Journal of International Business Education 1: 5-22.

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.

6. Responsible Care at Dow Chemical

Dow Chemical Company's CEO and Chairman, Frank Popoff accelerated the movement toward proactive corporate environmental management during the 1980s and 1990s. Under Popoff's leadership Dow adopted - and pushed other chemical companies to accept - the industry's Responsible Care" principles. Responsible Care" requires companies to demonstrate continuous annual improvements in air, land, and water emissions. They are held accountable for codes of community awareness and emergency response, process safety, pollution prevention, distribution, employee health and safety, and product stewardship (responsibility for products throughout their life cycle).

Dow also created a Waste Reduction Always Pays (WRAP) program that encouraged employees throughout the corporation to submit and pursue innovative ideas for reducing or eliminating waste from the company's products and production processes. Dow eliminated discharges from its chlorinated solvents plants, developed full-cost environmental accounting systems, and insisted that every plant that it built around the world have not only the best operating technology but the best environmental technology available.

7. Zero Emissions at DuPont

Edgar S. Woolard's leadership at DuPont during the 1980s and early 1990s also spurred the adoption of a "zero, waste, zero emissions, zero safety incidents" policy.[17] Woolard challenged DuPont's managers and employees to innovate in ways that resulted in cutting the corporation's toxic releases by 74 percent between 1987 and 1997, reducing its landfill waste by half, and lowering its annual waste treatment costs by 80 percent.[18] Between 1990 and 2000 DuPont cut its global hazardous waste by 35 percent, and its air, water, and land releases of EPA Toxic Release Inventory emissions by 48 percent. It also achieved a 63 percent reduction in greenhouse gas emissions.[19] Attempting to lighten its "environmental footprint," DuPont produced a new line of biodegradable herbicides for farmers that reduced by 100-fold the amount needed per acre and used bioengineering to produce products from renewable materials rather than

17. Tompkins, N.C. (1992). "Thoughts from Safety Leaders," *Occupational Health & Safety* 61(1): 28- 35.
18. Arnst, C. (1997). "When Green Begets Green," *BusinessWeek,* Industrial/ Technology Edition (November 10): 98.
19. DuPont, (2002). *Sustainable Growth 2001 Progress Report,* Wilmington, DE: DuPont.

fossil fuels. It introduced, for example, a polyester made from cornstarch rather than oil.

8. Sustainable Forestry at Aracruz

During the early 1980s, Erling Lorentzen - the founder and chairman of the Brazilian firm Aracruz Celulose, now one of the world's leading producers and exporters of pulp products - was determined to develop forests in a sustainable way. Lorentzen actively participated in and supported the World Business Council for Sustainable Development's worldwide study, carried out by the International Institute for Environment and Development, to inventory forest practices and create international standards for sustainable forestry. He set Aracruz on a path to proactive environmental management on which the corporation actively sought ways of minimizing the use of raw materials, water and energy in production, preventing pollution, upgrading the efficiency of environmental control systems, and recycling or reusing water and waste.[20]

Lorentzen insisted on managing Aracruz's more than 170,000 hectares of eucalyptus plantations in Brazil and the company's 87,000 hectares of native forest reserves in ways that would protect and balance the ecosystem. The company certified its environmental management system by ISO 14001 standards and monitors and evaluates the environmental performance of all of its production and processing facilities.

9. Design for Environment at Interface

CEO Ray Anderson's transformation into environmental advocate in the mid-1990s, led Interface - an international manufacturer of carpets and floor coverings - to seek to become one of the first truly environmentally sustainable corporations in the world.[21] Anderson persuaded his managers and employees to develop and implement closed-loop manufacturing processes, materials recycling and reuse programs, and new product designs that would create zero waste and consume zero oil.

Anderson introduced in the United States the manufacturing and distribution of carpet modules, an idea originally developed in Great Britain.

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20. Aracruz Celulose. (2001). "Environmental Performance 2001," Rio de Janeiro, Brazil: Aracruz Celulose.
21. Anderson, R.C. (1998). *Mid-Course Correction: Toward a Sustainable Enterprise - The Interface Model,* Atlanta, GA: The Peregrinzilla Press.

The modules allow users to replace portions of worn carpet instead of taking up the entire floor covering, extending the life of less-used modules, and reducing the amount of carpet that must be disposed of at the end of its life. Under Anderson's leadership Interface also created the "Evergreen Lease," through which Interface leases instead of sells carpet to customers. Interface arranges for all maintenance services and takes back the carpet for recycling and reuse at the end of the lease.

