



Editor's Note: Beginning this month, we introduce *Competitive Strategy*, a new bimonthly column by commentator Richard MacLean that focuses on the key issues affecting all environmental managers.

Not since the beginning of the environmental movement in the late 1960s has the fate of planet earth received so much media attention. Business executives are, without a doubt, very sensitive to global warming concerns. The downside may be that with all the current focus on reducing greenhouse gas emissions and energy consumption, executives may be unaware of other, possibly just as significant, environmental issues and opportunities.

The media thrives on a good fight, and global warming provides an excellent array of high-profile politicians, Hollywood activists, scientists, and corporate CEOs taking one position or another on the issue. While everyone seems to agree that the planet is warming, the debate rages on about its source (anthropogenic or naturally occurring), its long-term effects, the cure and, indeed, even if warming may be a good or bad thing.

Just when you think the issue finally has been resolved by no less an exalted organization as the Academy of Motion Picture Arts and Sciences, along comes the British documentary "The Great Global Warming Swindle." Solar

activity, it claims, is the source of warming and all the current fuss is nothing more than a "political activist movement" driven by individuals akin to religious zealots.

And on and on it goes. Al Gore is attacked in the media for his personal eco-footprint. The United Nations report *Climate Change 2007—The Physical Science Basis* is quickly set upon by contrarian scientists. The ratio of believers to nonbelievers may be a thousand to one, but the conflict gets played out in the press more like one to one. CEOs band together with environmental groups in the U.S. Climate Action Partnership initiative. Now there's the media photo op: former antagonists together in unison.

Harvard Business Review, which historically rarely published environmental articles, now focuses on corporate social responsibility.¹ Even *The Wall Street Journal*, which not that long ago claimed that "the political use of such hobgoblins as global warming and assorted toxic terrors would become an art form," recently conceded that large corporations are recognizing that there has been a shift because of "a concession to the political reality."²

In their *BusinessWeek* column, "The Welch Way," Jack and Suzy Welch stated it most succinctly: "Whether the impact of global warming is mild or severe, companies have to adopt a 'here it comes' mindset and mount a well-reasoned plan. Any other response would be bad business."³ I could not agree more. But a "well-reasoned plan" on global warming does not constitute a comprehensive strategic plan for the environment. It is in this regard that many companies, if not most, may be critically lacking. While more and more CEOs proclaim their company greenness, the environmental troopers behind the scenes that I speak with admit to being under-resourced for even such basic tasks as regulatory compliance. What is going on here?

The environment, for most businesses, has been a series of specific concerns that have been dealt with individually as they emerged. These issues are generally considered another cost of doing business to be reduced whenever feasible (see sidebar, "Environmental Evolution"). Most executives are not trained in this arena and few see the environmental landscape holistically, connecting all the dots, as it were.

For example, although the principles of green marketing were available to businesses way back in the 1960s, it has only relatively recently become all the rage for mainstream companies. Some may say that the market itself was not ready for it back then, but again, the focal issue on management's mind at the time was compliance. Once hot issues, such as compliance, Superfund, and pollution prevention, are largely off management's radarscope unless propelled to the forefront by some specific crisis du jour.



Richard MacLean is president of Competitive Environment Inc., a management consulting firm in Scottsdale, AZ, and the executive director of the Center for Environmental Innovation (CEI), a university-based nonprofit research organization. E-mail: maclean@competitive-e.com. For electronic files of this and his other writings, visit his Web site at www.competitive-e.com.

Environmental Evolution

Issue	Management Response	Business Rationale
U.S.-based laws and regulations	Participate directly or indirectly (through lobbyists and trade associations) in the process	Control costs
Compliance	Build compliance infrastructure (e.g., pollution control infrastructure, training, audit systems)	Minimize costs; reduce noncompliance liabilities
Land contamination/Superfund	Remediate contaminated sites and improve waste-handling practices	Minimize costs; reduce liabilities
Toxics	Comply with Toxic Substances Control Act (TSCA) regulations, minimize toxic use	Compliance; minimize liabilities
Pollution prevention	Grab the "low hanging fruit"	Reduce operating costs and liabilities
Community outreach and media relations	Initiate social responsibility reporting, increase community involvement activities (e.g., Responsible Care)	Obtain and maintain operating licenses; brand protection; enhance shareholder value
Management systems	Standardize systems similar to Total Quality Management (TQM) and Six Sigma	Reduce costs, improve consistency
Foreign laws and regulations	Monitor developments; participate in the process	Protect foreign markets; minimize costs and liabilities
Global warming	Monitor developments; explore possible new marketing opportunities or business hurdles	Minimize costs and liabilities; expand markets
Green marketing	Explore possible new marketing opportunities	Expand markets
Emerging issues	Varies	Minimize costs and liabilities; expand markets

THE BIG PICTURE

So what's the point, MacLean? First, management may become overly complacent on the basics; resources and management attention may shift to sexier issues such as green marketing. As Frank Friedman, attorney and author of *Practical Guide to Environmental Management*, put it, "Over the past decade there have been compliance improvements in some areas driven by information systems that track permits and regulatory requirements. However, some companies are at increased risk from losses in institutional knowledge as senior employees retire and budgets and staffs are cut back to the bare bones. In essence, they don't know what they don't know with respect to risks of non-compliance."⁴

Second, climate change is only one issue in an expanding population of global environmental concerns. This point was made abundantly clear in the *2005 Millennium Ecosystem Assessment Synthesis Report*, which states that 15 out of 24 ecosystems are being degraded or used unsustainably.⁵ This report was all but ignored in the mainstream press. Indeed, during several recent speeches to environmental professionals, I have asked if anyone has heard of the report. Very few respond. If they do not know about these emerging dynamics, their management surely does not.

Even though the global warming debate has been brewing for decades, only recently have top executives and boards of directors requested impact analyses. Typically, specific emerging issues are not given much corporate attention until they

go mainstream within their own trade associations. As for the myriad of other potential concerns, these are typically invisible to executives, yet they could have the potential to create significant conflicts or competitive prospects for companies.

An alternative approach is to build the appropriate strategic planning systems and examine long-term issues and opportunities. The most critical first step is to establish a mechanism to discuss these emerging strategic issues and their implications with top business executives. All too often, environmental meetings with top executives, if they exist at all, are limited to status reports on current projects, problems, and performance metrics. These sessions need to be much more robust. In the next column, I'll describe how some leading companies go about informing their executives. **em**

REFERENCES

1. See, for example (a) Lash, J.; Wellington, F. Competitive Advantage on a Warming Planet, March 2007; (b) Porter, M.E.; Kramer, M.R. Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility, December 2006; and (c) Brugmann, J.; Prahalad, C.K. Cocreating Business's New Social Compact, February 2007.
2. *The Wall Street Journal*, February 26, 2002, p. A25 and February 15, 2007, p. A12, respectively.
3. Welch, J.; Welch, S. The Welch Way, *BusinessWeek*, February 26, 2007, p. 130.
4. Personal communication with the author, March 26, 2007.
5. Millennium Ecosystem Assessment, 2005. *Ecosystems and Human Well-Being: Synthesis*, Island Press: Washington, DC; p. 1.