



COVER STORY

Green Arthritis

Environmental progress has become ossified, as the major actors replay the battles of the past: Environmentalists persist in seeing old problems as continuing crises. Regulators still triumphantly announce new enforcement actions. And industry touts sustainable development while continuing mostly to seek simple compliance

RICHARD MACLEAN and FRANK FRIEDMAN

If the environmental movement in the United States were a person, she would be world famous and rightfully proud of her achievements. But a close look would show that the Grand Lady has grown old. The new kids in Europe seem to be drawing all the attention. Her friends from her youth, in industry, government, and NGOs, whisper that she isn't what she used to be. Until a few years ago, she was vigorous; now she is feeble. She seems afraid to travel outside her familiar old neighborhood and, indeed, can move forward only with difficulty. Is it time to buy her a walker?

She could respond that things are different now. Without the constant crises of her younger years, she doesn't need to be as active. But most would shake their heads. They are worried that her unwillingness to stay in front and point the path to further progress comes at the worst possible time, when significant global concerns loom and her long experience and unparalleled expertise would be so valuable. They are right.

Is her arthritic condition curable? We think so, but it will require a combination of leadership and courage from every sector involved. The lack of leadership is primarily from the most needed actor, the national government, where all one now sees are preoccupied Executive agencies and a cranky Congress. But business also bears responsibility. So do the environmental groups. As a result, American society, in the lack of clear direction and the absence of a crisis du jour, has responded by not responding. Today, there is little left of the citizen commitment that was so prominent following the first Earth Day. People may talk about the importance of the environment, but as their daily conduct demonstrates, they don't actually hold an environmental ethic, particularly if it may cause them personal inconvenience or expense.

Our criticism is strong (it will look to many as if we have taken the Don Rickles approach and insulted everyone) but we think it is valid. In essence, our premise is that the main players — government, the environmental groups, business and, of course, citizens — are mired in the mindset that developed at the beginning of the environmental movement and are unable to deal effectively with today's issues, and their possible solutions.

A large part of the problem comes from the fact that, today, the regulatory system is environmental protection, at least to most players. After 30 years, construction should have been finished and the mortgage paid off, they seem to think. Time to relax and let the system take care of itself, except for a little maintenance here and there. This is the house that the Grand Lady lives in.

But the neighborhood has changed over time, and today that system has become rigid and limited, discouraging flexibility, and inhibiting innovation. Even worse, it has become evident that this framework, built by jerry-rigging new parts in response to new needs, has become unwieldy, unstable, and just plain old rusty to the point of imminent collapse. Something must be done; the question is what.

Terry Davies, a senior fellow with Resources for the Future and former senior EPA official, summed up the situation well when he wrote that "much of the current control system is not working. No one can understand or make sense of the laws and regulations, cooperation is required from too many actors, and the whole structure is Kafkaesque. . . . Both the environmental and business communities have hunkered down to defend the status quo."

In this article, we lay out some suggestions for EPA and the environmental community to address Green Arthritis, but we focus prima-

rily on the area we are most familiar with, industry. We have put forward a six-step approach that begins with an evaluation of the possible competitive threats and opportunities facing business, moves on to an evaluation of internal corporate resources, and concludes with the creation of a supporting climate within the firm for innovation. We could write volumes on the details of how to move companies forward, but we have limited our discussion to the essence of why a fundamentally different approach is needed by industry to cure its case of Green Arthritis.

You do not need a doctorate in political science to recognize that managing the flow of information is a major factor in controlling political, social, and economic outcomes. Over the 30 years since Earth Day, the spread of democracy and communications tools such as the Internet have helped to create an abundance of environmental information. But this information is often contradictory. One sees a bewildering array of messages spanning the gamut from enormous progress to a society self-destructing.

As a result, the public has difficulty sorting fact from fiction in this confusing landscape. Jonathan Rauch described this situation perfectly in a recent column in the *National Journal*. Since 1970, "sulfur dioxides and carbon monoxide are down by two-thirds, nitrogen oxides by almost 40 percent, ozone by 30 percent; lead is effectively banished. In the cities, unhealthy-air days are down by more than half, just since 1988. Releases of toxic materials into the environment have declined 42 percent since then; soil erosion falls by almost 40 million tons a year."

Yet, he notes, a recent poll by Environmental Defense found that 57 percent of adults said that U.S. environmental conditions are worse today than 30 years ago, and 67 percent agreed that "despite the Clean Air Act and Clean Water Act, air and water pollution

seem to continue to get worse." Rauch concludes that such ignorance of the facts prevents Americans from concentrating on the most significant threats, particular those that affect the entire planet.

The public is not the only perplexed part of society. Regulatory agencies have not responded well to changing conditions to focus our resources on the most pressing issues. Even defenders of the current system admit that it is inflexible, shortsighted, and inefficient. As Dan Fiorino, an EPA division director, stated, "Much has been made of the 'reinvention' of environmental regulation in the 1990s. However, nearly all recent efforts to reinvent environmental regulation in the United States have come to little more than a tinkering with specific elements of a highly complex system." As a result, the agency continues to use its strict command-and-control hammer to pound down emissions from the sources that have already produced the dramatic reductions cited by Rauch, while failing to provide the flexibility that would encourage innovations from industry that might produce further improvements at far less expense.

EPA may be faulted for a lack of leadership in this area, but ample fault can also be found in Congress and at the presidential level. Government responds to crisis, and without a crisis, real or perceived, there is little incentive for leadership. This is particularly the case if efforts to make changes will be met with political firestorms.

