

Columns

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Ask the Experts

by Steve Rice, Richard MacLean, and
Jeff Erikson
November 2004

Gauging the U.N. Global Compact

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How will the U.N. Global Compact begin producing substantive results?

Steve: The [August 2004 column](#) included a response to an inquiry about the U.N. Global Compact's (UNGC's) ability to implement positive change. Jim Thomas, Global Head of HSE for Novartis' Consumer Health business and Novartis' representative to the Compact, informs us that the cited *Business Week* article did not fully represent the "behind the scenes" activity.

Jim indicates that a recent Global Compact Leaders Summit brought together CEOs, senior executives and board members from 253 companies worldwide (including Novartis' Chairman and CEO), more than 40 civil society leaders and 31 government ministers and officials to discuss the challenges of corporate citizenship. As part of that Summit effort, two reports were issued:

- [The summit's summary report](#), and
- ["Who Cares Wins - Connecting Financial Markets to a Changing World"](#) (under News & Events, Global Compact Leaders Summit).

In addition, he informs us, a recent study emphasized that many signatories have either implemented new policies or accelerated the implementation of existing policies as a result of the Compact. The UNGC has also introduced the concept of corporate social responsibility (CSR) in many developing countries -- there are now nearly 50 Global Compact country networks. Finally, the Compact has brought companies together with NGOs and labor to discuss critical issues.

Jim adds that there is no question that the Compact presents challenges and, as with any activity that is trying to break new ground, it has received criticism. A key perspective on the overall effort was provided at the Leaders Summit by Bertrand Collomb - Chairman, Lafarge, "The objective is not to select a few happy, excellent companies, put them on a pedestal and celebrate their merits. The objective is to



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engage as many companies as possible in a drive for progress, ultimately involving the whole business world." A case study Novartis' UNGC participation has been published.

While all of this doesn't make up for a scarcity of projects listed in the UNGC project database, perhaps it does give hope that there is substantive movement from discussion to documented action.

For additional information, you might want to read two new books, [*Learning To Talk: Corporate Citizenship and the Development of the U.N. Global Compact*](#), by M. McIntosh, S. Waddock and G. Kell (eds.) and [*Raising the Bar: Creating Value with the United Nations Global Compact*](#), by C. Fussler, A. Cramer and S. van der Vegt (eds.). Michael Jones provides a review of both books in the October 2004 issue of [*Corporate Environmental Strategy*](#).

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What are the impacts of Russia's ratification of the Kyoto Protocol on U.S. companies?

Jeff: The Kyoto Protocol, the global agreement on reduction of greenhouse gases negotiated among 192 nations in Kyoto Japan in 1997, requires that signatory countries representing at least 55% of total global greenhouse gas emissions must ratify the agreement in order for it to "come into force." Russia's inclusion, which was approved by the Russian President and Cabinet and the lower house of parliament earlier this month, takes the agreement over the 55% of emissions threshold (the US pulled out of negotiations in 2001).

While this sounds like huge news, the impact on U.S. companies will likely not be great. The European Union had already established a requirement that member countries establish reduction targets, and National Action Plans identifying how those targets will be achieved are currently being developed. Many other countries have already adopted similar plans to meet their Kyoto obligations, regardless of the 55% threshold. The United States will not likely ratify the Protocol any time soon (even if Kerry is elected). However, there is significant regulatory activity occurring at the state level, leaving federal level action less relevant.

Over the last couple of years, the financial markets have been waking up to a "carbon-constrained world," with or without Kyoto. The Carbon Disclosure Project, Goldman Sachs' Energy, Environmental and Social Index, and "Changing Drivers" by World Resources Institute and Sustainable Asset Management, are just three examples of work in the financial markets to evaluate corporate risk related to greenhouse gas emissions.

Most major corporations already understand that managing emissions is an essential component of their corporate responsibility strategies, and are actively seeking to reduce their emissions through trading, offsets, energy consumption reductions and green power.

