

An Analysis of the Environmental Policies  
Of Some Multinational Corporations

By  
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*Abstract*

This paper examines the growing importance of environmental policies in the face of the global warming challenge. Given that companies are largely responsible for producing greenhouse gases (GHGs) which contribute terribly to this crisis, the author looks at the activities of four randomly selected companies that contribute to the problem and then see if they have environmental policies in place to redress the negative effects of their activities. The multinational corporations (MNCs) concerned are General Electric, DuPont, Coca-Cola, and Ford. The methodology applied is basically a literature review as the author looks into their published literature to see if they are committed to protecting the environment. In addition, the author looks at the part that technology can play towards greater sustainability.

*Keywords:* Environment; Environmental Policy; Sustainability; Global Warming; Greenhouse Gases; Multinational Corporations; General Electric; DuPont; Coca-Cola; and Ford.

*Introduction*

Environmental issues are occupying the center stage in many corporate and governmental discussions. This is because many companies have realized that they cannot simply ignore the consequences of their activities and many governments have now rightly concluded that global warming is to a large extent the consequences of man's activities, and that company's must be held responsible.

Several measures in the environment and energy realms are currently being implemented in many countries. According to del Río González and

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Hernández (2007), three of these instruments, with an impact on the electricity market, are demand side management activities, promotion of electricity from renewable energy sources, and measures aimed at the mitigation of Greenhouse Gas (GHG) emissions.

This paper analysis how some of the leading global companies – General Electric, DuPont, Coca-Cola, and Ford – have handled environmental issues. It is essential that environmental issues be handled from a global perspective because its consequences also have global ramifications (Tan, 2007).

### *A Brief Review of Literature*

The environment is increasingly occupying a central place in policy decision making at the level of individuals (Asongu, 2007; Blodget, 2007; Kosnett, 2007), corporations (Dormann & Holliday, 2002; Holliday, 2006), governments (Prager & Nagel, 2007), and international organizations (Correlje, Francois & Verbeke, 2007).

At the individual level, Asongu (2007) and Blodget (2007) have shown the increasing popularity of socially responsible investment (SRI). SRI refers to investments in which the investor(s) make conscious choices that have a positive impact on the world. They point out that there are organizations, such as the Social Investment Forum, dedicated to promoting SRI. These groups give advice on choosing environmentally friendly companies to invest in.

The increase in SRI is probably due to the increasing attention that the media is paying on environmental issues and the growing sense of responsibility on the parts of individuals. Kosnett (2007), writing in Kiplinger's Personal Finance also explores the growing interest to SRI, also known as green investing, in the U.S. He offers information for investors who are interested in investing in environmentally friendly stocks. The article also examines some of the reasons why people are investing in environmentally friendly stocks, and analysis the benefits and viability of green investing.

While countries such as the United States, China, and India have been lukewarm in fighting global warming, claiming that it would inhibit their economic growth, Simanaitis (2007) points out that the European Community's plan to start phasing out automotive refrigerant R-134 in 2011 as part of its efforts to address global warming problems. The European automotive sector also plans to replace the R-134 with R-152a, which has lesser environmental impact but its pressure/temperature characteristics are similar to those of R-134.

Demand for energy supply including its adequacy, reliability and prices, and its implications to the global economy is also becoming a matter of concern (Verrastro & Ladislaw, 2007). These concerns link governments and businesses together because energy supply is something that affects the people. It is predicted that the ability to secure energy supplies from an increasing list of inaccessible has prompted policymakers to raise the issue of the desirability and achievability of energy interdependence. Energy interdependence will distract the importance of managing the transition of a more sustainable and secure energy future. It is important to successfully manage the increasing complexity of an energy-interdependent world while striving to meet economic, security, and environmental goals.

Prager and Nagel (2007) agree with the importance of managing global environmental resources and point to a participatory approach to agri-environmental policy development and decision making at the state level in Germany. The approach comprises an interactive PC-based model and the facilitation of the corresponding communication process. They emphasize the need for early integration of varying interests in the decision-making process, even as they note that introducing participatory approaches into a bureaucratic setting poses particular problems. For Prager and Nagel, the subsequent trade-offs resulting from different notions of a ministry and a research team collaborating on an action research process concern the choice of involved stakeholders, the continuity and intensity of facilitated processes, the amount of

transparency, treatment of competences and power, as well as linkages to actual policy making.

