systems needed? . . . and who needs these auditors?

I have grown numb listening to environmental professionals breathlessly report that things are getting bigger and better at an ever-accelerating pace toward sustainable development. It was refreshing to hear environmental auditors conduct a candid audit of themselves. In her opening remarks, Karen Coyne, president of The Auditing Roundtable, reported that there is "little correlation between environmental management systems and performance." She supported this statement with six recent research studies.[1]

For many people in the room, this came as a shock. For others, it was not news but rather an opportunity to discuss openly "the elephant in the room" (as it was described by a few speakers). The implications are clear to auditors: over the past decade the most senior auditors (especially at the corporate level) have gradually moved from auditing compliance to auditing management systems. Compliance hardware and software improvements have allowed routine compliance audits to migrate to less-skilled individuals who are embedded at the local level. In addition, consultants have staked their incomes on installing and certifying these environmental management systems (EMS).

What happens if business management realizes that they are not getting much return from their EMS? This question has, of course, much broader implications — affecting all environmental professionals. What is really going on here?

Conformance Systems Take Over

Beginning in the mid 1990s, ISO 14001 and EMAS (the European Union's Eco-Management and Audit Scheme) became very much in vogue as the tool for demonstrating environmental responsibility in the global marketplace. Consultants jumped on ISO and EMAS as the next opportunity in a mature market no longer driven by regulatory dynamics. As a result, EMS has become synonymous with conformance-based management systems such as ISO 14001 and EMAS.

In actual practice, ISO 14001 and EMAS implementation teams start with, and often get mired in, the paperwork. The standard requirement to "go through the process" can make it quite difficult to focus less on the details and develop an EMS with a strategic environmental direction. The standards do not require firms to establish performance improvement goals; they only require that a process is created to facilitate this action. They are procedural standards, not goal-driven standards.

If your company's primary goal is to attain certification for its facilities, ISO 14001 or EMAS may be necessary. The question is whether or not they drive even basic compliance. Not necessarily, as has been proven by compliance problems that have grabbed worldwide headlines.[2]

Proceduralizing any business activity tends to minimize strategic thinking. In many respects, ISO 14001 and EMAS illustrate one of the worst trends in environmental management. They may create the illusion to executive management that all is well because the process is in place; management's attention may shift from improving performance goals to completing a procedure and getting the box checked. Essentially, environmental concerns are reduced to a binary question, "Are we certified or not?"

This narrow focus has also led to a "gaming of the system"; some companies focus on getting the box checked at lowest cost and with greatest certainty by selectively picking external auditors. This

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issue was mentioned at The Auditing Roundtable meeting, but has been brewing for years (it is the other elephant in the room). For example, the U.S. Environmental Protection Agency (EPA) raised concerns over third-party auditing of ISO 14001; this prompted the 2001 Registration Practices Report, published by the National Academy of Public Administration.[3]

Although the two elephants were talked about at the meeting, these problems have been gestating for a long time (even longer than the 22 months needed for actual elephants, one of the longest in the animal kingdom). These issues just never received the widespread recognition that they are now getting. Corporations and consulting firms have invested a lot of money in these conformance systems and early mention of the problems incited the wrath of many people. Riva Krut, co-author of the 1997 book, *ISO 14001: A Missed Opportunity for Sustainable Global Industrial Development*, told me that she was soundly criticized for saying disparaging words about ISO.[4]

Professor Marc Epstein of Rice University also summarized the situation in 1997, "Although the framework of useful and enhancing environmental management systems is beneficial, the adoption of ISO 14001 alone will not provide maximum company benefits."[5] There are several others who raised the red flags long before The Auditing Roundtable meeting. I began writing, speaking and conducting media interviews about these issues four years ago.[6]

Consultants to the Rescue

The most amusing part of the meeting was when the CEO of a company that for five years has been certifying these "fundamentally flawed" (his words, not mine) management systems stood before the group to reveal how this could be fixed. The thrust of the message was that his company, and by inference the parent company, a consulting firm, is on top of this issue and has new and improved products to sell. Right, we'll see. Where were you years back, when others were describing the potential problems in graphic detail before they erupted into today's embarrassments for the environmental health and safety (EHS) profession?

To his credit, he did hit on a few of the key issues. The ISO and EMAS approach is not consistent with the way business managers drive performance. Good management systems drive behavioral changes, not an auditable paperwork trail. ISO 14001 and EMAS certification can be resource-intensive activities that yield few performance results other than the box checked. Some experts estimate that, at most, 10 percent of this document-based effort actually generates any form of business value.

A subsequent speaker, colleague and, to his credit, long-standing realist when it comes to systems, Bill Blackburn, cut to the chase on the six key problems:[7]

- Wrong objective for obtaining an EMS
- Over-emphasis on documentation; under-emphasis on field interviews
- Evaluation of what the system is likely to provide without a critical assessment of what it has consistently provided in the past
- Focus on continuous improvement, not absolute performance vs. benchmarks
- Lack of auditor skill and knowledge in judging system performance
- Failure to spot and address overarching root causes of lackluster performance

These points have a direct overlay on the strategy for running a profitable business. For example, just because a company continuously improves performance, it can still be in major trouble (e.g., raising capital and shareholder value), if all the other companies in its sector are performing dramatically better. Continuous improvement is a bogus concept in business, but an essential ingredient in systems like ISO 14001 and EMAS.

