

# Business Strategy

## How to formulate a new strategy



WEEK FIVE  
LECTURER: N. QUARRIE

# Objective



- By the end of this lesson you should be able to:
- 2.2 carry out an environmental audit for a given organization

# Overview



- So far you would have noticed that there are a number of factors that need to be evaluated during strategic planning. Last week we looked at how to formulate an organizational audit. This week we will take a look at how to do an environmental audit.

# Background



- Most business owners decide to start a business mainly to make a profit. As a result of this they sometimes neglect the need to pay attention to the impact that their business could have on the environment.
- In recent times more governments around the world have been focusing on sustainable growth and thus a number of laws have been implemented to encourage companies to take care of the environment within which they operate.

# Definition



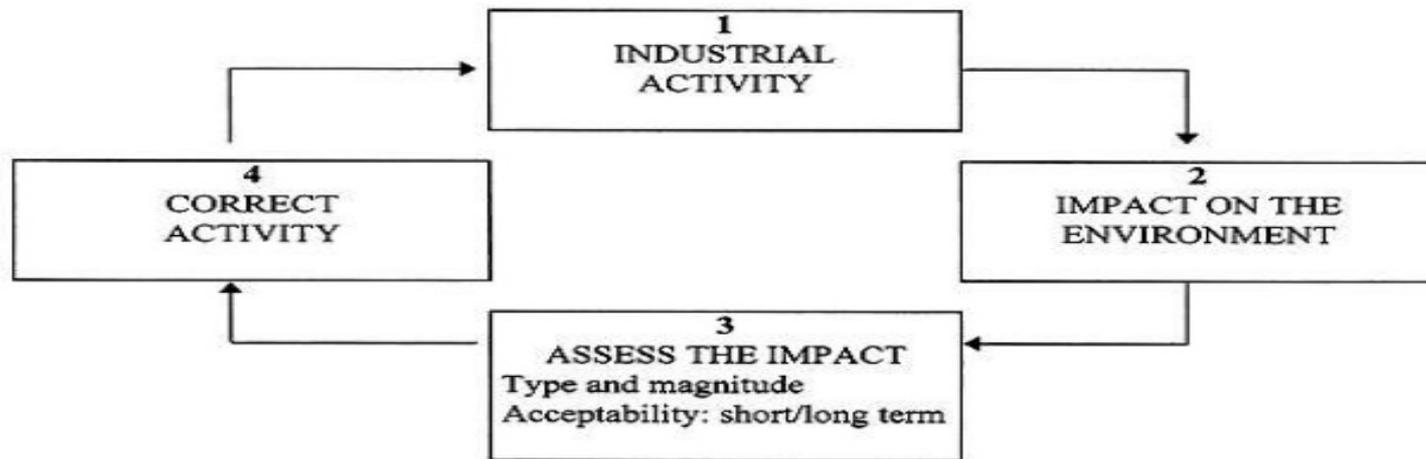
- According to the International Chambers of Commerce environmental audit is “the systematic examination of the interactions between any business operation and its surroundings. This includes all emissions to air, land and water; legal constraints; the effects on the neighboring community, landscape and ecology; the public’s perception of the operating company in the local area. Environmental audit does not stop all compliance with legislation. Nor is it a „green-washing“ public relations exercise. Rather it is a total strategic approach to the organizations activities.”

# Diagram showing relationship between the environment and a business



Source: Slideshare.com

## Industry and environment relationship



# Reasons a firm would want to do an environmental audit



- Pressures from environmental legislation
- Investment and decisions to buy facilities
- Detailed investigation of specific issues
- Source: [http://www.soas.ac.uk/cedep-demos/000\\_P508\\_EAEMS\\_K3736-Demo/unit1/page\\_17.htm#](http://www.soas.ac.uk/cedep-demos/000_P508_EAEMS_K3736-Demo/unit1/page_17.htm#)

# Reasons a firm would want to do an environmental audit



- Corporate image and marketing opportunities
- Concern about the environmental impact of the organisation generally
- Past environmental accidents
- Source: [http://www.soas.ac.uk/cedep-demos/000\\_P508\\_EAEMS\\_K3736-Demo/unit1/page\\_17.htm#](http://www.soas.ac.uk/cedep-demos/000_P508_EAEMS_K3736-Demo/unit1/page_17.htm#)

