

THE NATURAL STEP
ORGANIZATIONAL CASE SUMMARY

STENA METALL AB
Headquarters: Stockholm, Sweden

A. THE BUSINESS

Stena Metall AB is a major industrial recycling, trading and shipping company. The Stena Metall Group consists of three primary divisions. The first division focuses on waste management and consists of the following companies:

- Stena Gotthard Återvinning, Sweden's leader in the recycling of ferrous and non-ferrous scrap metal, with processing facilities in 54 locations.
- Stena Gotthard Fragmentering, which engages in the fragmenting of scrapped cars, appliances, and other steel and non-ferrous scrap in four locations.
- Stena Returpapper, which collects, processes, and sells waste paper, with facilities in 12 locations throughout Sweden.
- Averhoff & Co, Denmark's largest independent waste paper company, with eight collection facilities, headquartered outside Copenhagen.
- Stena Miljö, which collects photographic waste products for recycling and destruction in Sweden, Norway, and Finland.

The second division consists of the following companies:

- Stena Trading, which trades worldwide in steel, non-ferrous metals, special alloys, and stainless steel.
- Stena Metal Inc., based outside New York, the company arranges deals between major international steel mills and end-users.
- Stena Stål, a wholesale supplier of sheet, plate, beams, sections, rails and sheet piling mainly to small and medium-sized construction and engineering firms.
- Stena Oil, an international oil trader and supplier of bunker oils. The company also sells heating oil for homes and other buildings.
- Stena Graphic, which sells film and photographic supplies to the graphic arts industry.

The third division consists of one company:

- Stena Metall Finans, which manages the Group's financial operations, including cash management and trading in securities, currencies, and other financial instruments.

In 1996/97, the Stena Metall Group's gross revenues amounted to SEK 292.8 million, an increase of more than 40 percent compared with 1995/96. In its 1996/97 Annual Report, Stena Metall AB devotes two pages to the environment. Specifically, they set out their rationale for becoming a "turn-key sub-contractor for industrial waste products". The Annual Report states:

"Environmental issues have become an integral part of industrial operations. Few decisions are made involving, for example, input goods, energy consumption, production methods or transportation — and least of all waste products — in which environmental aspects are not an important consideration. And environmental issues are a part of the day-to-day responsibilities of many more categories of decision-makers." (pg. 6)

The Annual Report attributes both legal and market forces with the emerging environmental focus in industry. In particular, legislation on producer liability is placing demands on industries to restructure in order to comply with new laws. In addition, industries are finding that long-term profitability "requires resource-efficient production processes with the least possible environmental impacts." Also more companies are requiring their suppliers to "document active environmental efforts and reduced environmental impact from their operations." (pg. 6)

All recycling and environmental service companies in the Stena Metall Group are becoming certified according to ISO 14001. During 1996/97, Stena Metall Återvinning, including all its branch offices, was ISO 14001 certified and registered according to EMAS, the European Union's ordinance on environmental processing and environmental audits. Stena Miljö was also certified in 1997. All Stena recycling companies have been certified according to ISO 9002, and it is the Stena Metall Group's goal that all recycling companies will be ISO 14001 certified before the end of 1999.

The primary focus of this case summary is on Stena Gotthard Återvinning, which has 80 percent of the Swedish market for recycling of ferrous and non-ferrous scrap metal, and which was the first division to implement The Natural Step.

B. PRINCIPLE MOTIVATION FOR CHANGE

Competitive advantage is the primary motivation for Stena Metall's increasing focus on environmental aspects. The company contends that competition is clearly increasing in the market for recycling and environmental services because a growing number of industrial and commercial businesses are affected by environmental demands. This includes the demands for processing materials responsibly for reuse, recycling, energy recovery, destruction or storage. As more companies institute environmental management systems such as ISO 14001 and EMAS, they are required to identify their "environmental aspects." Invariably one environmental aspect is how waste is managed.

Peter Jarl, President of Stena Gotthard Återvinning, comments that within a short time, all of Swedish industry will have to look very carefully at their waste products, and no company will risk using a waste management company that is not certified according to the ISO or equivalent standard. "If they deal with a scrap merchant who does not guarantee that they are taking care of those waste products in a proper way, and something happens, and something can happen when you deal with waste such as dead batteries or turnings, the blame goes back to the industry where the products originate. If you did not choose the right scrap merchant, it's your fault. According to market perceptions, it's not the scrap merchant's fault, it's your fault." In this business environment, Stena Metall offers their clients security. Jarl says: "We are in the front line, we can provide this security. We are certified and they know by audit that we are doing the job right." He goes on to note: "Building brand names today is so expensive that you can't afford to have a bad mark against you. You have to pay a lot of money to come back again and prove you're not bad."

The motivation for becoming more environmentally-oriented actually began with the quality movement. During a visit to one of the major steel mills in Sweden in the early '90s, the managing director asked Jarl about Stena Metall's quality control system. The managing director told Jarl about ISO 9000 and indicated that in order for Stena Metall to remain a supplier to the mill, it would have to meet the qualifications of the standard. Jarl tackled the quality standard with fierce determination, and found in doing so that the process improved the profitability of his company.

