GreenBiz.com
The Resource Center on Business, the Environment, and the Bottom Line.

Toolbox | Reference | News | Jobs | Bookstore | Home Shortcuts: Choose One

News Center
• News
• Reviews
• Columns
• Affiliates

Search for:
GO

Columns

Printer-friendly version | Email this document


Ask the Experts

by Steve Rice & Richard MacLean

December 2000

Risk Management ... 'Greenwalling' ... Kyoto Delay

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: What are our options regarding the development of a cost-effective, national environmental risk management program to minimize risks associated with our business service providers, such as those in the waste management industry?

SR: In this era of corporate consolidation, the development of effective programs is becoming a significant issue as companies add diverse facilities to their portfolio without adding the internal resources needed to manage such systems and programs. This is especially true of the utility power generation, specialty chemical and pharmaceutical industries.

Two existing options are a) to have the local sites' EH&S staff audit the waste management facilities in their respective region, and b) to outsource the function to a third party. The former, while simple to implement, can be costly (in time and resources) and is often ineffective; few local EH&S staff have the comprehensive experience needed to conduct a thorough audit and assess the associated risks. The latter relieves much of the staff resource burden, but also has significant downsides. Both options are expensive – individual audits can cost betweeen $4,000 and $7,000 – and neither provides an assessment of the associated risks or helps develop internal expertise.

That leaves a third option: creating or joining an industry coalition. A coalition typically manages the auditing and reporting process, develops and maintains sophisticated protocols and quantifies the risks through an appropriate methodology.

The Joint Utility Vendor Audit Program (JUVAP) is an ad-hoc group of eight to nine utility companies in the western United States; each year they conduct about 10 audits for their members. CHWMEG, Inc. is a consortium of several industrial waste generators that has been conducting facility audits for its members for about 15 years. The Waste Site Inspection Group (WSIG) disbanded late last year.

The International Association for Environmental Cooperation, Inc., like a phoenix, has risen from the ashes. This newly formed non-profit corporation has been created to allow the

exchange of environmental risk information between waste generators, waste management firms and the insurance industry. According to the group's organizers, it is unique in that:

- It has been formed on the premise that to be effective in reducing risk, cutting costs and making better business management decisions, the entire business value chain must work together through a cooperative, not adversarial, relationship.
- It is managed by, and on behalf, of its members, like-minded organizations and the public.
- There is a need for more than just cost-efficient facility audits - member organizations must share, and have access to, the membership's experience and learning regarding the process of obtaining and properly assessing their environmental risks.

The organizers have plans to establish a more comprehensive Web site that includes discussion forums and member-only access to an organizational knowledge management system.

* * * * *

Q: Is it common for companies to link employee bonuses to safety performance?

RM: Yes, it is not only common, but also the norm. We found in a recent survey of safety programs that most companies employ some form of bonus or reward system based on safety performance. We were surprised that no single program approach dominates; each company surveyed applied its own approach. Programs extended from top managers to every employee in the company. Bonus impact varied from a few percent to as much as 35 percent.

Most companies report a benefit from such programs, although a number of companies related concerns about underreporting. Another concern is union acceptance of the program.

Careful design and advance buy-in is necessary for a truly effective program. For example, "zoned programs" in which the positive performance of a business or a site is not wiped out by a poor performing, totally unrelated groups are considered to be more fair. Graduated programs are also popular in that a single accident on January 1 does not become the de-motivator for the rest of the year.

* * * * *

Q: What is the status of computer recycling regulations and what are our company's risks associated with letting other firms manage our excess computer equipment?

SR: I spoke with Dan Bayha, vice president of Back Thru The Future Microcomputers about this issue. According to Mr. Bayha, there is a general lack of organization and direction regarding what to do on this front. He says there is a strong measure of confusion. He currently receives several calls a week from company chief environmental officers concerned about the environmental risks their firms may be creating by not maintaining records of who manages their used equipment and what happens to it.

In short, while computer-recycling regulations are several steps behind rechargeable battery recycling, they are many steps ahead of carpet recycling. Mr. Bayha noted that only three states (Massachusetts, Wisconsin and Michigan) have passed computer monitor landfill disposal bans. The state of Minnesota recently announced a cooperative initiative with Sony to recycle electronic equipment in that state.

