Columns

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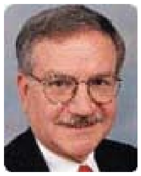

Ask the Experts

by Steve Rice & Richard MacLean
September 2003

Tips on Conducting Benchmark Studies

Also this month:

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What are some of the issues you can run into when conducting benchmarking studies or surveys?

Richard: I’ve conducted quite a few benchmarking studies and surveys for clients over the years and have run into a spectrum of issues. Most of these problems can be avoided if you take the proper precautions. The first challenge is to answer the question, “What’s in it for them?” Ideally, this is done within sixty seconds of the phone conversation or the first paragraph of a written survey. EH&S professionals are stretched too thin to be philanthropic with their time. Unless you are planning to provide them with a summary of the results, don’t expect much in return.

The second challenge is to locate the proper person within the company. The top EH&S person may be easy to identify, but nearly impossible to reach. Administrative assistants can be quite good at screening e-mails and calls from strangers asking for information. Corporate switchboard operators typically do not give out numbers or e-mail addresses. Other than the top management, they have no familiarity with the inner workings of the company’s organization. For very specific issues, it is sometimes difficult to find the person who is doing the actual work, and in the case of large companies, several individuals may be covering difference aspects of the topic. If you know the individuals (Steve and I know most of the top EH&S managers in major corporations), it can make a tremendous difference in getting into a company at any level.

The next greatest challenge is time. Estimate the time needed to collect feedback -- then double it! Face it, your project may be #1 on your priority list, but #125 on theirs. You are generally better off talking to an individual over the phone in “real time.” However, this is often not possible for involved projects. If people delegate the benchmark or survey to someone within the organization, the quality may either improve (e.g., with highly technical issues) or diminish (e.g., management strategy subjects). Be suspicious of management strategy surveys obtained by mass mailing; they inevitably get delegated.

There are many other factors that contribute to success: structuring the summary report for participants; media selection (mail, e-mail, phone, web); handling confidential information; selecting best in class; and the sequence and structure of the questions. Sometime it’s the subtleties that matter the most. We can address these issues if readers are interested.

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Earlier this year you provided a forum for expressing our greatest fears for the EH&S profession. What do you believe are the greatest risks for EH&S organizations?

Steve: Good point. The earlier columns dealt more with professional issues than organizational issues. Over the past few month's I've talked informally with senior EH&S executives about this issue. Many of them feel that their greatest organizational risks include:

- *Staff personnel who remain stuck in their respective "silos"* -- both organizationally and personally. Even when the organization changes to eliminate such silos, many individual professionals resist, wanting to remain within their respective technical expertise "comfort zones". While they may feel better staying in those zones for now, the organizational desire and need for those zones are rapidly disappearing.
- *Having the appropriate number of personnel with right skills.* With many corporate EH&S staffs cutting back (some on the order of 30% - 50% recently and in the very near future), there is less flexibility to handle large projects and less expertise to lead complex programs. To exasperate the issue, in the next few years there will be a large volume of Title V permit renewals, Offsite Consequence Analysis updates and, within the chemical industry, RCMS/RC14001 certifications for which EH&S staffs will have the lead responsibility for completing.
- *Succession planning.* Only a few have mentioned this, but those that did place it very high on their lists. Many senior, experienced EH&S professionals have retired or left the profession the past several years -- there is a smaller and smaller pool of qualified personnel to advance from manager to director, director to VP, etc. This is expected to remain, and possibly increase as, a significant issue for at least the next few years.

While not making the 'top' of the list, a few also mentioned a potential issue with Sarbanes-Oxley CEO certifications and the reporting of environmental liability reserves. As CEOs go to their VPs of EH&S for estimates of the 'correct' financial reserves to be retained, they may be asking that those VPs also provide internal certifications of the 'correctness and accuracy' of those numbers. This may put the EH&S VPs in a new situation -- one side of the company wants the number to be as low as possible while another side wants the number to be as accurate as possible. Naturally, other with whom I've spoken don't see this as a particularly important risk to their organizations.

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What is the difference between "sustainability" and "sustainable development"?

Steve: While the two terms are often used interchangeably, there is an evolving, albeit mostly academic, debate on the matter.

For the most part, the distinction is being made that sustainable development is the ongoing process by which we move toward sustainability, the eventual goal of being able to exist without depleting any resources. It's sort of like being able to live on just the interest in your bank accounts while not touching the base capital (the conceptual basis of Natural Capital).

The first discussion about this distinction that I ever saw was contained in a white paper on integrated crop management issued in 2000 through Bayer CropScience. The issue came up again in David Carruthers' 2001 article, "From Opposition to Orthodoxy: The Remaking of Sustainable Development", published in the *Journal of Third World Studies*, and a critical response paper prepared by Georgia Stebbings. The most recent, and perhaps clearest, statement on making a distinction between the two terms appeared this past spring in a report, "Sustainability Partnerships: Moving from Goodwill to Action", presented to the Canadian Institute for Environmental Law and Policy.

I'm not sure that I concur with this assessment. To me, the original 1987 Brundtland Report statement on sustainable development clearly establishes the concept that growth (e.g. "development") is both accepted and necessary, yet needs to be achieved within a context of doing so without jeopardizing future generations. Thus, "sustainable development" refers to "development" (growth) that is "sustainable," with "sustainable" meaning 'being able to continue or survive."

