

ENVIRONMENTAL LEADERSHIP

Corporate Environmentalism

Symbolism plays heavy in the environment. A book called *Silent Spring* kicked off the modern environmental movement. The tree is the movement's most common sym-

bol. Indeed, the slang term "tree hugger" has become synonymous with "environmental activist."

The tallest trees in the world—giant Sequoias—are found in California. But Arizona's official state tree beats them on the greenness scale. It is the Palo Verde, a completely green tree.

Known to botanists as *Cercidium microphyllum*, the Palo Verde grows in the Sonoran Desert. It is a marvel of adaptation: Needle-like leaves control moisture loss, and green bark provides photosynthesis even when these tiny leaves fall off. In the spring, the Palo Verde becomes absolutely stunning when it blooms with small, yellow flowers. The tree's seedpods were once a source of food to the Cahuilla, Pima, and Papago Indians. We are talking major eco-harmony here!

But probe beneath the green bark, and inside the Palo Verde looks like most any other tree. Which brings us to the point of this column.

How deep is the green?

global warming, the endless announcements of "corporate responsibility" statements and policies, and the general promotion of all things good and green by businesses

everywhere.

But what if you probe beyond the "green bark" with which corporate communications representatives have covered themselves? There you may find a different story.

For example, we have learned that the "carbon-neutral" status of last year's Academy Awards ceremony was based on a few (perhaps dubious) offset credits.¹

We read media reports that former vice president Al Gore (who recently won a Nobel Peace Prize for his efforts to publicize the dangers of global warming) owns a home that uses approximately 20 times as much electricity as the average American household.²

Toyota Motor Corporation introduced the hybrid Prius, which is widely viewed as a more environmentally friendly automobile. Nevertheless, the company has been criticized for opposing tighter fuel-economy standards.³

Beyond the Bark

Green is back in the news these days, in a big way. Consider the media's growing attention to

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BP's "beyond petroleum" green image has been tarnished by refinery explosions and pipeline spills.⁴

Royal Dutch Shell (which years ago was stung by the Brent Spar controversy) managed to rebuild its corporate reputation—only to see it battered again by scandal regarding downgrading of its oil reserves.⁵

DuPont has established itself as a leader in safety and, more recently, greenhouse gas reduction. But the company also had to pay a record fine to the United States Environmental Protection Agency (EPA) in connection with perfluorooctanoic acid (PFOA), a Teflon processing chemical.⁶

General Electric's Ecomagination program markets "products and services that are as economically advantageous as they are ecologically sound."⁷ But the company also reportedly has sought to weaken proposed EPA anti-smog stan-

dards for locomotives⁸ and is faced with continuing controversy over cleanup of polychlorinated biphenyls (PCBs) in the Hudson River.⁹

Even the management systems and principles that allow companies to proclaim their commitment to the environment have been called into question. For example, ISO 14001 certification was once considered the worldwide standard for green commitment. Now its value appears disputable: China, awash in headline-grabbing environmental problems, ranks second in the number of certifications.¹⁰

The United Nations Global Compact was subject to widespread criticism—and its reputation was in jeopardy—until the program began delisting signers for failing to take action that backed up their commitments. The UN's current Communication on Progress (COP) policy requires participants to communicate annually regarding the actions they have taken to implement the compact's 10 principles if they want to maintain "active" status.¹¹

I could go on, but you get the point: There can be a sort of cognitive dissonance when it comes to corporations and the environment. Like the Palo Verde tree, they can display a spectacularly flowery and eco-friendly image, while still being ordinary on the inside.

So how can companies make sure that their environmental endeavors go beyond public relations and marketing hype? And how can they avoid embarrassing (and costly) revelations of not-so-green behavior that damage the brand?

Shades of Green

Maybe the more appropriate question is, "Just what shade of green should a company be in the first place?"