10. Greenhouse Gas Reduction at BP-Amoco

Sir John Browne, Group Chief Executive of BP-Amoco, led a movement that was supported strongly by his employees, to make the worldwide energy company a leader among environmentally-sensitive corporations. Browne pledged in 1997 to reduce his corporation's greenhouse gas emissions by 10 percent from a 1990 baseline by 2010, during a period when BP-Amoco was growing and expected to continue to grow rapidly. The company established a sophisticated internal cap-and-trade market system for reducing greenhouse gases among its business units.

By 2000, BP-Amoco succeeded in achieving a 5 percent reduction and aimed to achieve another 5 percent reduction by 2003 or 2004, several years ahead of schedule. With a steady growth rate, BP-Amoco will, in effect, cut its greenhouse gas emissions in real terms by nearly 40 percent more than it would have produced if the company had not adopted its environmental policies. In addition BP-Amoco drastically reduced its water usage.

Seeing the opportunities for more environmentally friendly energy sources, Browne promoted changes in the corporation's product portfolio, increasing substantially its emphasis on natural gas, solar power, and clean fuel. By the end of 2000, it introduced clean fuel options in 40 cities around the world. BP, Daimler-Chrysler, First Bus, Transport for London, and the Energy Saving Trust worked together to introduce hydrogen fuel cell buses (as a substitute to gasoline) to London and other European cities. It also initiated large solar energy projects to bring electricity to rural areas in the Philippines and to cities in Spain.

This tradition of executive leadership in multinational corporations on environmental issues continued during the 1990s and into the 21st century. George Weyerhaeuser led the movement for reforestation and resource conservation at his forest products firm. Charles Coker pledged to take back Sonoco paper and packaging products from its customers for recycling and reuse.[22] Michael Dell at Dell Computers and Eckhard Pfeiffer at Compaq set their corporations on the road to redesigning their computers with longer life cycles, lower energy use, and recyclable materials.

11. What Motivates Environmentally-Progressive Leadership?

The executives who became advocates of environmental management in MNCs during the 1970s and 1980s saw before many of their peers did that consumers and business customers were beginning to align themselves with firms that have a reputation for social responsibility. Those who became advocates of environmental management in the 1990s and early 21st century understood that to stay competitive in global markets their companies would have to develop strong supply chains through which they could influence the environmental practices of their suppliers and customers as well as their own divisions and subsidiaries.

Most of these executives saw immediate and direct business benefits from proactive environmental management in the form of lower costs, less risks and liabilities, and more efficient operations.[23] Executives of these companies also perceived longer-term returns from promoting sustainable development, including stronger competitive advantage, preservation of crucial resources and raw materials, favorable corporate image, and opportunities for new product development. Moreover, many of the corporate leaders began to realize that the benefits of a strong reputation for corporate citizenship could include greater access to capital, reduced operating costs, improved financial performance, and enhanced brand image.[24]

Much of the progress in adopting proactive environmental management in MNCs came from the commitment and persistence of top leaders to a new way of thinking. In all corporations that succeed in implementing innovative environmental practices, the necessary initiative, support, and cooperation must come from all levels of the organization. But the vision, direction, and continuing drive must come from top executive leaders. Edgar Woolard noted the importance of leadership when he declared, "as DuPont's chief executive, I am also DuPont's chief environmentalist."[25]

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22. Rondinelli, D.A., Berry, M.A. and Vastag, G. (1997). "Strategic Programming for Environmental Management: Sonoco's Take-Back Policy," *Business Horizons* 40(3): 25-32.
23. Berry, M.A. and Rondinelli, D.A. (1998). "Proactive Environmental Management: A New Industrial Revolution," *The Academy of Management Executive*, 12, 2: 38-50.
24. Williams, H.E. Medhurst, J. and Drew, K. (1993). "Corporate Strategies for a Sustainable Future," in K. Fischer and J. Schot (eds) *Environmental Strategies for Industry,* (Washington, D.C.: Island Press): 117-146.
25. Woolard, E.S. (1989). "The Ethic of Environmentalism," *Executive Excellence* 6(11): 89; 198.