So while many activists have long awaited the day when the Protocol would come into force, in many ways the world has moved beyond Kyoto. And while I think that current actions are not adequate to address the scale of the problem, we should consider it is a positive that other forces will drive further progress.

Steve adds: You may also want to read the assessment report, ["A Climate of Innovation: Northeast Business Action to Reduce Greenhouse Gases,"](#) just released by the World Resources Institute. The case studies provided in the report echo Jeff's conclusion that in many ways we are moving beyond Kyoto anyway.

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What are glaring examples of "affluenza" relative to the environment?

Richard: For those readers that may not be familiar with the term, here is the definition: affluenza (af-floo-en-zuh) *n.* an extreme form of materialism in which consumers overwork and accumulate high levels of debt to purchase more goods (*affluence* + *influenza*). The term grew in prominence after a book by that title and a PBS television show.

Most uses of this term are in the context of the social phenomena of materialism and the psychological damage that it can inflict. However, over consumption is at the core of this "affliction" and, for that matter, many of the world's environmental problems. Consumption as an environmental issue is receiving increasing attention. For example, a recent article by John Ehernfield, "Searching for Sustainability" in [Reflections](#) makes the argument that industry's current approach to sustainable development focuses on the symptoms with quick technical fixes; but this mind-set ignores the root causes, namely conspicuous consumption.

Getting back to your question, I consider the notion of space tourism completely "over the top," literally and figuratively. Those rockets don't pump out perfume, folks. Some are predicting that a multi-million dollar industry could emerge from the work by entrepreneur Burt Rutan. Three minutes in space for \$190,000. A close second might be the offer by [Zero Gravity Corporation](#) -- a few minutes of weightlessness for \$2,950.

Press reports never mention the environmental consequences of such blatant consumerism. I suppose that this omission is a bit like press coverage of smoking in the 50s. No stigma, in fact, just the opposite; smoking was sophisticated, even "healthy." Today you are a pariah if you light up in public.

I predict that in the not-too-distant future NGOs will start to put metrics associated with these perfectly legal activities in the hopes of enlightening the public to the long term environmental consequences. For example, Professor Ann Rappaport at Tufts University shocks her students by relating the fact that a New York to London round trip flight in a 747 at 78% occupancy results in 2,780 pounds of CO2 *per person*. That's 440 tons for the 747's round trip. On the other hand, the grand total of annual emissions for the Tufts diesel shuttles operating daily on a constant loop between campus and the Davis Square transit stop is 70 tons.

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What performance measures might be considered that go beyond the traditional lists of key environmental performance indicators (KPIs)?

Steve: Talk with your respective operating business units' staffs. Find out what KPIs *they* are striving to achieve in 2004 and have on their agenda for 2005. Then work with them to develop KPIs for your organization that will help them achieve *their* KPIs. If your assistance helps them succeed, be sure to remind them -- right about when they receive their yearly bonus checks.

You may also want to review [ISO 14031 Environmental Performance Evaluation -- Guidelines](#), which provides guidance on three categories of organizational performance metrics -- Environmental Condition Indicators (ECI), Operational Performance Indicators (OPI) and Management Performance Indicators (MPI).

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What are the best magazines and journals in which to publish articles as a means of marketing my consulting firm?

Richard: The "where-to" dimension of your question has been covered previously in an "Ask the Experts" column we wrote in [December 2003](#). In addition, there is an excellent analysis of the options available to writers in the August 8, 2001 issue of ["Eco-Management and Auditing."](#) It primarily covers journals of interest to academics, but it is so well researched that it includes journals of broader reach in which Steve and I publish.

