

Finding Common Ground Through Alliances and Partnerships

Paul W. Chellgren and Patrick F. Noonan

Editor's note: Patrick Noonan is a conservationist, dedicated to preserving nature, protecting resources, and cleaning up pollution. Paul Chellgren is an industrialist, dedicated to using natural resources to make products that are useful to society, challenging nature, and creating goods and services that customers wish to buy. The „Odd Couple“? Hardly. The fact is that these two individuals share many of the same basic values and objectives – and the „camps“ they represent need each other.

To characterize industrialists and environmentalists as separate and distinct is outdated. Virtually every responsible industrialist considers himself or herself an environmentalist, at least with a small „e.“ Moreover, most responsible environmentalists support business goals of achieving economic growth and improving the quality of life. Nevertheless, the business community and the environmental movement do have substantive differences. Only when we succeed in integrating the strengths of both sides will we see real progress in environmental stewardship.

The Industrialist's Perspective (Mr. Chellgren)

In 1962, Rachel Carson's *Silent Spring* hit U.S. industry like a bomb. Suddenly, it was no longer possible for industry apologists to argue glibly that the stench from plants belching black smoke was „the smell of jobs.“ Nonetheless, for a while, many people in industry just didn't get the message that something had to change in our behavior toward the environment.

Then in the 1970s there was a flurry of legislative activity. It began with the 1970 Clean Air Act and various air quality standards, emission standards, and regulatory programs. Other laws soon followed, including the Toxic Substances Control Act; the Resource Conservation and Recovery Act; the Comprehensive Environmental Response, Compensation, and Liability Act; as well as Superfund; the Clean Water Act; the Safe Drinking Water Act; and the Clean Air Act.

In those days, industry was anything but an ally of the environmentalists. Because business leaders did not understand the deeply held convictions of the public, industry paid a price: many of the laws that were enacted were more extreme than necessary. But the lack of understanding was not all one-sided. Many environmentalists had little interest in working cooperatively with industry, which they often depicted as the enemy of conservation. The two camps became highly polarized.

The debate rages on today. On both sides, costs, resources, risks, and benefits are analyzed, and science is invoked. The snail darter, the hole in the ozone layer, Alar, and old-growth forests are pitted against jobs, technological advances, and economic development. Such disagreements have separated the environmental and industrial communities for years. To some extent, they always will, because some issues are fundamental and based on different value systems.

But we have also learned to work together, sometimes out of necessity and sometimes out of a genuine spirit of cooperation. Today, industry actively seeks alliances, as in the industry-government initiatives to develop the 1990 Clean Air Act revisions. It wasn't exactly a walk in the park, but everyone gave a little, we made progress, and society benefited.

It is clear – technologically, economically, and politically – that business must be a major part of the solution to the environmental challenges that face us. Industry doesn't just talk about improving the environment – we make it happen. The real environmentalists are the action-takers, the people who initiate environmental change.

At Ashland, none of us would claim that our company is a paragon of excellence. However, because of the industries we are in, because of some incidents we have had, and because of the type of company we are, Ashland has had to walk the environmental path a little earlier and a little farther than some others. As a result, we have learned some lessons firsthand.

For example, cooperation between industry and the environmentalists, however limited, is in the interest of both parties for a number of reasons. First, the general public doesn't buy extremist and alarmist messages from either end of the spectrum. They want a balanced approach that supports both a healthy environment and a strong economy. They are both environmentalists and advocates of economic growth. Second, everyone's financial resources are strained. Governments are desperate to cut spending, business is having a tough time, and contributions to environmental groups are down.

These constraints force all sides to set priorities and to compromise. The need for a cooperative approach is recognized throughout industry. Fighting protracted battles with neighbors and activists is both unproductive and expensive. And the fight itself doesn't improve the environment at all.

Meanwhile, international competition is adding to the pressure. Consumers around the world are demanding „greener“ products. It is natural that business looks to governments at local, national, and international levels to ensure that we operate on a level playing field. Everyone should cut emissions, reduce the use of toxics, and recycle.

Yet, however noble the intent or sincere the desire, it's very risky for a business to make major unprofitable investments in its operations or incur materially higher costs unless its competitors follow suit. Nonetheless, industry wants to do the right thing. After all, there is more to life than the bottom line. However, covering the cost of capital and making a reasonable profit are essential conditions of staying in business long-term – which in turn is an essential condition for improving the environment.

We need to take the long-range view. The battle to tame nature and secure the benefits of advanced civilization has brought staggering rewards: health, security, convenience, travel, and education. All are the result of industrialization. But in a sense we are midway between this leap into the industrial age and the maturity of that age. We recognize that these benefits come at a cost in terms of land, air, and water pollution, as well as other quality-of-life issues. We want to minimize those costs without giving up the benefits.

In the space of relatively few years, many countries have made tremendous gains in environmental quality. In the United States, for example, according to the EPA the following changes have taken place since 1970:

- CO₂ is down 50 percent.
- Sulfur emissions have been reduced 27 percent.
- Lead has been virtually eliminated from fuels and paints (98 percent reduction).
- Particulates have been reduced 61 percent.
- VOCs are down 38 percent.
- Asbestos has been controlled.
- Solid waste is being addressed.
- Water is much cleaner.