# Important questions/Goal of EA



- “EA should provide answers to the following questions raised by company managers :
- What are we doing? In particular, are we in compliance with government regulations, guidelines, codes of practice, permits conditions ?
- What more should we do ?”
- Source: Environmental Auditing Technical Report of UNEP/IEO

# Important questions/Goals of EA



- Can we do it better? In particular, are there non regulated areas where operations can be improved to minimize the impact on the environment ?
- Can we do it more cheaply ?
- Source: Environmental Auditing Technical Report of UNEP/IEO

# Environmental Impact Assessment



- Environmental Impact Assessment is a tool designed to identify and predict the impact of a project on the bio-geophysical environment and on man's health and well-being, to interpret and communicate information about the impact, to analyze site and process alternatives and provide solutions to sift out, or abate/mitigate the negative consequences on man and the environment.
- Source :  
<http://www.fao.org/docrep/005/v9933e/v9933e02.htm>

# Steps of an EA



- **Pre-audit activities:** which include:
  - Selection and scheduling of facility to audit,
  - Selection of audit team,
  - Contact with facility and planning of the audit.
- **Site activities:** which are divided into 5 steps:
  - First understanding of internal controls,
  - Assessment of internal controls,
  - Gathering of audit evidence,
  - Evaluation of audit findings,
  - Report of findings to facility.
- **Source:** The International Chamber of Commerce