He also indicated that New Jersey is quickly becoming a leader in addressing this issue. According to Robin Heston, of New Jersey's Department of Environmental Protection new rules will be proposed in the first months of 2001 to require that all large quantity generators manage their electronic equipment, not just computers and monitors, as universal waste (NJAC 7:26A-7), starting perhaps in late 2001 or early 2002. A legislative proposal (A-2958) for a landfill ban on computer equipment is pending, though I hear that both the EPA and the computer recycling industry are advising the state that this initiative may be counterproductive.

The major hurdle to establishing effective and consistent computer recycling seems to be the development of a nationwide standard of performance. Mr. Bayha suggests that the most effective manner to accomplish this may be to identify computer equipment, or consumer electronics as the broader category, as universal waste under EPA's waste management rules (40 CFR 273). This would establish a consistent, nationwide framework whereby every facility that generates large quantities (5,000 kg/yr, only about 350 units) of electronic equipment keeps records of how much of each type of waste was sent, where it was sent and who managed it. Generators could use only those companies and facilities that are registered to manage computer and/or consumer electronics.

For more information on the topic, visit www.electronicsrecycling.com and www.thegreenpc.com. The first site is a cooperative effort by the Department of Energy and the University of West Virginia to help consolidate information on the issues and activities, present the status of various states' initiatives and provide a directory of resources. The latter provides an excellent overview of the topic, as well as tools to help users both recycle their computer equipment and purchase refurbished equipment.

* * * * *

Q: I've heard of the term "green wall" to describe the difficulty in advancing environmental programs beyond basic compliance and pollution prevention. How can you break through the wall?

RM: "Green wall" is an expression Robert Shelton coined in 1994 to describe the problem of stalled progress on strategic environmental programs. Robert claimed a "credibility gap" exists between environmental management and business management. I agree. If progress is at a standstill, more often than not it's our own fault; we are our own worst enemies.

The vast majority of the time environmental practitioners spend with executive management is spent conveying the same old-same old message of compliance status, waste and emission metrics, and project and program status. Sure, we get the job done as management envisions our work, but rarely spend much "quality time" with executives explaining emerging strategic issues. How can they possibly support new programs if they are unfamiliar with the dynamics in play today?

This point was driven home to me when the top environmental managers of a Fortune 500 company were asked how much time they had spent educating their top business executives during the course of a recent half day review. To my surprise, not a single minute was scheduled on this open agenda meeting. The first step is to get these crucial informative matters on the agenda!

The second step is to translate the fuzzy, emerging concerns into clear business terminology. Using techno-speak just annoys and confuses business managers. Describing the specific issues may not obtain results, because management may not be able to "connect the dots" to translate this information into financial impacts to the business.

The trick is to ask, "So what does this all mean to the business?" after each message is delivered, and to answer in business language that conveys and clarifies the message for managers.

Finally, repeat steps one and two at every possible opportunity and in very small doses. Business managers will not change their views or positions, nor will they approve significant resources, if hit with a complex new concept all at once. A senior business executive at General Electric's headquarters, described it to me this way, "Dick, some things you just need to let percolate." It's a process, so be relentless and persistent, and you will be rewarded.

* * * * *

Q: The issues associated with the depletion of the ozone layer were identified, agreements were reached and workable solutions were implemented within only a few years. Why is it taking so long to attain an international agreement on global warming?

SR: In retrospect, it is rather amazing that the world community responded so quickly, and almost unanimously, to the ozone depletion issue. Agreements were established in relatively short order and businesses brought a diverse array of non-ozone depleting product innovations into the marketplace. Compare this to the ongoing debate on global warming. While there is general (though not unanimous) consensus that the planet is warming, and much discussion about what should or could be done about it, there have been few substantive and cohesive accomplishments.

The difference in the responses to the depletion of the ozone layer and global warming is not so surprising when one takes a deeper look into the differences between each situation's characteristics and impacts.

In the case of the ozone layer:

- the issue was well defined and measurable,
- it involved a relatively shorter time frame (years and decades instead of centuries),
- it is clearly created by mankind's activity, and
- it hurts virtually everyone and creates only losers - there are no winners with increased UV radiation.

