

## 1 Introduction

'Do you agree that the profits of large British companies help make things better for everyone who buys their goods and services?' This is a question that Robert Worcester first posed to the British public in MORI's inaugural public opinion poll in 1970. At that time, 53 per cent agreed with the proposition and 25 per cent disagreed. In 1999, MORI repeated the exercise and this time, the proportions were reversed with only 25 per cent in favour and 52 per cent against (*Financial Times*, 22 February 1999). The reasons for this massive and sustained swing in attitudes are complex and have developed over the past 30 years in response to a catalogue of corporate misdemeanours and mismanagement. Interestingly, the source of the public's scepticism is also evolving and social and environmental issues are increasingly important as the key determinants of the public's attitude to business.

The hard truth for businesses is that they are not trusted. Particularly when it comes to environmental issues, companies are seen as engaging in cynical and manipulative techniques to lend a green veneer to their corporate activities that lacks any genuine engagement with the issues. But to what extent is this accurate? To what extent have companies genuinely begun to grapple with their environmental and social commitments?

'Business' is of course a far from homogenous group, and any attempt to answer these questions will inevitably be composed of a series of generalities. In order to make the question rather more manageable, we might consider the extent to which the attitudes of transnational corporations (TNCs) have changed towards environmental concerns. TNCs of course tend to be the most visible part of the business community and largely for this reason have tended to be most vocal in pronouncing upon their environmental commitments and performance. They have also been the primary target of environmental groups and the general public in their accusations of 'greenwash'. For these reasons TNCs seem a suitable group on which to base our analysis.

In attempting to distinguish between an insincere endeavour at corporate environmental PR and a

# 'The Greening of Business?'

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genuine initiative aimed at addressing and communicating engagement on environmental issues, there are a number of criteria that may be considered. The first data set focuses on quantitative data on operational issues such as environmental performance and management. While a proxy for actual performance, the extent to which companies have adopted and implemented environmental management systems, produced environmental reports and invested in environmental staff can give some indications of the status of environmental issues within companies. Data on environmental performance is also increasingly available and while much of it is unverified, it nonetheless sheds some light on industry's claims to genuine 'greening'.

Assessing greening within TNCs on a strategic level is more problematic. Some consideration of the statements of business leaders as well as assessing corporations' ancillary activities such as lobbying will also provide a sense of businesses strategic thinking with regard to environmental and sustainability issues.

## 2 Operational Issues

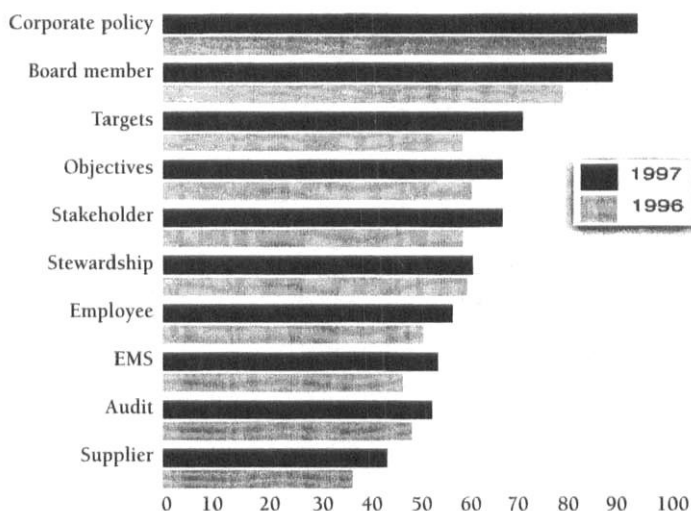
### 2.1 Environmental Management

As indicated in the introduction, assessing the extent to which companies have adopted environmental

management systems, reported on environmental performance and committed personnel to solving environmental problems may be an indication of greening at a deeper level within the company. Evidence of progress in this area comes from a range of sources in the UK, and one often cited by businesses themselves is the *Business in the Environment Index of Corporate Engagement*. This index is composed of ten different criteria each of which is intended to demonstrate an element of environmental engagement. Among the criteria are: existence of a corporate policy, existence of a board member with corporate environmental responsibility and existence of an environmental management system. The index has been run for the past two years and the chart in Figure 1 below compares the data supplied by the Financial Times Stock Exchange (FTSE) 100 companies in 1996 and 1997. While the data provided by the companies is unverified, it does demonstrate an improved level of engagement over these two years.

