Protecting the Environment: The Development of Internal Compliance Programs

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This summary draws on my experiences between 1983 and 1988 at General Motors Corp. (GM), where I had responsibility for the legal, environmental, industrial relations, and industry-government staffs of the company. Industry executives in the United States, as well as in other market societies, grew up in a business culture that places a high priority on the maximization of profits. In this culture, executives and managers have not readily taken into account the environmental consequences of their operating practices. It is only through the gradual imposition of ever stricter environmental regulations and the resulting adoption of compliance programs and control mechanisms within our larger corporations that we gradually have changed our business culture and sensitized executives and managers to the environmental impacts of their day-to-day decisions and practices. This paper comments briefly on the second of these developments.

GM presents a good case study. The host of safety, energy, and environmental laws at the federal, state, and local levels in the United States alone have radically affected its operations. These laws are of a broad variety and scope. They include automotive safety engineering laws such as the National Traffic and Motor Vehicle Safety Act, the Motor Vehicle Information and Cost Savings Act, and the Consumer Product Safety Act; automotive emission control laws such as the National Energy Conservation Policy Act and the Automobile Fuel Efficiency Act, and parts of the Clean Air Act; and environmental laws such as the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource

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Given the growing breadth and complexity of these laws, GM decided in 1971 to establish a central Environmental Activities Staff (EAS) that would undertake the following tasks: monitoring GM compliance with all of these laws; providing technical expertise to GM engineering staffs in developing the new technologies necessary to ensure such compliance; interacting with relevant government agencies in responding to proposed new regulations and in avoiding or settling threatened enforcement actions; and identifying areas of existing or possible future concern and bringing them to the attention of GM's top management.

In the 1970s, GM established a Safety Review Board and an Environmental Review Board, each consisting of members of top management. These boards meet as needed: on average, about six times a year. At the meetings, there are presentations concerning both important regulatory developments and what GM must do to prepare for them, and areas of possible noncompliance that EAS is monitoring. Thus, these boards provide a check-and-balance system to help ensure that middle managers put a high priority on safety and environmental concerns.

GM's Industrial Relations (IR) staff is primarily responsible for negotiating and administering agreements with unionized workers—basically all plant employees—and overseeing health and safety conditions in the company's plants. In addition to monitoring compliance with federal and state worker health and safety laws, two IR units—the Toxic Materials Control Activity (TCMA) and the Industrial Hygiene Department—are involved specifically in hazardous materials control.

The TMCA focuses on employee use of and exposure to hazardous materials. It maintains a computerized register of the chemicals used in each GM plant. In addition, TMCA toxicologists provide technical assistance to individual plants by gathering data and disseminating information on controlling these materials. The United Auto Workers and GM initiated a joint effort in 1984 to design a training program to assist plant personnel in implementing the TMCA agenda. This program includes, for example, training modules dealing with the safe handling of potentially hazardous chemicals.

GM's Industrial Hygiene Department evaluates and recommends control technologies, such as exhaust ventilation and enclosure of hazardous materials, to ensure that employee exposure to chemicals
remains within acceptable limits. The department also routinely collects air samples, which it analyzes in its laboratory to evaluate in-plant air quality.

To improve coordination between the EAS and the IR Staff, GM established an Environmental and Health Coordination Committee (EHCC), including members of both staffs, in September 1985. The EHCC's first priority is to ensure that no gaps exist between the responsibilities of these two staffs regarding hazardous materials control. It provides a cost-effective means for exchanging information about each staff's activities and for solving problems that might require input from both employees and the community. The EHCC has identified the following areas for further study: rationalizing audits among the different GM audit groups (e.g., Environmental, Financial, Safety) to eliminate duplication or omission; reviewing disaster response plans; developing guidelines for minimizing the generation of hazardous materials as the company develops new products and processes; and establishing an IR-EAS task force to assist GM plants worldwide in identifying and managing high-consequence risks.

In 1970, GM's board of directors created a Public Policy Committee consisting of several of the nonemployee directors. Its purpose is to give matters of broad national concern, including environmental and safety issues, the proper attention at the highest level in the corporation. The committee requests and receives reports and presentations from management, consults with outside experts, and makes recommendations to management and the board. For example, one of its recommendations resulted in the formation of the GM Science Advisory Committee, which advises the corporation on research and development programs and other technological areas of business. In sum, the Public Policy Committee is an important feature of GM's internal control arrangements for ensuring compliance with environmental laws and corporate policy.

Just as the Annual Report is a report to stockholders of financial stewardship, GM's Public Interest Report is an annual account of its stewardship in protecting important employee and social interests. The company published the first Public Interest Report in 1971. Typically about twenty to thirty percent of each report is devoted to environmental, health, and safety issues. It is widely disseminated and serves as a further means of sensitizing GM's corporate culture and creating a sense of social stewardship.

The increasing scope of environmental laws has required GM to establish professional staffs independent of its operating executives
to monitor compliance, help force new technologies, and train employees regarding the importance of environmental and safety guidelines. The establishment of top management review boards, a committee of directors that considers public policy, and an annual Public Interest Report further reinforced the independence of these staffs and the company-wide respect for their mission. Together these arrangements not only help ensure strict compliance with laws and company policy regarding environmental matters, but promote healthy, constructive, nonadversarial working relationships between the technical staffs at GM and the various government agencies.