Processes that Bind

By

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The 'triple bottom line' (1) is rapidly gaining recognition as a framework for measuring business performance.

In its broadest sense, the triple bottom line captures the spectrum of values that organizations must embrace - economic, environmental and social. In practical terms, the triple bottom line means expanding the traditional company reporting framework to take into account not just financial outcomes but also environmental and social performance.

In this paper we will discuss how one company, Fluor, is using the triple bottom line to enhance its profitability, retention of employees and success of its projects. We will discuss the journey the firm is on. A journey with out end as continuous improvement is a key hallmark of the triple bottom line approach as implemented by Fluor.

Sustainable Development and the Triple Bottom Line

Sustainable development’s goal is to “meet the needs of the present without compromising the ability of future generations to meet their own needs.” (2)

The key challenge of sustainable development is that it demands the same focus and management processes that any corporate goal requires while at the same time introducing new thinking and innovative choices to achieve these goals. Said another way, goal establishment alone is not enough, it must be coupled with processes that bind the entire organization to these goals and assure their achievement while providing the commitment to continuous improvement which is a hallmark of successful organizations.

Developments in knowledge and technology contribute to achievement of economic, environmental and social goals consistent with the objective of the triple bottom line approach but at the same time introduce new challenges and require firms like Fluor to
make new choices in the way their operations, services, and activities impact the earth, people, and economies.

**Vision Framework**

The first step in achieving any outcome in business is to have a clear understanding of where you are trying to go. Without it the organizations risks wandering aimlessly and focusing on a series of “flavor of the month” initiatives. This vision of where an organization is seeking to go must be underpinned by a clear purpose and well defined objectives. Finally, it must be clearly and continuously communicated to each of the stakeholder groups it will affect or who can shape or otherwise influence its success.

This vision framework is very much where Fluor starts. It is a vision based on a strong history, strong goal orientation, strong sense of community and a recognition and commitment to continuous performance. It captures who we are and our commitment to both the present and the future.

It is a vision with a clear purpose, communicated continuously in many ways inside and outside the organization to each of the stakeholders in our success. This vision, “to build and sustain the global community and create value for our stakeholders” drives us to implementation of a triple bottom line approach in the activities we undertake every day.

Our objective is as clear as it is well defined: “to create value for our stakeholders.”

This is not an abstract objective but rather one that is further articulated for each of the four stakeholder groups that we have defined:

- Customers –to be our customers benchmark for dependability, expertise and safety
- Employees – to be the employer of choice in the global building and services marketplace
- Shareholders – to consistently deliver superior earnings growth and return on capital
- Communities – to have a positive impact on the quality of life in all communities that we touch

**Process and Metrics – Key to Performance Achievement**

Clearly defined visions are not outcomes in and of themselves. Rather vision establishes broad goals and objectives that must then be incorporated into core organizational frameworks for success. These frameworks require well defined and rigorously implemented processes, measurement and communication systems and metrics to measure performance. These processes must also incorporate knowledge capture and sharing mechanism to reinforce the concept of continuous improvement.

At Fluor, these framework systems as well as our measurement and communication strategies continue to evolve. Each of the sections which follow looks at one aspect of
the triple bottom line and how Fluor as a company is addressing the required process frameworks. Our implementation of a triple bottom line approach does not stop with our corporate performance but rather extends throughout the projects we undertake. Project level performance and implementation is not explicitly addressed here but some highlights have been captured in the accompanying text boxes.

**Triple Bottom Project – Capital Beltway**

As originally conceived the project:
- Cost $2.7 billion that the State of Virginia didn’t have
- Required over 300 properties to be taken
- Added highway capacity without a strong incentive to change travel patterns and reduce long term greenhouse gas emissions from congestion

Fluor’s engineers understood that economic, social and environmental outcomes had to be satisfied in tandem. It was not enough to satisfy any two. The solution, a project and a Public Private partnership that:
- Cost $1.7 billion, including $400 million from the State of Virginia
- Requires less than 10 property takes
- Incentivizes changed commuting patterns and long term congestion reduction

**Triple Bottom Project – Carson Hydrogen Power Project**

Fluor is assisting BP and Edison Mission in designing a first-of-its-kind, petroleum coke-based, commercial-scale power plant in the City of Carson, California. The Carson Hydrogen Power Project will gasify by-product petroleum coke from local refineries to produce hydrogen that is expected, in turn, to generate up to 500 MW of electricity for the state grid. The CHP is a key component of BP’s global carbon capture strategy and its design includes the following significant HSE and sustainability features:
- About 90 percent of the carbon in the feedstock is expected to be recovered in the process as carbon dioxide (CO₂) and then pipelined to local oil fields for permanent storage with enhanced oil recovery benefits.
- A projected 4 million tons of CO₂ emissions per year will be prevented.
- The CHP is estimated to have the lowest CO₂ emission rate in the world for an integrated gasification combined cycle power plant.