Moreover, there was a sense of immediacy: people could relate to the direct threat it posed to their health, through increased threat of skin cancer and other maladies. As a result, the global community responded with a negotiated agreement and a growing slate of substitute products.

In the case of global warming, however:

- the issue is less clearly defined (such warming and cooling trends have happened before) and is more difficult to measure accurately,
- it involves a longer time frame (centuries) that reduces the urgency for rapid response,
- it is generated by a combination of natural events (natural CO2 cycles, forest fires, volcanoes, etc.) and human activity, and
- it affects everyone differently - there are winners and losers.

People in coastal areas, the Pacific Islands and the warmer climates will be clear losers, as will certain plant and animal species. People in colder climates, however, may enjoy the more moderate temperatures and a longer growing season. One person even suggested to me a subtle benefit: it will help create new wetlands.

The issue is further complicated by the influence of world trade. The depletion of the ozone layer involved a relatively small line of products that had minor impact on world trade and competitiveness. Global warming involves issues of international competitiveness between the developed and underdeveloped countries. There are huge economic and political impacts.

As a result, I doubt that there will ever be any substantive international agreement on global warming. The recent stalemate in The Hague provides additional evidence of the difficulty in forging any substantive agreement. Fortunately, those countries and businesses that can find technologies and methods to reduce carbon-based energy use, thereby reducing energy costs and spurring more efficient economic growth, will provide success in a way that international governments and trade organizations can not.

* * * * *

Q: What's the best model for environmental, health and safety strategic planning?

RM: We have yet to see the definitive reference published exclusively on EHS planning. As a matter of fact, there haven't been many good business references published recently. My favorite is The Rise and Fall of Strategic Planning: Reconceiving Roles for Planning, Plans and Planners, by Henry Mitzberg (The Free Press; 1994). My guess is that strategic planning got a bad rap back in the 1980s and only now is re-emerging as a business process.

I remember vividly when entire departments were eliminated if they had the work "planning" in their name. Strategic planning developed the image of overhead staff members assembling books that sat on the shelf, never to be read. It was a ritual performed because "all the big

companies do it, so shouldn't we?" When the big companies cut back, it heralded a mass exodus from strategic planning.

I believe that strategic planning is undergoing a reemergence because the business world is getting a lot more complex, interrelated and fast paced.

Alvin Toffler, author of Future Shock, agrees. In an interview in the December 2000 issue of Inc. magazine when asked what is the winning business survival strategy he said, "First, have a strategy. There is a fashionable belief that strategy is somehow an obsolete idea because things are moving so fast. That, to me, is a really dangerous notion."

My prediction is that you will see more corporate EHS departments either closely associated with, or as an adjunct to, these emerging strategic planning functions. Future scenarios of how the business world will fare often have a heavy environmental influence, since the environment is closely linked to world population growth and resource consumption.

Probably the best model is the one most closely aligned with the one that your business uses. Where most EHS departments go wrong is in the very first step: defining the future state. It is very easy to get caught up in current realities and either not identify emerging issues or else fail to define the business opportunities or threats in this future state. Incrementalism prevails: how can you get from here to there, without an understanding of where "there" is? My favorite technique for examining the future and getting out of today's confines (a.k.a., the box) is scenario planning.

Another problem is that EHS managers instantly erect limits by trying to predict what business management will or will not allow. A strong facilitator helps avoid this trap.

One strategic point often overlooked is the value of the strategic planning process itself for EHS. For large companies it is an excellent tool to bring together the EHS managers from the various business groups to work as a team with the "big picture" perspective of the entire corporation. Individual businesses can get caught up in their own world and become disconnected with the overall direction of the corporation and the relationship of their HSE successes or failures to the corporation's overall needs.

An even more significant benefit is that the outcome of this planning effort can be used to convey all manner of messages to executive business management. In effect, it is the perfect venue for the discussion of hard-to-broach issues. Reviewing the results from strategic planning allows some maneuvering room to raise some unusual or challenging issues.

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.

More Columns...

Printer-friendly version

E-mail this page

Feedback

- **Comment on this Column**

News Center Business Toolbox | GreenBiz JobLink | Reference Desk
About Us | Sponsors | Contact Us | Site Credits | Advisory Board | Site Map | Search

Copyright © Green Business Network. All Rights Reserved. | Privacy Policy