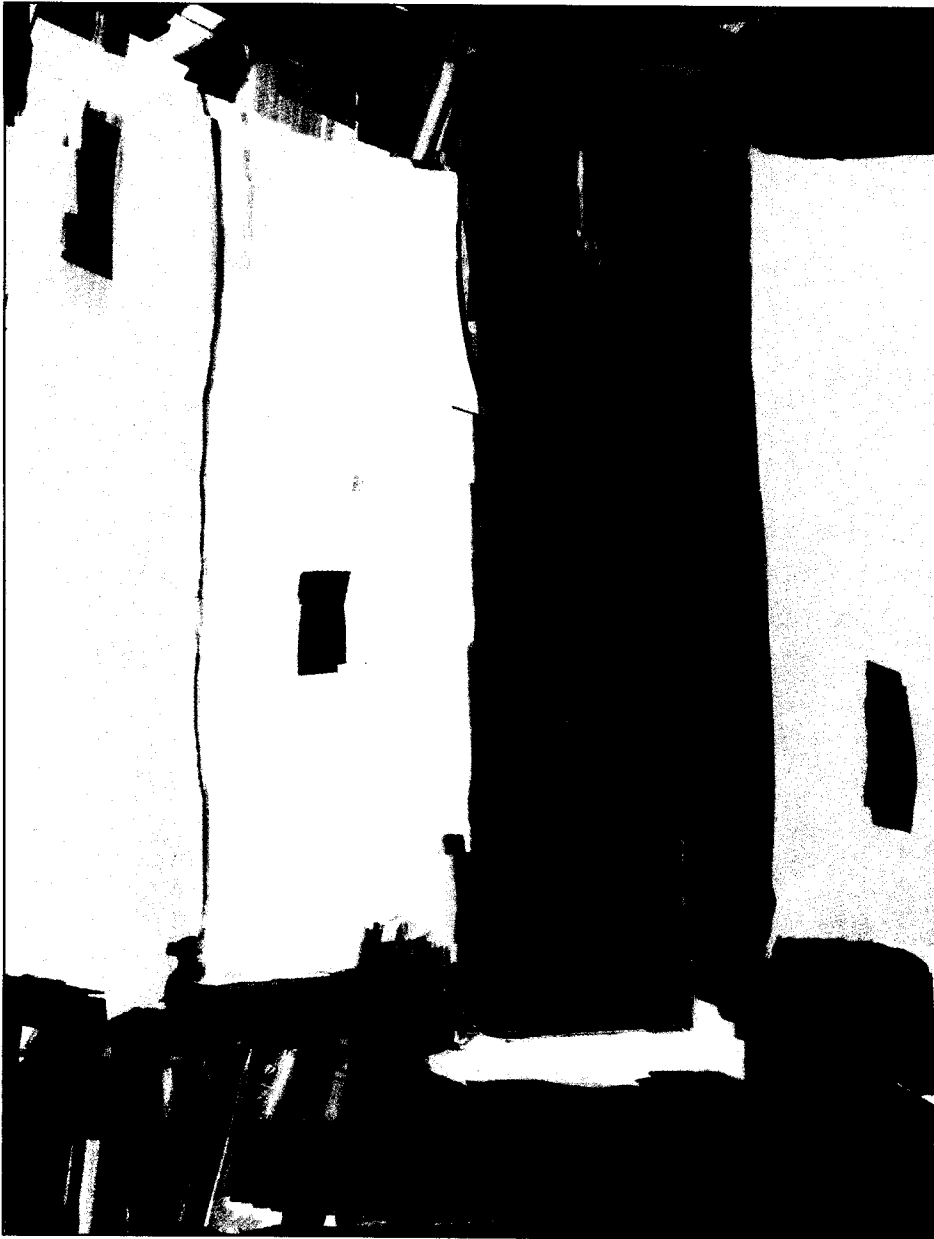


GM

Consulting to Management®

Volume 13, Number 4 · December 2002

The Forum for Consultants to Management Worldwide



SPECIAL SECTION: Consulting's Future

Managing the Consulting Firm
of the Future

Consulting 20 Years Hence

Environmental Strategy

Coping with the Future

■

A Better Way
to Cross-Sell

■

Diagnosing the
Problem Engagement

■

The Pointless, Endless,
Meeting Syndrome

■

Building Team Trust

■

\$24 Worldwide

Environmental Strategy

EMERGING MARKET FOR CONSULTING SERVICES

ANDREW J. HOFFMAN

EDITOR'S NOTE

Fellow consultants, a developing area of consulting beckons. Maybe you'll want to be a part of it.