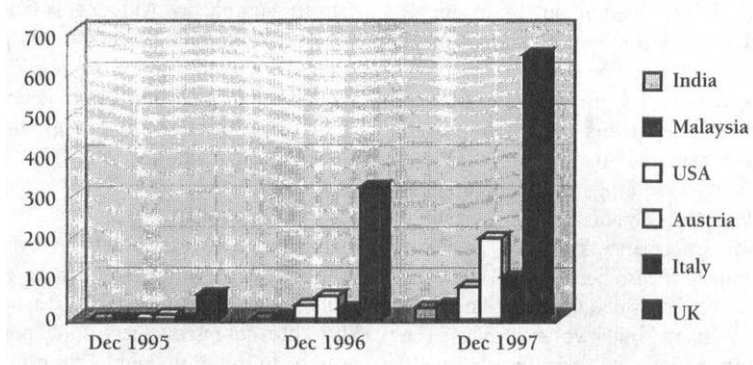
ISO 14001, the International Standard Organisation's standard for environmental management systems, has proved immensely popular in most Western countries and increasingly so in much of the developing world, particularly South-East Asia. Launched in 1995, ISO has recently published

Figure 1: BiE Index of Corporate Engagement (1997)\*



\* <http://www.business-in-environment.org.uk/BiEframe.html>

**Figure 2: ISO 14001 Certifications (1995–97)**

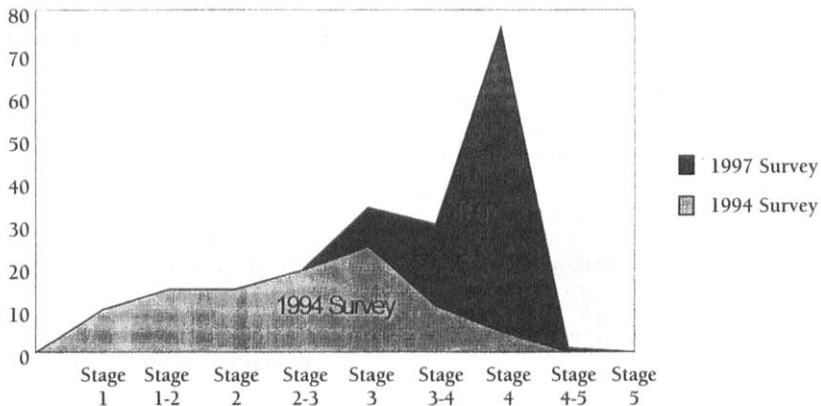


a survey of the uptake of the standard in countries around the world. Figure 2 below indicates, for a selection of countries, the rapid increase in the numbers of companies that have environmental management systems and have received the ISO certificate.

Another trend over the last few years has been the interest shown in environmental reporting by TNCs. Although no precise figures are available, most analysts agree that in the last six years environmental reporting has gone from perhaps one or two reports produced per year to several thousand. While no overall work has been done looking at the volume of reporting, some analysis has been made on its quality. One such study, the UNEP/SustainAbility Benchmark Survey (1996), compared 100 reports produced by TNCs in 1994 and benchmarked these

according to 50 criteria dealing with five main areas of issues covering: management policies and systems, input/output inventories, finance, stakeholder relations and partnerships and sustainable development. Using this methodology the survey classified the reports into five distinct categories: (1) 'Green glossies', (2) One-off reporting, (3) Descriptive reporting, (4) State-of-the-art reporting, and (5) Sustainability reporting. The survey was then repeated in 1997 (UNEP/SustainAbility 1997) and the two sets of results are illustrated in Figure 3. The improvements in the quality of the reporting can be seen between the two survey dates. Again, while only a proxy indicator for greening, the level of interest in environmental management within TNCs seems to suggest that companies are genuinely engaged, at least on a management level, with environmental issues.

**Figure 3: Benchmark Survey Results Against UNEP/SustainAbility 5-stage Reporting Model (1994 & 1997)**



## 2.2 Performance improvements

While the available information on the extent of engagement with environmental management issues seems to point to some genuine greening, more convincing data comes from both the companies themselves and regulators on the improved performance from many companies in the last ten years or so. A very wide range of companies has published verified data demonstrating substantial improvement in performance over the past few years. These claims have also been borne out in the data collected by regulators on air quality, and river water quality, to name but two examples. The almost total elimination of chlorofluorocarbons (CFCs) from most manufacturing operations in the past ten years and the significantly reduced levels of acidification in European forests are two more examples that bear testament to the improved performance of industry.

