The Search for Deep Green

Characteristics of companies that take environmental, health and safety performance seriously

By Richard MacLean

Benchmarking is very much in vogue, but how do you identify the best in class? It is more difficult than you may imagine, since reputation and many of the readily available metrics are poor determinants of deep green. What are the ideal indicators? First and foremost, they are a shopping list of sound environmental, health and safety (EHS) practices for boards of directors who are worried about corporate governance and the Sarbanes-Oxley Act (SOX) of 2002.[1]

Union Carbide was the scorn of society after Bhopal; the 1984 incident in India in which Union Carbide's chemical plant accidentally released methyl isocyanate and killed several thousand people in the surrounding community. But within two years after this tragic event, the company was the darling of corporate environmental professionals. I should know: I was at their corporate headquarters in Danbury, Conn., in line with everyone else eager to benchmark the world's leader in innovative, aggressive governance practices. Sometimes it takes a tragic event to propel a company forward. In the case of Bhopal, the entire chemical industry was pushed forward to a new level of performance.

Through backward stumbles and forward leaps, companies have struggled to get their EHS act together. Some have been more successful than others and benchmarking against the performance leaders has been very much in vogue. Indeed, measuring EHS performance is a hot issue; consider the work done by the Global Reporting Initiative to define corporate social responsibility performance parameters.

The nagging question remains: how do you tell if a company has truly embraced EHS performance leadership? To paraphrase an old television commercial, are the so-called leaders "Memorex" or are they for real? Which companies are truly worth benchmarking? Companies proudly point out their awards, their value statements, their ISO 14001 certifications, their showcase projects and partnerships, and their reductions in the traditional environmental and safety performance metrics. Are these the defining parameters that one should examine to see how deep the green really extends? Not necessarily.

A company can spend a surprising amount of green (money) and still be laggard when it comes to establishing a company culture and business ethic based on deep green principles. The classic example — Enron — received a great deal of recognition for environmental excellence, only to be exposed as a corrupt company. Enron symbolizes the ultimate case of corporate social responsibility meltdown. Awards are, at best, a remote indicator. This is one of the reasons why the United Nations' places such a low rating on awards (relative to other parameters) in their 50 element scoring system for environmental reports[2]

A company's public reputation also can be a false indicator. In the early 1990s, I initiated a benchmarking exercise wherein we contacted Ben & Jerry's, the ice cream manufacturer, among other well known "green companies." Let's just say that they wanted to benchmark with us for ideas.

On the flip side, ExxonMobil is the scourge of environmentalists because of the Valdez legacy, and more recently because of some rather outlandish and widely publicized comments by Chairman Lee R. Raymond. In recent research on top EHS organizations using a scoring metric of performance indicators, they emerged in top 25 among the Standard & Poor's 500, beating out such eco-friendly organizations as Walt Disney Company.[3] From my own direct benchmarking, pre-merger Mobil set the standard of excellence for EHS shared service organizations. These best practices were carried over post-merger.

Picking the Deep Greens

So, how can you identify the truly deep green companies, not just the butterflies, as John Elkington, chairman of SustainAbility and author of *The Chrysalis Economy*, has described the beautiful companies with little global impact?

It is a blend — not any single factor. Some determinants are more significant indicators than others and some of the best are hard to obtain since companies typically do not disclose their internal workings. The easiest to obtain (i.e., information that is required to be reported by regulations) may give some insight. For example, the traditional metrics mentioned earlier (emissions, toxic release inventory and accidents) need to be examined not just on an absolute basis, but also in terms of: 1) rate of reduction; 2) progress against targets; and 3) relative performance in the industry sector.

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There are confounding issues with traditional metrics. Some industry sectors just do not have a lot of emissions. Some companies appear green because they have had few spills or accidents. But, has the absence of problems been due to rigorous risk management systems or because they have been just plain lucky? In addition, the publicly reported figures may or may not be accurate. Companies claim that they keep precise safety records but, many say, "Those darn other guys are cooking their books. That's why we look bad." I have been hearing this same tired line since the 1970s. (Note to OSHA: where are you?)