The ongoing depletion, if not degradation, of the natural environment—global warming, extinction of plants and animals, massive habitat loss on land and sea, pollution of air and water—is an observable reality. Its acknowledgment by the general public is leading to profound and continuing political expression to address these issues more forcefully.

The response "There's no need to get worried yet" is being replaced by the decision to ramp up efforts to do something about halting environmental destruction. Among thought leaders everywhere and many of the leading industrialized nations, this is already the consensus thinking.

The problem is global, but the solution is local—local in the sense that individual governments, industries, corporations, communities (and, yes, even consultants) will need, and be able, to contribute to solutions.

Where is the real power to act, you might well ask. To a certain extent, it is within governments, making and enforcing laws and regulations. Ultimately, however, governments tend to be constrained by the various forces and counterforces influencing them. In the final analysis, the power to initiate and implement change lies somewhere else.

We must look, instead, to the modern corporation, with its raw economic power and freedom to act, often on a global scale. Andrew Hoffman, in the following article, describes the dimensions of this emerging new—and eventually, probably huge—market for consulting services.

IN 1991 THE BALZERS CORPORATION, a manufacturer of parts used in the production of optical components, semiconductors, and compact discs, faced a regulatory compliance problem. The company used organic solvents to clean parts before shipment, and the EPA had fined the small company \$17,000 for leaks in its system. Repeated attempts to reduce the number of leaks were unsuccessful, and compliance problems persisted. Finally, the company approached its suppliers for help in developing a new cleaning process that used a

water-based cleaning solution. Installed in 1993, the new system eliminated the use of organic solvents, posed no threat to employees, eliminated hazardous discharges, and resulted in no change in customer satisfaction. Furthermore, operating costs of the new system were half that of the old system.

What does this story tell us? I find it to be an example of how companies can look beyond traditional perceptions of environmental protection as a drag on economic competitiveness

■
Corporations will have little if any opportunity to ignore environmental considerations in the future.

What does this mean for your practice?

and find a strategic opportunity. For others, it leads to the proposition that *it pays to be green*. Unfortunately, efforts to gain support for this proposition have in the main been inconclusive. Why? Because the wrong question is asked.

Instead of asking *if it pays to be green*, the more appropriate questions are *when* and *how* does it pay to be green? In the final analysis, gaining strategic opportunity in environmental protection boils down to innovation that satisfies both economic and environmental objectives. Balzers was able to make cost-saving operational changes for complying with environmental regulations, but strategic innovation was possible only when the problem was re-framed as one of operational improvement rather than regulatory compliance.

As our environmental problems intensify globally, the companies more likely to thrive will adopt the view that environmental protection means a *strategic* opportunity, not the *management* of an external constraint. Similarly, consultants who can help companies pursue such strategic opportunities will have an advantage. This extends beyond those who specialize in environmental issues to include management consultants, because whether directly or indirectly, strategic pursuits touch every aspect of a company.

Let's take a look at what "environmental strategy" means.

Traditional Environmental Management

In many companies, the major roadblock to effective environmental strategy is a lack of integration and communication between the environmental affairs function and other departments in the firm. Environmental managers often take for granted that the significance of their programs is apparent and fail to adopt business language and metrics that communicate value and motivate action in other parts of the organization. Instead of using metrics such as return on investment and earnings per share, they use metrics such as pounds of toxins, biological oxygen demand, notice of deficiency,

environmental impact statement, and life-cycle assessment. They don't speak of maximizing shareholder value or improving the bottom line; instead, they speak of regulatory compliance and social responsibility. These are poor motivators for strategic innovation.

As a result, companies have little incentive to innovate on environmental protection unless the government forces them or activists shame them. Unfortunately, these are the primary reasons environmental issues have been addressed since the 1970s. Corporate action driven by the threat of either legal sanction (civil, administrative, and criminal penalties) or social sanction (protests, negative press, and diminished reputation and image) defines environmental protection as external to business interests or an unwanted restraint on corporate affairs.

