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**Ask the Experts**
 by Steve Rice & Richard MacLean  
 July 2000
**Justifying an Audit ... Educating Staff ... Outsourcing****Got A Question?**
 Send your question about environmental management issues to [Editor@GreenBiz.com](mailto:Editor@GreenBiz.com).

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

**Q: I am in the utility industry and have to justify the creation of an environmental auditing program. What are the key reasons for starting such a program? How should it be structured?**

**SR:** While much of industry has been developing, implementing, and refining their environmental (or EH&S) audit programs for the past 15 years, the utility industry is just beginning to awaken from its slumber, perhaps due to the states' current energy restructuring initiatives.

The reasons for such a program vary for each company. They may include, as a minimum, achieving pure compliance, reducing risks and avoiding negative publicity and fines. Many are now also designed to identify opportunities for business value and sustainability. Regardless of the core reasons, several characteristics are essential to such an effort being successful:

1. Set clear objectives and communicate them,
2. Define the boundaries for the overall scope and each individual audit,
3. Create a formal site selection and scheduling process, and
4. Provide the appropriate level and amount of resources appropriate for the program's scope.

In addition, the program's organizational structure will be critical to its eventual success. It needs active and vocal support by upper management, it must be viewed as a key component of the overall corporate management system and it must be conducted by individuals that are independent of those with operational or staff responsibility.

One of the best overviews I've ever seen was presented at the recent Globe2000 conference in Vancouver, British Columbia. An audiotape of the presentation can be obtained through TelAv at 514-340-1821 or [cassette@telav.com](mailto:cassette@telav.com); ask for tape No. GBL2000-57, "Corporate Environmental Management Tools."

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**Q: I own a mid-sized manufacturing company and would like to educate my business management staff on the key sustainable development issues and trends. Instead of developing our own in-house program, are there any educational programs available for this level of executive?**

**SR:** At times, the amount of information available seems to be endless; the challenge is both finding information relevant to your business and having it distilled for your particular audience.

Instead of choosing between developing an internal program or sending your people to an external program, I have found that maximum effectiveness can often be achieved by combining the two. Part 1 could focus on general issues and trends and be conducted by an external provider. Two possible sources are the National Environmental Education & Training Foundation's Institute for Corporate Environmental Mentoring (202-261-6468) and York University's upcoming Sustainable Enterprise Academy program, a three-day program starting in October 2000 (416-736-5809).

This general introduction could then be followed a few weeks later by a second part that focuses on the company's intention to create a vision, policy, and tactics (if not already created) and presents case study examples applicable to your industry and customers. By nature, this is more of a custom program that takes the external portions and internalizes them to produce a meaningful environment for understanding and further progress. To facilitate attendance and reduce costs, this second part should last between four to six hours and, if possible, be held just prior to or after some other company function that requires their attendance (like a general business roundtable or annual company meeting).

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**Q: What are the advantages and disadvantages to outsourcing our in-house environmental management staff?**

**RM:** One argument for outsourcing is that the quality of some outsourced assignments may be superior to those done with internal staff. Outsourced resources are paid for quality, can be fired at any time, and can be less influenced by company politics. In a sense, companies place trust in consultants because the terms can be spelled out in detail in contracts. Risk and liability can be shared in a way that makes it advantageous for both parties to proceed.

While the trend appears towards outsourcing of some services, a minimum critical mass should exist to control the quality and the price to value ratio of outsourced contractors. If taken to an extreme, the company places complete trust in the outside consultant -- something companies should rarely consider if core business issues, substantial risk, or liability are involved.

The challenge is to find the right combination that works best in meeting the objectives of the company. As a rule you need to have sufficient permanent internal staff to:

- Strategically manage environmental performance
- Provide due diligence
- Obtain maximum performance from external, contract resources
- Identify and take full competitive advantage of opportunities
- Cost effectively support ongoing efforts

At a minimum, a company should require a single point of contact within the consulting firm. This person should be held directly accountable for overall performance and should ensure that continuity will be maintained with the individuals assigned to the project. Remember, you may be contracting with a large "brand name" consulting firm, but ultimately the success depends on the competency of the individuals doing the work.

