

MAKING THE MOVE FROM SPIN TO STRATEGY

by Dick MacLean



The first generation of corporate reports were dubbed “Greenwash.” Twenty years later, today’s reports might be called “Designer-Brand Greenwash.” To most readers they offer a persuasive look at the inner working of a company’s social and environmental

activities. Emerging reporting standards such as the Global Reporting Initiative and attestations statements by independent consulting firms provide an extra level of credibility to the current generation of reporting.

While today’s reports appear to pass muster with most, there is growing dissatisfaction from a select few who have the technical wherewithal to see beyond the designer packaging. Organizations such as IRRC, SustainAbility, UNEP, New Economics Foundation, and the Council on Economic Priorities point to the gap between the corporate spin and the internal realities. Just what is wrong and how can reporting be turned into a strategic advantage rather than just another public relations vehicle?

It is clear from an examination of the vast majority of the reporting done today that the effort is disconnected from the business processes. Therein lies the problem and the competitive opportunity. These reports are unquestionably viewed by business executives as public relations necessities to: (1) “keep up with the ‘Jones, Inc.’” (2) counter a public relations/image problem, or (3) build the corporate image as an “industry leader.” A 1996 UNEP/ SustainAbility report called this approach the “inverted chronology of reporting,” wherein companies in their haste to report fail to install the systems required to effectively engage stakeholders.

This focus on the end product – the report – has obscured the emerging dynamics that will shape competitive positioning brought on by future disclosure requirements. To get the product out the door, the communications department typically takes the lead in assembling a report that is heavily influenced by what other peer companies report. The process is fed from information systems geared towards data collection designed to satisfy command and control regulations that are rapidly becoming irrelevant

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Future reporting will be all about key indices of sustainability. Not the metrics measured today, but the indices that are under development by a number of international NGOs, governments, academics, and cutting edge corporations. Comparable, consistent, credible, and relevant metrics represent the Rosetta Stone to the language of sustainable development.

“Without compromising future generations,” the Bruntland Commission’s definition of sustainable development, may be inspiring and conceptually on target, but in business-speak it is not actionable. Sustainable development to business will be all about hard numbers, numbers that will appear in future generations of reports. Indeed, when the metrics are clear, understandable, and reliable, they can impact consumer/voter choice, and ultimately this influences legislative and regulatory action.

Some companies are just beginning to understand these dynamics, and they are examining how their products, processes, and their supply chain will stack up against a set of metrics of sustainability relative to their competitors. Companies should focus on the major players who will set either the political framework or the scientific rationale for these metrics. In this emerging global playing field, Washington, DC and the EPA are minor players; I look elsewhere.

The vast majority of disclosures remain voluntary, and business managers have been lulled into thinking that (a) voluntary reporting will continue indefinitely, and (b) their current internal and external reporting efforts (i.e., rolling up the traditional numbers) will keep them abreast of developments. I don’t think so. Here is how future reporting will evolve:

First, recognize that the science of indices has advanced tremendously in just the past five years. Without the reliable measurement tools and information tracking systems, not much will happen. That feasibility hurdle has been all but eliminated. For materials that are critical for whatever reason (e.g., GHG emission, potable water consumption, POPs), governments will mandate greater disclosure. It’s the Toxic Release Inventory, round two. Look towards Europe. Unlikely, you say? Think food labelling for bio-engineered ingredients.

Second, progressive companies in an effort to differentiate themselves will insist on supplier performance thresholds for sustainable development (e.g., raw material energy intensity). This will be as easy



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to implement as any product specification. Improbable? Think Ford and ISO 14000 certification requirements for suppliers. Major corporations and governments through their purchasing ability will establish de facto minimum performance requirements.

Third, relatively innocent, non-mandatory data collection efforts by governments can become the focal point for company-to-company and industry-to-industry rankings. Doubtful? Examine EPA’s Green Star program: nearly four thousand participants and the energy performance indices by industry sector will soon be on the web for thirteen industries. A Freedom of Information request or a little investigative sleuthing, and I’m betting that soon individual companies will be posted on the Environmental Defense’s Scorecard.

Fourth, companies who have done their homework, researched their position in the sustainable development playing field can release their position relative to those of their competitors. In effect, they can establish the dimensions of sustainable development for their industry sector. Working with NGOs, they define the performance thresholds which become industry standards. Never? Think green labelling and programs such as the Forest Stewardship Council.

Savvy companies know that in the long run this will be about hardball competition, not glossy photographs in a report showing the latest socially responsible project to save a cute critter. Having a top tier report is just the first step required to keep up with the Jones, Inc. Educating management about what is going on behind the scenes is the crucial second step. The next step is to strategically map the key performance metrics that will matter in the future.

Determining where the company is performing on these dimensions of sustainability is challenging, but essential to future positioning. A company at the bottom of the pack faces market segment exclusions, social and political pressures. Those at the top can create product differentiation and community good will. The majority of companies I have worked with initially did not know where they stood in this emerging landscape. But they now recognize that corporate reporting today has little to do with corporate disclosure of tomorrow.

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