The EPA budget is part of an appropriations process that includes many other agencies and thus rarely gets the kind of attention it should. Further, with the diverse number of constituencies that have a stake in the status quo, it is hard to look at priorities — just as the defense budget process makes it extremely difficult to close unneeded bases. As noted by Michael Lyons in the September issue of *ELR News & Analysis*: "Environmental agencies may appear to be ineffective, but they are being asked to do the impossible. They are caught between uncompromising interest groups that voice unreasonable demands;

*... Meanwhile,
perplexed
citizens recycle
newspapers in
the hopes that
they are
offsetting the
pollution effects
of their sport
utility vehicles*

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a policy technocracy that inconclusively debates risks and standards; and a Congress that establishes unrealistic goals, mindlessly proliferates mandates, and yet reserves most of its budget for higher political priorities such as entitlements."

Indeed, the major statutes EPA enforces, primarily the Clean Air Act and Clean Water Act, leave it little authority to tackle those areas that remain substantially unaddressed, such as nonpoint sources. And nothing in EPA's arsenal allows it to confront the profound problems that offer the most significant threats: global warming, biodiversity loss, and persistent organic pollutants, to name just a few.

Nonetheless, there is much the agency can do using the authority it possesses to refocus on the most important threats within its legal jurisdiction, including closer coordination with the states, who carry out most of its programs and possess their own authorities to handle many problems insufficiently addressed by federal laws. And there is a lot that EPA can do to streamline and rationalize its regulatory system so that industry can concentrate on environmental protection rather than environmental paperwork. But is there motivation for change at EPA?

Unfortunately, a major barrier to reexamining the nation's approach to these issues is the lack of political advantage in pressing the public to deal with the remaining problems. Yes, there are still too many people who have significant breathing problems and there are many rivers that have not reached the "fishable" and "swimmable" goals of the Clean Water Act. But, these issues are nowhere near the crisis levels that led to our current federal environmental laws. Why continue to expend an inordinate amount of precious political capital on these issues, when others are so much more important?

A complicating factor is that many of the remaining issues are societal issues without

clearly identified offenders. For example, the multi-stakeholder group that produced the 1991 report *Water Quality 2000* concluded that the primary remaining problems are nonpoint sources. True, the federal Clean Water Act gives EPA little authority to regulate nonpoint sources, but many if not most of the states have substantial powers in this area. Yet, the vast majority of water enforcement efforts are still devoted to point sources, a more visible and less politically inflammable target. It would appear that "no crisis, no deep pockets, no photo-op" equates to "no problem."

Could this failure to develop measures consistent with the new realities be self-interest? For instance, most regulators, despite protestations to the contrary, continue to be suspicious of management systems as a vehicle for environmental compliance. Senior EPA staffers grew up with the traditional means of controlling pollution. After 30 years of federal environmental law, there has to be significant progress, but you won't find it in the words of many federal regulators. In fact, much of this progress is the result of increased efforts by businesses to manage their environmental af-

airs better, including process changes and other pollution prevention activities, programs to achieve beyond compliance results, and of course environmental management systems.

But EPA continues to focus on the few bad corporate apples and questionable indicators of performance such as "significant" violations, defined very broadly. As Eric Schaeffer, director of the Office of Regulatory Enforcement, noted at a recent American Bar Association meeting: "EPA's docket is full of cases involving prominent companies that have sophisticated management systems and terrific codes of behavior written into their corporate policies and posted on their walls."

In other words, despite the

huge improvements in air and water quality and other environmental indicators, from EPA's standpoint there are still too many "significant" violations, and there continues to be a strong need to monitor state regulatory systems. Is there some effort here to justify ap-

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appropriations (and jobs)? Would a study of what is defined today as "significant" reveal substantial differences from what was earlier defined as "significant?" Enforcement on the federal level was separated from policy during the Clinton administration. Is enforcement (as opposed to compliance) becoming an end instead of a means of implementing policy?

Further, while there may be some state programs that are not adequately implementing federal programs or enforcing the law, does this justify all of the resources in EPA's extensive regional offices? Clearly, such offices were necessary in the early days of federal environmental law, when strong state programs were few and far between. Is this necessary today or should some of these people be delegated to the states? As noted by Christopher Tolute, the Washington representative for the Environmental Council of the States: "During the 30 years since the birth of the current environmental system, one factor has changed considerably — the willingness and capacity of states to provide environmental service. About 74 percent of all major federal environmental programs that can be delegated to states for day-to-day management have been delegated. In fact, in 1993 only about 40 percent of these programs had been delegated. . . . From 1986 to 1996, state spending on the environment increased by 140 percent."

To be fair to EPA, it is difficult to change paradigms when partisan politics demand simple numbers to describe progress to their constituents. It is easier to count legal actions than to measure environmental quality. Robbie Roberts, the executive director of ECOS, best characterized the issue of numbers: "Drawing conclusions about the state of the environment from the number of enforcement actions [is] like estimating how many high school students understood Shakespeare by counting the number that had been expelled from English class."

EPA is attempting to devise performance-based measures to replace traditional beans. But as George Hawkins, an EPA attorney who

worked on Vice President Gore's national performance review, has noted, "Debate about the effectiveness of different types of actions is hampered by the difficulty in measuring the consequences of such actions in environmental terms. Until these measures are understood, it will be too easy to judge EPA by

counting enforcement actions taken and harder to justify other problem-solving actions that are designed to eliminate the causes of environmental harm."

EPA is also trying to reduce regulatory burdens by developing a performance track that encourages progress by rewarding environmental leaders. But as Elliott Laws, now Texaco's president for safety, health, and environment, noted in the November/December 1999 issue of *The Environmental Forum*: "Our current regulatory system, which is based on our traditional ethic of environmental protection, is not designed to promote or support a performance track system. It is questionable whether the system can even allow it."