Strategic Environmental Opportunities

Notions that environmental concerns are separate from the strategic interests of a firm will no longer serve companies. They must look beyond regulatory compliance and social responsibility to develop environmental initiatives that increase their competitive standing by reducing costs or increasing profits.

Today an array of forces drives corporate environmental strategy. Suppliers, buyers, trade associations, competitors, banks, insurance companies, investors, and other organizations equate good environmental performance with good operational management, low financial risk, and likelihood of future economic success. In other words, these constituencies have a vested interest in both the economic *and* environmental practices of the corporations they do business with. This is where strategic opportunities in environmental protection can first be found.

Instead of asking if it pays to be green, the more appropriate questions are when and how does it pay?

To Spot Strategic Opportunities, Look Outside the Firm

The key to recognizing strategic opportunities is to link environmental protection with major external constituencies. Corporate decision makers face pressures from their market, political, and social environments.

Suppliers and Buyers

The environmental impact of a product is the sum of the impacts of each input and output from suppliers and buyers in the value chain. If, for example, one company introduces a toxic material into a manufacturing process, all companies in the value chain must consider how to handle it. If a company near the end of the value chain receives a signal from end users that the product is environmentally undesirable, that company must impose restrictions on suppliers to remove the toxic component. And if a company near the end of the value chain mishandles the end product, financial and legal liabilities may rest at the beginning of the value chain. Many companies, such as Nike, Levi-Strauss, and L.L. Bean, have recognized the risks inherent in unmonitored value chains and are choosing vendors based in part on environmental performance. These companies are reducing liabilities by improving operations for resource acquisition, processing, and sales.

Other firms are improving profits by redefining their value chain. In effect, they are redefining what is waste and what is product. For example, electric utilities use scrubbers to remove sulfur and fly ash from the exhaust gases of their power plants. Typically this was the end of the value chain: Utilities paid to dispose of the material in landfills. But by seeing this waste as a product, many electric companies are now finding new markets for sulfur and fly ash. For example, the waste is high in calcium sulfate (gypsum), which is mined to make materials such as wallboards and concrete. Farmers also find the residue—"scrubber sludge"—valuable as fertilizer. Its high sulfur content helps to increase crop yields and reduce water runoff by improving the soil's capacity to hold water. The Tennessee Valley

Authority now earns between \$6 and \$10 million annually on the by-product.

Consumers

In 1993, S.C. Johnson & Sons found in a survey that at least 25% of the U.S. population is willing to link their buying decisions to a company's environmental performance. In subsequent surveys, the company learned that this class of "green" consumers is growing, but its form is changing: Many people will not pay extra for environmental attributes unless the service, quality, or price of the product is at least equal, and preferably more attractive. With that in mind, many companies are now capitalizing on green markets.

Procter & Gamble has successfully linked environmental protection to market demand. Beginning in the late 1980s, the company began using recyclable packaging and concentrated products in direct response to consumer concerns. Today, the company uses recycled material in more than 200 product packages. A corresponding reduction in expenses for shipping packing material has directly added to the company's bottom line. Looking to the future, the company is actively pursuing new products that use little or no water. This initiative is being motivated by the desire to attract new consumers in locations where water is either very expensive or difficult to obtain.

Volvo is also appealing to environmentally conscious consumers, most recently with its S80 model, the first car with an ability to destroy smog-producing ozone. The automobile is equipped with a specially coated radiator that converts up to 75% of the ozone passing through it into oxygen. The PremAir catalyst system, designed by Engelhard Corporation, costs only about \$50—a small fraction of the \$40,000 price tag for the automobile. Although the company will gain no regulatory benefits for the device, Volvo sees a benefit to urban air pollution reduction and consumer interest.

Financial Institutions

Banks and other sources of capital exert increasing pressure to incorporate environmental considerations into firm strategies. For example, no bank will finance the development of a parcel

ANDREW J. HOFFMAN
(ahoffman@bu.edu) is a professor at the Boston University School of Management and the author of four books on corporate environmentalism, including *Competitive Environmental Strategy: A Guide to the Changing Landscape* (2000, Island Press). He is also a principal consultant with The Canopy Partnership and Canopy Institute, working with leading corporations to establish effective environmental strategies.

of urban land without a thorough environmental impact assessment because there may be hidden environmental hazards. This has led some entrepreneurs to pursue the strategic opportunities in brownfield redevelopment projects by developing a specialty in understanding, quantifying, and managing the associated risks.