Introducing ISO 9000 required the company to look through everything that it did and establish full control over every aspect of its operations. Employees were given very clear advice and the authority to act to improve and ensure quality. The company made significant investments to meet their quality objectives. Every employee received training. They established a project team of ten people who received external education to become quality auditors.

Stena Gotthard Återvinning earned ISO 9002 certification in 1994. At that time, Jarl received the first indications of the development of ISO 14000 for environmental management. In the process of making a proposal to the Swedish communication industry the company was asked for its environmental policy. With this new requirement, Jarl decided that it was time to act. He comments: "I had one objective from the beginning: that we should be the first company in the recycling business in Sweden to get third party certification in ISO 14001."

When Jarl made this decision, the ISO standard was only ready in draft form. As there was no standard to follow, he decided to institute an environmental management system based on the standard's draft outline. Once the ISO 14000 standard was completed, Stena Gotthard Återvinning, was prepared to move rapidly.

C. CHOOSING THE NATURAL STEP ("TNS")

As with the ISO 9002 certification process, all employees of Stena Gotthard Återvinning received environmental training. The environmental manager conferred with Peter Domini, who handles communication and innovative projects for the company, on putting together a training program. Domini decided to use The Natural Step because:

“the four System Conditions provide an easy training model. It’s a very easy model to communicate to the staff whatever background they have. The system conditions were very easy. You can link them together with day-to-day behavior. Not only with behavior during work hours, but also in personal life decisions.”

D. TNS INTRODUCTION AND IMPLEMENTATION

Stena Gotthard Återvinning used The Natural Step framework as the basis for their environmental training internally. Training was conducted primarily by 10 in-house trainers who received training from The Natural Step/Sweden. As with the quality process, all employees receive education and apply The Natural Step framework internally to business operations. In addition, Stena Gotthard Återvinning has turned their understanding and use of The Natural Step framework to a clear market advantage. They run a series of seminars for their customers that use The Natural Step framework and that communicate Stena Gotthard Återvinning’s approach to environmental safety. These seminars serve a two-fold purpose: (1) to educate customers, and (2) to emphasize Stena Gotthard Återvinning’s strengths as a secure waste management broker. The company has created a “zero-waste” service that uses the System Conditions as its base to help companies meet changing legal and commercial demands. The concept developed by Stena Gotthard Återvinning is to partner with companies as a “turn-key sub-contractor” that can (1) take total responsibility for the flows of all waste products while guaranteeing minimal disruption to production; and (2) ensure that a company’s waste products are processed in an environmentally and economically optimal manner.

This “total service concept” includes training for customers based on the four System Conditions and the funnel using industry-specific examples that clearly link the concepts to their business. They charge a consulting fee to provide this training service. It is offered only to companies related to Stena Gotthard Återvinning’s basic interests: iron and metals. Stena Gotthard Återvinning continues to use The Natural Step framework as their communication platform with their customers. According to Domini, “If we don’t give them that platform, we can’t communicate. With the platform, we speak the same language, we can always refer to it to indicate the best decisions that are not in violation of the System Conditions.”

E. TNS IMPACTS AND LESSONS

The Natural Step framework has provided the platform for Stena Gotthard Återvinning’s environmental management system and the basis for an innovative customer service approach that is proving very successful. Stena Gotthard Återvinning recognizes that as recently as 15 years ago the waste management industry in Sweden did not give much consideration to environmental impacts; the focus was on making money. Today, waste management has become a vital link for a sustainable society, and environmental responsibility and safety must become the hallmarks of successful waste management and recycling companies. Today, Jarl contends, the recycling business is mainly an environmental business. He points out three major aspects of interest: “first, the recycling business keeps the environment clean by taking care of scrap products and seeing to it that they are collected properly. In that way, the industry protects the environment. Secondly, the resources of the earth are limited, most of the natural resources are limited. Recycling is a strategy to avoid the problem of limited resources.

Through recycling you can use and use and reuse and reuse. Third, is energy conservation. By recycling copper or aluminum, for example, you can save a lot of energy compared to starting from the virgin raw material. For instance, producing steel based on scrap only takes a quarter of the energy that is needed if you produce the steel based on iron ore. If you produce aluminum based on scrap, it only takes five percent of the energy which is otherwise required. In the case of copper it takes only one-tenth or something like that.”

These realizations were not obvious to everyone at first. When he decided to move quickly on ISO 14000 certification, Jarl originally faced some resistance from his board. He notes that it was absolutely essential that he was convinced of the value of taking these steps. Jarl was able to prove the efficacy of the approach. He says: “I would say after a year or so, after we started that project, the situation changed. If you look at our two latest annual reports, we devote two pages to our environmental approach, including The Natural Step. You can see now how the top management group looks upon this change. And there’s no doubt that we think that it is working, that we will be in the front line from the environmental protection and security point of view. And that is part of our business philosophy. Not only am I still convinced, and my organization is convinced. Even my board is now convinced.” Without this top management buy-in, Jarl contends that such new initiatives will not succeed. He comments: “I really wanted it. If the CEO is really convinced, that pushes it through. Because they have the power to do it.”

F. ADDITIONAL INFORMATION

Stena Metall’s annual report is available in English from the company. Useful information in English is also provided on the company’s web site: www.stenametall.com.

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