Journal of International Business Education 1: 5-22.
© 2004 NeilsonJournals Publishing

Creating a Vision for Environmental Responsibility in Multinational Corporations: Executive Leadership and Organizational Change

Dennis A. Rondinelli
University of North Carolina at Chapel Hill

Keywords: multinational corporations, environmental management, executive leadership, organizational change

1. Introduction

A sea change is occurring in the way multinational corporations (MNCs) deal with environmental management issues. Many have progressed from a strategy of avoidance or minimal compliance with regulations to one of pro-active voluntary environmental management that exceeds legal requirements. A complex set of forces brought many executives who saw the need for corporations to adjust to these forces and with a strong vision of international corporations' social responsibility have driven the changes in their organizations. Their ability to articulate a vision and to convince both their internal stakeholders and the public of their commitment to environmental responsibility has been the key to their success. They have empowered their employees and convinced their shareholders to implement the vision by linking environmental responsibility with basic business issues of cost-savings, efficiency, competitive advantage, quality management, and enhancing public reputation. Linking the vision of environmental responsibility with core business advantages allows executives of MNCs to achieve strategic corporate objectives while contributing to environmental sustainability.

2. Background

Profound changes have been occurring for more than a decade in the way North American, European, and Japanese multinational corporations (MNCs) deal with environmental issues.[1] Environmental interest groups often claim that MNCs, in seeking ever-increasing profits, are intent on avoiding regulatory constraints at home and locating in "pollution havens" in poor developing countries to escape government monitoring and supervision. Most MNCs, however, have adopted environmental management practices that far exceed the requirements of government regulation or the practices of domestic companies in host countries.[2] Although some companies still stubbornly see environmental regulations as a burdensome cost to be avoided or complied with minimally, MNCs from post-industrial economies are addressing their environmental impacts not only by complying with national rules and regulations, but also by voluntarily going beyond regulatory requirements to find innovative ways of reducing their "environmental footprint" internationally.[3]

Students of international business need to explore these issues and understand what accounts for these changes in large and powerful business organizations. How were changes in environmental management initiated and sustained in multinational corporations? What lessons can we learn from changes in the attitudes and behaviors of executives of MNCs toward environmental management that might be applicable to other aspects of international corporations' operations?

A complex set of forces now drive corporate executives to promote voluntary environmental management. Among the most important seem to be: 1) the need to respond proactively to external challenges and forces; 2) the ability to see the financial benefits of social responsibility; 3) an understanding of the competitive advantages of environmental sustainability; 4) the compulsion to satisfy internal and external stakeholders; and 5) the foresight to link environmental- and quality- management. In the beginning of this article I

---

1. An earlier and shorter version of this article was published online in *Leadership Review* in 2001 by the Kravis Leadership Institute at Claremont-McKenna College [http://kli.research.claremontmckenna.edu/leadershipreview].
2. The arguments are summarized and critiqued in Rondinelli, D.A. and Vastag, G. (1999). "Multinational Corporations' Environmental Performance in Developing Countries: The Aluminum Company of America," in W.W. Wehrmeyer and Y. Mulugetta (eds.) *Growing Pains: Environmental Management in Developing Countries* Sheffield , England: Greenleaf Publishing Ltd: 68-83.
3. Rondinelli, D.A. and Berry, M.A. (2000). "Environmental Citizenship in Multinational Corporations: Social Responsibility and Sustainable Development," *European Management Journal* 18 (1): 70-84.

argue that the movement toward proactive corporate environmental management has been driven internally within MNCs by extraordinary business executives with foresight to see the compatibility between external pressures for environmental responsibility and corporate well-being. The pioneers saw the potential impacts of the external forces well before others and led their companies in adapting to the new realities years ahead of their competitors. By identifying responsible environmental management with the core functions and purposes of their corporations, these executives looked beyond their companies' short-term bottom line to define clearly and forcefully the long-run benefits to business of environmentally responsible behavior. They used their leadership skills to elicit the support of employees throughout the organization to find innovative and creative ways to reduce their environmental impacts.

