Viewpoint

Achieving Environmental Excellence: Ten Tools for CEOs

Robert D. Kennedy

Achieving environmental excellence means addressing issues of planetary – if not cosmic – importance:

• How do we make sure that the products and by-products of our industrial society do no harm to our planet?

• How do we continue industrial growth while preserving the resources our grandchildren and their grandchildren will need?

• And how can we convince the public that we understand their fears for the environment, that we are moving to solve our problems, and that we want to work with them to guard this Earth we all share?

We in industry and those we purport to serve in society now have the means to make this Earth uninhabitable. But we still have a choice. We can commit the resources necessary to protect health and the environment. We can choose to play a vital, sustaining role in the global economy. Making that choice begins in the CEO's office.

In April of this year, I chaired a session at the Second World Industrial Conference on Environmental Management in Rotterdam – a conference that adopted a new Business Charter on Sustainable Development. And I shared with that group a list of tools CEOs can use for environmental management.

These tools are free. They are neither patented nor proprietary. With them, we in industry can reduce by 50 to 75 percent the pollution of air, water, and land caused by manufacturing activities. Eliminating the remaining 25 to 50 percent will require some innovation, but that too is within our grasp.

Those tremendous improvements – 50 to 75 percent reductions – are the goals that I am hearing from peer companies in the U.S. chemical industry – goals they have set for themselves by 1993 and 1998. Our progress toward these goals will be determined in large part by our use of the 10 key tools described below.

1. The Personal Commitment of the CEO

J. Edwards Deming, the guru of Total Quality Management, understands the importance of commitment from the top. When he visits a company for the first time to talk about putting the Quality Process to work, if the CEO isn't present, he's been known to walk out. He says that without commitment from the top, major change is just talk – he's wasting his time. He's right!

The people who work in organizations know how to read signals. They all have too much work to do already, and they're going to do only what their bosses indicate is truly important. When their CEO says that environment and safety come before profit and production records, when senior managers hold themselves and their employees accountable for environmental performance, the whole organization gets the message.

In my opinion, a CEO has to be at least partly revolutionary. How else do you cause an organization to change? In a large organization that knows dozens of ways to get around a direct order, you have to create discontent with the status quo.

When every member of a large organization knows the old saying, „If it ain't broke, don't fix it," someone has to whisper in their ears: „It is broke."

So, as a revolutionary, the CEO creates discontent with what is and shows the organization a vision of the future – one they are proud to be associated with. Then the CEO provides the resources, the responsibility, and the authority to make that future happen. Along the way, the CEO needs to reward actions that go in the desired direction and have some kind of sanctions for opposite-minded behavior.

2. A Vision of the Future

This second tool should be put in writing. Every company needs a simple, straightforward statement that commits it to safety and environmental protection without compromise. It pledges everyone to safeguard the health and safety of employees, customers, and the public, and to protect the environment.

Then that statement should be nailed to the wall, so that every manager will have no doubt that the organization has accepted those responsibilities and that they extend to every individual in the company.

The goal set by my predecessor in the aftermath of the Bhopal tragedy was to develop a system of safety and environmental management practices that would result in „second-to-none" performance. As a technical term, „second-to-none" gives engineers fits, but the rank and file know what it means.

3. An Environmental Strategic Plan

A strategic plan – any strategic plan – is a path down which you move by spending money and allocating resources. I estimate that within a few years the chemical companies in the developed world will be spending 3 to 4 percent of every sales dollar on health, safety, and environmental protection. In the United States alone, that amounts to $10 billion a year in a $250 billion industry. In my company, we spent $500 million last year on health, safety and the environment, and product safety. We expect to keep spending that amount year after year. In the hands of competent engineers, $500 million buys a fair amount of improvement.

Our plan must include a commitment to developing and producing products that can be manufactured, transported, used, and disposed of safely. Our products must be compatible with stringent company health, safety, and environmental standards that exceed legal compliance. They should make efficient use of energy and natural resources. And when their useful life ends, disposal shouldn't cause problems – for us, for our neighbors, or for future generations.