12. Responding Proactively to External Challenges

Business for Social Responsibility points out that public demands for enforcement of regulations and for increased disclosure by investors, regulators, and public interest groups have played a strong role in increasing corporate executives' sensitivity to their social responsibilities.[26] Many of the early leaders in the corporate environmental management movement saw challenges by governments and environmental interest groups as a threat to their company's growth or survival. DuPont's Edgar Woolard noted that the challenge facing DuPont was not how to comply with the latest government regulation but "that our continued existence as a leading manufacturer requires that we excel in environmental performance and that we enjoy the non-objection - indeed, even the support - of the people and governments in the societies where we operate."[27]

Corporate executives who led the corporate environmental management movement saw that if they merely denied their companies' negative impacts or complied minimally with regulations that more drastic government constraints would be imposed on them. "We cannot sit around and wait for events to drive us," DuPont's Woolard argued. "We, along with other manufacturers, must develop a corporate agenda for environmental leadership for the next decade." As he insisted, "industry needs to maintain the same high environmental performance standards regardless of the country of operation. The actions of any one company will continue to reflect on industry as a whole."[28] George Weyerhaeuser Jr. noted that his' and his predecessors' mission to put Weyerhaeuser Corporation on the path to environmental responsibility was driven by the realization that simply reacting to external challenges would place his company and the forestry products industry in a position of allowing others to define the standards within which they would have to operate. "I am convinced that we must take the high ground by working toward an international consensus on standards that make sense," Weyerhaeuser concluded. "The less attractive options are to wait for others to define standards for us, or to deal with different standards in multiple jurisdictions."[29]

Aracruz's Lorentzen, like other corporate executives who became leading advocates of corporate environmental responsibility, saw the need for MNCs to respond innovatively to external criticism. "I felt that you couldn't just

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26. Business for Social Responsibility. (1998). "Introduction to Corporate Social Responsibility," (San Francisco: BSR): 3-5.
27. Woolard, p. 89.
28. Woolard, p. 198.
29. Weyerhaeuser, G. H. Jr. (1996). "Industrial Forestry: Renewing the Social Contract," *Vital Speeches of the Day* 62 (21): 655-659.

sit back and do nothing," said Lorentzen. "We could try to argue against criticism, but that would look biased. I believe the pulp and paper industry can be a great contributor to the reality of sustainable development. But this requires widespread acceptance of the vision."[30] Lorentzen saw his mission as helping to spread the vision.

13. Identifying the Financial Benefits of Social Responsibility

While the leaders of environmentally-progressive companies usually have a broad and sincere sense of social responsibility, they are not primarily social reformers but hard-nosed businessmen. Their success in promoting environmental responsibility derives from an ability to sell their ideas on sound business principles. Enlightened corporate leaders can calculate the immediate and direct business benefits from proactive environmental management in the form of lower costs, less risks and liabilities, and more efficient operations.[31] Dow's Popoff perhaps stated his position most bluntly. "I am not an evangelist preaching some social cause;" he pointed out, "this is hard, cold economics. Pay now or pay a whole lot more later. Do it today or have it done unto you tomorrow. If we were not shooting for pollution prevention, I would have a hard sell. But everybody knows that that will be part of the next generation of environmental initiatives."[32]

Samuel C. Johnson, the fourth generation chairman of SC Johnson - a worldwide producer of home care products - carried on his family's tradition of integrating environmental management into every aspect of the privately-held corporation's business. SC Johnson's environmental programs earned it numerous awards and international recognition as a leader in environmental management. Johnson, like other executive leaders in the environmental management movement, clearly saw the business benefits of doing good environmentally. "We aggressively seek out eco-efficiencies - ways of doing more with less - because it makes us more competitive when we reduce and eliminate waste and risk from our products and processes. And it saves us money."

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30. Quoted in unsigned article (1998). "Sustaining the Future," *PPI: Pulp & Paper International* 40(4): 43.
31. Berry, M.A. and Rondinelli, D.A. (1998). "Proactive Environmental Management: A New Industrial Revolution," *The Academy of Management Executive* 2 (2): 38-50.
32. Avila, J.A. and Whitehead, B.W. (1993). "What is Environmental Strategy?: An Interview with Dow Chemical CEO and Chairman, Frank P. Popoff, and Vice President, Environment, Health & Safety, David T. Buzzelli," *The McKinsey Quarterly* 4: 53-68.

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Ray Anderson notes in his autobiography that QUEST - a total quality management program aimed at reducing and eliminating waste at Interface - "is measured in hard dollars and, as I said, we've taken 40 percent or $67 million, out of our costs in three-and-a-half years, on our way to a rate of more than $40 million *per year* …and that much or more again when we actually reach zero waste."[34]

14. Competitive Advantages of Environmental Sustainability

Progressive corporate leaders also perceive longer-term returns from promoting sustainable development, including stronger competitive advantage, preservation of crucial resources and raw materials, favorable corporate image, and opportunities for new product development. Livio DeSimone noted that 3M was moving "beyond an era of compliance with environmental regulations toward one focused on sustainable development [because] we are convinced that, in the future, the most environmentally responsible companies also will be the most competitive companies."[35] And as Interface's Ray Anderson declared, "I believe that in the 21st Century, the most resource-efficient companies will win!"