EPA is now looking at a comprehensive rulemaking to provide real incentives for companies to participate in a performance track. No doubt this will not only be very controversial, but also very risky for the regulators. If somehow, someday, somebody beats the system, regulators will face the wrath of the politicians. There is little incentive for making changes that could be perceived as weakening regulations or gutting enforcement.

For environmental groups, there is almost no motivation to trust the agencies or businesses. They see little value in saving a company time and money — or in many cases, even acknowledging that it is doing a good job. After all, these same groups may have to attack these same companies some day. Indeed, the public's perception of a health crisis or lax government enforcement helps justify the need for these groups and stimulates needed funding. Organizational

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viability for much of the environmental community is based on fund-raising, and it is more difficult to raise funds without a crisis, real or perceived.

Increasingly, environmental activism is a grassroots effort, with strong national and international networks rising, aided by the Internet. While many of the national groups are trying to focus on longer-term issues, they are also facing accusation of "sell-outs" by local activists. This perception is aided and abetted by the environmental justice advocates, who have made permitting and siting a civil rights issue.

For many of these groups, the perception of the evil corporation or the evil state has become a necessity. This is not to deny that there should be concerns about the impact of highly contaminated areas on health. And yes, it was easier to site higher polluting operations in low income areas, which are often dominated by people of color. However, the perception that people will not be protected by either the state or the corporation encourages automatic rejection of industrial development.

This has the perverse impact of encouraging companies to move to greenfield areas, where there are often procedural safeguards that allow the permitting process to continue even in the face of local opposition. Of course this also removes the potential jobs that might have been created in the lower income area. The new draft civil rights guidance, which addresses environmental justice issues where federal funding is involved, such as state permitting, appears to deal with this concern of procedural certainty, but it is too early to tell.

The in-your-face pollution issues of the past could be solved by a regulatory system requiring emission control devices on process equipment and cleanup standards for contaminated sites. The new generation of issues cannot be addressed with these same remedies. How well will environmentalists adapt to these new realities? Beating up the usual suspects may raise funds, but does it really solve problems that are more intricately woven into our societal fabric?

The World Trade Organization protests last year surprisingly provide a welcome suggestion that the environmental community is beginning to see the larger picture. Indeed, to their credit, as early as the 1980s some in the environmental community had begun to focus on longer-term, potentially more severe issues. The protests demonstrated fundamental concerns about how nations (or their sur-

rogates) govern and trade in a global market, and the direct and indirect impact on the environment without input and equal participation by those affected by their actions.

Without necessarily appearing to support the actions of the protesters, we can certainly state that we share their central concern. The issues raised by a growing global market go beyond the death of endangered sea turtles. Unfortunately, the utter weirdness of some of the demonstrators and the reckless property damage that attracted the media attention in Seattle made it all too easy for business managers to completely ignore the seriousness of the underlying messages. The environmental impact of international development can't be addressed with simplistic solutions like packaging your products in recycled paper. And even more significantly, the systems issues created by a global market can impact everyone along the supply chain.

The WTO protests were a start, but the jury is still out on whether environmental organizations will form a cohesive front to tackle the fundamental societal issues at the root of the problem — or instead resort to the familiar route of crisis and criminal de jour. As Robert F. Kennedy Jr. has noted: "There are times, of course, when companies deserve bashing. But platitudes will not save the world's remaining rain forests. We need a more sophisticated approach, one that will allow us to negotiate with those corporations willing to commit themselves to the highest environmental standards. The problem, after all, is not caused by U.S. corporations, but by government decisions driven by a complex cycle of debt, poverty, and growing population."

Insightful words, but difficult to take forward. For example, the Sierra Club experienced its members' wrath when it tried to tackle population growth and immigration. The club's retreat from these issues and the unspoken failure of environmental groups in general to help create a true environmental ethic — right now, it appears to be, "regulate business, but don't interfere with our lifestyles" — is just another sign of Green Arthritis.

Viewed by the metrics that business executives track, the environment has never been better. Compliance has improved and emissions are down. However, in feeling satisfied with this status, most companies are operating with an eye on the past; they are still flush from the successes

Green Arthritis — Or Growing Pains?

Environmental progress. Are we making headway or are we stalled in old patterns, as Richard MacLean and Frank Friedman claim in their article “Green Arthritis”? Let me say from the outset that I don’t entirely disagree with many of their points. We may be moving slowly in developing innovative solutions for increasingly challenging environmental problems, but are we really ossified or hopelessly stuck in the past? I don’t think the prognosis is quite that bleak. And while it’s true that we’re hardly on the brink of an overnight cure for the growing pains of the new environmentalism, I’m a little more optimistic that we are moving in the right direction and making steady progress.

It’s no secret that there is broad support for overhauling our current system of environmental protection. We have to reorient our traditional focus from single-medium, single-statute environmental problems onto next-generation problems, like non-point source pollution and climate change. But there’s little consensus on what the system of the future should be. Given the nature and intensity of disagreement in this area, prestigious groups like Enterprise for the Environment and the National Academy of Public Administration concluded that incremental change is probably the only course for the foreseeable future. And we are seeing some important signs of change.

We see evidence that American businesses are looking at their environmental responsibilities in a new way, and more companies are weighing in with increasingly better environmental performance. Companies like Dow Chemical are voluntarily moving beyond simple compliance to find ways to lessen their entire environmental “footprint” and be better corporate citizens. Dow’s Midland, Michigan, plant joined forces with the Natural Resources Defense Council in an innovative pollution prevention project which reduced air

emissions and wastes by 35 percent. The concept and practice of “environmental stewardship” is starting to gain traction, moving from the realm of think tanks to progressive industries and select programs in federal and state governments.