Some banks have introduced environmental considerations into their broader underwriting practices. The European Bank for Reconstruction and Development, for example, has written into its establishing agreement that it will “promote in the full range of its activities environmentally sound and sustainable development.” Similarly, the United Nations Environment Program (UNEP) has coordinated a declaration of environmental commitment of the banking industry with signatories committing to incorporate environmental factors into their daily business practices. Not to be left out, a corresponding Western Hemisphere Advisory Group is in the making under the guiding direction of Bank of America, Salomon Inc., and the Royal Bank of Canada.

Shareholders are another source of financial pressure over environmental issues. They first became an important environmental constituency in 1989 when the Council for Environmentally Responsible Economies enlisted investors to file proxy resolutions seeking the endorsement of environmental principles in annual board meetings. More recently, some shareholders have begun to exert pressure on the companies in which they own stock. In 1999, for example, the stock price of the Maxxam Corporation fell dramatically when the company rejected the government’s offer to purchase and protect the Headwaters Forest. After the company reversed its position and signed the deal (two minutes before it was to expire), the stock rose 24%.

Broad-based investors are also beginning to equate environmental performance with good management. The Alliance for Environmental Innovation reviewed 70 research studies examining the relationship between environmental performance and good management and concluded that companies that outperform their peers environmentally also outperform them on the stock market by as much as two percentage

points. ICF Kaiser found a similar correlation in a study of 300 of the largest public companies in the United States. With this correlation as a trigger, some investment funds are buying stocks that represent “best of class” in basic industries like paper and steel. These companies, according to fund managers, handle their environmental affairs responsibly relative to their industry competitors and will likely manage their overall operations more responsibly.

Investors are also identifying future environmental issues as critical economic indicators. For example, some estimate that climate change controls could amount to a total exposure for the electric utility industry of more than \$60 billion annually. That exposure will not fall evenly—companies heavily capitalized in coal-fired generation will carry the largest burden and the greatest financial liability. Some believe that this liability will force a shift in investment dollars away from such high-carbon companies and toward low-carbon competitors.

Insurance Underwriters

Ever since the 1984 Bhopal disaster and the associated pollution liability claims filed by Union Carbide, the insurance industry has been increasingly vigilant. Insurance underwriters now equate environmentally risky operations with increased financial risk, and some are setting environmental standards for minimizing that risk. Pollution-related policies are increasingly prescriptive. For example, in November 1995, the insurance industry developed a UNEP-supported Statement of Environmental Commitment. Seventy-eight official signatories made commitments to include the environment as one of the value drivers in their underwriting decisions. In this way, insurance company underwriting practices influence how companies handle their environmental affairs. If companies choose not to adopt insurance-recommended practices, they’ll find their busi-

Notions that environmental concerns are separate from the strategic interests of a firm will no longer serve companies.

ness costs raised through higher premiums and, since insurance companies possess large amounts of investment capital that can be used to sway financial markets, their market performance possibly affected.

Trade Associations

Trade associations commonly make environmental demands on their members. Beginning in 1989 with the Chemical Manufacturer's Association (CMA) Responsible Care Program, similarly designed programs have flourished in industries such as petroleum, printing, textiles, paper, lead, and automobiles. These programs are built on the belief that the environmental reputation of a single company depends on the reputation of the entire industry. Typical requirements include community outreach, environmental controls, public disclosure, and regulatory compliance.

The environmental programs of trade associations may also influence regulatory policy, share price, consumer demand, and legal affairs. For example, in the early 1990s, paper companies faced an industrywide problem with dioxin emissions, a by-product from the paper-bleaching process. In 1991, the owners of two paper mills in Eureka, California, agreed to pay \$5.8 million in penalties for polluting local beaches with dioxin. In 1992, Weyerhaeuser was sued for \$1 billion by local landowners for the release of dioxin. These concerns precipitated a federal initiative to reduce dioxin discharges, forcing investments of up to \$20 million per paper mill. Now, trade association programs seek to avoid such industrywide problems before they happen. In one such project, several paper companies have collaborated on developing chlorine-free processes to eliminate dioxin from paper bleaching and closed-loop systems that eliminate the need for external water sources (and discharges) entirely.