I have been in ISO 14001-certified companies that were pathetically inefficient, rife with dysfunctional behavior and that possessed no leadership and no vision of how they could strive to add value. It's not about the paper, it's about good management. Auditing a paper trail is important, of course, but the real value comes in providing strategies to change behavior and improve performance. This creates an interesting dilemma for auditors: the dangers of mixing these services (i.e., auditing and management consulting).

This issue of impartial auditor vs. provider of solutions has grown to epic proportions in the financial audit sector. The jury has reached a verdict: you must separate these functions. Within the environmental auditing profession, the debate continues; meetings like this one by The Auditing Roundtable play a crucial role in providing a forum for debate (see sidebar Making the Conference Scene).

Conclusions

Systems alone will not save the day. Enron had a plethora of systems and Arthur Andersen consultants became specialists at identifying loopholes in accounting systems as a way to hide problems. The accounting profession is based on a foundation of voluntary standards (generally accepted accounting principles or GAAP); it is significantly more codified and mature than those representing environmental standards. Conformance-based systems are a good starting point, but they are neither the endpoint nor the substitute for strategic environmental thinking and rigorous governance.

To answer the opening questions: yes, an EMS can provide tremendous real business value, but only if it is focused on key business processes. Next month, "Manager's Notebook" will examine how to review a company's existing system to evaluate if it is delivering value and, if not, determine the root causes.

Richard MacLean is president of Competitive Environment Inc., a management consulting firm established in 1995 in Scottsdale, Ariz.; a principal at Independent Perspectives, a virtual consulting network supporting business management; and the executive director of the Center for Environmental Innovation (CEI), a university-based nonprofit research organization. He can be reached via e-mail at maclean@competitive-e.com. *For Adobe Acrobat(electronic files of this and his other writings, visit his Web site at* www.Competitive-E.com.

Making the Conference Scene

Budget restrictions have slashed travel and conference attendance. No doubt, some of the reduction was sorely needed. There are always those folks who serve as perpetual jet setters, floating from meeting to meeting but not bringing much real value back to the organization. They are similar to Wally, in Dilbert, only instead of wandering the halls of Cubeville with a coffee cup, they frequent the conference circuit with a reception drink.

These eternal meeting-goers are, however, the exception (and now the rarity) to the rule. Most EHS professionals are only allowed one or two out-of-town conferences per year, at most, and then only if they are lucky. Better make good use of the opportunity. My advice is to ask around before you travel. Agendas can be pumped up by promises that would make a Madison Avenue executive blush. A surefire danger signal is when "invited" appears next to some famous person's name. I invite the President of the United States to all my meetings, but he has not showed up .... yet. Government officials are notorious for canceling at the eleventh hour, and for good reason: they cannot accept payment and the tax payers' priorities come first.

That said, there are some sure bets. The Global Environmental Management Initiative's (GEMI) annual meeting is one. The Conference Board's Chief Environmental, Health and Safety Officers' Council meetings and the National Association for Environmental Management's (NAEM) annual meeting are two others. These are, of course, focused on the management-type issues that I deal with. Generally, you should try to attend the annual professional society meeting for your discipline(s). For example, auditors should attend the winter meeting of The Auditing Roundtable, another sure bet. The Air & Waste Management Association is great for technical issues, but not general EHS management. If you attend your profession's annual conference and it is not up to your expectations, either try to fix the situation or drop your membership.

For managers who can still go to a dozen or more of these meetings each year, spread the wealth. For a real boost in morale in your organization, let your most productive employees go. For a real decrease in productivity, let your suck-ups go. If you cannot differentiate among these individuals, go to a management training seminar.

References

1. Studies cited include: research by the University Sussex; work by the United Kingdom's Environment Agency; a Swedish research study; University of North Carolina research; Alabama Department of Environmental Management study; and an American Institute of Industrial Hygiene study on audit reliability.
2. For example, dioxin compliance problems at Ebara Corp., a Japanese facility certified in 1997, triggered questions about ISO's effectiveness. This was followed by the largest Brazilian pollution incident in 25 years at the certified Petroleo Brasileiro S.A. facility. Again in 2000, two Taiwanese ISO-certified facilities were involved in a hazardous waste dumping scandal.
3. National Academy of Public Administration, Third-Party Auditing of Environmental Management Systems: U.S. Registration Practices for ISO 14001, May 2001.
4. Riva Krut and Harris Gleckman, ISO 14001, *A Missed Opportunity for Sustainable Global Industrial Development*, Earthscan Publications Ltd, London, UK, 1997.
5. M. Epstein and M-J Roy, "Using ISO 14000 for Improved Organizational Learning and Environmental Management," *Environmental Quality Management*, Autumn 1997, page 21.
6. See for example: Interview in *Tomorrow Magazine*, July/August 2000, pages 36-38; "EHS Management Systems," *EM Magazine*, February 2000, pages 9-13; "The Value Chase," *Environmental Protection* magazine, July, 2001, pages 42-46; "Lessons from Enron," *Corporate Strategy Today*, issue V/VI, June 2002, pages 31-34.
7. See *www.WBlackburnConsulting.com*