At EPA, we are also moving forward, but it’s true that we remain focused on writing and enforcing regulations. Regulation and enforcement are likely to continue as the foundation of environmental protection, but we are well aware that we also need new strategies to attack new problems. We have to find ways to motivate better performance and prevent pollution in the first place.

We have to work with and listen to stakeholders, try new approaches, and evaluate the lessons learned from those experiments.

I think we’ve made a good start. We’ve been talking with our partners in the public and private sectors. We’ve found that there are good actors out there — businesses showing real leadership in environmental protection — and we are rewarding them with incentives they have *earned*, like recognition, regulatory flexibility, and administrative streamlining. We are developing ways to showcase their innovations as models that other companies can emulate.

Many of our 50 XL projects — which offer regulatory flexibility for beyond-compliance behavior — are already bearing the fruits of better environmental results at lower cost over the long term. Our facility-wide emissions cap project with Intel Corporation and the Arizona Department of Environmental Quality resulted in air emissions well under the limits for all applicable pollutants and millions of dollars saved in production delays that would have been caused by individual permit reviews. Likewise, our National Environmental Performance Track, just launched in June, has already gotten off to an impressive start with a good number of companies eager to demonstrate how they are ex-

ceeding regulatory requirements. Nearly 250 facilities have submitted applications documenting environmental protection beyond what is required in their permits, and making specific commitments to do even more.

But our ability to transplant and grow those advances remains constrained until innovation becomes a full and equal partner with EPA’s traditional role as regulator and enforcer. Testing new approaches and expanding those lessons into full-scale operation must move onto center stage. Our historical role as the chief agent of environmental protection is changing; the regulated community and the public are increasingly major players in societal and environmental decisionmaking. We need more concrete strategies and specific proposals for innovation from the states, non-governmental organizations, communities, and business. We need better tools that make use of new information technology, market incentives, and more sophisticated science. And finally, pollution prevention and an ethic of sustainability must continue to push us beyond sole dependence on traditional regulatory controls.

So is the prognosis quite as dismal as the “Green Arthritis” authors think? While I agree that some of their conclusions are valid, I remain more hopeful. My prescription is to put more energy and emphasis on innovation, so that we can anticipate and keep pace with the changes in the global marketplace and the global environment. The business community needs to stay engaged. We need sustained support from Congress and new legislation to tackle tomorrow’s complex environmental issues and to fully operationalize innovation. And we need continued commitment in the next administration. To solve the complex problems of the future — to move forward — we need far more attention, dedication, and resources focused on finding new approaches. We won’t do it using yesterday’s tools alone.

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Richard T. Farrell

in meeting the regulatory challenges of the 1970s and 1980s. The new global environmental dynamic, however, remains an enigma to business. While they talk of sustainable development, most firms continue to deal with the environmental issues that impact the next quarter. For industry executives maintaining the status quo is the preferred strategy. Environmental issues are almost always framed in the context of regulatory compliance and public relations; to take further action is a cost sink. If compliance is good, emissions are down, and the public is calm, why change?

Surprisingly, in such an apparent calm, the environmental managers who are charged with the responsibility of keeping things under control are stretched and stressed. The reason is that, with their success over the years, and thus the cessation of crises, the environmental function within corporations has become just like any other function: it receives the resources it needs, or can justify, to accomplish its basic goal, but no more. Just as the MIS department of a corporation would not be funded to buy computers the company does not demonstrably need, the EHS department does not buy beyond-compliance activities.

Beginning in the mid-1990s the hands-off treatment of environmental programs came to an abrupt end. In an increasingly competitive business world, environmental departments have been subjected to the same brutal scrutiny and cost-cutting as any other department. Proactive programs such as pollution prevention have reaped the low hanging fruit and have become mere maintenance efforts. Programs have matured to the point that many can be outsourced entirely or grouped into internal "shared service" departments competing with external service providers.

The movement to consolidate or outsource all staff services comes at time when environmental activities are often viewed narrowly as legal and public relations functions. What is the strategic value difference between the accounts payable group and the environmental services department? To some top managers, very little. For environmental concerns, attitudes and perceptions matter. Indeed, they can drive the effort for better or worse. For example, the formal policy of "compliance" appears in some companies to have been replaced with an unwritten policy of "no major non-compliances" — a subtle yet significant shift.

Environmental department managers in industry usually remain on the perimeter —

behind a Green Wall, to use Robert Shelton's phrase. They are viewed as the problem fixers, not the strategists; the regulatory cops, not the visionaries. Environmental managers and particularly middle managers are understandably worried. They are specialists in a relatively small niche that, for the first time in two decades, is not growing any larger. They have become labeled as service providers, and find it difficult to compete head-to-head with candidates in other professions seeking mainstream management positions.

The impact on environmental professionals has been subtle, not even noticeable to many business managers. What we have seen is a growing reluctance on the part of environmental managers to push forward bold new ideas at a time when industry is facing more profound (but also more subtle) environmental challenges than it did at the time of the first Earth Day. Budgetary strangulation and personal worry have narrowed the focus to compliance, public relations, and incremental improvement. The environmental manager is driven into a maintenance and service mentality. Green arthritis has become endemic.

The bottom line is that the environmental management processes used by many companies today are inadequate to examine emerging issues that may have a profound impact on their long-term profitability. Just as the agencies and environmental groups continue to focus on the old paradigm of the crisis du jour and punishing the culprits, companies are looking at a narrow view of their environmental obligations.