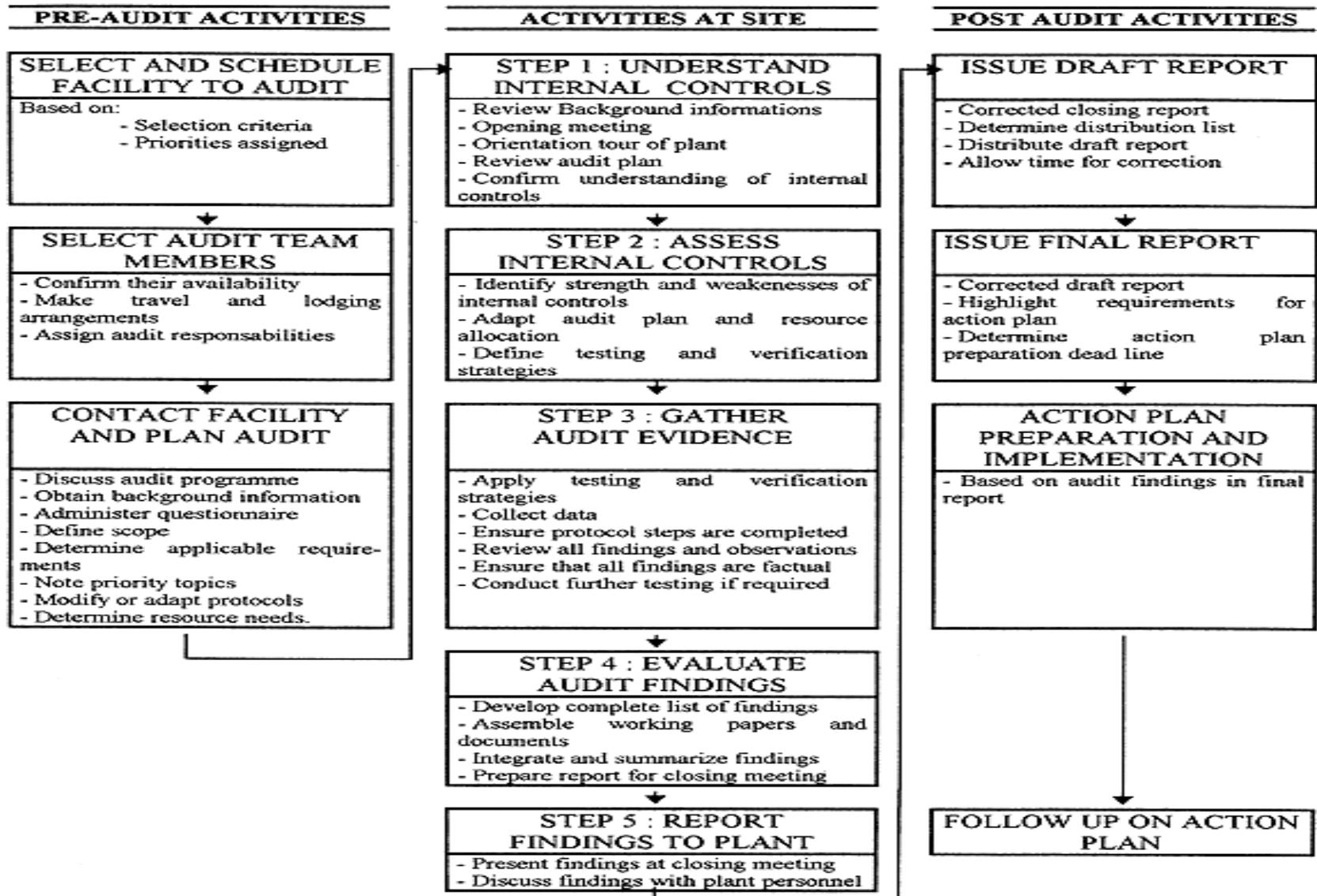
# Steps of an EA



- **Post audit activities:** which include:
  - Production of a draft report,
  - Production of a final report,
  - Preparation and implementation of an action plan,
  - Monitoring of action plan.
  
- **Source:** The International Chamber of Commerce

# Summary of steps.

Source-International Chamber of Commerce in the technical report of UNEP/IEO: Environmental Auditing.



# Scope of EA



- **Material Audit** : The thrust areas of material audit is the effective utilization of materials, conservation of materials and minimizing wastages in different processes.
- **2. Energy Audit** : It deals with overall energy consumption, minimizing pollution etc.
- **3. Water Audit** : Evaluation of raw water intake facilities and evaluation of water treatment facilities

Slideshare.com, 2012 , Sagar Dodhia

# Scope of EA



- 4. Health and Safety Audit : Health and safety measures are examined e.g. occupational diseases, compliance with labour laws, adequacy of safety measures etc.
- 5. Environmental Quality Audit : It examines noise level, status of existing air quality, review of greening program undertaken by the enterprise, Installation and functioning of anti pollutant equipment.
- 6. Water Disposal Audit : Review of waste disposal measures relating to solid and hazardous wastes, recycling etc.7. Engineering Audit : It analyses the aspect relating to efficiency of plant and machinery, engineering designs, cost effective methods of production etc.
- Slideshare.com, 2012 , Sagar Dodhia

# Benefits of EA



- Facilitating comparison and interchange of information between operation or plants
- • Increasing employee awareness of environmental policies and responsibilities
- • Identifying cost-savings including those resulting from waste minimization
- • Evaluating training programmes and providing data to assist in training personnel
- Source: Slideshare.com, 2012 , Sagar Dodhia

# Benefits of EA



- Providing an information base for use in emergency response arrangements
- Assuring an adequate, up-to-date environmental database for internal management awareness and decision making in relation to plant modifications, new plans, etc.
- Helping to assist relations with authorities by convincing them that complete and effective audits are being undertaken, by informing them of the type of procedure adopted.
- Source: Slideshare.com, 2012 , Sagar Dodhia

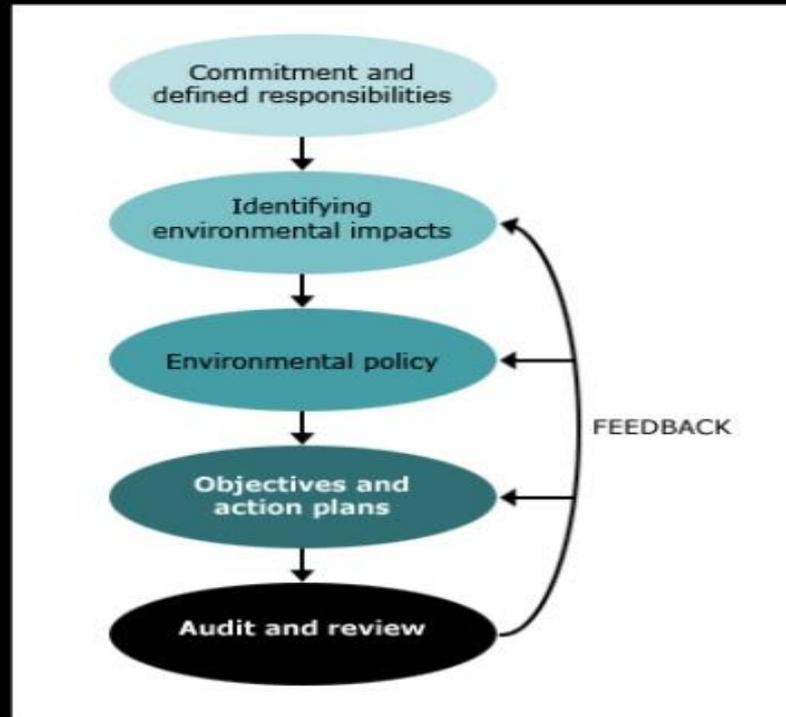
# What is EMS?