Moreover, these and other corporate leaders recognize that the benefits of a strong reputation for corporate citizenship can include greater access to capital, reduced operating costs, improved financial performance, and enhanced brand image.[36] Socially responsible environmental practices may also lead to stronger sales and customer loyalty, increased productivity and quality, an enhanced ability to attract and retain employees and, in some cases, to reduced regulatory oversight or more favorable treatment by regulatory agencies.

15. Satisfying Internal and External Stakeholders

Progressive corporate leaders accept the fact that public - and shareholder - expectations that corporations will deal effectively with complex social and economic issues in the communities where they operate is increasing

33. Quoted in DiSimone, L.D. and Popoff, F. (1997). *Eco-Efficiency: The Business Link to Sustainable Development*, Cambridge, MA: The MIT Press: p. x.
34. Anderson, *Mid-Course Correction,* p.16.
35. 3M Corporation. (1996). "3M Receives Environmental Award from the White House", News Release, (March 7).
36. Williams, Medhurst, and Drew, *op. cit.,* 117-146.

dramatically.[37] BP-Amoco's John Browne argues that "investors are likely to respect companies which acknowledge the reality of [environmental) challenges, and set out to confront them, rather than those who pretend the challenges don't exist."[38] Alcoa's Paul O'Neill, emphasized that his company's "growth and success have their roots in the fundamental values of the organization. It is these values - respect for our people, their safety, health and for the environment - that Alcoa instills as the foundation of its acquisitions and partnerships." Ray Anderson's leadership on proactive environmental management at Interface was motivated by the desire to provide "our people and our company a higher cause and long range reason for being." He points out that "… when compensation is sufficient and growth opportunity is satisfied, people want to work for a company that makes a difference, that serves a higher cause."[39]

Strong corporate leaders have also been sensitive to the need to motivate, inspire, empower, and reward their employees to achieve continuous environmental improvements. Sir John Browne noted that at BP-Amoco "we learned that for a company like ours - indeed, for any international company with a large number of highly skilled employees - top management can no longer expect to make policy in a vacuum. When we accepted that, on the evidence, global warming was a true problem, we did so in part because many of our own employees had told us that we couldn't go on living in denial." Browne acknowledged that his employees, their families, and their children "in particular, believed we were part of that problem. Our staff found it intolerable that we seemed to be on the wrong side of a fundamental issue."[40]

16. Linking Environmental - and Quality - Management

Progressive corporate leaders advocate proactive environmental practices because they see clearly the linkages between good environmental management and the overall quality of their operations, opportunities for reducing costs, and the necessity of satisfying customers. Alcoa's environmental management

37. Rondinelli, D.A. and Berry, M.A. (1997). "Industry's Role in Air Quality Improvement: Environmental Management Opportunities for the 21st Century," *Environmental Quality Management* 7(4): 31-44.
38. Browne, J. (2001). "Environmental Policy - A Progress Report," Mechett Lecture at Wenlock Road for the Institute of Energy, London, (July 5).
39. Anderson, *Mid-Course Correction*, p. 97.
40. Browne, J. (1999-2000). "None of Us Lives in a Vacuum," *Newsweek* 134(24) (December - February) Facing the Issues Supplement: 73.

practices, for example, grew out of its CEO's focus on total quality management. When he became chairman and CEO of Alcoa in the late 1980s, Paul O'Neill took over a company that had already grown to the largest aluminum producer in the world. But it faced worldwide competition in an industry that had become mature in the United States. During the 1980s, Alcoa had tried unsuccessfully to diversify into a broader range of engineered materials -- including laminates, polymers, ceramics, composites and other non-aluminum items - and its financial performance suffered.

O'Neill was brought in to revitalize Alcoa. He took two immediate actions. First, he brought Alcoa back to its basic business -aluminum products - and sold off many of the others that Alcoa had acquired. Second, believing that Alcoa's future depended on producing real value for customers, he launched an extensive campaign to develop and implement a total quality management strategy.[41] O'Neill quickly established a Quality Task Force to produce a TQM strategy and began benchmarking leading companies in quality management. As quickly as the Quality Task Force developed recommendations, an Operating Committee implemented TQM training programs for all employees and managers throughout the corporation. Within a year after the Task Force began its work, Alcoa was successfully implementing a comprehensive TQM system.