U.S. EPA administrator Carol Browner recently reported that, according to 1991 (latest available) figures, the Toxic Release Inventory data show a reduction of emissions by 31 percent since 1988.

Moreover, consumers and taxpayers have shown that they are willing to pay a price for a cleaner environment. This willingness has compelled industry to make a significant investment – both regulated and voluntary. Businesses have demonstrated a new willingness to cooperate with the environmental movement. For example, McDonald's and the Environmental Defense Fund ultimately cooperated on changing packaging from polystyrene to paper. Du Pont responded admirably to the concern about CFCs. And at Ashland Oil we sponsor the annual Ohio River Sweep. In last year's Sweep, more than 17,000 volunteers in six states collected some 13,000 tons of trash.

None of these actions are purely altruistic. Industry is finding that, in general, doing good pays – both for the environment and for shareholders. Still, Ashland Oil and other companies do go beyond compliance. For example, Ashland is spending \$20 million to meet the goals of the ^{33/50} Industrial Toxics Program and is also a member of the voluntary Green Lights Program.

Partnerships between industry and the environmental movement are essential. But they must operate in the context of a general consensus of those involved in protecting the environment. And that consensus is essentially practical. There are limits to the availability of capital and to the public's willingness and ability to pay. In many cases, the cleaner we make a site, the more it costs to clean up what's left – in some cases, it may cost as much to clean up the last 5 percent as it did the first 95 percent of a pollutant. Is perfection worth the price? Could the resources be spent in a more cost-effective manner?

In 1992, Ashland Oil alone made capital expenditures of \$174 million and incurred operating expenses of \$206 million for air, water, and waste-control facilities, not including health and safety programs. The U.S. refining industry as a whole is spending \$8 billion just on low-sulfur diesel fuel. Lower sulfur is good for emissions reductions. But will we get our investment back, especially if higher taxes result in lower consumption? Will public health improve as a result? Will we have the money to make other improvements? Leaders of industry, the environmental community, and government must find ways to talk about priorities and incentives.

Ashland Oil's invitation to the head of a leading environmental group to serve on the company's board of directors represented a major commitment by Ashland to consulting with and trusting those whose primary interests and expertise are in the environmental field. This example is being repeated throughout industry. What makes this kind of partnership viable today is the emergence of the next generation of leaders in the

environmental movement. They understand business strategy, budgets, resource allocations, priorities, and choices. Moreover, their knowledge and understanding of the environment is vital to industry's future. Ashland Oil's two major sources of revenue, for example, are petroleum products and chemicals, which represent two industries at the cutting edge of environmental progress. Our industrial associations are increasingly proactive, through programs such as the American Petroleum Institute's STEPS program and the Chemical Manufacturers Association's Responsible Care program. We encourage other industries to look at these examples. We also hope that the environmental community will give us credit for the actions we are taking.

But make no mistake. In cooperating with industry, this next generation of environmental leaders is taking a certain risk. They may be censured by their more ideological colleagues, who may think it is a mistake for the head of an environmental organization to sit on an industry board. But the willingness to take that risk distinguishes those leaders who will see us into the next century – a century we trust will be cleaner and healthier for all.

The Environmentalist's Perspective (Mr. Noonan)

To understand the environmental movement in America, it is useful to recall that for the first 200 years of U.S. history, the country exploited its natural resources without hesitation. Certainly it was done not by design but, rather, in the pursuit of progress. By the 1970s, we recognized the need to change the way we behave, and the command-and-control era of environmentalism began. In just 20 years, more than 50,000 environmental laws were passed in U.S. federal and state legislatures. The Clean Air Act of 1990 may serve as a benchmark for the future, with its provisions for fines of up to \$250,000 a day, criminal prosecution up to the director level, and „bounty hunter's“ fees of up to \$10,000 to any citizen who registers a guilty polluter with the EPA.

During those same two decades, the environmental movement grew in size, influence, affluence, and reach. There are now 10,000 nonprofit environmental organizations in America, and environmental giving has doubled in the past decade to \$2.5 billion per year. Much of this money has come from industrial wealth that has been passed on to second and third generations.

Last summer's Earth Summit in Rio de Janeiro reflected the worldwide influence of this movement. What's more, it spurred insistence that sound environmental practices should be recognized and rewarded.

Today the environmental movement is maturing. It is moving beyond both exploitation and environmental activism into a new era in which a broad coalition is seeking sustainable progress. Corporate and environmental leaders now speak with increasing ease about sustainable development, sustainable conservation, green marketing, and product life cycles. We are developing a common language that acknowledges both environmental and economic goals – a first step in a new dialogue. By integrating these goals, we will benefit from more effective – and less expensive – protection of the earth's environment.

As we proceed, environmentalists and industrialists will not always agree, but we do share many basic values and objectives. For example, we agree that a strong market economy is best for a healthy environment.

