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Ask the Experts

by Steve Rice & Richard MacLean

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Why Are EH&S Staffs and Budgets Still Shrinking?

Also this month:

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With so many attempts at adding business value through pollution prevention, environmental management systems and other initiatives, why are EH&S staffs and budgets still shrinking?

Steve: One big reason is that those efforts, albeit valiant and well-intentioned, have not produced the substantive, lasting and credible business results necessary to overcome today's business pressures.

Of course, the contraction of the manufacturing industry is a major factor, but the issue comes down to an inherent disconnect -- the current business expectation of 'a high probability of a significant financial gain by Friday' just cannot be met by most environmental, EH&S and/or sustainability initiatives' promises of 'an unknown possibility of an undefined financial gain sometime in the future'. Even Baxter Healthcare's excellent staff and results were not sufficient to overcome the company's accounting problems and the erosion of its blood plasma bag business.

The collection of published works on the topic helps, but it's not enough. For example, GEMI's third and most recent report on the topic, Clear Advantage -- Building Shareholder Value provides data, insights and tools for making the business case, though still relies on mostly intuitive and circumstantial business data to make its points. The Multi-State Working Group's current report, *External Value Environmental Management System: Gaining Value by Addressing Stakeholder Needs*, contributes to the collection of vital reference works, but is unlikely to convince the recalcitrant.

The situation continues because, I believe, most EH&S organizations have not yet implemented the most critical part of the solution -- the full commitment to a comprehensive, long-term effort (and budget) that lays the business-oriented organizational groundwork necessary to effect a change of this magnitude. Such an effort consists of three elements:

1. *Professional development*: EH&S professionals need to be able to identify, create and communicate value in ways that the business units (who typically pay their overhead allocations) understand and appreciate value. This is much more than a 2-hour staff meeting presentation!

2. *Strategic business planning*: Any legitimate business with an operating budget over a million dollars has a well developed business plan, yet few EH&S organizations with comparable budgets have even a vague vestige of one. Such business plans must be strategic, developed to achieve specific objectives and have clear measures of business performance.

3. *Identification of relevant efforts, creation of value and communication of significant, tangible results*: The identification process needs to a) include the active involvement of business personnel and b) be designed to help them achieve a specific, tangible business objective. The truth of the matter is that the result also has to produce a sufficiently substantive result (e.g. bigger bonus in their wallet) by the end of the fiscal year.

   These steps are discussed in more detail in an article to appear in the next issue of Corporate Environmental Strategy Journal.

Make no mistake -- it isn't easy. Success takes commitment, time and budget. Many groups' idea of a commitment involves a short staff meeting presentation, jumping to the last step, then wondering a few months or years later why they haven't succeeded. I advise EH&S organizations that if they can't make the necessary level of commitment, they shouldn't even try.

Richard adds: GEMI's first booklet on the topic, Environment: Value to Business, focused on the traditional sources of environmental value such as pollution prevention projects or other manufacturing or service programs along the supply chain. Often these efforts can be justified based on the "hard numbers" (i.e., they meet threshold financial hurdles set by the company). Most of the effort over the past twenty years has been in these areas and as a result, most of the "easy wins" (a.k.a. low hanging fruit) have already been realized. I detect a significant drop off in pollution prevention-type activities *led by environmental departments* since the enthusiastic mid-1980s through mid-1990s. In part, this is a positive indicator since design engineers have assumed greater responsibility to build these considerations in at product or process conception. The earlier flurry of activity by environmental professionals was often focused on retrofits.

Much of the interest in environmental value creation today, however, is at the enterprise or shareholder level. Not surprisingly, this is the focus of GEMI's third, recently released booklet that Steve mentioned above. In the distant past, corporate value was all about tangible assets: plant and equipment. Today, a company's shareholder value can be as much as 75% intangible assets: alliances, innovation, brand equity, leadership, strategy, and so on. The environmental reputation of a company can be a positive augmentation or a major destroyer of shareholder value. Think Johnson & Johnson and Union Carbide.

Environmental professionals are sometimes under the mistaken impression that unless the numbers show a positive return, it's a no go. That's not necessarily true if they can articulate the intangibles. Plant managers are usually the hardest to sell the benefits of intangibles, but the closer you get to the top, the more amenable they may be. In the final analysis, executives are especially responsive to activities that enhance the following four broad categories:

- Access to competitive natural capital (property, materials, and licenses)
- Access to competitive human capital (development, reputation, and relationships)
- Strengthening the supply chain (reliability, low cost, value added to customers, etc.)
- Product and process reliability, efficiency, and liability reduction

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Is there any truth to the rumor that HP's inkjet cartridge recycling program really just sends all the recovered cartridges to China to be incinerated?