Some companies have experienced significant emissions and accidents and are improving. But, the deep green companies do the following: 1) establish and report progress against stretch targets; 2) have sophisticated systems to track and audit the data; and 3) link at-risk pay to the targets.

Specific projects, especially the "standalones," are also not much of an indicator, yet these are what companies often use to bolster their green reputations. There are exceptions, however. Some projects or partnerships take great management commitment and courage. The following partnerships have literally changed the face of the competitive landscape: Chiquita and the Rainforest Alliance, Home Depot and the Forest Stewardship Council, and McDonalds and Environmental Defense. These partnerships indicate a deeper management commitment that is worthy of further investigation.

Company policy statements, mission statements and so on are not a reliable indicator of deep green. Their existence serves as a first-tier check mark. As the old saying goes, "words are cheap, action is what counts." Company reports can be a useful indicator if, and only if, the reports are filled with hard metrics, measurable progress against company commitments and other information indicative of deep green. What might these be?

Companies can eloquently wax on and on about how green they are, but there are some things that they just cannot fake. These are the core elements that cut to the heart of a company's philosophy with respect to how seriously they take these issues vs. how much they view EHS as a public relations problem. Table 1 presents a list of ten significant indicators. This list was by no means derived scientifically; it is my take on what differentiates EHS leadership among companies.

That said, all of the elements are based on fundamental, well-proven business principles for managing any business issue. This is not rocket science; it is just sound business strategy. The underlying weakness in most EHS programs is that they are driven at the business executive level by narrowly conceived strategies and, specifically, public relations and cost/risk control. Recognize also that it is easy for companies to claim the presence of all of these deep green indicators; one must be wary of the "bleach factors" listed in Table 1 that can lighten even the darkest shades of green.

The common thread among all of these elements is that they involve the transition from viewing EHS as just another cost of doing business to integrating the principles of corporate social responsibility into the fabric of the business. Very, very few companies have made this transition, in spite of all the hype. A few of the elements listed are easy to verify: they are binary in nature and they either exist or they don't. At first glance, many appear subjective, but even for the more ethereal, such as corporate culture, it is possible to identify specific sub-elements that are easy to measure. Examples of these sub-elements are provided under the heading "characteristics."

Another characteristic of the elements listed is that once deeply ingrained, they become self-sustaining; one could say that this is sustainable development at its most basic level. Far too many companies that tout their deep green commitment are really expressing the philosophy of the CEO and/or the top EHS executive. The minute these people change, all bets are off as to whether or not the management philosophy will be sustained.

To be fair, many boards of directors and top business executives would like to move in the direction of deep green — if only they knew how. Rarely do these business executives have the background to understand the nuances involved. In this age of governance and the Sarbanes-Oxley Act of 2002, I suspect that this lack of knowledge may be unsettling to boards of directors. Table 1 serves as a shopping list of possible elements to incorporate into a business strategy that will support a goal of heightened corporate social responsibility.

Conclusions

A more subtle message in Table 1 is the tenth element listed: staff excellence. Rarely have I found that progress toward deep green is inhibited by the front line EHS staff members (that's you, guys and gals). "Good on you!" as they say in Australia. Many EHS professionals know exactly what it takes to move toward deep green and are frustrated that they are held back from going to the next level.

More often than not, the problem lies with the leadership of the company. The cost to go deep green is, in the grand scheme of things, relatively small when compared to the overall cost to install the basic infrastructure to meet regulatory obligations. Yet, there are so many misunderstandings in this regard (e.g., if it costs X amount of dollars to be in compliance, then it must cost five times X to go "beyond compliance" and all we get for this is a little better PR).

It's up to all of us to change these misconceptions. It takes a strategic plan (one of the rarest of all elements in Table 1), courage and a re-assessment of priorities and communication strategies.