But enough of this negativity. We recognize that the preceding message comes across as uninhibited organization bashing. Yes, it can be described as decidedly unbalanced, unfair, inadequately supported, and would never hold up in court. The positive things that organizations have done would take volumes to describe. But, this is the proverbial 2x4 in the face, not the gentle wake up call.

What we sense, and what we are attempting to convey to you, the reader, is that there is a complex mix of organizational and personal agendas in play today in the United States that, taken in total, lead to Green Arthritis at nearly every level. We are facing a rampant case of incrementalism, taking one small step at a time, rather than erecting esca-

Not Ossification, But Stagnation — In Congress

The assertion that environmental laws and policies have stagnated would hardly come as a surprise to veterans of the skirmishes over the past several years on Capitol Hill. It was of course the Congress that launched America's environmental era with passage of the landmark statutes in the 1970s. And it is the failure of Congress to legislate on today's pressing environmental problems, or even to take on long-overdue reauthorizations, that has slowed the continuing evolution of environmental laws and policies.

In past years, legislation to update existing environmental laws and craft new ones to address emerging problems continually spurred evolution in the field. The Clean Air Act and Clean Water Act were comprehensively revised and amended in 1977. Superfund was created in 1980 to clean up hazardous waste sites, followed in 1984 by amendments to the Resource Conservation and Recovery Act launching a hazardous materials tracking system. Two years later, Congress passed amendments dramatically strengthening the Safe Drinking Water Act and approved a major reauthorization of the Superfund law, followed by the 1987 Clean Water amendments. Then Congress approved probably the most sweeping environmental law ever, the 1990 Clean Air amendments, which established wide-ranging programs to reduce acid rain, smog, and toxic air pollution and phase out ozone depleting chemicals.

These laws, and the extensive hearings and debate which accompanied them, gave rise to a broad range of innovative approaches to environmental protection. Among the most important were: technology-forcing standards to spur innovations in pollution control technology; joint and several liability to promote hazardous waste cleanup, self-reporting permits and citizen suits empowering the public to enforce

pollution laws, the right-to-know law, and the cap-and-trade system to reduce sulfur dioxide emissions.

But it has now been years since Congress sought to change environmental policy in a major way outside of the budget process. Most telling, Congress has not successfully reauthorized a major environmental statute since a frantic scramble for green cover in the final weeks of the 104th Congress produced amendments to the Safe Drinking Water Act. With the exception of an earnest effort to reauthorize the Superfund law, the current Congress did not even hold serious hearings on proposals to update environmental laws.



Gregory Wetstone

Of course, environmental progress is not entirely dependent on congressional action. A number of states, most notably California and New York, have moved forward on their own with major new initiatives to protect watersheds, reduce pollution, and fight sprawl.

And federal agency initiatives to fill the legislative void have produced unprecedented progress. Most notable in this regard are a major restructuring of the Superfund program, invigorating the pace of cleanups, and an on-going effort to fundamentally change the mission of the Forest Service to embrace ecosystem protection.

There are private-sector examples too, especially on global warming, where many leading companies have gotten well in front of the Congress by embracing the need for action, and committing to specific emission-reduction goals.

But the most sweeping programs and innovative policies, and the greatest boosts to national creativity in the private and government sectors, have typically accompanied federal legislation, especially the crafting of new programs to address emerging problems. The big enchilada now of course is global warming. If, over the past several years, Congress had been seriously pursuing ways to dramatically reduce green-

house emissions in an economically attractive fashion, and bringing key players from the private sector, academia, and the public interest community in to testify about proposed legislation, the result might well have been enactment of an effective program unleashing the creative energies of the private sector to reduce greenhouse emissions. Such a measure could have spurred innovation and growth in a myriad of sectors, including the development of energy efficient products and processes and ways to produce cleaner energy. There would be little talk about ossification in the environmental field in the wake of such an initiative.

Unfortunately, however, Congress's focus has been less on grappling with global warming or other important environmental problems than on how to promote a controversial, environmentally destructive agenda without public scrutiny. Congress has come to rely upon budget riders as a wholesale substitute for the usual lawmaking process. In the past four years, more than 100 riders have been sent to the president's desk on issues ranging from wetlands protection to air pollution to forest policy to drinking water standards.

This shift away from the Congress's usual process has not only left behind such fundamental elements of democratic lawmaking as public hearings, open debate, and public votes on environmental policy changes. Also lost are the continuing infusion of new ideas, approaches, and incentives that emerge from the crucible of Congress's major environmental policy reviews. The time has come to recapture that energy and creativity in a serious effort to grapple with today's most pressing challenges: global warming, urban sprawl, the ecological buildup of persistent organic pollutants, and agricultural and urban runoff. Bringing the democratic process back to environmental policymaking would be a good way to begin.

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lators and running up them to the levels where the big problems are. Everything is relative, but what is alarming to us is the gap between what could be accomplished and what is actually being done today. No one is at fault; we are all at fault. It is time to deal with it openly.

Any student of emerging global issues recognizes that the environmental problems are more significant than the narrow concerns such as urban sprawl that dominate the public's attention. Environmentalists claim that the sustainability of life in earth is at stake. They may or may not be correct. But what we can say with certainty is that the indicators point to a transition to something very, very different. Incrementalism is not an acceptable solution.

Global issues such as biodiversity loss, collapse of fisheries, accumulation of persistent organic pollutants, and climate change are very long term and very difficult to resolve. As someone once said, "There is no reset button on Mother Nature." We had better be right about what we are doing today. There is, however, no sense of urgency for tackling volatile issues with lengthy gestation periods, especially for political leaders of a population that is doing quite well, thank you. It is all too easy to deflect and direct accountability for problems dispersed globally.