Steve: The good news is that there isn't one shred (pun intended) of truth to that rumor. I say that for several reasons:

1. It just doesn't make any operational or economic sense to do that. I've worked on enough computer, battery, carpeting and office equipment resource recovery projects to understand that such programs are rarely profit centers. Companies spend a lot of money developing, auditing and operating such programs -- why spend all that effort and money to set up a collection program, only to pay again to ship the units half way around the world and eliminate the potential to recover material value?

2. A company like Hewlett-Packard is smart enough to know that such a back-door scheme would eventually backfire.

3. I have participated in audits of such resource recovery facilities and systems -- the audits are thorough and the systems are well stewarded to prevent such undermining of the program.

To check the facts, I spoke with contacts in HP's Environmental Sustainability Group and worldwide Planet Partners™ program. They tell me that all HP inkjet print cartridges returned through this program are sent to resource recovery facilities that are audited regularly. All

units returned in the Americas go to an HP-managed facility in Nashville, TN, all units returned in Europe go to a similar facility in Germany, and all units returned in the Asia-Pacific region go to a partner-operated facility in Australia. Approximately 70% of all the material (plastic, steel, etc.) is recovered and used to make other new products; about 20% (primarily ink and foam) is used for energy recovery. HP representatives told me that the company is working to increase the recovered material percentage even further, has begun using recycled content in the plastic portions of their Scanjet cartridges and now provide a postage-paid envelope to facilitate recycling of the popular #58 and #59 cartridges.

For additional information, refer to HP's Planet Partners™ recycling program and details on its inkjet print cartridge recycling effort. You may also want to read the excerpt from the recent book, Ants, Galileo and Gandhi, that summarizes the HP's dematerialization effort.

People who spread unsubstantiated rumors like this need to be challenged. Please go back to the person who told you that rumor and tell him or her that a) the rumor is not true and b) if you ever hear of him or her spreading such unsubstantiated rumors again you will never set foot in the store again.

Disclosure: I have no current business relationship with Hewlett-Packard.

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What are the best universities to seek a Ph.D. in Environmental Management with a focus on business practices?

Richard: I suggest you study the literature from the World Resources Institute, and note specifically the "Beyond Grey Pinstripes 2003" booklet. This booklet is free and ranks schools around the world by their environmental programs related to their MBA programs. Although this is about MBA programs, it gives you a good idea of which colleges are very active in the area of business and the environment.

There are, of course, many other factors you will need to take into consideration such as the quality of their Ph.D. program, cost, availability of scholarship funds, and location preference. These evaluations have to be done individually, but this initial reference booklet can really narrow the field considerably. Obtaining a graduate degree is a major investment in time and financial resources, not to mention lost income during the time you spend getting your MBA or Ph.D. in which you could have been gaining practical experience. My recommendation is to invest some effort in tracking down some recent graduates from the university you are interested in and determine if they think it was worth the effort to attend that particular program.

There are some occupations that require advance degrees to progress professionally; research or university positions are the obvious examples. But for most others, it can be a much more difficult evaluation. Ivy League schools such as Harvard and Yale offer prestige and networking opportunities, but they are expensive and may be no better than several years at an "Ivy League" company, non-government organization or government agency with a reputation for excellence in employee training and experience. General Electric, Microsoft, and DuPont are obvious company examples, and do not overlook experience with the EPA, a state or foreign environmental agency, or a NGO such as Environmental Defense.

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What is the process for establishing a Responsible Care Management System?

Steve: I break the process into five stages:

1. *Strategy* -- Answers to basic questions like 'Do we want to improve performance or merely achieve conformance (get certified)?' and 'Do we want to go for RCMS certification or do we need to go for the more complex and costly RC14001 certification, or a combination?' set the tone and direction for the effort. 'What perspectives do we want on our design and implementation team?' is a vital strategic decision that must be made early.

2. *Design* -- Elements such as a defined policy, the aspects and risks analysis, community communication, regulatory assessment process, employee training and other required (and voluntary) elements must all be designed, documented and distributed.