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Table 1. Shades of Green

Practice	Green Characteristics	Bleach	Shade	Occurrence
1. Supporting culture	Line management fully accountable for EHS; consequences for poor EHS performance, (e.g., documentation of terminations, business managers not promoted for sub-standard performance); active front-line employee involvement (e.g., aggressive pollution prevention and safety programs); EHS performance goals and business goals for areas such as quality and competitive performance are similarly executed	Policies sounding like value statements — words do not match reality at the front lines, words substitute for action, employees can not state company's goals in these areas, no consequences for poor performance	Darkest	Rare
2. Strategic plan	Plan linked to business strategy; reviewed with board of directors and top executives; original research conducted on emerging issues; scenarios and other planning tools used; plan progress tracked during the year	Strategic planning is more closely akin to project planning; one- or two-day effort; little or no business management involvement; plan sits on shelf during the year; no external input or involvement by experts	Darkest	Rare
3. Transparency & involvement	Aggressive external EHS advisory committee; significant involvement with community and EHS non- government organizations (NGOs); broad spectrum of indicators tracked and publicly disclosed	Cream-puff external advisors; external advice carefully managed (i.e., controversial issues may not be brought to business management's attention); "one-off" public relations-driven projects; safe and easily controllable NGOs; only the "usual suspects" of metrics disclosed publicly	Deep	Infrequent
4. Governance	Level three governance[4]; strategic focus on competitive positioning	Focus almost exclusively on regulatory compliance auditing or risk reduction; inexperienced staff using a check-the-box approach; no external reviews/cross checks	Deep	Infrequent
5. Performance-based EMS	Fully developed management system including a sophisticated information management system; based on Baldrige or similar performance system; custom-designed systems based on business dynamics	Certification as the driving force for the EMS; conformance-based system approach; strong in one or two areas but inadequate (but still certifiable) in many others	Dark	Infrequent
6. Management access	Most senior EHS professional no more than two levels away from the CEO; player at the table — involved with officer level decision-making processes; EHS committee of senior business executives	Most senior EHS person in title only — no in-depth experience or knowledge of EHS; responsibilities split among other functional areas (e.g., quality, communications), consuming nearly all available time; senior EHS staff "safe and predictable," unwilling to challenge the status quo, assume a leadership position and/or not respected by business management (e.g., not sought out for input on most business decisions)	Dark	Infrequent
7. Control	Hard control, oversight and sign-offs on key issues and business transactions (new property transactions, raw materials, business ventures, products and services, capital reviews)	Control and oversight systems dependent on personalities, cooperation and interrelationships that can change with time	Dark	Infrequent

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Practice	Green Characteristics	Bleach	Shade	Occurrence
8. Targets	Aggressive, stretch EHS targets linked to at risk pay	Slam dunk, no risk targets; one or two at most	Green	Occasional
9. Metrics & Reporting	Robust metrics; leading and lagging indicators — "balanced scorecard"-type approach; focus on emerging issues and based on original research	Focused on a narrow set of peer company benchmarks; superficial or infrequent reviews by top executives	Green	Occasional
10. Staff excellence	Highly competent spectrum of EHS talent; well positioned in the company (e.g., balanced approach — not overly centralized, decentralized or outsourced)	Excessive use of outsourcing, inexperienced or non-EHS professionals placed in key positions; organization inappropriately structured; poor communication among groups; dysfunctional interrelationships; sized only to deliver reactive response instead of proactive engagement	Green	Frequent

References

1. The Sarbanes-Oxley Act (SOX) of 2002 was passed by the U.S. Congress to address the issue of corporate governance. SOX provides for stricter controls on everything from the makeup of corporate boards to the manner in which companies report their earnings.
2. Awards and charitable contributions were each weighted one point, with the other 48 elements weighted four points each for a total possible score of 194. See United Nations Environmental Programme and SustainAbility report Engaging Stakeholders", 1996
3. Y. Yang and R. MacLean, "A Template for Assessing Corporate Performance: Benchmarking EHS Organizations - A matrix-based selection system for identifying superior EHS performance," Environmental Quality Management, John Wiley & Sons, Inc., Vol. 13, No. 3, Spring 2004
4. For a detailed description of the components see R. MacLean, "The Three Levels of Environmental Governance Where is your company in the spectrum: Passive - Active - Aggressive?", Environmental Protection's Web site (*www.eponline.com*) under Archives, March 2003, Pages 20-23