The consequences of this past decade of stalled progress in the United States are only just now beginning to manifest themselves — not as a new environmental crisis on the evening news, but as a very subtle loss of leadership. As Paul Hagen wrote in the July/August issue of this magazine, "The United States is slowly ceding leadership on important international environmental issues to other nations. In the process, our ecological and economic interests are increasingly at risk."

Nothing to get the public excited, but the long-term consequences are more important to the average citizen than Love Canal. Hagen has raised a critical issue. As he observes, the key missing component is *leadership* and the key element at risk is our *economic interests*.

In these confused times, where is the leadership? Where are the new ideas and creativity coming from? Not from the United States. For example, in a recent research program by Competitive Environment, Inc., on sustainable development metrics, we identified the key players that are shaping the landscape. The vast majority are European or Canadian-based organizations. Senior environmental professionals who have lived with these issues over the past 30 years express a similar view: the United States is not where the action is. As Leslie Carothers, vice president for environment, health, and safety at United Technologies Corporation, stated in her column in a recent issue of *The Environmental Forum*: "Today the most aggressive — even provocative — proposals are sprouting from Brussels and member states of the European Union." Humorous, but the implications to U.S. industry are not very amusing.

The Democrats have claimed to be the environmental friendly party, but what have they delivered over the past eight years *relative to what this country is capable of achieving*? Environmentalists grew disenchanted early in the Clinton administration after their expectations for major new initiatives never materialized. Blame it on the Republicans in Congress for undermining progress? Possibly, but much of the pro-gress over the last three decades has been a result of initiatives under Republican administrations.

The lack of environmental leadership is about as subtle as tropical deforestation, and raises about the same level of interest in the general public. But both have far reaching consequences

to that average citizen, because of the what Hagen identifies as the key element at risk: our economic interests. Recently there have been individuals who have started to clearly articulate the implications of these emerging global issues. For example, Paul Hawken, Amory and L. Hunter Lovins, Carl Frankel, and John Elkington share a common vision that future markets will be heavily influenced, if not driven, by a "triple bottom line" that

The environmental function within corporations has become just like any other function: it receives only the resources it can justify to accomplish its job

adds environmental quality and social justice to the familiar economic bottom line. Learning to spot emerging trends along these three axes will define the successful corporations — the ones that achieve sustainability.

In the 21st century, companies overlooking or misreading these trends in social responsibility miss competitive business opportunities. They may also face financial and/or public relations difficulties such as those experienced by Nike, Texaco, Exxon, Shell, General Electric, Freeport McMoRan, and Monsanto, to name only a few.

We do not pretend to have the answer to the national leadership question. That is something that ultimately the new President and the new Congress will need to sort out. Nor do we claim to have the solution for the resulting Green Arthritis, which seems to have infected so many of this nation's institutions. We do have, however, a fairly good understanding of the internal dynamics inside businesses from our careers working with business executives. This, then, is our six-step cure for Green Arthritis in business:

First, get a medical check-up. Probably the greatest challenge is to convince business executives that their companies may have the disease. While most major companies will contend that they have a long-term strategy which focuses on changing markets (consumer demographics), raw materials (availability and price trends), technology (innovations in computers, etc.), and other socio-economic trends (e.g., e-commerce and communication), environmental issues are usually not considered to be significant. Management often views these issues in the narrow context of regulatory compliance and public relations concerns associated with manufacturing facilities, rather than in the context of the impact on the company's products and strategies.

Management can fall into the trap of assuming that their business is immune to these issues. In the past they could look at the regulations, test the soil at the fence line, and feel confident. But, the environment is a very powerful source of emotional metaphors. Percep-

tions have the power to radically shape entire markets overnight, as Monsanto and Novartis are currently finding out with bio-engineered food.

Today Greenpeace learns there is PVC in Barbie and puts pressure on Mattel, Inc., which turns her into vegetable-based plastic. What! You say, a *toy* company? But of course and predictable! But only if you look a step down the supply chain and consider vinyl chloride monomer and plasticizer. How many steps, beyond their own, are companies examining today? And more significantly, how are they evaluating each? The short answers are not many and not very well. The challenge is to make the management processes robust. One way to detect if things are stalled in

past thinking patterns in your company is to take our Green Arthritis Test — see page 46.

Second, develop a broader view of corporate responsibility. A transition to a triple bottom line will not be easy. Shifting public and ethical values are challenges politicians struggle with, and they are especially difficult for business leaders, who historically have viewed their responsibility as ending at the regulatory fence line. Business managers are held accountable for the continuing viability of the business they run and must deal with the world as it is, not as they wish it.

Irrespective of the guilty party question, global environmental issues will have dramatic influence on future markets, and companies becoming more dependent on a global supply chain and international markets will face a new environmental paradigm. Social responsibility issues, of which environmental protection is one component, can and will have a profound effect on earnings for companies. For a U.S.-based multinational, what difference do U.S. environmental regulations make in a global economy? Does it wait for

*Just as the MIS
department
cannot buy
computers the
company does
not need, the
EHS department
does not buy
beyond-
compliance
activities*

The Green Arthritis Screening Test (Industry Version)

Is your company suffering from Green Arthritis? Check the box by each statement below that describes your company. A score over 8 indicates a management check-up is in order.

Environmental Vision

- ☐ Does the EHS *vision* statement read more like a *value* statement?
- ☐ Is there no *clear* vision of where the company's EHS effort is headed?
- ☐ Is there a disconnect between the vision statement and reality? For example, "environmental excellence" or some other cliché is used to describe the vision, but the programs and activities are more in keeping with compliance and industry norms.
- ☐ Do strategic plans look more like project lists rather than a roadmap to attain the desired future state?
- ☐ Is there excessive focus on process completion (e.g., the number of audits completed) rather than more meaningful metrics?