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**Q: What's the best corporate environmental reporting model?**

**RM:** Environmental reports are coming under rigorous analysis by more competent readers with ever-higher expectations. I believe that eventually corporate environmental reports will be subjected to the same professional scrutiny as financial reports receive today. Reporting today is sophisticated and good environmental reports hold up to close scrutiny at three levels: (1) how well a company is reporting relative to standards and industry peers; (2) how well the company is performing and meeting its reported targets; and (3) how internally consistent and credible is the presentation.

In short, if you report, do it well or don't do it at all. There are more than 30 standards and models for environmental reporting. The best model for environmental content (i.e., what is presented) is the 50-item United Nations Environmental Programme (UNEP) model (UNEP, Engaging Stakeholders, Volume 1, The Benchmark Survey, 1996, Appendix 2). For an overall reporting structure (i.e., the format for presentation) the [Global Reporting Initiative](#) exposure draft guidelines are gaining popularity and will be updated in June 2000. These guidelines include recommendations on both content and reporting for broader issues such as sustainability, health and safety, and social responsibility reporting.

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**Q: As a unit of the Canadian government, we have been given a charter to establish a sustainable development program for our agency, but the initial employee response has been underwhelming. What's going on?**

**SR:** The reaction is not surprising, given the approach used. Any top-down charter that is given to line staff to implement on its own (i.e., without resources or priorities re-aligned) sends a clear signal that the effort isn't highly valued by upper management. With current workloads there typically isn't enough time to do these additional tasks. Why should personnel show interest in, much less actually spend time, working on initiatives that aren't highly valued? If anything, management sends the signal that employees have extra time available. Remember, people listen to what they hear but they act on what they see.

Organizational change is difficult to accomplish even under the best of circumstances. Initiatives must have a solid foundation before implementation is attempted. The essential elements include:

- A written policy, signed by the highest person in the organization and every key person on the senior "management team." All those signatories must be active and vocal champions of the effort.
- A clear, concise vision and strategy for achieving that policy must be written and distributed widely. While specific objectives and goals might not be required, employees need to know the direction the ship is to go toward
- An educational program that informs employees about the issues, as well as both why and how they are important to them -- as individuals and as part of the organization. Some preliminary research, employee survey, and focus group efforts may be necessary to ensure effectiveness.
- The people given the responsibility to establish the program must be given both the authority to conduct the effort and be recognized for their extra work, along with those helping. Everyone loves a winner.

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**Q: I am a recent graduate of an environmental management and policy program, but cannot find substantive employment. Any suggestions?**

**SR:** I've been asked this several times recently. Presuming you have pursued your university's placement services, you have found out that there are currently few job openings for this type of career. Most of the open positions seem to be for junior research assistants or nonprofit group program managers, positions that generally don't use management and policy backgrounds. Conversely, if there is a position involving environmental management and policy, the hiring agency, company, or organization will typically be looking for someone with at least 10 or possibly 20 years of broad-based experience. These openings are few and far

between.

Perhaps the best approach is to find a position with an international non-government agency or quasi-governmental institute and have a mindset that you will be apprenticing for at least a few years at a relatively low wage, but gaining valuable experience and network contacts. If you are serious about your field as a career, a few years in that setting could be a wise investment of your time and energy.

This brings up a potentially more fundamental issue, though. Your question suggests that business schools' undergraduate and graduate programs might need to focus more on producing business graduates with a high awareness and knowledge of environmental issues and practices than producing environmental management and policy graduates with a high awareness of business issues and practices.

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**Q: As a site environmental engineer who has just been given the assignment to create an "Environmental Affairs" position for my company, what sources can I use to familiarize myself about the issues concerning the chemical industry -- quickly?**

**SR:** There are two approaches to this issue -- finding out what is/isn't happening in your specific industry and finding out what is/isn't happening in outside your industry.

