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Ask the Experts
by Steve Rice, Richard MacLean & Jeff Erikson
September 2004

Big Trends in the Sustainability Movement

Also this month:

- The best EH&S compliance audit software
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- Six Sigma process excellence techniques
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- **Got a question? Let us know.**

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What are big trends in the sustainability movement that businesses should be aware of?

Jeff: The first is that there will continue to be constructive tension among business, NGOs and government. Each has different priorities and a different perspective on how best to address the challenges faced by society. That's not going away, but I sense that these sectors will increasingly find ways to collaborate.

Other trends include:

- Climate change will gain momentum as THE environmental issue of our generation (and many to come). It will become an ever more important commercial imperative for businesses to demonstrate both preventive actions and preparedness for a changing climate. Much like the Y2K bug, debating whether it will happen will be sidelined by the need to robustly manage the risk.

- HIV/AIDS is not only a human tragedy of immense proportions, but is also a major concern for business. Its importance as a business issue will grow in the coming years. Rising health care costs, worker absenteeism, inadequate availability of workers, reduced population, diverted financial resources and social strife all can have a significant impact on business viability. And the problem is not just limited to Africa. China and Russia have burgeoning numbers of afflicted, the magnitude of which is just now coming to light, and they are certainly not alone.

- Business will move beyond focusing on environmental and health impacts of their processes to the environmental and health impacts of their products. The chemical industry, the oil industry, the auto industry are three behemoths which

are just beginning to understand the business opportunity. Be sure they will be engaging their supply chain in their efforts.

- Transparency will become more and more the default setting of successful companies. Trust is enhanced by disclosure, and more and more companies will understand that it is good for business. There will certainly be those which don't get it, and they may get a push from either regulatory agencies (such as the SEC) or from investors (pension funds, institutional investors, SRI fund managers and increasingly mainstream brokers).

- Wall Street will pay more attention to environmental and social issues which face companies. Again, the early signs are there. Mainstream broker Goldman Sachs recently published study ranking the environmental and social performance of oil companies, and indicating that such factors are an important indicator of financial performance. And the Carbon Disclosure Project this year had 95 sponsors representing over $10 trillion in assets.

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What is the best EH&S compliance audit software?

Steve: "The best" will be relative to your current and future needs, resources and budget. Merely providing the name of a software package will provide you with only a cheap, quick answer that may not provide you with an effective, productive solution.

The key to obtaining the best software for your purpose, beyond the internal strategy, process and implementation issues, is determining its capability BEFORE it's purchased and installed. Do you want it to:

- establish requirements using federal, state and local EH&S requirements, with annotations for citations and clarifications of terms and applicability?
- include internal company, business or facility requirements?
- track action items, including the name of the person responsible for corrective action and completion date, and report on their status to the appropriate people?
- integrate with your other EH&S compliance and performance reporting software?

These days, this typically points either to an intranet (for large companies) or contract internet (for small companies) system that allows broad-based access. Your software should be able to send automatic status reports, too – this puts your computers' productivity to use. Otherwise, a stand-alone system might suffice.

Either way, there are two ways to sort through the options and select your supplier:

1. *Use an EH&S software guide. Environmental Protection* magazine publishes its annual EH&S software guide each April. This, however, is merely a compilation of vendors that probably responded to a survey, so sometimes it is incomplete and incorrect. It can be used, though, to determine a 'first cut' of software and vendors to review before proceeding with a more thorough evaluation. Another is Donley Technology's online [EH&S Software Service](#), useful for finding both free and commercially available products.

2. *Hire an EH&S software specialist to provide you with independent, targeted assessment reports and advice.* [Donley Technology](#) also supplies this consulting service.

The second option may be your most cost-effective approach as you will be directed only to those products and vendors that meet your needs; be sure to get 3-4 top 'prospects'. Elizabeth Donley, president of Donley Technology, adds "A truly independent specialist is one that has no vested interest in recommending one product over another. He/she can help you avoid costly mistakes and keep your in-house resources focused on your core business."

Disclosure: I have no business relationship with Donley Technology.

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Many companies are entering their 2005 budget planning cycle. What should be high on the priority list?

Richard: Identifying and closing any "credibility gaps." There is a new generation of issues being driven forward by non-governmental organizations that are checking to see if there is any substance behind company claims. In general these claims fall along one or more of the following four tracts: (1) statements in 10K or annual Security and Exchange Commission (SEC) filings concerning the materiality of EH&S liabilities; (2) certifications, standards or codes of practice that operations or products conform to; (3) assertions of responsible corporate citizenship; and (4) regulatory compliance status.

EH&S managers historically have paid close attention to regulatory compliance, the last item listed. This is one budget-line item that rarely gets overlooked and is one with which EH&S managers can most readily counter outside challenges. It's the other three in the preceding list that are becoming problematic. The first, the materiality question, has been elevated to new heights because of the Sarbanes-Oxley Act of 2002. A number of well-respected companies with excellent auditing systems are under the gun. For example, Dow is facing scrutiny by shareholders who are asking the SEC to investigate "a number of inadequacies and irregularities" in public claims. Both 3M and DuPont are facing messy product-safety issues.