**Triple Bottom Project – Oyu Tolgoi Project**

*South Gobi Desert, Mongolia*

Close to the Chinese border in Mongolia, Ivanhoe is installing facilities and infrastructure to mine the world’s largest copper and gold reserves. Fluor is providing program management design, procurement, and construction management.

Project Socio-Economic deliverables led to the development and institution of a comprehensive HSES Intern and Leadership Development Program. Its objective is to provide dual career paths for Mongolian nationals, while also instilling basic leadership and management techniques so that the local project management team can allocate the efficient and economical use of resources to reach mining objectives without incident.
The Economic Bottom Line

Fluor is a for profit company. Its obligations to its shareholders are well defined and well measured by dividends, earnings growth and share price. Fluor’s vision recognizes its commitment to this stakeholder group by establishing the broad goal “to consistently deliver superior earnings growth and return on capital”. But to be achieved on a continuous basis requires a set of framework processes that run throughout the entirety of the organization each and every day. It is not a case of merely taking a quarterly snapshot of where the organization is and reporting it but rather much more about making the decisions which will guide us to the desired outcomes.

Many management processes act together to deliver the economic bottom line. These processes range from structured reviews, tiered approvals, frequent trend reporting, disciplined contracting practices, audit and SOX processes (3) to aggressive risk management. Let me use just this last process as an example of a core process that runs through Fluor’s day to day operations.

The Fluor Business Risk Management Framework (BRMF) is a formalized and systematic process for assessing, managing and monitoring Fluor’s business risks (both project and non-project related risks). This process is an integral part of the Fluor work process and the way we manage our business. The Fluor business environment necessitates the proactive understanding and management of risk in a manner that maximizes the achievement of objectives, promotion of opportunities, and assurance of appropriate returns. By design, the BRMF process is not intended to be a one time event but rather it is an on-going process that is updated on a periodic basis.

This process begins at the outset of any activity (decision to pursue a project) and continues throughout its entire lifecycle (submit proposal, sign contract, periodic and event driven reassessments, closeout). It is part of the firm’s day to day vocabulary, its various processes rigorously implemented, and metrics established to assess and manage anything which may act to impact our economic bottom line. As in any well developed process it incorporates continuous improvement as a core process element.
The Health, Safety and Environmental Bottom Line

For Fluor, our second bottom line extends well beyond the environmental bottom line suggested by the triple bottom line philosophy, encompassing safety and health in addition to environmental performance. The HS&E bottom line for Fluor builds upon our historical commitment to and leadership in safety achievement. That commitment has led us to establish an aspirational goal of zero incidents while moving progressively in that direction each and every year.

Fluor’s initial commitment to safety was driven by both the importance we placed on the well being of our employees as well as the recognition that accidents disrupted construction execution efficiency and therefore impacted the economic bottom line as well. These were the reasons that we started every meeting with a safety topic.

Historically, OSHA safety standards provided a defined framework for monitoring and reporting performance. Today, however, the requirements of a successful business move well beyond the processes and standards required by external parties. At Fluor HSE is a corporate value and a condition of employment. We believe that no job is worth a loss of life or injury and that health, safety and environmental issues can be managed. In fact good management of these issues further supports our economic bottom line.
We believe that ZERO IncidentsSM is an attainable objective. Over time our safety processes expanded to cover the full range of health, safety and environmental aspects that we encounter in our day to day activities and the implementation of our projects. Our HSE process exists to protect people and property; protect our environment; and avoid loss. Some of the techniques we use are shown in the following figure. At Fluor, this second bottom line is not an afterthought.
The Social Bottom Line

The third bottom line of the triple bottom line philosophy deals with the company’s broader interaction with and direct and indirect impacts on society. Of the three bottom lines this is perhaps the one which is evolving most rapidly both in terms of process as well as measurement and communication. Unlike the first two bottom lines, the range of aspects covered by this area does not lend itself readily to the reporting of a small set of statistics.

To compensate for this difficulty Fluor has adopted a multiplicity of processes and a two prong approach to communicating progress – one internal (Fluor intranet) and the second external (Fluor.com). Let’s start however by defining the range of aspects covered by this third bottom line and some of the ways a company like Fluor can perform for success.

The social bottom line at Fluor can be seen as having the components outlined in the insert below. This list is not all inclusive and continues to evolve as Fluor continues its journey in this regard. Many of the community involvement aspects are channeled through the Fluor Foundation, providing a structured framework for evaluating and prioritizing efforts in these areas. The other aspects are incorporated into several of the firm’s basic work processes.

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Let’s look at these in turn and see how Fluor is responding for effect.