Clearly there are some eco-friendly actions that, beyond a doubt, provide bottom-line financial benefits. There are also many proactive environmental steps that, in retrospect, companies

Choosing the Right Shade of Green

Listed below are some factors you should consider when determining which environmental strategy is right for your organization:

- long-term business objectives
- nature of your operations and products (especially their "environmental footprint")
- importance of brand image
- relevance of community and regulatory trust as a factor in securing operating permits
- expectations of:
 - ✦ the public
 - ✦ employees
 - ✦ shareholders
 - ✦ stock analysts
 - ✦ insurance underwriters
 - ✦ other external stakeholders (such as non-governmental organizations and the media)
- any need your organization may have to change or reverse a poor public image resulting from legacy issues (whether related to environmental concerns or other problems)
- industry trends
- sector trends

should have taken even though they would have added costs, were not required by then-current regulations, and were not common practice among the competition. Think of Superfund—and the scores of defunct or materially impacted companies it left in its wake.

All Heads in the Sand!

Many companies might ask, “Who could have predicted that something like Superfund would happen?” But major environmental developments seldom occur without early warning signs from scientists, public health researchers, and activists.

Think of all the concerns about environmental impacts from land contamination, asbestos, PCBs, mercury, lead, and other pollutants. These worries were being voiced years before Superfund was enacted. The “predictable surprises” often get ignored.

A number of recent business-journal articles have dissected the “pathologies” that allow such unpleasant surprises to happen.¹² At the top of the causation list are cognitive issues (in particular, refusing to change one’s beliefs), group dynamics (i.e., going with the flow), and organizational culture (i.e., the inertia of large organizations). These dysfunctional forces exist within all companies—and they apply to all business issues, not just environmental concerns.

The environmental dimension may be particularly challenging, however, because business managers often are unfamiliar with the technical and regulatory nuances of this specialized area. Not surprisingly, many (if not most) view the environment narrowly as a compliance and public relations (PR) issue. Recent research at the University of Michigan provides a fascinating analysis of this myopic management mind-set.¹³

Driving into the Eco-ditch

The unintended consequences that flow from this lack of understanding are twofold. First, top

executives can be led to believe that their company’s environmental performance is outstanding based on a narrow set of metrics: no regulatory citations and no major PR eruptions. Based on this mistaken belief, they may decide to push a very visible, state-of-the-art green marketing campaign.

Second, top executives are influenced by what they observe in the media or see spotlighted by their peers and trade associations. But they sometimes get limited or no input from their environmental staff, who may have little interaction with top management. This distorted input can lead high-level executives to formulate a green marketing plan of action that appears great on the surface but might not necessarily represent the best use of the organization’s resources—and may not even respond to the real environmental concerns that affect their particular company.

These high-level green initiatives can quickly take on a life of their own, as marketing and communications departments charge ahead under the CEO’s blessing. All the while, the company’s environmental staff might be stressed to the max from lack of resources. They may be the only ones who realize that their certified environmental management system is wafer-thin, and that their (apparently) near-perfect environmental record owes a lot to pure luck.

And this, dear reader, is how companies become like the Palo Verde tree.

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Deepening the Green

Preventing this type of scenario from happening—and, more importantly, selecting the right shade of corporate green for your organization—takes significant planning, along with implemen-

tation of a strategy that integrates a range of factors (see sidebar entitled “Choosing the Right Shade of Green”).

Remember that no one approach will work for every organization. A pharmaceutical or mining company needs a radically different strategy than, say, a company that supplies accounting services to the military. In general, the companies that have the most to gain (or lose) from environmental issues are those with large environmental footprints, especially if they depend heavily on operational permits and brand reputation.

Getting Your House in Order

No matter what type of company you have, the very first step toward a public pronouncement on “greenness” must focus on the fundamentals—namely, having a rock-solid environmental management system. GE’s green marketing program (which is now more than two years old) has been so successful in large part because of the company’s core systems, which emphasize unwavering, letter-of-the-law regulatory compliance.

If there are weaknesses in your environmental management systems, it is crucial to bring these problems to management’s attention before launching any type of high-profile environmental campaign. Until these basic systems are fixed, making a public display of greenness will be risky.

Notes

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11. United Nations Global Compact, The Global Compact Leaders Summit 2007. Available online at http://www.unglobalcompact.org/docs/news_events/8.1/GC_Summit_Report_07.pdf.

United Nations Global Compact, Note on Integrity Measures. Available online at <http://www.unglobalcompact.org/About-TheGC/integrity.html>.

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