Another interesting change is that many TNCs have become engaged in the development of more sophisticated data sets and indicators for assessing improved performance. These indicators, which often focus on whether value has been 'added' or 'destroyed', now include data on emissions per unit of value added and also on the economics of environmental programmes. For example, Kvaerner has calculated the financial savings made through reduced insurance premiums that have been made available as a result of improved environmental management and performance (Kvaerner ASA 1996). Baxter has also done some interesting work in this area and has calculated that since 1989, they have saved \$105 million through avoiding the costs associated with poor environmental performance (Baxter International 1998).

## 3 Strategic Issues

Another aspect of greening that we need to consider, however, is the extent to which TNC strategies have been 'greened'. Environmentalists claim, with some justification, that sound environmental management

in the 1990s merely represents industry's efforts to ensure compliance with regulations. Whether this constitutes greening, therefore, is perhaps a moot point. However, where companies have taken a lead and integrated environmental issues into the company's core business and strategy, then serious claims for greening might be made.

### 3.1 Leadership

Unfortunately, it is rather more difficult to assess the extent to which TNCs have integrated environmental concerns, and increasingly sustainability, into core strategies.<sup>1</sup> One possible indicator can be found in the public pronouncements of the chief executives of these companies. Many CEOs are now beginning to express some fairly powerful sentiments in support of environmental issues as part of company strategy. A prime example of this is John Browne the group chief executive at BP Amoco. The leadership he provided in publicly accepting the existence of climate change has been cited by none other than Greenpeace as helping to build consensus behind the Climate Protocol agreed in Kyoto in 1997. There are others, of course, whose rhetoric has helped change attitudes within the business community. Lise Kingo at Novo Nordisk and Ray Anderson at Interface have all helped in forging a vision of how companies should operate in a sustainable society. However, as important as these corporate leaders have been, they are most notable by their relative absence within the business sectors as a whole. Indeed in another UNEP/SustainAbility report (1998) looking at CEO statements in corporations' environmental reports, the key finding was that 'Most business leaders are still being led – rather than leading the way'. In particular, the report's authors found that there was little or no mention of many key aspects of corporate strategic greening. For example there was no mention of board-level decision-making in environmental issues, no mention of cultural change within the companies and no real consideration of 'business ecology' issues.<sup>2</sup>

<sup>1</sup> The main difference between 'environmental concerns' and 'sustainability issues' is that, from a business perspective, 'sustainability' encompasses the 'triple-bottom line' of business activities. That is to say, a company that is engaged in trying to progress towards sustainability will be attempting not just to be economically profitable, but also environmentally sound and socially just in all its activities.

<sup>2</sup> 'Business ecology' is a term used to describe the manner in which business relationships can increasingly be viewed as mimicking the relationships that exist in natural ecosystems. Pursuing this analogy, companies see themselves as 'feeding off each other' and facilitating the constant recycling and re-use of materials and nutrients between the different elements of the business system.

### 3.2 Lobbying

While some CEOs have begun to set the agenda for greening within their companies, other TNCs are still actively lobbying against the environmental agenda. Indeed in some cases so-called pioneering companies are also sponsoring PR firms to stall political action to protect the environment. The Global Climate Collation is one such organisation that aims to stymie progress in developing an international legislative infrastructure for combating climate change. Another controversial issue that has attracted support from a variety of 'leading' TNCs has been the proposed Multilateral Agreement on Investment (MAI) which, in its current draft would remove many environmental standards on the basis that they may discriminate against foreign investors.

While the industry lobbies present themselves as environmentally responsible, environmentalists and many national and regional governments have been strongly critical of their stance. More importantly perhaps is the fact that much of the activity that is undertaken in these groups directly contradicts the statements made in other parts of the companies, including most frequently the HSE departments and increasingly the CEO's own office.

### 3.3 Material consumption issues

A final issue that has yet to be addressed by even the most innovative leading companies is their basic focus on material consumption. As was stated in the first few sections dealing with performance issues, many TNCs have made very significant progress in reducing environmental impacts. Unfortunately, these reduced impacts are often only expressed in terms of impacts per unit of output. While commendable, this progress is frequently swamped by impacts associated with a growing level of overall output. There is little evidence that companies have begun to address this issue seriously. Some approaches have emerged, however, including the strategy adopted by the life sciences company Monsanto, in which the focus is centred on substituting material consumption, with consumption of information. Thus, in theory, genetically modified seed contains the information (in the form of altered genes) that substitutes for applications of herbicides and other material inputs. Equally, strategic moves by Interface and others to redefine their businesses along cyclical lines, by recovering and refurbishing their products

rather than disposing of them, will help shape industries that have much lower levels of overall material consumption.