By articulating a vision of responsible environmental management within their companies and industries, these corporate executives shifted attitudes and behaviors. They understood the value of vision and the need for strong leadership. Nearly all concepts of leadership include the ability to articulate a vision and mobilize the resources needed to achieve widely shared goals.[4] Vision is one of the most enduring characteristics of leadership. Modern pundits and academics alike identify vision as an essential element of leadership. Burns emphasizes that "successful leadership points in a direction; it is also the vehicle of continuing and achieving purpose."[5] Bennis contends that leadership provides a vision of meaning and direction.[6] King and Cleland note that leaders forge unanimity of purpose and provide a focal point for action through the articulation of vision.[7]

3. Changing the Focus of Corporate Environmental Management

Proactive corporate environmental management started in the late 1970s and early 1980s with executives in a few pioneering companies like 3M, DuPont, Dow Chemical, Weyerhaeuser, Alcoa and others. Early corporate leaders in environmental management had a different vision of corporate responsibility

---

4. Wren, J.T. (ed.) (1995). *The Leader's Companion: Insights on Leadership Through the Ages,* New York: Free Press.
5. Burns, J.M. (1978). *Leadership*, (New York: Harper & Row Publishers, 1978): 45.
6. Bennis, W. (2002). "The Leadership Advantage," in F. Hesselbein and R. Johnston (eds.) *On Mission and Leadership*, San Francisco: Jossey-Bass:Chapter 2.
7. King, W.R. and Cleland, D.I. (1979). *Strategic Planning and Policy*, New York: VanNostrand Reinhold.

than many of their colleagues. They saw the potential impacts of external forces, but also the business opportunities and benefits of proactive environmental practices and not just the costs of regulatory compliance. As Dow Chemical's CEO Frank Popoff recalled, "we learned that the investments we make in pollution prevention can yield a return. Money spent on 'end-of-pipe' treatment is just another expense."[8]

By the 1990s, the external pressures on MNCs to manage their environmental impacts more effectively were intensifying. More stringent environmental regulations were enacted in European, North American and some Asian countries and these regulations were more extensively enforced.[9] New international protocols were being enacted and endorsed by governments around the world. The Organization for Economic Cooperation and Development (OECD) began monitoring regulatory reform of member countries on its website, the European Union adopted the Eco-Management and Auditing System (EMAS) in 1995 to encourage industry self-regulation and the International Organization for Standardization developed the ISO 14000 series of guidelines in 1996 to allow corporations to certify their environmental management systems.[10]

At the same time, environmental interest groups, often using boycotts, protests, and more aggressive tactics brought world attention to the adverse impacts of weak environmental management by some MNCs. In 1995, for example, a team of Greenpeace protestors occupied Shell's offshore oil installation after the company received permission from the British government to sink the unused storage platform in the North Sea. Convinced that the sunken spar would cause pollution, Greenpeace activists seized the platform and launched protests against Shell gas stations in Europe. Negative publicity turned public opinion against Shell. Protestors set off explosions at two German gas stations and Greenpeace organized a successful boycott of Shell products in Europe, forcing the company to reverse its decision.[11] The crisis severely damaged Shell's corporate reputation, and the lessons were not lost on other corporations.

In the face of increasing external pressures, an increasing number of

---

8. Popoff, F. (1993). "The New Gemini: The Economy and the Environment," *Executive Speeches* 7 (4): 26-28; quote at p. 26.
9. Sullivan, T.F.P. (ed.) (1997). *Environmental Law Handbook*, 14th edition, Rockville, MD: Government Institutes, Inc.
10. Wilson, G.K. (2002). "Regulatory Reform on the World Stage," in D.F. Kettle (ed.) *Environmental Governance,* Washington, DC: Brookings Institution Press: 118-145.
11. Barbone, C. (1996). "The Battle for Brent Spar," *Communication World,* (January/February): 27-30.

