

Keeping on and Avoiding

Playing the Environmental Game to Win

BY: RICHARD MACLEAN

GOOGLING WORDS ON THE INTERNET is a quick way to determine what's hot and what's not. "Environment" (417 million hits) is more popular than "golf" (378 million). Of the baby boomer trifecta, only "sex" (441 million) nudges out the environment (no surprise there!), but "drugs" (170 million) and "rock and roll" (6 million) trail far behind. The environment is quite hot (pun intended) and where there is heat there are marketing and business opportunities for companies that position themselves competitively.

Companies are piling on the green bandwagon and the big corporations are leading the way. General Electric, Wal-Mart, DuPont, BP, Whole Foods Market, 3M, IBM, Home Depot, Patagonia and many others have received front-page and cover-story press over their efforts at going green. After pushing back on climate change regulation, companies, not the Bush Administration, are leading the charge to go green and control emissions. Even China, entirely exempted from the requirements of the Kyoto Protocol, is jumping on board over concerns that the poor air quality may give the host of the 2008 Olympics a bad image, not to mention – cough, cough – the effects on the athletes.

While this shift towards the green may be transparently self-serving for those companies that stand to benefit handsomely from product sales or emission credits, it does represent a fundamental shift in how industry responds to global environmental issues. But what even the majors sometimes miss is that this is a game played with a very hard ball – a Titleist Pro V1® ball with 392 dimples, as it were. If you get just one dimple wrong, you may be out in the water hazards where the alligators eat you or where I live, in the rough where rattlesnakes might bite you.

So how do you win the "Green Jacket" of a Masters champion?

The rules of the game

Sorry, throw away the rulebook! In the good old days (a.k.a. the 1980s), the United States made the rules. You had a chance at affecting them by voicing your opinions directly, or through your lobbyist or trade association. Today it is an eclectic mix of local, state, regional, federal and, more importantly, global rules to follow. Governments are no longer the only ones that set the rules; there are also sophisticated and well-funded international nongovernmental organizations (NGO's) that are setting the standards.

the Green

the Sand Traps



This diverse and sometimes unruly hodgepodge of rule makers has significant impact on how a company must view the playing field. Today it is not about Washington, D.C., it is about the Global Reporting Initiative based in Amsterdam; the ISO 14001 environmental management system standard produced by the International Organization for Standardization based in Geneva; and other organizations you probably never heard of such as the Fédération des Experts Comptables Européens based in Brussels. You cannot play the game unless you have a good understanding of the new rules.



THE SPECTATORS

The gallery is made up of a diverse group of spectators (a.k.a., stakeholders). More significantly, it is not just the usual suspects of environmental activist organizations such as the NRDC, Greenpeace, and the Sierra Club. What has made all the difference is the power and cost (or lack thereof) of Internet communications. Hooking the ball off the fairway becomes instant, global news.

For example, Coca-Cola ran into a firestorm in India largely fueled by a “one-man NGO armed with just a laptop computer in California.” Flying below the radarscope in the United States, it finally erupted into a front-page Wall Street Journal article in June 2005. Viewing the successes and failures of the top players raises everyone’s expectations and sensitivities.

THE PLAYERS

Within the ranks of the challengers (i.e., the NGOs previously mentioned) is a growing team of professional advisories that really understands how to work a crowd. Unfortunately, the corporate players in the U.S. are handicapped by 40 years of regulatory minutia. (What pocket did I put that trusty EPA rulebook in?) The senior players are not taking any risky shots as they wait to retire to the Hilton Head links. And as they retire they are sometimes being replaced by novice upstarts and the want-to-please-the-management folks that go with the flow.

This is not an even fairway and the first issue at hand is to get the right players in place to win. As the noted management guru, Jim Collins, says, “Get the right people on the bus and in the right seats.” It is management 101, but all too often this game is played by generals fighting the old regulatory wars or marketing-types, brilliant about marketing, but clueless about the sand traps and water hazards on this pro course.

THE WEATHER

The weather is literally a key factor in driving the time line for action. A few more horrific weather events and the pressure (and potential competitive opportunities) will increase exponentially. Business loves certainty and predictability and this arena can be a dimension for heartburn if there is no strategy to address possible future scenarios. Certainly, the insurance industry is feeling the heat now. It’s time to take Pepto-Bismol (a.k.a., use strategic planning) before you go out on the links.

“BP (Beyond Petroleum) was the darling of the environmental NGOs until an explosion and corrosion problems hit.”

THE EQUIPMENT

“If it worked in the 1980s, it must be okay now.” Sorry, the competition is moving quickly, particularly overseas. No clearer example of this is the current Japanese auto industry leadership position with hybrids. Toyota focused on R&D while Ford focused on profits from gas guzzling SUVs.

There are new approaches on how to gain competitive advantage. When speaking before groups, I tell them they should be like kids in a candy store because of all the opportunities. In the past, the environment was viewed as a cost of doing business and the thinking naturally was focused on cutting cost. Now it is also about making money, or as the cover of *BusinessWeek* recently stated, “Imagine a world in which socially-responsible and eco-friendly practices actually boost a company’s bottom line. It’s closer than you think.”

THE STRATEGY

Watch Tiger Woods set up for a long putt or drive. He does not just walk up and whack the ball. He selects the right club, studies the wind, the condition of the greens and so on. Today most companies just rush up and whack away, hoping for that elusive hole in one. Yet, to ever score par or better for this course, companies must truly understand all the factors in play and especially the water hazards and sand traps. This takes a green strategy, not just a public relations plan.

BP (Beyond Petroleum) was the darling of the environmental NGOs until an explosion and corrosion problems hit. To the public, product safety, environmental protection, process safety and employee safety are monoliths: it is all about corporate social responsibility. Shell got all the permits to dispose of the oilrig Brent Spar in the North Sea. They faced a well-organized product boycott in Europe. This game is not about regulatory compliance and, if anything, the lawyers – the traditional environmental gatekeepers – may add negative value to a green program.

How to play the game is also not intuitively obvious. Some companies genuinely may believe that they are acting responsibly, only to face unintended consequences later. The classic case is

Nestlé’s infant formula marketing efforts in Africa. What was overlooked was the availability of pure water and the poverty level that led to excessive dilution of the formula. Today, companies like Epson proudly declare they have gone green after such basic moves as changing packaging recycle content. Yes, it is good step, but hardly the defining indicator of sustainability.

The jury of public opinion is still out on whether GE will be able to have it both ways: promoting Ecomagination while initiating lawsuits over PCBs and, more recently, pushing to weaken tough anti-smog controls for locomotives. Wal-Mart is supporting a wave of environmental commitments, yet many as the penultimate symbol of mass consumerism view it. Taking a green approach can raise clear internal conflicts over a company’s real long-term business objectives.

For example, from our own internal research within companies, we have found what amounts to corporate cognitive dissonance over the environment. Specifically, we have found that business executives, environmental staffs and front-line employees, more often than not, have differing views of current company performance and where it should be headed. These gaps need closure before a unified green strategy can be carried out.

WINNING

Bottom line: it is essential to know the conditions on the green – where you are currently positioned, what club to use, how to keep score, spectator expectations, and how and where to hit the ball. It may not be easy being green, as Kermit the Frog once said, but there are enormous opportunities emerging for those that get this game right. •

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