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Ask the Experts

by Steve Rice & Richard MacLean

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Benchmarking ... Business Trends ... Persuading Management

Got A Question?

Send your question about environmental management issues to Editor@GreenBiz.com.

We can't guarantee that we'll answer every question, but we'll try.

Q: I have been looking for reports that benchmark company environmental, health, and safety organizational structures and strategies, but have found little in the way of published literature. Do you know of any available sources of such information?

SR: Our experience is much the same as yours. Much of the information that is publicly available is old, marginally informative, or both. Most of the quality work is conducted either by the major business management consulting firms for their clients or by private trade/professional associations on behalf of their contributing members. This type of work is expensive and not typically available outside of the project's sponsor(s).

If your organization is serious about obtaining such information, there are two basic choices:

1. Join an existing trade, industry or professional organization that conducts such studies and participate in them. The advantage is that you will get current information at a somewhat reasonable price. The disadvantage is that you may not get a useful cross-section of relevant companies or organizations. Utility companies may wish to join the biannual study conducted through the Research Triangle Institute.

2. Form your own ad-hoc group and hire a reputable firm as an independent third-party to conduct the effort on behalf of the group. The advantage is that you can shape and define the study to meet the exact needs of the group. The disadvantage is that unless a group of 15 to 20 companies can be formed, the cost for each participant to receive meaningful and useful results may be quite high.

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Q: The information in the earlier column regarding environmental management education and training was most useful. What are inexpensive sources of good information on current events and trends? What are some of the basic resource books and literature I should have on my bookshelf?

SR: While insightful and in-depth coverage of current events and trends is often published in the more expensive journals such as Corporate Environmental Strategy and newsletters such as Business And The Environment, there are other options. The Green Business Letter contains news, original research and commentary; it is inexpensive and is distributed electronically once a month. Subscribers also have access to search back issues. SustainableBusiness.com provides monthly email summaries of news postings from other sources at no cost. E Magazine is also a low-cost, bimonthly magazine that provides a radar on what's happening in the political and scientific advocacy arenas. You might also want to get a trial subscription to Tomorrow magazine for a decidedly international perspective.

Other periodicals such as Harvard Business Review, Academy of Management Journal, Journal of Innovative Management and the Ivey Business Journal are also excellent, albeit occasional, sources of important strategic environmental management literature. These are quite expensive, however, to receive as an individual subscription so you may want to read them at your local and regional libraries -- not as handy as having your own copy but it works if you are on a tight budget.

Dick and I have also written an article, "Strategic Environmental Management - Essential Resources" (Environmental Manager, May 2000), that presents a list of the core books and articles that should be on the bookshelf of every effective professional working in this area. Electronic copies are available from either me or Dick.

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Q: I've read a number of reports on environmental performance measurement that make references to metrics, indicators and indexes. What is the practical difference among these terms?

RM: The terms are very similar with no bright line separating them, thus they sometimes are used interchangeably. There are subtle distinctions, however.

A **metric** is the most basic unit of measurement for a parameter or item tracked. An **indicator** is frequently used as a surrogate to monitor some other condition or state. Indicators may be less specific, not as precisely quantified or measured, and/or consist of several metrics combined. An **index** is generally a collection of a number of metrics or indicators mathematically reduced into a single number. Indexes are often used as indicators.

Remain confused? A few examples may help. Electrical energy consumption at a manufacturing site is measured in total kilowatt hours -- a metric. Total units produced is another metric. However, when combined into total energy per unit of production, it is an indicator that tracks the success of an energy conservation program. The plant's overall environmental efficiency index might be a weighted value of its energy conservation indicator, a waste reduction indicator, and a raw material usage indicator, all reduced down into a single number tracked by business management.

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Q: I'm having difficulty convincing my business management that sustainable development is more that just the latest "feel-good" environmental movement. How have you gotten the message across to business management?

RM: Everyone is talking about sustainable development (SD), but few people understand its business significance, other than, "We are all for it!" SD has made it to the public relations lexicon of most companies, but that's about it. SD is not another buzzword; it represents a major competitive threat or opportunity to many companies. An exaggeration? Not at all, and the key to understanding these dynamics is found in how SD is measured. In the language of SD, metrics represent the Rosetta Stone.

Environmental managers recognize that programs focused exclusively on compliance offer few competitive business advantages. A company's existing operations are allowed to stay in operation and that's about it. What is not as widely recognized today is that a traditional environmental metrics offers few insights into how to gain competitive advantage. Moreover, business managers have been lulled into thinking that (a) their current internal and external reporting efforts (i.e., rolling up the traditional metrics) will keep them informed of performance trends, and (b) voluntary reporting will continue indefinitely. I would count on neither.

When a metric is relevant, understandable and reliable, it can drive consumer/voter choice and, ultimately, influence legislative and regulatory action. SD metrics theory and practice has undergone a significant evolution over the past five years and it is reaching the point where disclosure of comparable, reliable metrics will influence customer and supply chain choices.

With U.S. automobile giants imposing ISO 14001 onto their supply chains, we will shortly see the impact of the imposition of private sector voluntary environmental standards in the marketplace. It does not take much imagination to visualize companies in the future certified according to minimum environmental performance metrics, products labeled according to environmental intensities and supply chain requirements ties into minimum performance beyond ISO certification.

The move to establish these comparable standards has already started (e.g., the World Business Council on Sustainable Development's recently organized "System for Measuring Eco-Efficiency"). A few have been around for years (e.g., miles per gallon fuel consumption) and now are drawing increased attention by governments, consumers and industry.

Regulations can take years to legislate and promulgate. Demand for disclosure can happen very quickly, and in the case of consumer products, self-disclosure can happen in days if consumer pressure skyrockets. The politics of disclosure can shift suddenly and unpredictably if your "EHS metric" becomes the cause célèbre. Relying on a traditional metric set and reacting to emerging issues may not be the best business strategy. My read of the politics of metrics is that Europe or Canada will shape these dynamics, not the United States, as Monsanto found out the hard way with biotech food crops.

A few companies are beginning to move beyond the rhetoric and position themselves for a new environmental era anchored in SD and social responsibility. For example, we are assisting clients examine how their products, processes, and their supply chain will stack up against set of SD metrics relative to their competitors. The companies with superior metrics may use their position to influence their customers, leverage expansion opportunities, or support government regulation that favors their competitive EHS advantage.

Keeping score on SD performance metrics may some day lead to new forms of hard ball competition. Good comparative EHS competitive intelligence is very difficult to obtain and few go through the effort to assemble it. It can take years to establish and build a reliable database. Business decisions based on this information, which involve risk and liability assessments, are very tricky and require a multidisciplinary approach. Leading companies recognize these dynamics and are not waiting for outside influences to dominate their internal management decisions.

Steve Rice is the founder and president of Environmental Opportunities, Inc., a strategic environmental management advisory firm and has worked for both Exxon and BASF in a variety of environmental management positions. Richard MacLean is president of Competitive Environment Inc., a management consulting firm in Scottsdale, Arizona. He also serves as the Director of the Center for Environmental Innovation, Inc. and has held executive level health, safety and environmental positions in several Fortune 500 companies.

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