But there are other considerations. The publishing industry has undergone a revolution over the past decade due to the ease by which PDF files can be shipped around. Everyone is familiar with the tremors that Napster caused over file sharing of copyrighted music. Well, similar jolts have shaken the publishing industry. In the past, journals were hardcopy only and it was awkward and expensive to copy and distribute articles -- better to just pay a fee and get the publisher "in the loop." Today, articles can be posted on the Internet or distributed to thousands of people for free at the push of a button.

Initially, some publishers were reluctant to change and sent authors onerous copyright agreements severely limiting the use of electronic files. But authors pushed back and demanded that they be allowed to distribute their articles to colleagues and post files on their personal webs. Today, this appears to be the norm, but not always. You need to find out exactly what you are allowed to do.

Another consideration is that publishers typically generate high quality, high resolution files. This is understandable, but for distribution via e-mail it can be problematic. Through trial and error I have found that files of less than 200kb are not a problem, but when they exceed 400kb some recipients will object. Providing the article as an e-mail attachment is superior to providing a web link; it's right there -- people don't have to click to get at it.

Some editors and publishers are great to work with -- Joel Makower (Tilden Press, Inc.), Ginger Griffin (John Wiley & Sons, Inc.) and Angela Nevel (Stevens Publishing) accommodate such needs.

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Why is there resistance to the use of nanotechnology, considering its potential for tremendous environmental and social benefits?

Jeff: First a definition. Nanotechnology refers to the manipulation of matter at the scale of one billionth of a meter, or about 75,000 times smaller than the width of a human hair. While working at this scale isn't brand new science, the emerging applications of nanotech are what hold both great promise and great uncertainty. Nanotechnology is already applied to products currently on the market, including sunscreen, tennis balls, and clothing. It holds fantastic potential to change the raw materials of manufacture, energy systems, food production and much more.

But there are two primary concerns about nanotech. The first is the quantum size effect. Many compounds behave differently at the nano level. For example, carbon in its regular form (as a diamond, for example), does not conduct electricity. But arrange carbon in lattice-like nanotubes and it is a conductor. The second concern is around convergence, bringing together previously unconnected technologies to create a new application.

Much like biotech science of a decade ago, there are many unknowns around nanotech, and the implications are potentially great. Toxicity, lab protocols, regulatory controls and impacts on economies, terrorism, intellectual property rights and technological apartheid are a few of the areas in which some feel much more knowledge is required in order to advance science safely.

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What book can I give to my CEO to encourage his movement toward a more forward-looking strategy for environmental management and sustainability?

Steve: As I don't know your CEO's specific characteristics, personal/professional drivers, or situation I'm not able to recommend any particular book to slide in front of him. In some ways, such awakening must come from within, based on his or her own journey of discovery, "burning platform" (a severe incident demanding significant, rapid change) or external pressure (e.g. investors).

That said, I might suggest considering either of the two classics, [Cannibals With Forks](#) by John Elkington or [The Ecology of Commerce](#) by Paul Hawken.

Ray Anderson's book, [Mid-Course Correction](#) might be worthwhile though at) I've not read more than a condensed summary and b) his company's financial and stock performance over the past several years makes only a modestly convincing business case. You might also want to consider [Ants, Galileo and Gandhi: Designing the Future of Business Through Nature, Genius and Compassion](#), edited by Sissel Waage.

You'll need to decide whether to provide the "gift" personally or anonymously. The choice will depend on your relationship with him and any relevant personal/professional risks.

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Postscripts: Time To Get The Big Bucks! Like you, we get e-mail messages nearly every day from someone in some foreign country wanting to place a million dollars in our bank account. Just send the account information! Well, we don't think so.

But there are real opportunities out there for ambitious senior environmental engineers. A colleague informs us he was contacted recently by one of the big, brand name government contractors to do infrastructure project support (wastewater and potable water supplies). One-year contract, eleven months work for . . . drum roll . . . \$827,000. That's right, nearly a million dollars including free room, board and a security team. We are not sure if the bullets for your gun, your vest and hand grenades are included, but that's a small detail. You guessed it -- Iraq.

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