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Ask the Experts

by Steve Rice & Richard MacLean
August 2001

Know Your Sustainable Development Indicators

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Q: Can you give an overview on sustainable development indicators and their usefulness?

Steve: A variety of metrics and systems attempt to indicate sustainability under the premise, "If you can't measure it, you can't manage it."

Internationally, there are a host of indicator systems and indices on individual countries' or regions' performance -- some say too many. [The World Economic Forum's Environmental Sustainability Index](#) (ESI) was unveiled earlier this year at the Davos conference. Concurrently, the [U.S.-Asia Environmental Partnership](#) introduced its Greening of Industry Index (GIN-DEX) in Bangkok. Both the United Kingdom and [Sweden](#) released reports on their respective indicator systems early last year. Canada's National Round Table on the Environment and Economy has also developed and piloted a set of indicators. I am intrigued with the idea of the Genuine Progress Indicator (GPI) described in the May/June 1999 issue of [E magazine](#).

Closer to home, a lot of good work has been done by [New Jersey Future](#) in developing and tracking a set of 41 sustainability indicators and goals for New Jersey. I was discussing this project several months ago with the folks at the Frazier River Basin Council about the development of a similar project for the Vancouver, B.C., area.

Elsewhere, the [Silicon Valley Environmental Partnership](#) reports on sustainability indicators

for that region. A few years ago the [U.S. EPA](#) also started working on a sustainability indicators project, though resources were shifted to the High Production Volume toxicity-testing project.

On the corporate front, the [Global Environmental Management Initiative](#) (GEMI) is working on a project to develop guidance and a set of indicators suitable for businesses. It is due for release May or June 2002. In addition, the [World Business Council for Sustainable Development](#) (WBCSD) recently released its set of indicators and you may wish to review the reporting elements of the [Global Reporting Initiative](#). Other indicators can be found on Canada's [International Institute for Sustainable Development](#) (IISD) database of indicator initiatives.

Are these systems useful? We offer the same advice as we have in other columns on measurement and reporting systems: Let the user beware. Each system, by definition, includes judgments regarding the importance of each indicator that reflects the values of the person or organization that developed it.

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Q: We have 10 environmental professionals per 1,000 employees. Is this a good staffing ratio for the chemicals industry?

Richard: You could be grossly overstaffed, hopelessly understaffed, or organized just perfectly. Ratios are one of the worst ways to judge the adequacy of an environmental staff. Nonetheless, business executives and their outside management consultants seem to be enthralled with these ratios.

This type of question is fairly common. The most recent came to me from a manager in the finance department who was given the task of "trimming the fat" in a multibillion-dollar corporation. She wanted to know the ideal environmental staff ratio based on her company's size and industry sector. When I started to go into a list of factors to consider, she got really annoyed. It reminded me of the times when I asked engineers what I thought were simple questions, only to have them drone on and on with the details. *Just give me the number!* Asking the time and getting a lecture on how to build a watch would annoy anyone. This businesswoman was convinced that environmental staffing must be just this simple. Indeed, it works for other service functions such as payroll. I refused to give her a number, suggesting that a simple evaluation be performed to first evaluate the key considerations and only then come up with a number. She was in a hurry and would have none of this.

Senior veterans, such as Steve and myself, are accustomed to seeing decisions concerning environmental departments made in a matter of seconds with little supporting information. It can be sobering for new entrants to realize that their fate can be so fickle. So what should be done?

As a first step, visit my writings on the subject at <http://www.Competitive-E.com/Abstracts.htm#Organizational Design>, especially a November 2000 article, Staffing by the Numbers. Second, be prepared: ratios may be the wrong way to go, but the subject will come up. Prepare the necessary evaluations to both respond quickly to an inquiry and know you are properly staffed.

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Q: How can an executive best obtain his or her organization's commitment to sustainability initiatives and programs?

Steve: Whether the issue is sustainability, pollution prevention, quality, or "reengineering," all sources and experts call for top executive commitment. Good, solid advice, but that works

only when the concept, program, and initiatives arise within the organizational structure. The more difficult problem arises when the concept and vision come from the top executive, and he or she is trying to get the organization to move in an entirely different direction.

Being successful at building an organization's commitment to sustainability takes a variety of tactics:

- **Lead, don't manage.** A successful effort at building an organization's commitment requires leadership, not management.
- **Lead by example, by believing in the concept and vision yourself.** The leader who incorporates sustainability into his or her company activities in ways visible to employees "walks the talk" and demonstrates much more credibility than any column or quote in the company newsletter or annual report. One company's program fell apart when they saw the president arriving at a sustainability meeting in an oversized limousine, instantly destroying his credibility in their eyes. Employees aren't blind and these days they are very skeptical of the "spin du jour." Perceptions count!
- **Develop a list of core values, obtain input to your decision, then communicate those values and stick to them.** Check every action, initiative, and process to ensure consistency with those values. If you find holdouts, either change the effort or change the values. While now a bit old, *Say It & Live It* (Currency-Doubleday Books, New York; 1995) provides a compilation of company mission statements and what the respective companies do to live their company values. And check out *Practice What You Preach: What Managers Must Do to Create a High Achievement Culture* (Free Press; 2001). I would like to see a book published on companies' sustainability statements and how they live their sustainable values.