Social Institutions

Several social institutions are shifting the norms concerning corporations and the environment. Academic institutions are teaching students about the environment in ways not used in previous generations. From grade schools to colleges and universities, students are offered a

growing number of environmental courses in business, engineering, science, journalism, law, and public policy. The best and most selective students are searching for companies that share their values on environmental issues. Companies that can appeal to that value system will find it easier to recruit and retain top candidates. Even before they graduate, students can influence corporate strategy. For example, in 1994, students at Dartmouth College, Tufts University, Williams College, and Wellesley College succeeded in pressuring their administrations to divest their holdings in Hydro-Quebec, a Canadian utility engaged in a hydroelectric project that environmentalists criticized for flooding large areas of northern Quebec.

Many of the world's religious institutions are changing their view of the morality of behavior toward the environment. For example, the Presbyterian Church has placed environmental concerns directly into the church canon, thus making it a sin to "threaten death to the planet entrusted to our care."

Similarly, his All Holiness Bartholomew I, spiritual leader of the world's 300 million Orthodox Christians, has equated specific ecological problems with sinful behavior, and the Roman Catholic Church's new catechism has likened environmental degradation with theft from future generations.

And these beliefs are having an effect: In 1996, evangelical groups rallied support for the reauthorization of the Endangered Species Act over the opposition of timber companies. And in 1998, the National Council of Churches and the National Religious Partnership for the Environment lobbied U.S. Senators and President Clinton in support of the Kyoto Protocol on climate change.

Government regulation and social activist pressure remain important considerations for corporate environmental action—for example, market-based regulations can create strategic opportunities for entrepreneurial firms, and many companies are developing strategic alliances with environmental nonprofit groups.

Companies that outperform their peers environmentally also outperform them on the stock market.

But the field of constituents linking environmental and economic objectives is growing larger and more strategic. The challenge for companies is to recognize *when* this changing field has important implications for their operations and then to figure out *how* to translate those implications into their organization.

To Identify Strategic Opportunities, Employ a Strategic Frame

The array of external constituents demanding environmental protection can serve as impetus for strategic innovation that pays off. The key is to frame environmental concerns in terms that reflect a firm's overall strategic interests. In addition to the traditional frames of regulatory compliance and social responsibility, strategic frames fall into the following six basic categories (as defined by groups such as Global Environmental Management Initiative [GEMI] and the Aspen Institute).

Environmental Protection as Operational Efficiency

When buyers and suppliers impose environmental pressures on the firm, environmental protection can be framed as the strategic issue of finding new ways to optimize operations through eco-efficiency, waste minimization, and pollution prevention. For example, the Carrier Corporation, a division of United Technologies, invested \$500,000 to eliminate the use of toxic solvents to clean copper and aluminum parts in the manufacture of air conditioners. By the end of the first year, the company claims to have recouped \$1.2 million in reduced manufacturing costs.

Through this kind of process optimization, material yield may increase and resource utilization rates may decrease, resulting in lower costs per unit of product produced. Minimizing wastes, emissions, and discharges can lower the costs of regulatory compliance, engineering, control management, and disposal. Moreover, these changes will reduce liability for spills and health and safety exposures, which translates into lower insurance premiums and lower threats of worker-injury lawsuits. Integrating concerns for

pollution prevention into engineering design criteria may expose previously unseen opportunities for streamlining or eliminating process components and maintenance procedures.

Environmental Protection as Risk Management

When environmental pressures are imposed by insurance companies, they can be framed as issues of risk management. Firms then have incentive to find ways to limit the potentially harmful exposures of employees, contractors, and customers and so lower corporate insurance premiums. Volkswagen, for example, has recently identified a link between its own improving standards of environmental performance and the increasingly attractive terms they've enjoyed with insurance companies and banks.

Environmental risk management strategies may also reduce the need and associated costs of contingent emergency procedures. In the short term, portions of emergency preparedness programs may be rendered obsolete after hazards are eliminated. In the long term, proactive measures and effective plans may reduce the costs of emergency response and cleanup, as well as the associated regulatory penalties and legal expenses. And as product stewardship concerns become more pervasive, incorporating environmental considerations into product design may reduce the potential for ongoing liabilities associated with product use, misuse, and disposal.