Community Involvement

1. Contributions & Employee Giving

The Fluor Foundation was created to help fulfill Fluor’s philanthropic goals, focusing on four areas of giving: education, health and human services, culture and arts, and public and civic affairs. The Foundation began with a budget of $19,000 with which to fund various organizations in eight Fluor office communities in the United States.
Today, Fluor and the Fluor Foundation contribute approximately $6 to $7 million to educational and community organizations throughout the world. Since 1952, Fluor has donated $125 million in 17 countries.

Fluor held its first Charity Drive in 1949 with employees raising $12,000. Employees have continued this tradition by organizing annual United Way campaigns in North America. Through the United Way’s Make-A-Difference program, employees pledged contributions of $2.8 million in 2007 and this will be matched 50 cents to the dollar with the company contribution of $1.4 million.

2. Volunteerism

Fluor is a pioneer in corporate volunteerism with its first employee volunteer team, the Fluor Community Involvement Team (FCIT), formed in 1976 in Orange County, California. Today many FCITs exist throughout the United States while similar employee volunteer teams have been established at international locations. Employee steering committees and team leaders guide the activities as well as select and plan volunteer projects. On average, FCIT and other volunteer teams participate in 10 to 15 projects annually at each location.

Annually, Fluor employee-volunteer teams combine to carry out a Global Service Project: Building Futures. Employees at locations worldwide select schools and youth organizations, providing backpacks filled with school supplies while also assisting schools with facility renovation and other needs. More than 7,000 backpacks are provided annually to children in such countries as China, Chile, Mexico, Peru, the Philippines, the United States and Trinidad.

3. Educational Outreach & Scholarships

Fluor invests in local universities to ensure that future generations of capable engineering resources will be available. Fluor has university partnerships (through the Fluor Foundation) in countries such as Kazakhstan, Chile, Poland, the Philippines, South Africa, the United Kingdom, the Netherlands, Canada and the United States.

Diversity and Inclusion

To remain competitive in the 21st century global marketplace, our workforce and our supplier base must encompass highly talented and dedicated professionals from many different cultures and backgrounds. These diverse perspectives and wide array of contributions are critical to developing solutions that meet our clients' needs and exceed their expectations.

Being dependent on a non-diverse supplier group is contrary to our values and could cause us to miss great opportunities. Minority-owned businesses, small businesses, disabled-owned businesses, tribally-owned businesses, woman-owned businesses - each of them brings a unique perspective that can help us enhance our services to our clients. Fluor proactively reaches out to expand our involvement with diverse suppliers.
and contractors around the world and measures progress through SCORE! (Supplier and Contractor Online Registry E-version.)

Today Fluor operates from 25 major offices on six continents in addition to countless project offices around the world.

**Integrity**

Fluor Corporation is a global leader in battling bribery and corruption that unfortunately still permeate some portions of the engineering and construction industry. The firm has played a major role in developing a proactive global anti-corruption initiative and implemented an effective Export Compliance Program.

All employees, excluding craft, participate in mandatory ethics training and certification.

**Sustainable Development**

The case for managing sustainability is highlighted in a recent investor survey. In that survey, the researchers asked portfolio managers how important the factor of social responsibility (another term for sustainability) is when making investment decisions. The researchers found that “public companies typically cannot expect to receive undue support or investment interest that is linked explicitly to being a socially responsible firm. Rather, it is the ability to provide reassurance on this matter that is important. What social responsibility can do is help reinforce confidence in a company’s intrinsic worth as an investment and serve as a bulwark to building faith in management’s credibility.” (5)

Fluor chairs the Construction Industry Institute’s (CII) Sustainability Community of Practice, a group designed to share knowledge and experiences related to sustainability in design and construction.

In addition, Fluor is a member of the CII research team for *Sustainability in Design and Construction*. By mid-2008, the research team will have generated a primer on sustainability opportunities on industrial construction projects and selected case studies that evaluate the net cost and benefits of the various opportunities.

**Craft Training**

Moving a qualified workforce into a community and later removing that talent is not only an expensive way to operate, but is also short-sighted.

Training individuals from the local community makes more sense and, after the project is finished, a motivated workforce remains behind to provide the facility with operations and maintenance labor or to employ their craft elsewhere in the community. Over the past 25 years, Fluor has trained approximately 500,000 craft personnel across all trades and in most continents. This unparalleled capability allows us to:

- Optimize the use of local resources
- Improve worker qualifications and therefore improve project quality
- Reduce turnover and absenteeism, resulting in increased productivity
- Promote sustainable community relations
When a project returns us to an area, Fluor is looked upon as the employer of choice.

**With Success Comes Responsibility**

Fluor strives to become increasingly effective in performing its global responsibilities, proactively addressing many of the relevant and vital issues that confront today's world. From the workplace to the natural environment, from the corporate boardroom to the community school, Fluor Corporation and its people go beyond legal requirements and traditional practices to do business in a socially, economically, and environmentally responsible way.

Key to our efforts are our vision and commitment and the processes that bind each of our bottom lines to what we do and accomplish every day.
References