MNCs began to adopt voluntary codes of environmental conduct, industry-wide practices such as Responsible Care“, and international standards of environmental management such as ISO 14001. By 2000, more than 160 major corporations were members and financial supporters of the World Business Council for Sustainable Development, a leading international advocate of corporate environmental responsibility.[12] More than 2,500 companies around the world committed themselves to the principles of the International Chamber of Commerce's "Business Charter for Sustainable Development." By early 2002, more than 36,000 organizations (mostly corporate facilities) worldwide and more than 1,650 organizations in the United States had certified their voluntary environmental management systems (EMS) through registered auditors under the ISO 14001 guidelines.[13]

4. Safety and Environmental Protection at Alcoa

Ironically, many MNCs became organizational leaders in spreading innovative environmental management practices internationally during the 1990s. Alcoa, for example, applies its state-of-the-art corporate environmental management systems to its aluminum extraction and manufacturing operations, business units, and subsidiaries worldwide.[14] The success of proactive environmental practices adopted by Alcoa and other MNCs depend on top management leadership, commitment, and accountability. In progressive companies like Alcoa, the CEO works with managers throughout the organization to set clear environmental policies and verifiable targets, to provide corporate support and assistance, and to recognize and reward individuals and business units achieving excellence.

Responding to investor demands to reduce potentially negative environmental impacts, Alcoa executives saw the opportunity in the early 1990s to take a leadership position on environment, health, and safety (EHS) issues within the aluminum industry. Under the guidance of former Chairman and CEO Paul O'Neill (now U.S. Secretary of the Treasury), Alcoa's board of

12. World Business Council for Sustainable Development. (1997). "Signals of Change: Business Progress Toward Sustainable Development," Geneva, Switzerland: WBCSD.
13. Peglau, R. (2002). "The Number of ISO Registrations of the World," online at http://www.ecology.or.jp/isoworld/English/analy14k.htm.
14. Rondinelli, D.A. and Vastag, G. (2000). "Globalizing Corporate Environmental Management Practices at Alcoa," *Corporate Environmental Strategy* 7(3): 288-297.

directors declared that an effective management system was essential to sustaining both business and environmental performance improvements. By 2001, 45 Alcoa locations had been certified to the ISO 14001 guidelines. Alcoa's strategic objective is to have all of its worldwide facilities develop and implement an ISO-14001-type environmental management system by the end of 2005.[15]

Alcoa disseminates its environmental management practices internationally through a variety of activities: community environmental improvement projects, environmental capital investments, EHS program expenditures, product and process innovations, the installation of environmental management practices in newly acquired or constructed facilities, materials recycling and reuse, and the adoption of international environmental standards of quality management in its worldwide production systems. Corporate headquarters holds business unit managers accountable for meeting Alcoa's EHS standards and provides support and assistance as well as recognition and rewards.

5. Product and Process Innovation at 3M

Alcoa followed in the footsteps of other pioneering companies. In 1975, 3M implemented a Pollution Prevention Pays (3P) program to reduce waste drastically in its products and manufacturing processes. 3M sought to eliminate pollution through product reformulation, process modifications, equipment redesign, and recycling and reuse of waste materials. Since the program was initiated, it has supported more than 4,700 projects within 3M, preventing more than 807,000 tons of pollution and generating savings of more than $827 million in reduced material, energy, and regulatory costs. Under the leadership of CEO, Livio D. DeSimone - who became an international corporate leader in promoting pollution prevention - 3M adopted life cycle analysis in which it submits all of its products to a systematic assessment of environmental impacts and finds ways of reducing or eliminating harmful outputs. Between 1990 and 2001, 3M reduced its volatile organic air emissions by 91 percent, its manufacturing releases to water by 84 percent and its EPA Toxic Release Inventory releases by 88 percent.[16]

15. Alcoa, (2002). *Environment, Health and Safety Report 2001*, Pittsburgh, PA: Alcoa.
16. 3M Corporation, (2002). *3M Environmental, Social and Economic Sustainability*, St. Paul, MN: 3M.