Environmental Protection as Capital Acquisition

When imposed by banks, shareholders, and investors, environmental protection is framed as an issue of capital acquisition. This serves as an inducement to reduce the costs and uncertainty of capital investment in new sites, facility construction, start-up or redesign of manufacturing lines, and new products. For example, in property acquisitions and divestitures, environmental due diligence activities may uncover hidden environmental liabilities. Likewise, action early in capital projects to secure permits, address regulatory requirements, and foresee environmental problems may streamline new product development or facility expansion. Directing attention to environmental issues and

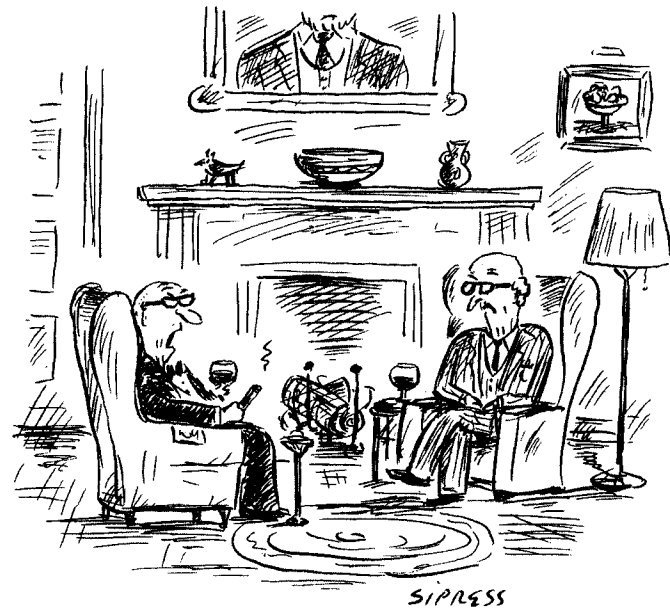
community relations can play a key role in overcoming community opposition to new plant construction or facility expansion. Furthermore, companies may reduce the overall operating expenses of new facilities by incorporating environmental considerations into the design of facilities and operations. For example, Kirin Breweries, one of the largest beer and beverage companies in Japan, has successfully converted its 15 Japanese factories into zero-waste factories, saving the company over \$4 million in operating costs from 1992 to 1998.

Environmental Protection as Market Demand

Framed as market demand, environmental protection becomes an opportunity to enhance market share for products and services by appealing to both end-user customers or buyers and up-front suppliers or vendors. In this scenario, firms may attract environmentally conscious consumers by increasing recycled or recyclable material use, reducing virgin material use, eliminating hazardous product constituents, and decreasing the environmental impact of their products. For example, while organic foods may have benefits for the environment and personal health—they are free from artificial preservatives, coloring, irradiation, synthetic pesticides, fungicides, ripening agents, fumigants, and growth hormones and are harvested with sustainability concerns in mind—companies are selling them because they represent a growing market segment and an opportunity to increase market share through strategy redirection. Sales doubled from 1989 to 1994 from \$3.9 billion to \$7.6 billion. Similarly, sales of bottled water have nearly tripled from 1984 to 1995, from 933 million gallons to 2.87 billion gallons. In 1991, there were 195 health food supermarkets across the United States. By the end of 1994, there were 650. Today, the two leading U.S. natural grocery stores—Whole Foods and Wild Oats markets—have a total of 232 stores, with net sales of more than \$3 billion. The most recent statistics available from 1999 showed a 14% annual increase in square footage dedicated to natural and organic products.

Green marketing efforts may enhance the company's public image and the marketability of

© 2002 The New Yorker Collection from cartoonbank.com. All Rights Reserved.



"I remember when there was no damn environment."

its brand name. For example, British Petroleum has elevated its status and reputation with the public above the rest of the oil industry by openly advocating the need for climate change controls and actively pursuing alternative energy sources. This has generated a great deal of free press and won them an open communication channel with world governments and nonprofit organizations. High environmental performance standards also may appeal to suppliers and buyers who are seeking strategic advantage through their own environmental initiatives.