Still in Europe, Correlje, Francois, and Verbeke (2007) examine the EU Water Framework Directive requiring Member States to organize the management of their water systems in an integrated manner, based on the natural boundaries of the water systems; the river basins. A river basin approach implies the integration of policymaking and management throughout a set of different functional uses and spatial scales. Another innovation of the Directive is the introduction of recovery of costs for water services, taking account of the polluter-pays principle. By 2010, water-pricing policies will have to provide adequate incentives for users to use water resources efficiently, and thereby contribute to the environmental objectives of the Directive.

Correlje, Francois, and Verbeke (2007) further note that other principles, such as the precautionary principle, are becoming increasingly important in the management of water resources as well. The translation of those principles into policy in the several Member States may however diverge. They point to the fact that environmental policy principles have gradually been introduced in European legislation. From being part of a declaration of the Council, they have evolved to a basis for action in the environmental field and currently they also find wide application in the context of water management.

#### *Analyzing Corporate Environmental Policies*

This paper analysis the corporate environmental policies of four companies – General Electric, DuPont, Coca-Cola, and Ford. These companies were randomly selected but they were judged fit for scrutiny because they are multinationals, their products touch the lives of millions of people daily, all of them make use of enormous natural resources and/or contribute significantly to global warming, and each of them has made a public commitment to

environmental sustainability. It is therefore interesting to see whether these commitments are genuine or just mere public relations.

### *General Electric's Environmental Policy*

General Electric (GE) is the world's biggest company by market value. In 2004 it had revenues of some \$150, and its 11 segments make a wide array of products, including turbines for power plants as well as jet and locomotive engines, solar panels, wind turbines, water purification systems, light bulbs and consumer appliances (Pegg, 2005).

The company, like many others, has been quick in highlighting its commitment to the environment. In 2005, it announced a new initiative to double its investment in environmentally friendly technologies, improve its energy efficiency, and reduce its greenhouse gas emissions. GE Chairman and CEO Jeffrey Immelt has argued that technologies that are good for the environment are good for business (Pegg, 2005).

The green policies of GE can be viewed as part of their commitment to corporate social responsibility (CSR) or what the company simply refers to as "citizenship" (General Electric, 2007). In its bid to becoming a leader in corporate citizenship, GE has identified four strategic areas that are aligned with their company's growth strategy. These include:

1. Ecomagination, which the company defines as "a growth strategy that addresses our customers' needs for more energy-efficient products and services" (General Electric, 2007);
2. Emerging markets whose growth allows the company to lay the foundation for citizenship from the inception of a business opportunity;
3. Compliance and governance, which the company considers the cornerstone of their reputation; and

4. Environment, Health and Safety (EHS), whose operations shape the tools and measurements that help keep their employees safe while reducing the company's impact on the environment.

EHS has historically been a core competency and priority for GE, and the company strives to maintain the same standards globally by using "best-in-class tools and training," and establishing clear operational accountability to deliver results. GE recently completed its first comprehensive water use and waste generation survey. In addition, the EHS team is heavily involved in implementing GE's greenhouse gas inventory and ecomagination 1-30-30 goals. In 2006, GE made some significant achievements which show their commitment EHS. Among these worldwide achievements were:

1. Held environmental exceedances (air, wastewater, spills) essentially flat year over year while production and number of manufacturing sites increased;
2. On track to achieving 1-30-30 goals and reaching 4 percent greenhouse gas (GHG) reduction in first two years of program; and
3. Received more than 215 external awards and recognitions for EHS excellence.

In agreement with those who argue that being socially responsible can be profitable to a company bottom line, GE's Immelt has stated that their new environmental strategy has been designed not because it is trendy and moral to do so, but because it will accelerate GE's growth and competitiveness. The chairman and CEO believes GE can improve the environment and at the same time make money doing it (Pegg, 2005).

#### *Coca-Cola's Environmental Policy*

The Coca-Cola Company prides itself for its commitment to understanding and minimizing any adverse environmental impacts of their beverage manufacturing activities, in spite of the heavy criticism against the company's

activities especially in Asia. The company says its employees and everyone associated with Coca-Cola have an important role to play in achieving their environmental objectives and targets (Coca-Cola, 2007). These objectives and targets include:

1. The achievement of a level of environmental performance, which goes beyond that required for regulatory compliance;
2. The inclusion of environmental considerations in their annual business plan to ensure that environmental management remains an integral part of their operations;
3. Maintaining Coca-Cola's structured environmental management system, which is based on continual improvement and regularly review of the system to ensure it remains relevant to their operations;
4. Encouraging and equipping employees to identify and act upon opportunities to minimize any adverse environmental impacts and issues and to prevent pollution;
5. Identifying and implementing ways to improve the efficiency with which the company uses resources including water, energy, packaging, chemicals and raw materials;
6. Reduce, reuse, and recycle their on-site wastes wherever practicable and ensure that they dispose of their wastes safely and with minimal impact; and
7. Working with their key suppliers and contractors to ensure they strive to meet the same high environmental standards as Coca-Cola imposes in itself.