These examples are, however, the overriding exceptions and, in the main, the vast majority of TNCs are still locked into business models that require ever-increasing sales of material products to their customers. To quote Paul Hawken in *The Ecology of Commerce*:

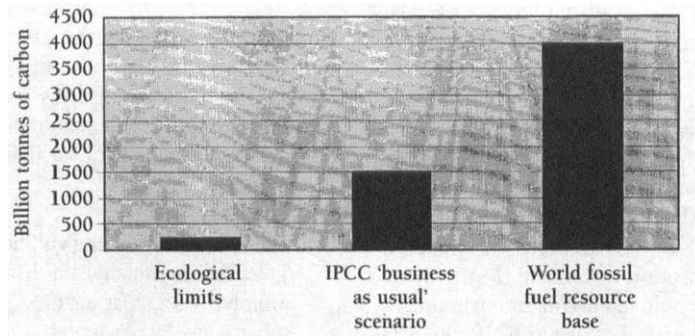
There is still a yawning gulf between the kind of 'green' environmentalism that business wants to promote – one that justifies growth and expansionary use of resources – and the kind that actually deals with the core issues of carrying capacity, drawdown, biotic impoverishment, and extinction of species. Business, despite its newly found good intentions with respect to the environment, has hardly changed at all (Hawken 1996).

A prime example of this has been played out between Greenpeace and the oil industry over what environmentalists have called 'carbon logic'. Figure 4 indicates the extent to which the fossil fuel industry has to change in order to meet ecologically sustainable objectives. The third column in the figure indicates the amount of carbon that would theoretically be produced should all the known reserves of fossil fuels be burnt. The second column shows the amount of carbon that is likely to be generated according to the Intergovernmental Panel on Climate Change's (IPCC) 'business as usual' scenario. The first column represents what ecologists assess is the ecological limit within which climate stability would be maintained.

## 4 Conclusions

So what do we conclude from what is a somewhat confused situation? One key development, which seems to have taken place since environmental issues emerged onto company agendas in the 1970s, is that the responsibility for environmental issues within companies has changed. In the 1970s it was primarily the legal advisors and public relations managers who were tasked with dealing, albeit superficially, with the environmental agenda. Throughout the 1980s, and as companies began to respond to some of the issues, the project

**Figure 4: Fossil Fuel Resources vs. the Amount of Fuels that we can Afford to Burn (Greenpeace International 1998).**



managers, process designers and planners began to take over responsibility for redesigning company procedures to ensure that regulatory commitments were met.

Today the battle has moved on. As stated earlier, management issues are now being addressed in a large proportion of TNCs. However the strategic aspect of the environment and broader issues associated with sustainable development have, by-and-large, not been properly considered. It is now the strategists, investor relations departments and board members who are the focus for future greening. Furthermore, in many companies, the battle is literally within the companies. Much comment has been made on the internal struggles within Monsanto, Shell and other TNCs between those who have understood the strategic importance of many environmental and sustainability concerns and those who have yet to be convinced. What constitutes sustainable production and consumption will not only be contested between environmental groups and companies therefore, but also across the business community and within individual companies from department to department and individual to individual. Hence, whilst important steps have been made in defining sustainability, in the end its meaning comes down to personal interpretation informed by different individual values.

Another more recent development has been the emergence in some sectors of inherently 'green' industries that in some areas are becoming significant forces. The wind industry in particular has emerged as a serious player in Denmark where it already

employs more than 13,000 people and is predicting growth up to the year 2020 when it will employ as many as 2.5 million people throughout Europe. Within the agricultural sector, organic farming is another major growth area that in some European countries has already developed as a significant threat to the industrial farming community. So, while the greening of much of traditional business has been a laborious and compromised process, the nature of business itself is changing and these new industries are helping to change the complexion of the business community in less predictable ways.

My final point is to emphasise how society's perceptions of what constitutes greening has altered drastically over the last couple of decades. In the 1970s, many stakeholders would have felt that a company which took its responsibilities seriously in complying with all relevant environmental legislation was being relatively progressive. In the late 1970s and early 1980s, however, stakeholders were becoming more demanding, requiring companies to go beyond compliance and undertake additional risk management activities in order to ensure that environmental and human health were being safeguarded. As we approach the end of the 1990s this challenge has gone substantially further. Businesses are now being asked to take a leading role in developing new products and new forms of behaviour that will help society as a whole to move towards sustainability. Many TNCs which have progressively moved to respond to stakeholders demands in the past are now beginning to realise that company greening and sustainable development will mean even more radical change in the future.

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