When the TQM process was in place, O'Neill drastically reorganized Alcoa's corporate structure. He cut two levels of executive bureaucracy, decentralized authority to the business unit level, and gave business unit presidents substantial authority and discretion to deliver value to customers. O'Neill restructured Alcoa into a more agile, decentralized operation focused on customers and business units, "not Pittsburgh, not the vice presidents who service them, not the chairman - but business units."[42] After the reorganization, business unit presidents reported directly to the CEO.

Alcoa's quality values and vision clearly drove subsequent improvements in EHS management. From the early 1990s, O'Neill focused first on improving employee safety. He believed that safety is "the most important leading indicator of how good a company is or could be. If you look at companies that really care about safety, you find that their safety performance is unexplainable if you believe that accidents are inevitable. My own belief is that

41. Kolesar, P.J. (1993). "Vision, Values, Milestones: Paul O'Neill Starts Total Quality at Alcoa," *California Management Review* 35 (3): 133-165.
42. Quoted in Benson, T.E. (1993). "Paul O'Neill: True Innovation, True Values, True Leadership," *Industry Week* (April 19): 24.

if you think about it hard enough, you don't have to have any accidents at all." Environmental management functions were integrated at Alcoa and the CEO drove a campaign for eliminating workplace incidents.

17. Conclusions

The dramatic changes in environmental management in MNCs over the past two decades was driven by a complex set of external and internal forces. But implementing change in MNCs required leaders with a deep understanding of the fundamental compatibility between environmental responsibility and the growth and survival of their companies. In order to implement changes in their organizations, MNC executives had to articulate a vision that links proactive environmental management with the quality of their products, the performance of their manufacturing and distribution processes, the ability to reduce costs and the opportunities to develop new products and businesses in order to remain competitive in global markets. The leadership and vision of executives who changed their organization's strategies on environmental management are the same ones that drive any fundamental organizational changes.

Peter Drucker's observation that the inadequate thought given by business leaders to their organization's mission "is perhaps the most important single cause of business frustration," certainly applies to environmental responsibility.[43] Articulating a mission and vision is often the starting point in the leadership process.[44] Without a vision - a sense of purpose and direction - leaders lack the motivators to convince special interests to see the mutual benefits of embracing a larger mission.[45] Kotter points out that successful transformations require leaders who know how to engage their followers in the tasks of articulating and participating in pursuing a vision of the future, translating the vision into a mission, and mobilizing the resources to achieve their objectives.[46]

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43. Drucker, P.F. (2001). *The Essential Drucker*, New York: HarperCollins Publishers: quote at p. 24.
44. Hickman, G.R. (ed.) (1998). *Leading Organizations: Perspectives for a New Era*, Thousand Oaks, CA: Sage Publications.
45. Kouzes, J.M. and Posner, B.Z. (1995). *The Leadership Challenge*, San Francisco, CA: JosseyBass Publishers.
46. Kotter, J.P. (1999). *What Leaders Really Do*, Boston: Harvard Business School Press.

The executives who led their companies to new environmental goals also recognized the need to decentralize authority and empower and reward employees in order to bring all levels of the organization into the movement. "You must empower your organization," Popoff argued. "At base, this is highly individual and personal. Your people will need a great amount of help and support." As he insisted, "the key to keeping such an organization viable and vigorous is to give it enough central direction and challenge, and then liberate to meet the challenge. …Otherwise you create a top-down initiative and people wait for things to be done."[47]

All of the leading companies in environmental management provide awards and incentives for employees to generate ideas and to implement programs innovatively. Corporate leaders such as Anderson and O'Neill went to great lengths to celebrate publicly employees' initiatives in continually improving environmental performance.

Effective leaders like Popoff, DeSimone, Woolard, Anderson, Browne and many other CEOs of multinational corporations succeed in implementing their vision by translating it into a clear corporate mission and specific programs that make sense by sound business principles. But they are also driven by the vision of opportunity, summarized best perhaps by Ray Anderson: "To do well by doing good and to make a difference by example - on a global scale - by making a difference in the corner where we live and work and inviting others to take a look and join in."[48] Leaders achieve their environmental goals by motivating and empowering and by rewarding their employees for identifying problems, finding innovative solutions, and pursuing ideas that ensure continuous environmental improvements. Environmentally responsible leaders extend their best corporate practices throughout the organization and to their entire supply chains - vendors, contractors, distributors, customers, and affiliates - in order to stimulate change on a global scale.

47. Quoted in Avila and Whitehead, p. 58.
48. Anderson , *Mid-Course Correction,* p. 75.