

# Coming to grips with (business) reality

By Richard MacLean

Over the past ten years, environmental managers have had an increasingly difficult time delivering their message to business managers. The bad news of new, tougher environmental regulations and the good news of cost savings by picking the "low hanging fruit" have been replaced by a legislative and regulatory slowdown compounded by even tougher hurdles to demonstrate shareholder value. Executives have time for immediate, critically significant business issues but the environment, in their view, is not where the action is today. Strategic planning is an ideal tool to re-engage management on emerging issues and priorities. Readers who witnessed the purging of entire planning departments during the 1980s are probably saying to themselves, "Yah, right!" We urge you to read on — environmental strategic planning is an emerging trend that addresses a number of current problems faced by environmental managers.

Every business day for the past decade, I have read the *Wall Street Journal*. It is one of the best sources of information to better understand current business executive thinking. What's hot, what's not. Environment, health and safety (EH&S) are definitely not hot, at least in the view of current business philosophy. This was driven home recently in a *Review & Outlook* op-ed piece entitled "Weird Science" in which the editors generally trash U.S. Environmental Protection Agency's (EPA) authority and direction.

That predictable position did not trouble me at all. However, the line that really got to me was, "Superstition and phobia have obviously become popular avocations in a time when people have nothing very serious to worry about,"<sup>1</sup> [emphasis added]. That sums it up: from a business perspective these pesky EH&S annoyances are much ado about nothing.

Each week in this very same newspaper are articles on companies that are impacted

by major EH&S issues. These articles cover the spectrum from Home Depot's competitive strategy to embrace the Forest Stewardship Council, to Monsanto's struggle with a market for genetically engineered foods that disappeared practically overnight, to the potential demise of Firestone over a product safety fiasco. Today (December 12) as I write this column, there is an article on Armstrong World Industries' Chapter 11 bankruptcy-court protection over asbestos litigation — directly adjacent to an article on EPA's excesses over PCB "hot spots" in the Hudson River! What's going on here?

My hypothesis is that emerging EH&S dynamics have grown sufficiently complex that in general, business managers (not to mention business media editors) fail to: (a) integrate the pieces of the EH&S puzzle into a cohesive picture of what is emerging and (b) make the necessary connection to market dynamics. The "environment" is viewed in traditional terms such as local pollution (clean up our mess), regulatory excesses (call our lobbyist), isolated mishaps (call the lawyers) and issues driven by paranoia and unproven theories (disregard weird science).

Recognize that these are sweeping generalities and hence overlook the enlightened business managers who "get it." Unfortunately, some of the most recent visible champions who do get it have landed on the rocks. For example, Ray Anderson, CEO of Interface, has been the strongest supporter of sustainable development, while the market analysts only paid attention to the plummet of his company's stock value. Even William Ford, who surprised analysts with his pro-environmental position on sport utility vehicles and was described on *Fortune* magazine's April cover as "Motown Cool ... a breath of fresh air," is now getting hammered on the Firestone product issue.

To most business managers, Firestone's

problem is simply viewed as a very ugly product liability issue in need of major damage control. The thought that the problem is another demonstration of the emerging significance of consumer demand for greater corporate transparency and responsibility never enters the thought process. Taken in the later context, all the examples mentioned previously are — in reality — part of the same emerging trend.

Where is the payback to EH&S excellence? To the *Wall Street Journal*, it is a poor investment. We as EH&S professionals may believe that the positive return is real, but how do you make the business case solid and undeniable?

## The EH&S manager's dilemma

The pressure on site and business group EH&S managers is relentless. The most obvious struggle is to maintain even the status quo in the face of budgetary reductions brought on by this constricted business thinking. The budget struggle is, in reality, a manifestation of several other more complex issues. For example, Robert Shelton in 1994 used the expression "Green Wall" to describe what he perceived as a credibility gap between environmental management and business management.

Business managers today demand quantifiable returns and demonstrations of shareholder value on all programs and especially those that go beyond minimum compliance requirements. Business managers do not accept these programs on faith. Shelton sees the credibility gap causing much of the stalled progress on environmental excellence programs. While the public relations spin has never been better, where is the beef?

For corporate managers, the challenges may be even more demanding. Rounds of decentralization, outsourcing, shared services and especially mergers and acquisitions have left organizations fractured and

resources scattered attending to their own crisis du jour. For the major corporations, it is akin to herding kittens. The indirect impact of corporate musical chairs on EH&S performance has never been researched, but I suspect it is both significant and adverse.

All of these managers see looming over the horizon the corporate social responsibility and sustainable development issues and opportunities that many business managers are ambivalent or unconcerned with today. It is a challenge even to get on their agenda. What's an EH&S manager to do?