Regarding the first, talk with the people at your company's trade associations. In the chemical industry, they include:

- [Chemical Manufacturers Association](#) (703-741-5306), primarily for larger and diverse manufacturers),
- [Synthetic Organic Chemical Manufacturers Association](#) (202-721-4100), primarily for the smaller and batch-scale manufacturers) or
- [Chemical Specialties Manufacturers Association](#) (202-872-8110), for specialty chemicals manufacturers).

Participate in their various working groups and task forces; you will get to meet with your peers on key issues relevant to your company and industry.

Also, read the past several months of [Chemical Week](#), a weekly industry news magazine. Its coverage of the issues has been quite extensive and generally well balanced. You might also want to try the [Chemical Educational Foundation](#) (703-527-6223)

To be successful, however, it will also be important for you to find out about the issues and events from a viewpoint beyond your own industry. I suggest subscribing to a few of the key business-based environmental and sustainability news sources, including:

- [The Green Business Letter](#)
- [Business and the Environment](#)
- [SustainableBusiness.com](#)
- [Environmental News Network](#)
- [Corporate Environmental Strategy](#)

The first four also have email news updates that might be of interest; try them out and if they don't meet your needs, just unsubscribe.

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**Q: Is it worth the cost and effort to obtain independent verification of the company's annual environmental report?**

**RM:** The simple answer is no. In the absence of widely recognized standards, stakeholders may question the value and credibility of the verifier anyway, especially if the verifier has

direct or indirect ties to the company. Audited financial statements required by the SEC for annual corporate reports carry significant credibility because of the extensive standards surrounding financial auditing and disclosure. No comparable standards for environmental reporting even come close.

The problem can be illustrated by observing the effort used by Baxter International to provide verification in its 1998 environmental report. Baxter used four, one-page statements from various internal and external sources. In contrast, General Electric's 1999 Annual Financial Report contained a half page financial auditors' report.

[Global Reporting Initiative](#) and others are currently studying verification standards, but it is unlikely anything definitive will develop soon. Verification is, however, gaining importance and presents a fertile area to establish a leadership position. A number of innovative approaches could be taken by companies that could help shape future industry standards.

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**Q: We are struggling with forming an environment vision statement for our company. What's the best way to go about this?**

**RM:** One of the greatest problems with EHS vision statements is that they become a blend of values, specific goals, and mission statements. Good corporate vision statements are surprisingly rare. What is often quoted as the environmental vision is in reality a commitment statement (e.g., "We will conduct our business with respect and care for the environment."). The vision statements for the business objectives for some companies suffer from the same mixture of elements -- a problem pointed out in a number of books on management strategy.

So just what is a vision statement? A vision statement is a conceptual description of the desired future state. It is a compelling picture or image that helps individuals understand the future direction and achievement of the organization's purpose. It answers the questions "Where are we going?" and "What will it look like when we get there?" A strategic vision depends on an organization's ability to see and feel the desired state. It stimulates action and serves as a rallying point for the troops and a yardstick for measuring progress.

The key to developing a clear vision is to recognize that the process to form the statement is as important as the vision statement itself. Worst case, the process becomes a "feel-good" activity using the latest management buzzwords, but yielding little of the needed understanding and commitment. When the process is done right, however, it can be a powerful force to galvanize employees into achieving goals not dreamed possible. Developing a vision also leads to questions by executive management such as "How are we going to get there?", "What exactly does so and so mean?", "How will we know [measure] when we get there?" and "What will this cost/save the company?"

According to Hammer and Champy (authors of the business classic *Reengineering the Corporation: A Manifesto for Business Revolution*), a powerful vision contains three strategic elements:

1. A focus on operations
2. Measurable objectives
3. A basis for competition in the industry.

Equally as important is that the environmental vision should be a direct extension of the process used to create the overall business vision for the company. Indeed, the link between the business vision and the EHS vision should be apparent and clear to every employee. They are not a cut-and-paste of other companies' statements. They must be custom-tailored to the specific issues and needs of the company.

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