For now, let's say you can lead employees to the water fountain of sustainability, but you can't make them drink. Be assured, though, that if you CAN get them to drink, you will need to be prepared for a very thirsty crowd.

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Q: I have heard the expression "tragedy of the commons" used to describe the standoff on global warming. What is the connection?

Richard: William Lloyd, a 19th century mathematician, studied the fate of a common pasture shared among herdsman. He concluded that if they each were to act rationally, the pasture would eventually be overexploited and destroyed. In mathematical terms, an individual would gain nearly the full benefit from one added animal, but would only suffer a proportionally negative fraction from the additional overgrazing. Technology improvements would delay this eventual outcome, but could not provide an infinite increase in the carrying capacity of a finite commons.

The problem extends to not only taking something out (fodder), but also putting something in (pollution). Without a system to control its use (e.g., governmental regulation; subdivision into private property, etc.), the common area is doomed.

With an issue as huge as global warming, it is often difficult to grasp the underlying economic, technical, and sociologic issues at play (sort of "can't see the rainforest for the old growth timber"). When viewed from the fundamental perspective of the tragedy of the commons, one can better understand the massive challenge that global warming presents, more so than even that conveyed by the most pessimistic press articles. Just substitute "countries" for herdsman and "planet" for commons.

Resource issues have been settled by wars. Getting one country to sacrifice for the "common good" is rare, and what may be good for the majority may be devastating for the minority. Implementing global governing systems over key issues related to trade and resources has been a challenge (think Seattle WTO and the recent Genoa G-8 Summit riots). Global governing systems that may restrict individual freedom or control population are particularly unpopular in the U.S. For example, think of Big Brother banning your SUV or regulating the size of your family). The technological solutions to lowering greenhouse gas emission might someday be found but will they come soon enough or at a cost that some of the "herdsman"

can afford?

Steve and I normally have a "here is the answer" for readers, but if we view global warming from the perspective of the tragedy of the commons, sorry, there is no technical or political solutions in sight. What's your opinion?

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Q: What is the most important factor in a company's establishing environmental management accounting?

Steve: I think that the most powerful and heretical factor may be not openly calling it "environmental management accounting." Once it is designated as a program or effort separate from the mainstream managerial accounting effort, it becomes at best an outsider and at worst a competing effort to be discredited or ignored.

I like what Honeywell is doing with its program -- incorporating it as an integral part of the company's 6-Sigma program that searches for "waste" throughout its organization, facilities and operations. Waste can be raw materials, personnel resources, time, money, etc. To Honeywell, the effort is merely one aspect of how 6-Sigma is being implemented.

Similarly, Johnson & Johnson uses the company's 6-Sigma program and methodology to discover opportunities, then an in-house model to evaluate and prioritize the efforts they implement.

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Q: How can I find out about U.S. wind energy projects in the early stages of planning, before decisions regarding equipment selection are finalized?

Steve: There are several ways to find this information, but because the market is still diffuse and evolving, the research won't be easy or inexpensive.

- **Try networking.** This involves participating in trade and business associations, pursuing ongoing contacts with companies and representatives involved in such projects, and talking with the appropriate person in the respective regions' regulated electric utility company. Just know that people may be unwilling to divulge their plans at such an early stage.
- **Check with each state's Board of Public Utilities or similar registration/licensing office.** This has a few downsides, also. First, projects sent to such agencies would already be in a more advanced stage unless one can get in on the preliminary discussions. Second, reaching anyone in such agencies is getting increasingly difficult, as their staffs and expertise have not increased nearly as rapidly as the energy market has become more complex.
- **Follow the news.** Brian Killkenny of Green Mountain Energy suggests looking for announcements of project deals through weekly news service provided by AWEA; through daily electric industry new services (such as powermarketers.com); and through monthly industry publications such as Wind Power Monthly.
- **Make yourself known.** This can be particularly effective. Make presentations at conferences; write useful and interesting articles for publications your potential customers would read (better yet, get written about by someone else!); participate in industry associations and conduct targeted advertising. Aside from the examples above, there is virtually no chance for you to find the exact customer at the precise moment they have an instantaneous need. A few minutes too early, and they don't have the need. A few hours or days too late and they've already found someone.

Follow these steps, and be the "someone" already found when other suppliers comes calling.

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Q: Is it true that New Jersey's Office of Sustainable Business has lost its funding and will be closing?

Steve: Not exactly. My contact says that although the state legislature has dropped NJOSB's line-item budget, efforts are underway to fund the office through the state's Department of Commerce, where the office operates as a unit.

These are hard times. New Jersey's Constitution requires a balanced budget, and with the recent evaporation of expected surpluses, and the possibility of a significant deficit, many programs and offices are being reviewed. If the office does receive funding, expect a new director to be named to replace Rob Young, who left months ago to work with the Sustainable Business Alliance.

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Got A Question?

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

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

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