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## Ask the Experts

by Steve Rice & Richard MacLean  
July 2001

### Doing Good and Getting Dinged

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**Q:** Last month you provided an example of a company trying a new, innovative approach to social responsibility. What are the business risks of being socially responsible?

**Steve:** The most common risk is that despite their efforts, companies still get hammered for the hurdles they haven't overcome or the initiatives they haven't implemented. As a result, companies are internalizing their efforts and abandoning many public-oriented strategies.

Another risk is exemplified by the situation with [St. Lawrence Cement](#) in Camden, N.J. The company invested \$50 million to build a limestone slag-crushing plant in one of New Jersey's most economically depressed areas. It coordinated efforts with the state and local authorities, met with local stakeholder groups, funded local groups to conduct their own studies, and have hired local workers. Their efforts extended a simple four-month air permit process into a 16-month stakeholder-based community redevelopment effort. By all measures that I can reasonably assess, the company performed excellent stakeholder management.

Its reward? Even though this plant merely crushes slag to be used as cement aggregate, several non-local groups used a variety of legal moves based on environmental equity to sue the [New Jersey Department of Environmental Protection](#) and obtain a stay of the facility's air permit. Thus, a completed plant was not allowed to begin operation and many of the local residents were furloughed; this reinforces the adage, "no good deed goes unpunished."

There are two broad implications:

1. The same process could be applied to any economic development project that involves approvals from a state agency which receives federal funding, thus halting economic development projects like concert halls, aquariums, distribution centers and even

eco-parks. With this risk, few companies or groups will want to invest in socially responsible projects to be located where they are needed the most.

2. The situation shows a lack of willingness on the part of certain groups to work cooperatively to improve the social and economic fabric of distressed communities. Activist groups learned in the late 1980s that an all-or-nothing strategy usually left them with nothing. Have those lessons been forgotten?

Fortunately, the court removed the injunction June 15. This allowed the facility to operate pending the outcome of the lawsuit; it has started operations, despite losses of \$4 million during the 60-day delay.

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#### **Q: What surveys are available on corporate environmental initiatives?**

**Richard:** There are several such surveys, but first a word of caution: surveys can be both helpful and deceptive. They often are distributed *en masse* and the return rate can be as low as 10%. The person completing the survey may low on the organizational totem pole, which can definitely skew the results if the questions relate to strategy and direction. Responses to sensitive questions may be heavily edited by the legal department or may reflect the politically correct response, not actual company practice.

The most reliable surveys are based on face-to-face interviews or those using "binary" questions such as, "Do you have a written environmental policy?" Even binary questions can capture misleading information if they are written poorly (e.g., in the example question they fail to include "written") or if the survey captures only a tiny fraction of the industry segment being evaluated.

That said, a number of recent surveys yield interesting insight into what is happening within companies. My favorite is a European report, *Prudently Protecting Profits? -- The (Mild) Greening of Global Corporate Management -- A Survey of the state of the art of Corporate Environmental Management within Europe's Top Companies*, by Chris Hibbitt and Nancy Kamp-Roelands, published by the Royal NIVRA (Koninklijk Nederlands Instituut van Registeraccountants), March 2001. This report is available from the [International Corporate Environmental Reporting Site](#), which is itself a good source of survey information on various environmental topics, including corporate reporting practices.

[GEMI](#) (Global Environmental Management Institute) offers a collection of its benchmarking reports on a free CD-ROM.

[Organization Resources Counselors, Inc.](#) has conducted numerous surveys of its member companies. Management consulting firms use surveys as a marketing tool to promote their service areas among potential clients. The EPA routinely conducts surveys. [The National Database on Environmental Management Systems](#) is another good source on comparative information.

There is a wealth of information available: some general and others very focused on specific issues. I've only described the top inch of a very big iceberg that Steve and I use to benchmark performance. And again, let the survey reader beware!

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#### **Q: A few months ago you provided a response regarding the current impacts of globalization on environmental management and sustainability. What do you see for globalization's future impacts?**

**Steve:** To summarize the previous response, I noted that after reading The Lexus and The

Olive Tree I felt that many people support the premise and opportunities of globalization, while still harboring the qualifications the author expressed.

Since then, the economic downturn here in the US and the deepening downturn worldwide is reversing, or at least reducing, the economic and social benefits that globalization has provided. Furthermore, the World Trade Organization's decision to hold its meeting in a country largely inaccessible to public input has deepened the public's distrust of the organization, its process and decisions. The public's perception is that WTO, globalization's representative by proxy, is run by an elite group that is deciding what is "best" for the public without the public's participation in the process and decisions.