Communications

- ☐ Are status reports and other board of directors communications edited repeatedly as they flow up through the organization? Do the final versions bear little resemblance to the urgency and candidness of the original?
- ☐ Is there a reluctance to stand out from the pack? For example, management does not want to publicize innovative programs for fear of being identified as "an environmental leader" (as opposed to business leader), even though these programs would not represent a loss in competitive advantage.

- ☐ Are status reports to the CEO or board presented by someone other than EHS management? Does a non-EHS executive in the chain of command handle these critical communications?
- ☐ Is there a perceived "fire wall" surrounding upper management protecting them from negative news and opinions contrary to mainstream thinking?
- ☐ Do staff members feel bullied and intimidated from challenging the views of upper EHS management?

Decisionmaking

- ☐ Is excessive energy focused on working the internal and external bureaucracies rather than on promoting creativity and more competitive approaches to environmental protection?
- ☐ Are innovative ideas cut in the earliest stages because *it is assumed* that upper management will not approve these new programs?
- ☐ Is too much time spent in program or planning meetings that seem to go nowhere? Do decisions to move forward occur slowly, almost painfully?
- ☐ When options are presented, are the boldest and potentially the most rewarding action plans consistently rejected in favor of safer alternatives?
- ☐ If the company is recognized for its business success as an industry leader, are the actual (i.e., as judged by

independent reviewers) environmental efforts out of sync with this top-tier position?

- ☐ Is there a reluctance to use experienced, independent advisers to review and possibly challenge the current vision, goals, policies, programs, and so on?
- ☐ Is compatibility with existing business management practices given a disproportionate weight in deciding which program to recommend?
- ☐ Are consultants selected who consistently support and reinforce existing approaches?

Organization

- ☐ Are staff on edge constantly over rumored or announced cutbacks, reorganizations, mergers, acquisitions, etc.?
- ☐ Are resource levels only allowing fire fighting rather than strategic planning?
- ☐ Is there friction among organizations over the staff resource distribution? Do these battles appear to be driven by power and control, rather than concern for the most effective placement of resources?
- ☐ Are senior EHS managers who are assigned additional, core business-related responsibilities reluctant to use their increased influence in the organization to promote EHS advances? Indeed, do they seem to only grow more cautious and conservative?

Congress and the EPA to sort these issues out? For a multinational to thrive, let alone survive, it must act now and not expect much help from arthritic processes ill-suited to solving emerging global issues.

People want companies to be more transparent, invite greater participation, and assume greater responsibility for their products from cradle to cradle. The time frame dictated by Wall Street is not the only reality. Companies must consider future events in the context of decades, if not generations. They cannot and should not turn to regulatory solutions, since traditional approaches, such as end-of-pipe controls, are inefficient. Future solutions will come from the design of the products and processes themselves. Easier said than done, however. How can a strategic environmental management strategy that speaks of the possibility of an unknown economic gain sometime in the future successfully challenge the current business paradigm of fast profits? The promise and the rewards are there, though it will take the innovators and leaders to make the first steps.

Third, understand your own environment. Take careful inventory of your past and current environmental, health, and safety issues. Map out your future on these issues as they relate directly and, especially, indirectly to your strategic business plan. Surprisingly, these basic steps are where companies fail more often than not. They think they have these items well under control. This is especially challenging for lawyers who may view control solely within the framework of legal compliance.

What companies usually have under control are the procedural, regulatory compliance, and public relations aspects of their business, not the strategic ones. The performance metrics that CEOs and boards of directors review are most often related to targets that do not give insight into what will really matter five or more years out.

For example, much of business management's attention of late has been focused on certification to the ISO 14001 environmental

management system standard. Certification can create the illusion that all must be well because the process is in place. But the standard only requires that a process be in place, not that performance improve as a result of the process. Consequently, business management's attention may shift from creating ever higher performance goals to insuring the completion of a procedure.

Additionally, the ISO implementation process can make it quite difficult to stay above the detail and develop an environmental management system with a strategic environmental direction. It is a good starting tool, but it is not the endpoint or a substitute for a strategic environmental program. Indeed, if the entire goal is to get ISO-certified, the EMS implementation focus may shift to certification, regardless of actual performance.

The bottom line is that the environmental management processes used by many companies today are inadequate to examine emerging issues that may have a profound impact on their long-term profitability. John Elkington calls a rigorous self-examination a "sustainability audit." To adequately perform a review of this depth a company risks taking a hard assessment of current practices that may raise some potentially unpleasant

news. Maybe things are not really under control. The key question becomes, Is it better to know and then take necessary action, or to not know at all?

Fourth, change your perspective to enlightened self-interest. Companies focus on quarterly profits. But they also examine the issues over the horizon in laying out their business strategy. In this context, environmental issues can be the killer issue or the defining competitive advantage, yet corporations too often give superficial consideration to environmental issues in their strategic planning. But the sustainable corporation is not some new business fad; it is a strategic look at emerging trends. It is about enlightened self-interest in emerging markets.

Major business trends can proceed at unpredictable rates. What is certain is that the

*In these
confused times,
where is the
leadership?
Where are the
new ideas and
creativity
coming from?
Not from the
United States*

CEOs who take the first steps take the greatest risks — but stand to gain the greatest rewards. Just as Jack Welch was labeled as Neutron Jack for staff reduction practices that became commonplace a decade later, GE stands today as one of the world's largest corporations.