4. Independent Assessment

Once standards are set, we need to be sure they're met. At Union Carbide in 1985 – right after Bhopal – we named a corporate vice president of safety, health, and the environment. He reports directly to me and to an outside committee of our board on health, safety, and the environment. Russell Train, former chief of the U.S. Environmental Protection Agency, heads that committee.

That vice president develops and watches over our health, safety, and environmental standards. He manages an independent health, safety, and environmental compliance audit program to assess the performance of company facilities all over the world.

Our corporate environmental audit department last year was made up of 42 people and had an annual budget of more than $6 million. In the past five years, they've conducted 850 audits at 500 locations in 31 countries.

And then, as a final check, we retain Arthur D. Little to report independently to the board. They assess the adequacy of our corporate audits and management systems.

I believe that nothing less than a total effort of this kind will enable our corporations to meet their environmental commitments. But we have to look beyond our corporate boundaries.

5. Industrywide Efforts

The public has a short memory for details. It may not remember which company caused oil spill 'A' or chemical accident 'B.' But it does remember which industry was responsible. And each industry is judged to be only as good as its poorest performer.

So companies within industries need to work together. Cooperation at all levels – among company officers, line managers, environmental officers, and communications experts – can help promote an industrywide commitment to environmental excellence.

Every company and every industry can achieve high environmental standards. Companies in the forefront of technology must help those that are not as advanced. Mercedes Benz has a television commercial in which they say, about an unenforced safety patent, „Some things are too important not to share."

In industry, we should encourage efforts like those of the chemical industry's Responsible Care initiative, which is now spreading around the globe to establish common environmental principles and management practice codes. Responsible Care has muscle: Adherence to its principles and codes is a condition of membership in the Chemical Manufacturers Association, and companies are required to report progress against the codes. It has a public advisory committee that looks over our shoulders, reviews the codes, and in general tells us what we're doing right – and wrong.

We need to encourage organizations such as the Global Environmental Management Initiative – GEMI – and the International Chamber of Commerce, which developed the Charter on Sustainable Development that I referred to earlier.

Such industrywide efforts, and collaboration among industries, will be the tide that raises all boats. They will constantly challenge us and support us as we raise our own and our industries' standards.

6. Dialogue with the Public

Both as individual companies and through initiatives such as Responsible Care, we must create a dialogue with our neighbors and the general public. Until recently we have done that badly or not at all.

Professor Peter Sandman of Rutgers University is one of the leading experts on environmental communications. He believes there have been three stages in the history of industry's environmental communications.

Stage one, he says, is pretty much the entire history of industry until Bhopal, the Rhine spill, Seveso, Valdez, and other widely publicized tragedies and near-tragedies.

Sandman calls that the „stonewall stage." We assumed that we knew exactly what we were doing and also what was best for the public. We were, after all, responsible people. We refused to talk or even admit there was anything to talk about. We told ourselves that people misunderstood chemical risks and that they were manipulated by the media and environmental activists. So we ignored them.

Stage one ended in the mid-80s, when we realized that stonewalling didn't work. People who are ignored or misled become angrier, more frightened, and more inclined to activism. Our good relations with legislators and government officials soured as lawmakers discovered that environmental issues win votes. And so they passed new laws – not all of them based on real problems.

That brought us to stage two – the „missionary period." We decided to educate people about chemicals and chemical risk. We set up programs to teach people that chemicals are safe and that chemical plants are good neighbors.

In effect, we tried to teach people they were wrong. That's always a tough assignment, and it didn't work, either.

In stage three we have taken a look at our industry and we have seen that in some respects our plants *haven't* built a good record of open communication with the communities where we operate. In some cases we have been arrogant or uncaring. Because of our failings, the public's mistrust is fundamentally justified – even though they're wrong when they say that chemical plants cause much of the world's cancer and pollution.