If we want to look into the future, many say we must look at the lessons of the past. One book, *The World War and What Was Behind It* (L. Benezet; Scott, Foresman & Co.; 1918), may give us some clues about globalization's future impacts. It presents the argument that World War I was not caused by the assassination of Archduke Ferdinand. Rather, that event was "merely the fuse that lit a powder keg that would have exploded anyway."

The author claims that the underlying cause was the last desperate attempts by the antiquated monarchies of the region to retain control in the midst of the rise of republican governments that better reflected cultural boundaries and allowed their peoples to participate in the decision-making processes that affected their lives. The author specifically points to the Congress of Vienna (1815), the Congress of Berlin (1878), and other unilateral geopolitical decisions where groups of people met in closed-door meetings to establish artificial, self-serving boundaries that deeply affected peoples' lives, without accommodating those peoples' input and concerns.

Sound familiar? While I am clearly **not** predicting that globalization and the WTO members' actions will lead to another world war, history suggests that self-protective geo-political processes and decisions can create powder kegs that can only be defused by allowing the input and participation by those whose lives are affected by those processes and decisions.

Stay tuned...

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#### **Q: Do you agree with President Bush that significantly expanding the supply of fossil fuel energy resources will help solve the energy crisis?**

**Richard:** I believe that it will take expanded energy supplies plus long term and dramatic improvements in renewable energy generation and conservation technologies, not to mention a basic change in consumer attitudes towards the use of non-renewable resources. The Bush/Cheney energy plan has all of these factors; however, the mix is way off and the communication style was a disaster.

Their approach illustrates the fundamental problem with industry's view of resource utilization. First, there is an overwhelming faith in the ability of technology to solve future problems. Sure, the current fuel mix will run out in 100 years, but we will invent the techno-wiz perpetual energy machine! It is high-stakes gambling in which future generations will pay for our current optimism.

We can easily get philosophical about all this debate. Instead, let's examine the hard facts according to mathematical analysis; sort of the "Liars figure, but figures don't lie" methodology. One of my colleagues at Arizona State University, [Evar Nering](#), has done just this. A mathematician, not an environmentalist, Nering states the hard cold facts as follows:

"The amount of a natural resource consumed under the assumption that it is consumed at an increasing rate is an integral. To determine how long a resource will last under these circumstances we have to solve for the number of years in the resulting formula. It turns out that  $N = \ln[rS + 1]/r$ , where S is the available supply and r is the rate at which consumption increases each year.

To increase the life span of the resource we have just two variables that we can control, the supply S and the rate of increase r. The striking thing about this

formula is the appearance of the logarithm, which signifies that increasing the supply is a very poor way to increase the life span of the resource."

The bottom line is that if both the population and the standard of living are increasing globally, future generation are in for tough times unless we conserve today and find new resources other than the non-renewable ones we rely on today.

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**Q: Based on recent news reports and compliance penalties, it seems like many companies are starting to forget how to do "the basics." What are the basic elements for a successful hazardous waste inspection?**

**Steve:** As I said in our January column, I have recently observed significant "backsliding" in many facilities' regulatory compliance programs. While a thorough and effective hazardous waste program will have many varied and often complex elements, all of which are subject to agency inspection, I checked with Ken Kraly, director of engineering for L'Oreal USA, for his current list of suggestions.

According to Kraly, inspectors look at these straightforward, easy items first:

- Complete training and manifest records that are compiled in an orderly fashion and readily available for the inspector's review;
- Complete and accurate container hazardous waste labeling, with dates; and
- A complete and up-to-date set of contact letters with local authorities, including a formal emergency response plan.

If a facility attends to these areas, he adds, inspectors will develop the first impression of a well-managed program. If not, inspectors will check other areas more intensely.

The consensus among other senior environmental program officials I spoke with is that inspectors are seldom impressed or influenced by ISO 14000 registration. Most informed me, however, that inspectors are often impressed by documentation which demonstrates that a facility has conducted a formal gap analysis. A gap analysis should include, as a minimum, a list of requirements, indications of applicability, the relevant company or facility program, an indication of either the respective program element or a gap, the person responsible for implementing corrective action and a schedule for completion.

This advice from Ken and the others suggests two conclusions:

1. First impressions count with inspectors, and
2. ISO registration is not so important with inspectors as is tangible evidence of an operational, effective ISO-like process.

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## Got A Question?

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