3. *Implementation* -- A system that gets put in binders that get stored on shelves neither adds value nor produces useful results. Much like a new computer program or process plant, the system should be implemented and monitored for at least 6 months to detect errors in the design and identify opportunities for improvement.

4. *Internal verification* -- An internal verification review is a 'mock' audit to detect defects and design/implement corrections prior to the certification audit. This should be done a few months before the audit to allow time for new or corrected system elements to be incorporated. I also suggest that the internal verification team include one external, third-party person who can provide an alternative, educated perspective and give informed, unbiased critiques.

5. *External certification* -- Both RCMS and RC14001 system audits must be conducted by an authorized Audit Service Provider (ASP) and accredited auditors. If the RCMS strategy is to improve performance, not merely achieve conformance, the team should include auditors with at least 20 years of EH&S and chemical industry experience, not merely reformed ISO auditors. There IS a difference between propylene oxide and polypropylene!

I am currently conducting a research project to determine how companies are addressing each stage; results should be available in June.

This process is similar to, though NOT the same as, the basic Responsible Care framework of:

- Policy & Leadership
- Planning (PLAN)
- Implementation, Operation & Accountability (DO)
- Performance Measurement & Corrective Action (CHECK)
- Management Systems Review (ACT)

ACC has prepared guidance documents that group the technical standards into each of these five system process steps.

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Your advice in the March column on bed & breakfast operations was really helpful; what resources are there for incorporating sustainability into a restaurant business?

Steve: This one is a bit out of my sphere of expertise, so I spoke with a few folks I know who either operate sustainable-oriented restaurants or provide materials to them. Compiling their thoughts and opinions, I've developed the following stereotypical consultant's 'operating model' as a guide.

There are two areas of focus, each with its respective social, environmental and financial dimensions and activities that could include:

Internal Focus

- *Social:* develop and post a 'Values and Mission' statement; offer staff job advancement training; hire blind, elder and/or disadvantaged workers.

- *Environmental:* test all ceramic dishes and mugs to ensure they are lead-free; install low-energy lighting; use cleaners and disinfectants that contain natural, safe ingredients; select a commercial laundry that uses a non-perchloroethylene ("perc") cleaning system.

- *Financial:* pay a living wage to your workers -- and YOURSELF; experiment with a barter system with area merchants and suppliers (meals in exchange for those merchants' goods and suppliers' supplies); include sustainability practices as a decision factor when choosing a lender.

External Focus

- *Social:* donate excess servings to a local shelter or community kitchen each night; sponsor a designated community development project; be a regular contributor to a local soup kitchen or food bank.

- *Environmental:* develop a partnership with a local compost operator and food supplier to create a 'cradle to cradle' supply chain; offer table centerpieces made of recycled materials or organic flowers for sale to your customers; create a lower-emission electricity purchasing cooperative if there isn't an existing program, pool or group.

- *Financial:* donate a percentage of profits (above a set minimum) to a local service agency; subsidize culinary classes at an area night school or vocational training center; create a hiring program for blind, elder or disadvantaged adults.

These are just a few of the potential activities. I've prepared a diagram of this model for use in your training and education effort (with proper citation, of course).

Greenbiz.com has a profile of Judy Wicks' White Dog Café in Philadelphia and an interview with Chefs Collaborative's director Amy Bodiker. You can also check out the Green Restaurant Association, their step-by-step Environmental Guidelines and the upcoming revision to their book, *Restaurants and the Environment: Achieving Ecological Sustainability.*

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Postscripts: The Most Ridiculous Item -- Part III. Every once in a while 'Postscripts' provides commentary on items that are just too ridiculous to be true (see the April 2003 and November 2003 columns), but they are. A few days ago a reader informed us of a new one -- the State of New Jersey's Department of Environmental Protection recently made a policy interpretation that using additives to dry wet excavation soil prior to offsite transportation (required by state transportation rules) requires an air permit. The thinking appears to be that the onsite addition of drying material to the soil is now considered 'processing' and 'mixing', both of which are commercial operations subject to air permitting requirements.

In practical terms, this means that every construction job where a contractor will be doing the right thing by drying the excavated soil prior to transportation will have to hold up the job, prepare/file an application (with associated permit application fee, of course), then wait days or weeks to continue the job. I wonder if the next step in the state's effort to raise revenue will be to require us to get an air permit to turn over our backyard compost or to bake bread.

Truly ridiculous.

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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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