#### *DuPont's Environmental Policy*

DuPont has identified correctly that the need for truly sustainable options for 21<sup>st</sup> century life remains one of the most critical challenges facing the global community. The company is usually considered a leader in sustainability,

although it has recently come under serious criticism for covering up company studies that showed it was polluting drinking water and newborn babies with an indestructible chemical that causes cancer, birth defects and other serious health problems in animals (Mokhiber & Weissman, 2005).

As a leading science company, DuPont has the experience and expertise to develop products that can help protect or enhance human health, safety and the environment. Like other major companies, DuPont touts its environmental commitments by stating that they design products and processes that pass rigorous criteria for the use of renewable resources, energy, water and materials. And like GE and Coca-Cola, they believe this is a direct route to a successful, profitable business that adds value to their customers, their bottom line, and the planet.

DuPont's green policy objectives are well stated in the 2015 Sustainability Goals, which are a renewal and expansion of their commitment to sustainability. The goals span every sector of DuPont's operations – from R&D to manufacturing to marketing – and can be summarized as follows:

They go beyond traditional footprint reductions to include goals that tie our business growth even more directly to the development of safer and environmentally improved products for the many global markets we serve - transportation, communications, construction and agriculture, to name a few. They also make sense from a business performance perspective because revenues from our current safety and environmental offerings are increasing at double our average revenue growth rate (Holliday, 2006).

### *Ford's Environmental Policy*

Ford Motor Company is one of the few companies that has acknowledged that their activities damage the environment, but at the same time they claim to be committed to reducing the impact of their activities by looking for new ways to conserve energy and resources. Ford's Climate Change Report, which was an industry first, addresses the business implications of climate change, carbon dioxide emissions, and global security concerns.

Specifically, the Ford Report on the Business Impact of Climate Change addresses how concerns about emissions of greenhouse gases, including carbon dioxide, are linked to other factors affecting the business; the steps the company is taking to manage the risks and capture opportunities associated with climate change; and the market, policy, social and technological enablers required to achieve significant changes in the industry's carbon footprint (Ford, 2007).

This glossy picture of Ford's commitment to the environment has been seriously damaged by claims that before closing its assembly plant Mahwah, NJ, the company was carelessly dumping toxic waste. According to Mokhiber and Weissman (2005), officials in New Jersey were calling for an investigation of the company for environmental crimes because for over a period of years, Ford Motor Company dumped millions of gallons of paint sludge into a now-residential area of northern New Jersey.

#### *Comparing and Contrasting the Four Companies*

There were a number of similarities between all four companies studied here in terms of their treatment of the environment. Each of the companies dedicated a number of Web pages on their Websites to environmental concerns. They all treated environmental issues as part of their commitment to sustainability and/or CSR. This is not surprising given that the environment and sustainability are closely related concepts, and are a major aspect of CSR. In fact CSR requires that organizations, not only corporations, consider the interests of society by taking responsibility for the impact of the organization's activities on customers, employees, shareholders, communities, and the environment in all aspects of its operations.

Other similarities between the companies' environmental policies lie with the fact that all the companies have realized that environmentally positive activities could provide a competitive advantage for them. All the companies

make an effort to tout their environmentally friendly activities, a sign that they are using this commitment as a marketing vehicle – a purely legitimate action.

On the negative side, each of these companies has been accused at one point or another for polluting the environment. The more recent accusations were levied against Ford, DuPont, and Coca-Cola. Coca-Cola's criticism has mainly been abroad, especially in Asia where it was accused of distributing poisonous fertilizers and for depleting and polluting water sources.

The differences between the companies lie principally on the degree of success they have had in turning their commitment to the environment into a competitive advantage. While each of the companies have attempted doing so, research showed that DuPont and GE were the ones who had been largely successful in coming out with innovative products that gave them a competitive advantage because they were energy-efficient. Ford has tried to improve its gas mileage but is not yet seen as a leader, rather Toyota has been more successful. Coca-Cola on its part has also made improvements on its natural resources utilization, especially water, but there was little prove that this alone had provided the company any competitive advantage over its rivals like Pepsi Cola. Perhaps the success of DuPont and GE could be attributed to their industry.

Another difference was in the approach that these companies have taken towards global warming or the environment as a whole. Ford was the most forthcoming about its contribution to the problem. The other three companies had the tendency of being on the defensive. However, as earlier noted, each has pointed out what it does or intends to do to improve the situation.