We only have to look to Poland and Russia to see the environmental devastation caused – or at least not redressed – by poor, socialistic economies.

We also agree that environmental issues are quickly becoming permanent concerns in the minds of much of the public in the developed world. Thanks to the environmental movement, public health issues are now firmly linked to the environmental agenda. In a recent Roper poll, 80 percent of all Americans surveyed said they believed themselves to be environmentalists. That is voter power and consumer power.

We are entering a new era in natural resources management. We now recognize that the environment is too important to leave to the environmentalists or to business or government alone. The challenge to individuals and institutions around the globe is to harness enlightened self-interest, whatever its political or economic form, to clean up our environment.

Partnerships and alliances can help us avoid the gridlock of the past and form a framework for the future. I am reminded of a quote by the founder of Ashland Oil, Paul G. Blazer, that is displayed in the lobby of the company headquarters: „We must never forget,“ he said, „that essentially we shall always live in a world of people rather than in a world of things, and that others can do for us more than we can do for ourselves.“

By leveraging our environmental efforts through collaboration, we bring resources to bear that would not otherwise be available. This synergy is essential. To succeed, we must set priorities based on the best interest of both the environmental community and the business community, which serve the same primary stakeholder: the public. The possibilities of voluntary actions are illustrated by the success of the Green Lights and ^{33/50} programs. The inefficiencies of mandatory efforts are illustrated by the frustration we all feel with Superfund projects.

By working together, we can often find elusive but essential common ground. Du Pont CEO Ed Woolard recently predicted that „by the end of the 1990s, the industrial sector will house a significant part of the

environmental movement.“ And he is absolutely correct. Much progress is being made by companies around the world, which are demonstrating their commitment in various ways. For example:

- *Leadership in environmental safety and product stewardship.* Some companies are gaining new competitive advantage because customers and suppliers want to do business with organizations that are leaders in these areas. Chevron, 3M, and Monsanto are among the leaders in this area. Each is aggressively seeking to identify and correct problems worldwide.

- *Collaboration with city, state, and country governments and community groups.* Efforts to recycle and better manage product and waste disposal are making progress. For example, Valvoline, an Ashland Oil subsidiary, has worked with governments to launch programs to collect used motor oil. Such programs reflect the company's responsibility as a steward of its products.

- *Participation in projects sponsored by conservation and environmental groups.* One example is the participation of Ashland and other companies in the Wildlife Habitat Enhancement Council. More than 800 acres of company property have been set aside at two sites in Kentucky and one in Louisiana to protect and improve the biodiversity of species in those areas. Importantly, most of the work is done by employees on their own time with company assistance.

- *Partnerships with responsible environmental groups.* I encourage companies to become familiar with the players in the environmental movement, to cooperate with them, and to build new relationships. Every company should develop a partnership with a citizens' group at the facility level and with national organizations at the headquarters level. There are many nonprofit environmental interest groups who actively seek collaboration with corporate America. They realize the significant leverage that is possible when our greatest motivator, the free enterprise system, is harnessed to achieve environmental objectives.

Finding Common Ground (Mr. Chellgren and Mr. Noonan)

How can all of this come about? We need a meeting place – a watering hole. We'll call it a roundtable. We need an institution where leaders concerned with the environment can meet, talk, undertake research, and reach a consensus on the priorities that need to be addressed, based on sound science and good public policy. We need a seed bank for new profitable ventures that blend economic and environmental investments.

In addition to setting priorities based on sound science, this roundtable would help contending parties recognize and respect the goodwill of those with whom they honestly disagree. Such an environmental roundtable could advise government and open doors to voluntary action. Even though it might not reach consensus on all the issues, it could debate these issues openly and constructively, with an appreciation of the concerns and limitations of all parties. Such debate would, over time, reassure the public and investors and would improve the ability of industry and government to assign resources to the most worthwhile projects.

We need to work together to help our governments understand that companies should be rewarded for contributions to the environment with tax credits and faster write-offs to encourage pollution prevention, energy efficiency, and environmentally friendly products. This area can be an increasingly fertile ground for a new era of economic/environmental partnerships. Bridges between economic and environmental interests will soon be the rule rather than the exception.

We will explore the development of this „watering hole“ concept at Ashland's annual Lexington Conference in October. Though such a plan is not without risks, the risks are well worth taking because a strong environmental policy is a good investment for everyone. Increasingly, environmental soundness will be a criterion for investors and outside financing.

Unless companies undertake stronger voluntary initiatives, we anticipate the potential imposition of external environmental audits, just as we now have external financial audits. Businesses must have in place adequate, appropriate, and timely policies and procedures that meet or exceed the regulations society has created, or risk increasing government regulation. A voluntary, environmentally proactive program, coupled with appropriate employee financial incentives and awards and public accountability (or reporting), is far preferable to government regulation. Today, a new measure of citizenship is environmental responsibility. We must go beyond compliance and set higher standards, realizing that genuine corporate environmental leadership today may well be a competitive advantage for tomorrow.

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