Professor Sandman says there are two definitions of risk. The technical definitions – exposure, levels, probabilities, for example – he re-labels „hazard." But the *public's* definition – the other side of the coin of risk or hazard – is much more influenced by emotional factors under the heading of „outrage": fear, lack of control over conditions they believe can hurt them, dread of the unknown, and the feeling that they aren't being treated fairly.

So the core communication problem of the chemical industry and in fact of all industry is the need to reduce both hazard and outrage.

And to reduce outrage, you need to listen to people, not just talk at them. So Sandman calls the third stage, the „dialogue period."

7. Realistic Themes

We are well into the dialogue period with Responsible Care. But we have learned something else about outrage: People in general distrust overnight conversions. They don't believe we've changed at all – they think we've just found a new gimmick. To meet this distrust head-on, the Responsible Care initiative stresses four themes.

First, we acknowledge that Responsible Care is real change. We tell people that we know our track record is not good enough and that we haven't listened to the public well enough. We are undertaking a new initiative – not an enhancement of what we've always done.

That's strong medicine. But the public believes we have a poor track record, and nothing we say can change their minds. It doesn't matter who's right or wrong. We've lost that battle. And how can the public forgive us if we keep insisting that we have nothing to apologize for?

Second, we let people know that we're changing because we have to change. We *didn't* all go to bed one night as tough-minded business people and wake up the next morning as environmentalists. We are paying immensely more attention to environmental issues, in large part because we have to. At this stage, members of the public will not accept the fact that we are also believers in environmental excellence. But their current disbelief may not matter if our performance ultimately speaks for itself.

A third message should be: „We want you to track us, not trust us." Eventually we hope that trust will come. We'll tell people our goals, what's working in our effort to achieve them, and where we fell short.

A fourth theme follows from the third: „We welcome your involvement." We want you to tell us when you mistrust something we're doing. We want to listen to you and work with you.

In addition to the National Public Advisory Group for Responsible Care, many U.S. companies have asked their plant managers to set up similar advisory groups in their communities. Every major Union Carbide chemical plant in the United States has one.

8. Dialogue with Internal Constituencies

Another area we have to address is internal attitudes. It isn't just the public that's skeptical. Often there's internal doubt as well – from employees, from boards of directors, and from various other constituencies within our

companies and our industry. Some believe Responsible Care and other initiatives are just public relations programs – extensions of the missionary period.

The responsibility for convincing the work force falls on senior management, and particularly on the CEO. We know what signals to send the troops: „This is real. We're not spending half a billion a year on superficial programs. We're doing it to stay in business."

9. Cooperation with Governments

As individual companies and through our industry associations, we need to work better with governments at local, national, and international levels. *We* are not the enemy. *Government* is not the enemy. Threats to the health of our planet are the enemy.

We in industry can contribute knowledge, management skills, and technological expertise to a renewed world-wide effort to achieve environmental excellence. We can recommend cost-effective solutions to problems. We can point out the unintended consequences of some decisions. We can contribute to the creation of a coherent legislative and regulatory framework, which will both satisfy public demand for environmental quality and permit us to enjoy corporate growth.

10. TQM

Nothing will advance the cause of environmental responsibility more than rigorous application of the principles of Total Quality Management, i.e., commitment to continuous improvement. We will not reduce risks and hazards to zero any more than airlines or auto manufacturers can. But we can constantly improve management practices. We can develop better ways to use our technologies, train our people, and audit our performance until the public understands and accepts the inherent risks as they seem to understand the risks of motorcycles, bikes, and baseball.

We won't always be totally effective. But our performance will improve, and the public will observe our progress toward our objective. This is the direction we must move in. And we're on our way.

Robert D. Kennedy is chairman and chief executive officer of Union Carbide Corporation. This article is based on a presentation he made at the Arthur D. Little/Conference Board Conference on Environmental Excellence, held in New York City in May 1991.