### *Can Technological Innovations Contribute toward Sustainability?*

Global warming, which refers to the increase in the average temperature of the earth's near-surface air and oceans, is no longer in dispute, and there are projections that this will continue. Global warming is caused mainly by man's manipulation of the natural environment, and the Intergovernmental Panel on

Climate Change (IPCC) has concluded that most of the observed increase in globally averaged temperatures since the mid-20<sup>th</sup> century is very likely due to the observed increase in anthropogenic greenhouse gas (GHG) concentrations through via the greenhouse effect (Alley, R., et al., 2007).

Given that corporations are largely responsible for this global warming or climate change, it is their responsibility to reduce the effects of GHGs on the environment. The answer to this predicament that the planet finds itself is sustainability. Sustainability is a characteristic of a process or state that can be maintained at a certain level indefinitely; and it focuses on the provision of the best outcomes for both the human and natural environments now, and into the indefinite future.

Many companies have now recognized the need to “conduct cutting edge research and endeavor to create new and distinctive products (Dormann & Holliday, 2002, p.3). They further acknowledge that:

It also challenges the markets for which our products are destined and which cultural value systems and political frameworks shape. For sustainable development to take place, there must be dialog between the innovators and the stakeholder groups whose cultural and political realities may not be prepared to accommodate innovation (p. 3).

Many MNCs are now trying to understand and anticipate societal needs and the impacts of innovation and technology on the environment. The goal is to assess sustainability during the innovation process and to establish an extended dialogue with stakeholders (Dormann & Holliday, 2002). The importance of linking sustainability to innovation is that innovation is critical for the on-going success of any enterprise, and businesses that do not innovate will likely disappear. However, “new innovations turn into sustainable business assets only if they are acceptable to society at large. The challenge of really integrating sustainability thinking into business processes is significant, but if not successfully met, we, as companies, will not be sustainable” (p. 2).

The academic community is also very interested in the link between innovation and sustainability. For instance, The Forum on Science and Innovation for Sustainable Development is an attempt to outline the burgeoning field. The organization believes that rather than looking broadly at sustainability, it is important instead to focus on the way in which science and innovation can be conducted and applied to meet human needs while preserving the life support systems of the planet. It highlights people and programs that are studying nature-society interactions and applying the resulting knowledge to create a sustainability transition around the world (Abbott, et al, 2005).

Another such organization is the international Initiative on Science and Technology for Sustainability (ISTS). It seeks to enhance the contribution of knowledge to environmentally sustainable human development around the world. The Initiative is based on an evolving vision of science and technology for sustainability (Abbot, et al, 2006). The Initiative aims to make significant progress toward three broad and interrelated goals:

1. Expanding and deepening the research and development agenda of science and technology for sustainability;
2. Strengthening the infrastructure and capacity for conducting and applying science and technology for sustainability; and
3. Connecting science and policy more effectively in pursuit of a transition toward sustainability.

It should be noted that there is a positive shift on the climate change debate from the argument as to whether or not there is global warming to looking for solutions to the damaging effects of GHGs on the environment (Alley, et al, 2007). There is also an acknowledgment on the part of companies that they must contribute to remedy in impending catastrophe. Therefore, as companies continue to implement new technologies, the question must be asked: How long can the human ecological systems be expected to be usefully productive?

*Conclusion*

This brief analysis shows that all the companies studied (Ford, Coca-Cola, DuPont, and GE) have an environmental policy. Although there were differences, they reflected the industries in which they were involved. The most surprising thing with this study was that none of the four companies dedicated a section of their 10-K annual reports to the direct treatment of environmental issues. However, this could be explained by the fact that the 10-K report is mainly a financial document. Another surprise was that in spite of the much talked about commitment to the environment by each of these companies, everyone one of them had been accused of seriously polluting the environment.

As earlier mentioned, all the companies studied here were involved in industrial ecology in one way or the other. However, companies that can easily develop a competitive advantage by being environmentally friendly tend to be involved with industrial ecology, while companies whose core business is a major factor in pollution tend to be defensive.

Finally, the study found that multinationals try to implement their environmental policies on a global basis. However, because of differences in laws from one country to the next, they may be relaxed in some countries. A good case is the recent accusation of Coca-Cola for using unhealthy sugars for their soft drinks in Mexico. This type of sweetener had been banned in the U.S. since the 1970s because of suspicions that it was linked to cancer. However, because it was not banned in Mexico, Coca-Cola was secretly still using it there. This questions their commitment to ethics or CSR as it shows that they are more concerned about their bottom line than the health of their consumers. Coca-Cola has had many such negative events in the past, especially in Asia, as the paper earlier pointed out.

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