CEOs and other business executives have driven many of the goal-stretching efforts by companies over the past decade. If people claim that environmental concepts are ingrained in their companies, with rare exceptions they are referring to environmental operational and compliance aspects, not the strategic aspects associated with sustainability. For industry in general the track record in environmental leadership to date has been mixed, at best. Real competitive advantage in the future will come from action, not empty public relations rhetoric today.

Fifth, make sure that you have the right resources. Companies have frequently relied on management consultants to examine the effectiveness of their environmental departments, often in conjunction with company-wide reengineering efforts. A number of these have failed miserably. The most common error is the application of standard ratios of staff size to some common industry metric. For service departments with repetitive, defined tasks such as payroll, this approach makes sense. For EHS departments, ratios are usually irrational.

Executive management and boards of directors will need to take extra effort to ensure that their leadership is not only in tune with their thinking, but that they have the skills necessary to meet their objectives. Even if the primary goal is compliance, their leadership must have the skills to identify and bring to management's attention competitive threats and possible opportunities.

Senior environmental managers are subject to the same weaknesses and shortcomings of other senior business managers, including turf protection, reluctance to change, risk avoidance, and primacy of personal objectives over company objectives. Executive management can, however, see through the smoke screen that may hide problems related to the running of a

business. They have, after all, worked their way up through the organization and know how to properly run the company. Business executives can spot a performance stumble, a lost commitment, or a misdirected plan a mile away, but not necessarily when it comes to environmental issues.

In some respects, the maturing of the profession has brought on an arrogance that exists within any profession — "We know what we are doing." Our own experience has been that environmental professionals are increasingly more reluctant to test new ideas and less willing to accept criticism from their peers. It becomes difficult to differentiate this attitude with the deeper-seated worries over not rocking the boat and their own self-preservation. Regardless of cause, the net effect may be a potential to miss competitive advantage; pick safe, proven programs, not necessarily new ones that may be more efficient.

Sixth, create the right climate for innovation. Being an agent of change, at the cutting edge, requires encouragement, trust building, and an open sharing of views. Put bluntly,

you may need to prod your staff out of hiding. Your marching orders need to be consistent and in keeping with your intended objectives. If the dominant message coming from above is compliance at minimal cost, you cannot expect to receive much more. Even more problematic is the directive of achieving environmental excellence while committing to resources barely able to sustain compliance.

In the real world, success requires four components:

First, recognizing that the inspiration for future leadership will come from the top down, not from the bottom up. Progressive CEOs and boards will take advantage of potential competitive opportunities brought on by the emergence of global environmental issues. They know that environmental issues do not end with compliance, but start there. The CEO's involvement in building supportive networks for the senior environmental managers to pursue these opportunities is essential for accomplishing this objective.

Management must listen to the critics waving the warning flags. If none seem to be out there, they need to find them, both inside and outside the company

Second, filtration of information — selective winnowing — must be eliminated both up *and down* the organization. Filtration up the line is a universal concern within all businesses. For social responsibility issues including EHS, filtration can result in criminal charges and punitive damages — and a public relations nightmare. CEOs and boards must take extraordinary precautions to ensure that they are getting the full facts, not the happy-face. The classic danger sign is when the board is being updated on environmental issues by the highest person in the management chain who is *not* the environmental manager.

We have found that, for environmental directives, filtration also extends down the organization. The CEO or board may want environmental excellence, but that message gets reinterpreted down the management chain until at the manufacturing site it comes out as basic compliance at lowest cost. Whether the filtration is up or down, it is management's responsibility to institute the due diligence systems needed to ensure that it does not happen. It is a fundamental question of business ethics.

Third, executive management must be willing to listen to the critics waving the warning flags. If none seem to be out there, they need to find them, both inside and outside the company. You can be assured that they are there. This is not a public relations exercise, but an effort to identify the fundamental competitive threats and opportunities for the company. Successful multinationals use tools such as external advisory committees to challenge their internal resources and strategies.

Fourth, industry needs to be honest with itself and with the public. The public should be given the facts, both good and bad. Attempts to put a positive spin on environmental issues — so-called "greenwash" — have backfired time and again. The demand for full disclosure and increased public participation will only accelerate. CEOs and boards should encourage and expand these efforts to build public trust. But signing on to new initiatives

and reaping the public relations benefits should be only the first steps.

The cure for green arthritis begins, as with many diseases, by recognizing the fact that there is a problem. (It's no accident that our "six-step program" sounds like the method perfected by Alcoholics Anonymous.) Claiming that everything is getting better at an ever-accelerating pace may win accolades

in some quarters, just as shouting that the end of the planet is near may raise funds. These messages are voiced daily in newspapers and other publications. What has not been articulated is the undercurrent of frustration that scores of our senior colleagues express in private.

We see this frustration on the part of our colleagues and ourselves not as growing negativism or cynicism, but anguish over the enormous opportunities that this country is letting slip by. So much more could be done — resources spent more productively, and more opportunities pursued for the benefit of all Americans, not to mention the improvement of environmental conditions worldwide. Referring back to

our original metaphor, the Grand Lady still has tremendous potential, but unless she can cure her disease, she is doomed to watch from the rocking chair as the new kids in other countries lead the world on a fundamentally different track from the one she led in the 1970s and 1980s. Unfortunately, they will lack not only her participation, but her experience — both so necessary for global success. There is no simple fix. The cure will be very painful and will require courage by us all.

We will be shocked if you agree with everything we have said in this brutally frank article. No doubt that most readers will be able to pick apart various aspects of our analysis. But even if you agree with only a fraction of what we have put forward, that should give you pause to consider what *you* are doing to cure the Grand Lady. We look forward to your thoughts and suggestions. •

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companies will
take advantage
of potential
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emergence of
global
environmental
issues*