- Source: Slideshare.com, 2012 , Sagar Dodhia

## What is EMS

- EMS Stands for Environmental Management System. It is a system that enables any organisation irrespective of its size, type & setting to
- Manage environmental impacts arising out of its activities, product & services
- Ensures compliance to regulations
- Brings continual improvements
- Demonstrate high environmental performance to others by conforming to policy, objectives & targets.



# Example of EMS



- “What Is ISO 14001• ISO 14001 is an Environment Management System (EMS) standard published by International Organization for Standardisation in year 1996 and later updated in the year 2005. It provides a highly effective, globally accepted framework for establishing and continually improving the effectiveness of environmental management. Implementation of ISO 14000 may bring with it both reductions in environmental risk and environmental costs.”
- Source: Slideshare.com, 2012 , Sagar Dodhia

# Environmental audit



## ARTICLE :

A company has reportedly established a soft-drink manufacturing unit in Kerala. By 2002, the unit has not only begun dumping foul smelling waste slurry on the nearby land, but also succeeded in contaminating the water to the extent that it turns white on boiling and is unfit for drinking, washing or even bathing. Over 1000 families have been affected in the surrounding villages within a radius of 5 kms., of which a quarter are adivasis.

- It is also reported that the tribals in that area protesting peacefully demanding that the factory from which over 39 lakh ml of beverages are crated out daily, be closed down. The slurry was earlier sold as fertilizer to ill-informed farmers. Later, as buyers turned wiser, it was given off free. Now, it is dumped forcibly.



Source :Hindustan Times

# Discussion: case



- 'A cement plant fined £400,000 for allowing dust to escape from its factory has had its penalty reduced [in the Court of Appeal].
- Cemex, which owns Rugby Cement in Warwickshire, [England], was fined after nearby residents found their homes and cars covered in dust in October 2005. The Court of Appeal has ruled the sum "disproportionate" and reduced it to £50,000. The original offence had consisted of not ensuring an external door was closed, leading to an escape of dust. The company had been prosecuted by the Environment Agency in October 2006. Cemex claimed the original fine had been excessive. After the ruling the Environment Agency said such a large reduction in fine was a "disappointing result." "We will not tolerate poor plant maintenance practices that might lead to incidents such as this, especially when close to people's homes. We will continue to thoroughly investigate all such incidents and, where appropriate, pursue criminal charges," a spokesman said.'
- Source: BBC News online (Wednesday 18 July 2007)

# Review Questions



- 1. What is meant by the term “environmental audit”?
- 2. What are some of the reasons a firm may do an environmental audit.
- 3. What are the steps involved in doing an environmental audit? Explain.
- 4. What are some of the environmental related audits that can be done?
- 5. Discuss some of the benefits of doing an environmental audit

# References



- Hindustan Times
- University of London: [http://www.soas.ac.uk/cedep-demos/000\\_P508\\_EAEMS\\_K3736-Demo/unit1/page\\_17.htm](http://www.soas.ac.uk/cedep-demos/000_P508_EAEMS_K3736-Demo/unit1/page_17.htm)
- Source: BBC News online (Wednesday 18 July 2007)
- Environmental Auditing Technical Report of UNEP/IEO
- <http://www.fao.org/docrep/005/v9933e/v9933e02.htm>
- Slideshare.com, 2012 , Sagar Dodhia,  
<http://www.slideshare.net/shahsd1920/environmental-audit>