The second issue involves some of the companies that were quick to sign onto industry initiatives such as the U.N. Global Compact, Equator Principles, Responsible Care® and ISO 14001. These companies now are being challenged to demonstrate substance behind all the hype. The administrators of these initiatives are beginning to react to public and NGO pressure to eliminate "free riders" that "game the system" by implementing the programs with minimal effort and with no intent of delivering the stated long-term objectives.

The third claim – responsible corporate citizenship – is the hardest to address since there are few social responsibility performance thresholds that can be quantified precisely and that conclusively define responsibility. Unfortunately, business management may view social responsibility narrowly as an issue handled by increased public relations and philanthropic activities within the community. A lot of effort can go into generating slick EH&S and community reports, but where is the thoughtful evaluation of what really matters for a company operating in or selling to a particular region?

The bottom line is that the relatively comfortable world of EH&S regulations is rapidly being augmented by a very fuzzy new world of governance concerns that must not be overlooked.

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What will it take for us to become a sustainable society?

Jeff: If "sustainable" means meeting the basic needs of all people in the world (or even "most" of them) without sacrificing future generations, I don't think it will happen in my grandson's lifetime. But perhaps we can put the question in more concrete terms. The Millennium Development Goals are a set of eight sustainability goals which all 191 members of the United Nations have agreed to achieve by 2015. They establish targets in the areas of: poverty and hunger, education, gender equality, child mortality, maternal health, disease, preservation of environmental resources, and global partnerships for development. If we are to achieve them in that timeframe, I think some very difficult and important changes must occur:

- *Businesses* – individual companies and entire industries – must look beyond incrementalism and scale up to address the magnitude of the problems we face. For example, many companies boast in their CSR reports about a 5 or 6% reduction in CO2 emissions, while the Intergovernmental Panel on Climate Change reports that a 60% reduction in relative emissions is required to stabilize CO2 in the atmosphere at a reasonable level. This will mean a real shift in how they think about the problem, requiring companies to go beyond their fencelines to include competitors, regulators, and NGOs to work collaboratively.

- *Governments* need to create conditions which encourage more sustainable behaviors. Certainly corruption is the biggest obstacle to sustainable development: it needs to be eliminated in both the rich world and the poor. Market incentives, procurement policies, tax structures, trade policies and leadership by example are all tools which governments have to influence both business and personal conduct. And the convening power of governments is essential in fostering broad cross-sectoral partnerships.

- *NGO's* are most effective when they surface problems or injustices, and help bring about a solution. The sector needs to be a willing participant in collaborations and partnerships, while at the same time keeping the pressure on businesses and governments to behave responsibly.

- *Consumers* – all of us – need to change the way we look at the world, from one with unlimited natural resources, to one in which resources are increasingly constrained.

It's a lot more complicated than that, but to borrow a phrase from a leading company, "It's a start".

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How are the Six Sigma process excellence techniques being used by company EH&S organizations?

Steve: I've been tracking this trend for a little over a year, interviewing over a dozen companies' EH&S executives and staffs in preparation for an upcoming article.

In general, while Six Sigma has been deeply ingrained in many companies' manufacturing operations and processes, attempts at integrating it into administrative and service procedures and processes still reside around the periphery. Most projects and efforts have concentrated on pollution prevention (also referred to as resource optimization), personnel safety (e.g. workman's compensation and lost time) and other activities that tend to be similar and repetitive so that comparable statistics can be used as a basis for problem identification, project development and results tracking. Hand injuries, back strains and waste generation are typically recurring, comparable and quantifiable, so are good candidates for a Six Sigma project. Wastewater discharge exceedances might also be good candidates if the same problem happens repeatedly within a relatively short time frame.

A few companies have tried to use Six Sigma for EH&S hiring, facility auditing and other activities with limited, if any, success. For example, one company implemented an EH&S Six Sigma process to expedite its job posting and hiring process by using an intranet automatic notification/response system, followed by an external Monster.com posting. This reduced the typical hiring process time from nearly six months to six weeks. This system works fine for entry and low-mid level EH&S staff positions; any position involving more significant skills and responsibilities still requires the traditional personal referral, Human Resources and/or recruiter support.

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Postscripts: Bright Lights – Part 2. The *Postscripts* section of this past April's column presented a controversial piece entitled 'Where Are The Bright Lights?', commenting on how many of the respected 'bright lights' of corporate EH&S management and sustainability have had their positions eliminated and/or organizations 'realigned'. While we took a bit of heat from some readers, only one person actually questioned the validity of the facts.

Fortunately, we are glad to announce that one of those 'bright lights' has neither retired nor gone out. Sam Smolik, formerly Dow's EH&S vice president, is now the Vice President, EH&S, at Shell Chemicals, LP. in Houston, Texas. We welcome Sam back into the profession and wish him the best at helping Shell Chemicals to become a 'bright light' also.

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Got A Question?

Send your questions 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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