

Advice to Practitioners of Environmental Accounting

Build Alliances

You are trying to change the way the Accounting/Finance Department has traditionally reported data. It is essential that top management understand and support the need to better identify environmental costs. Their collaboration will facilitate this important change. You should establish a contact within the Accounting/Finance Department that has sufficient stature and knowledge to facilitate this process.

First understand their world

Accounting and budgeting systems were originally structured to answer specific business questions and to satisfy external requirements (e.g., Securities and Exchange Commission). Even in a new company, this framework will dominate how the accounting systems are structured. You will need to work within this structure to identify existing information and mesh new needs conveniently with the existing system.

Some internally- or externally-dictated accounting systems may prove especially challenging. For example, in the utility industry, much of the accounting practice and culture is centered around reporting according to Federal Energy Regulatory Commission (FERC) accounting practices. In the regulated utility environment, additional cost breakdowns were deemed unnecessary because all costs could be recovered through rates. Currently, accounts are not broken down by specific processes. If they were, costs could be easily categorized for their environmental impact. You will need to understand pre-existing constraints, since these requirements will have to be incorporated into any future system.

Do your homework and network

Ten years ago there was relatively little information available on environmental accounting practices. This is no longer the case, so take advantage of others' wisdom; read the available literature. Equally

important is networking among your peers. They can give you useful insights into the do's and don'ts of working with the Accounting/Finance Department and management.

One of the best ways to sell environmental accounting in your company is to explain to your management the progressive steps taken and the benefits gained by other companies. You may want to set aside a modest budget for benchmarking in this area.

Be strategic in data collection

Determine the questions you need to answer for decision making now and in the future. Differentiate between nice-to-know data and must-know information. There is nothing that turns off line organizations more than their valuable time being spent gathering information of little value. On the other hand, you will gain staff and line support if they perceive that the data have an influence on the outcome of decisions.

It is more than a numerical exercise

Your financial analysis is just one part of the overall analysis. Legal, regulatory, and ethical issues, along with company philosophy, must be taken into consideration. Use a team approach to develop a balanced financial analysis.

Timing is everything

Trying to get the Accounting/Finance Department's attention during year-end close is unwise. On the other hand, good opportunities may present themselves; for example, the Finance and Information Systems Departments may be undertaking major overhauls in the way data is gathered and analyzed. Find out if these windows of opportunity are on the immediate horizon, even if you are not very far along in your activities.

This is an emerging field--precision is in the future

You are trying to assist management in making key decisions. These decisions are made by examining the most significant factors. Don't be overly concerned if the future disposal liability has a sensitivity of plus or minus fifty percent. At this point, it is more important to inform management that

there is, in fact, a future liability and that liability may be relatively large compared with other process costs. You are probably better off developing a workable system influencing management today, and striving for continuous improvement over time, than waiting five years for a perfect system.

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More recently he has lead a number of innovative projects on environmental accounting and on accrual and disclosure issues related to corporate due diligence. His specialty is reengineering EHS organizations to optimize resources and programs. He develops business cases to demonstrate to executive management the advantages and value added from EHS competitive strategies and programs.

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