Environmental Protection as Strategic Direction

A firm's assessment of the environmental costs and risks associated with product or process lines will generate opportunities to seek less risky and more attractive alternatives. By remaining alert to changes in consumer preference, media attention, community concerns, and regulatory trends, companies can also exert greater control over their image, reputation, and financial performance. Moreover, corporate initiatives to protect the environment may help secure new markets and protect existing ones from criticism, protest, and attack. For example, United Parcel Service has developed an environmentally friendly letter-sized envelope that is bleach free,

Sustainable Development as a Strategic Concern

Looking beyond environmental strategy, many are now asking whether the issue of sustainable development is the new business challenge. Have the three components of the triple bottom line—social equity, environmental protection, and economic growth—entered the business sphere? Many corporate and environmental pundits say yes. For example, Edgar Woolard, former Chairman of DuPont; Frank Popoff, former CEO of the Dow Chemical Company; and William C. Ford, Jr., present chairman of the board of the Ford Motor Company, consider sustainability a business imperative. So far, however, the issue has entered only the rhetoric of modern business, not the realm of core business issues.

Companies tend to be unclear on what sustainable development means. Indeed, even those who support the concept disagree on its precise meaning, so companies are falling back on known strategies to define sustainability. In particular, they use eco-efficiency as a guide on how to look at the longer-term social pressures that will affect their market position and the costs of doing business. But the defining values of sustainable development are more challenging than the existing institutional beliefs about eco-efficiency. In fact, if the social equity values composing sustainability are fully accepted, many underlying assumptions of the market economy will be challenged and will lead to redefining the objectives of companies.

By defining what sustainability means in concrete terms, we can better understand what it means for business practice. The United Nations Commission on Sustainable Development has proposed a set of indicators, primarily for country-level social measures, which includes:

- income inequality
- average life expectancy
- level of crime
- number of homeless
- population growth rate
- difference between male and female school enrollment rates
- per capita consumption of fossil fuels for transportation
- ratio of the average house price to the average income
- living space (floor area) per person
- environmentally adjusted net domestic product
- energy consumption
- intensity of materials use
- percentage of population with adequate excreta disposal facilities
- share of renewable energy resources consumed
- annual withdrawals of ground and surface water
- ratio of debt service to export earnings
- maximum sustainable yield for fisheries
- changes in land use
- percent of arable land that is irrigated
- energy use in agriculture
- emissions of greenhouse gases
- waste recycling and reuse
- access to information.

If institutionalized, such measures could guide identification of sustainable corporate practices.

The values that underlie these metrics are presently tangential to the accepted measures and objectives of economic growth and business strategy. Integrating them with the values underlying the market system poses a major challenge, significantly more daunting than the integration of environmental values over the past 40 years. Where environmental problems are highly visible and clearly threatening to everyone, not just a small percentage of the population, the social equity components of sustainable development are much less tangible than environmental issues and are inherently about distributing resources from those who have to those who are without.

For example, one objective of sustainability is the fair distribution of environmental costs and benefits among people in all economic and cultural classes. This is underlain by the pragmatic concern that poverty resulting from inequitable resource distribution leads to ecosystem degradation and then to destabilized economic and political regimes. Corporations that seek to offset these concerns through their business practices will be at serious odds with the individualistic, self-interested, profit-seeking, and resource-utilizing beliefs that underlie the present market system. The few companies (such as Shell, Ford, DuPont, and Dow) choosing to tackle these tough social equity issues today are examples of individual efforts that may presage a shift in industry norms. But we've got a long way to go.

Sustainable development will become a genuine business concern when key business constituents such as insurance companies, suppliers, buyers, customers, competitors, banks, shareholders, and investors begin to adopt criteria of sustainability in their decision making. At that time, issues of social equity will move from a management concern to a strategic concern.

made of 80% post-consumer recycled fiber, and reusable. The product was so popular that Federal Express introduced similar packaging.

The Ford Motor Company announced in 1999 its intention to become the world's largest recycler of automobile parts. The project is being driven both by expectations that regulations concerning auto recycling (already a reality in Europe) will increase and by insurance company demands to use recycled parts in automobile repairs. By acquiring existing recyclers and developing central recycling centers, the company expects the subsidiary to add \$1 billion annually in revenues. Ford's goal is to recycle or reuse at least 90% of every vehicle and use the Internet to sell parts (such as windshields, body panels, engines, and transmissions) or recycled materials to repair shops and its own suppliers. Eventually, Ford plans to link its recycling division with its entire value chain as part of a larger plan to be involved in the vehicle's life cycle beyond development and assembly. By incorporating recyclability concerns into initial automotive designs—with the expectation that the company will see that automobile again at the end of its useable life—this type of system redesign holds the promise of “closing the loop” on automobile manufacturing.