### Old tools, new applications

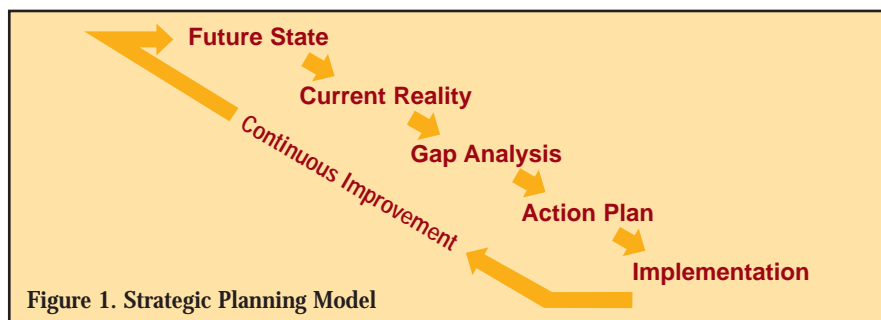
Over the past year there has been a gradual movement by EH&S managers in major corporations to employ the traditional techniques of strategic planning. Before senior business veterans burst into laughter, allow me to provide some background.

During the early 1980s, strategic planning developed the image of overhead staff members assembling books that sat on the shelf, never to be read. It was a ritual performed because "all the big companies do it, so shouldn't we?" I can vividly remember when entire departments were eliminated if they had the word "planning" in their name. When the big companies such as General Electric (GE) cut back, it heralded a mass exodus from strategic planning. One of my managers at GE in the 1980s, astute in the ways of corporations, moved with lightning speed to change his title from Manager of Strategic Planning to a more politically acceptable title.

resource consumption, trade practices and population growth. One of my clients, in fact, recently moved the corporate EH&S to the newly invigorated business strategic planning department.

Savvy EH&S managers are already taking the initiative to closely align themselves with this business process. The principle is clear: operate your EH&S department using the identical tools and language that mainstream business functions use. Corporate EH&S managers are using strategic planning to help address all of the issues mentioned previously, as follows:

- **Obtaining budget support** — EH&S budgets are often set incrementally each year. The process goes like this: the budget last year was X. This year it must be X minus Y percent. The point is that strategic planning allows a manager to present a longer term perspective to management on emerging issues — exactly what is needed, since EH&S issues tend to be long term issues.
- **Demonstrating shareholder value** — The underlying difficulty is that the equations required to even estimate tangible benefits of beyond compliance programs border on voodoo economics. They are akin to the same math used by product marketing managers who predict sales growth. That's the point. Put in the familiar framework of the business planning process, the process, as unsteady as it may be, is put on an equal footing with other departments.
- **Coordinating scattered resources** — For a large corporation's strategic planning



Strategic business planning is on the rise because the world is getting a lot more complex, interrelated and fast paced. My prediction is that senior corporate EH&S professionals will reside in these groups and EH&S departments will become more closely aligned with the strategic planning function itself. One of the more obvious reasons for this trend is that future business scenarios often contain factors strongly dependent on environmental pressures such as

process, it is an excellent tool to bring together the EH&S managers from the business groups to work as a team on the "big picture" perspective. Individual businesses can get caught up in their own world and become disconnected from the overall direction of the corporation and the relationship between their EH&S successes or failures to those of the other businesses and the corporation's overall needs.

*(continued on page 51)*

(continued from page 43)

• **Obtaining time on the agenda** — Strategic planning efforts can be used to convey all manner of messages to executive business management. In effect, it is the perfect venue to place on the table for discussion issues that normally would be not easy to raise. Reviewing the results from strategic planning allows some maneuvering room to raise some unusual or challenging issues.

**While the public relations spin for environmental excellence programs has never been better, where is the beef?**

#### The strategic planning process

We have yet to see the definitive reference published exclusively on EH&S planning. As a matter of fact, there are few good business

references recently published. My favorite is *The Rise and Fall of Strategic Planning — Reconceiving Roles for Planning, Plans and Planners*, by Henry Mintzberg, published in 1994 by The Free Press (obtainable through <http://www.amazon.com>). My guess is that, because strategic planning got a bad rap back in the 1980s and is only now re-emerging, the latest techniques have not made it into the published literature.

The strategic planning model used by Competitive Environment, an environmental consulting firm, is shown in the accompanying figure. The six major steps have 16 sub-steps, including the basic but often overlooked step of vision, value and mission definition. In strategic planning, it is tempting to get right into the “strategic stuff” and ignore the fundamentals — especially that of clearly defining the future business state.

It is also very easy to get caught up in current realities and either not identify emerging issues or fail to define the business opportunities or threats in this future state. Incrementalism prevails. How can you get from here to there, without an understanding of where

“there” is? My favorite technique to examine the future and get out of today’s confines (a.k.a., the box) is scenario planning. Another problem is that EH&S managers instantly erect limits by pre-judging what business management will or will not allow. A strong facilitator helps avoid this trap.

Probably the best model is the one most closely aligned with the one that your business currently uses. In a recent workshop run by Competitive Environment, we used a hybrid model that incorporated some of the best elements of the company’s model with elements of our own. If readers express interest in the details of how to do strategic planning, I will write a future column on this subject. **EP**

#### Reference

<sup>1</sup> *Wall Street Journal*, April 12, 2000, page A26.

*Richard MacLean is president of Competitive Environment Inc., Scottsdale, Ariz., and the director of the Center for Environmental Innovation (CEI). He can be reached via e-mail at [maclean@competitive-e.com](mailto:maclean@competitive-e.com).*