Sustainability, on the other hand, does not contain a specific acceptance of development or growth. Since it is moot on that issue, it is a bit broader in context in that it can imply a context of either "growth" or "no-growth." When it is used within the context of the former, the term is basically interchangeable with "sustainable development."

When referring to the ultimate goal of sustainable development, I prefer the use of the term "sustainable," as an adjective, as in "We are working to create (or have created) a *sustainable* government, business, community, etc."

Of course, I'm open to others' thoughts and comments on the matter.

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What is the most significant issue facing environmental professionals today?

Richard: I suspect many would anticipate that I would say either job insecurity or the difficulty in demonstrating business value for environmental programs and projects. They are interrelated and are the most obvious manifestation of a deeper issue. The technical problems are never the issue -- they are the fun! The deeper issue is the one first described by Robert Sheldon in the mid 1990s as the "green wall" that separates environmental managers from the inner circle of business managers. It has not diminished and, if anything, has gotten worse.

Management's lack of understanding of the environmental function and its strategic value has led to zany reorganizations, cutbacks and glazed looks when we try to achieve business value beyond the easy to quantify compliance tasks and cost reductions. This green wall exists and has gotten worse due to several factors:

1. Education on environmental dynamics in business college courses is sparse and in years past was non-existent. Few in-company or externally-provided executive training courses provide much substance in this area. Environmental activists have never done a very good job explaining what is going on in business terms. Protests just come across to business managers as fractured wackiness.
2. The media is focused on sound bites and rarely covers the substantive issues.
3. Business information resources rarely contain environmental information. For example, in the past ten years the *Harvard Business Review* has contained thirteen articles related to the environment -- about one percent of their articles *The Wall Street Journal* routinely reports on companies facing environmental challenges, but its editorials inevitably convey a message that environmental problems are of little concern. Cognitive dissonance in action?
4. The scientific community has, if anything, confused the situation. Whenever Lester Brown of the Earth Policy Institute publishes predictions of looming global problems, a book like *The Skeptical Environmentalist* by Bjørn Lomborg comes along to throw everything up for debate.

This confusing array of inputs allows executives to assume that environmental issues are not strategically relevant to their company. Yes, do what is socially responsible (i.e., legally required), but anything beyond that is just too confusing to invest limited resources. Executives can easily rationalize why the EH&S successes and dramatic failures of other companies do not apply to their own company. It falls squarely on our shoulders to communicate with management and change these perceptions. No one else will do it for us. How this is accomplished it might be the topic of another *Ask the Experts* column.

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What is the Altman Z-Score and what does it measure?

Steve: Although now a bit dated, the Altman Z-score provides an indication of the financial health of public and private companies. While it is not very exacting and does not accommodate capital-intensive service companies very well, it does provide a relatively quick way to determine where a company is headed financially. For example, years ago I conducted an Altman Z-Score on Laidlaw, the former hazardous waste management and school bus company. The result prompted additional investigations and an eventual, orderly shift to other waste management service providers. All this happened two years BEFORE the company imploded.

Within a traditional EH&S setting, every hazardous waste management or material recycling facility audit should include an Altman Z-Score calculation on the company owning (and/or operating) that facility. It is most useful when the scores are compared with previous scores for the same facility or company -- trends can be detected. Be aware, however, that many facilities and companies will object to releasing that type of financial information -- such refusals should then enter into the vendor evaluation and decision process. Decisions on whether to use or not use a particular facility or company should be based on many factors; the Altman Z-Score is just one of those factors.

For those who wish a more thorough understanding of the tool, we've posted a detailed summary of the Altman Z-Score and its calculation methodologies on our Web site.

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Update on companies that use renewable energy: The July issue of this column attempted to respond to a question regarding the availability of a list of major companies that use renewable energy. As neither we nor our network knew of any specific lists, we asked our readers if they knew of any.

We're glad to report that Melissa Vernon, an environmental research analyst with Interface Research Corporation, came to the rescue. She informs us that there are 3 places to find companies with proactive renewable energy purchasing:

1. The EPA Green Power Partnership recognizes companies that use renewable sources for electricity (including the purchase of green tags).
2. The EPA Landfill Methane Outreach Program recognizes companies which use landfill gas to generate electricity.
3. WRI's Green Power Market Development Group is a collaboration of 12 leading corporations whose goal is to develop corporate markets for 1000 MW of new, cost-competitive green power by 2010.

Thanks, Melissa!

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Postscripts: Movin' On. In July we commented on a question about which delivery service, FedEx or UPS, was greener. We indicated that both companies had a variety of "green" initiatives and were comparable, albeit UPS seems to have a slight lead at the moment.

This was recently reinforced by an article in the August 11th issue of *Business Week* magazine, pages 60 and 62. In summary, the article indicated that both shippers are racing to lower pollution -- and cut business costs. UPS is testing the first delivery truck powered by a zero-emission hydrogen fuel cell and operates more than 1,000 natural gas-powered vans. FedEx plans to replace 30,000 air express vans with hybrid gas-electric models in the next 10 years, a move that they say will boost fuel efficiency 50% while lowering particulate emissions by 90%.

These large-scale plans should also increase the economies of scale for such engines and vehicles, lowering costs and further increasing their use.

Who says you can't have lower emissions, lower energy use *and* lower business costs?

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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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