Environmental Protection as Human Resource Management

When driven by social institutions and the company's own workforce, environmental protection can be framed as an opportunity to increase workplace productivity. A strong environmental reputation as well as environmentally safe working conditions can help companies attract higher-caliber applicants. Patagonia, the manufacturer of high-end outdoor clothing and equipment, has seen that this strategy is particularly valuable as labor markets shrink: The company enjoys an average of 5,000 applications for every opening.

Leading environmental performers can also improve their retention rates, reducing the costs of recruiting and training new employees. Novo Nordisk, for example, has seen its turnover rate drop to 5%, half the industry average, since it initiated its “Values in Action” program as a way to infuse sustainability principles into its strategy. Improved working conditions—high

indoor-air quality, reduced noise levels, and energy-efficient lighting upgrades—may reduce absenteeism and improve staff morale and productivity as well.

Direct Environmental Initiatives to the Proper Core Departments

The scientific validity of environmental issues should be less important to a company than the channels used to convey concerns about the environment to the company. A manager need not believe in climate change as an environmental concern to see it as a strategic concern. If his or her insurance underwriter, investors, suppliers, or buyers are concerned, then it is a business issue. An efficient organizational response involves directing environmental issues to the functional levels best equipped to handle them. Such issues move from the periphery of specialized environmental health and safety departments to the core of the organization's functional competencies. This process transforms the work roles and functions of the various departments within the organization.

The challenge of environmental strategy involves more than just restructuring organizational roles and responsibilities. It involves a cultural change within the firm. Such change will mean breaking down structures and beliefs that have become institutionalized over decades. For example, since the establishment of environmental regulations in 1970, most corporations have adopted a government-centered approach to handling environmental issues. Environmental affairs departments were developed as organizationally specialized functions responsible for ensuring that the corporation remained in compliance with environmental demands so that the operating core could remain focused on maximizing profits.

A change in culture means seeing environmental pressures, no matter what their source,

Firms may attract environmentally conscious consumers by decreasing the environmental impact of their products.

as a challenge for the entire organization. It also means seeing opportunities rather than threats. While some business activities may be constrained or even eliminated, others may be enhanced or created.

One Caveat: The Strategy Must Fit the Organization

By framing environmental problems and solutions in ways that are culturally appropriate, an organization selects certain issues for attention and excludes others. In other words, the integration of environmental issues into corporate strategy comes down to a matter of fit with the company's particular culture. Not all companies will employ the same strategy, and not all strategies will work in every company. To mobilize strategic action on environmental issues requires that a firm see the issues as consistent with its overall objectives. These issues must cease to be *environmental* issues and be seen as issues of strategic importance.

For example, a consumer product-oriented company such as Proctor & Gamble will most effectively respond to environmental issues when they are framed as consumer demand. A manufacturing and production-oriented company like Intel will best frame environmental issues as operational efficiency. A research and development-oriented company like 3M will likely frame environmental issues as an unexplored strategic opportunity.

In other words, companies responding to environmental concerns strategically will wrestle no longer with an agenda of social responsibility or regulatory compliance. Instead they will search for ways to make environmental protection contribute to the bottom line. This means reframing environmental issues in the strategic language of the company. Progress will not be measured by pounds of toxins removed or other such metrics but instead by contributions to the company's strategic objectives. The environment disappears as a primary motivator, and management must link environmental initiatives to a clear business constituency, frame them in standard business language, and direct them to core departments.

Environmental and business interests must merge within the organizational culture, structure, reward systems, and job responsibilities. During this process the internal "business" language of the organization will predominate, and the external demand for environmental performance will disappear as a primary concern. That is, the environment disappears as a primary driver of the strategic initiative. The shift from environmental management to environmental strategy moves the issue from outside to inside the corporate mindset. ■

A manager need not believe in climate change as an environmental concern to see it as a strategic concern.

INDEXED UNDER:

*Consulting opportunities;
Consulting trends*



CALL FOR EDITORS

With C2M's growth comes the need for additional editors to join our staff of volunteers. If you have demonstrated writing or editing ability and have published, we would like to talk with you in regard to joining an editorial department matching your special area of interest and competence.

Please contact Gerald A. Simon, Chairman, Editorial Board,
at simon@C2M.com.