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Corporate Environmentalism: In Search of Vision, Leadership, and Strategy

Richard MacLean

Environmental managers are in transition between a regulatory-driven past and new environmental dynamics. The future will be driven by stakeholder demands for the responsible use of natural and human capital.

Corporate environmentalism may not be dead, but it is in need of resuscitation

Understanding this transition and its business implications requires an examination of how we got to the current state, a brutally honest evaluation of where we are today, and re-examination of how environmental departments can add value in the future. Seven essential steps will be necessary to successfully navigate this transition.

"The Death of Environmentalism"?

The environmental movement of the past 35 years has seen a period of tremendous progress. Polls show most Americans strongly support environmental protection. But past successes have repositioned the priority of environmental issues behind more urgent needs such as health care, national security, retirement financing, and jobs. Environmentalists have failed to rally public support around emerging global environmental issues—issues that do not lend themselves to the regulatory solutions of the past.

In 2004, an article called "The Death of Environmentalism" directly challenged the modern environmental movement, stating that it is "no longer capable of dealing with the world's most serious ecological crisis."[1] Written by Michael Shellenberger and Ted Nordhaus, the article has prompted an intense and continuing debate among environmentalists.

And no wonder. The authors state that "today environmentalism is just another special interest" and that "environmental leaders are like generals fighting the last war" in which the

> three-part strategic framework for environmental policy-making hasn't changed in 40 years: first, define a problem (e.g. ,global warming) as "environmental." Second, craft a technical remedy (e.g., cap-and-trade). Third, sell the technical proposal to legislators through a variety of

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tactics, such as lobbying, third-party allies, research reports, advertising and public relations.

The article created so much buzz because many environmentalists believe that it accurately describes the "elephant in the room" that few of their colleagues were willing to publicly address. Although the analysis was U.S.-centric and focused on global warming, it has broad implications for corporate environmental managers. Environmental activists may sit on opposite sides of the negotiating table from corporations, but the politics, public awareness, and technical challenges described in the article impact everyone who works on environmental issues.

The challenge for environmental departments is to provide value that is of strategic importance to the company.

The Near Death of Corporate Environmentalism?

If modern environmentalism is dead, what about modern corporate environmentalism? If you read corporate environmental reports or go to meetings of trade associations and professional societies, you might conclude that it is alive and very well indeed—and even advancing toward social responsibility and sustainable development at an ever-accelerating pace.

On the other hand, if you were to ask environmental activists, they might claim that this is all pure company propaganda.

So what view is correct? Not surprisingly, the truth lies somewhere in between. Corporate environmental departments have made enormous progress, but they are also at a critical junction point. They must recognize that there is a fundamental shift underway in the nature of environmental issues.

Most companies continue to fight the old battles using the same old techniques—much like the environmentalists who are being accused of resembling "generals fighting the last war." Just as environmentalists are struggling to redefine their mission and methods, corporate environmental managers are under pressure to prove their value to their companies.

The challenge for environmental departments is to provide value that is of strategic importance to the company. Instead, however, environmental departments are gradually becoming more and more marginalized. They are turning into taskmasters who provide services, often as just one element of a larger shared service–type department.

Services are important, but are they strategic? And why, business managers may ask, can't more of these services be outsourced to the lowest-cost provider?

The irony is that the opportunity for environmental departments to offer more strategic value grows each day, but the likelihood that environmental departments will lead this effort is diminishing—unless they embark on a different vision and strategy. If the current trend continues, they risk becoming even more marginalized as compliance taskmasters and routine service providers.

Obviously, this is my opinion. But it is one shared by many of my colleagues. The observations in this article are based on interviews with scores of corporate environmental managers. They also are derived from ongoing research at the Center for Environmental Innovation (where I serve as executive director), and specifically from our project called "Organizations in Transition."[2]

In describing the problems confronting corporate environmentalism, I fully recognize that I run the risk of offending some individuals and departments that do not fit within these broad descriptions (and criticisms). Unfortunately,

today we live in a society prone to using extreme comparisons and sweeping generalizations—something I call the "Yao Ming Syndrome" (see sidebar box).

So please take this article seriously, but not personally. Hopefully, it will stimulate discussions within your own organization.

The March Toward the Margins

Before beginning a description of the current state of corporate environmentalism, a historical perspective is important: first, because some readers may be new to corporate environmentalism, and, second, because explaining this background helps to illustrate the challenges that environmental managers face in order to reverse current trends.

When Corporate Environmentalism Was Young

The 1970s through the early 1990s were heady days for corporate environmental departments. The stream of regulations coming out of Washington meant that companies had to increase environmental department budgets and expand their staffs in order to build the infrastructure necessary to meet ever-growing regulatory requirements.

New director and vice president positions were created for environmental management. The individuals who filled these positions felt they were making a significant and strategic contribution to their companies. And indeed, they were.

The Mid-'90s Slump

But by 1995, environmental departments were running into problems. Robert Shelton first described "Hitting the Green Wall" in an article by that name over a decade ago.[3]

Environmental programs that went "beyond compliance" began to encounter resistance. For example, the enthusiasm for pollution prevention that had grown during the late 1980s was now declining. Once the "low-hanging fruit" was picked, business became less interested.

The culture itself was also undergoing a change. In 1997, Joel Hirschhorn, one of the most vocal promoters of pollution prevention, described the shift as follows:

> Implementers replaced visionaries. Implementers became incrementalists. Vision was replaced by practicality, negotiation, and compromise. Conceptualizers in gov-

"Yao Ming Syndrome"

The average American male is 5' 10", while the average Chinese man is about 5' 6". And then there is Yao Ming. Yao was born in Shanghai and drafted in 2002 by the Houston Rockets, a National Basketball Association (NBA) team. At 7'5", he is remarkable in both height and skill.

So is it reasonable to make the sweeping generalization that all Chinese men are short? Or is it accurate to claim that all Chinese men are giants, based on Yao's unusual stature? Obviously not, but this type of nonsense is in widespread practice today.

In this article, I make a number of generalizations on corporate environmental programs, but this is not to imply that all programs share these traits. There are exceptions, of course, and I have referenced a number of best practices.

Are my overall observations accurate? I, along with the majority of my colleagues, believe they are. The primary purpose of this article is to stimulate debate and not to describe with scientific precision all dimensions of current corporate environmental practice. The point is that there are issues and opportunities out there in corporate environmental land that are not being pursued aggressively. Now may be the right time to address these issues.

ernment were replaced by bureaucrats. Dreamers in industry were replaced by managers. Rapid technological change and progress were replaced by words, newly named programs, and endless new phrases that people invented to feel good and important.[4]

Not surprisingly, his pessimistic assessment was widely rejected by environmental practitioners. Indeed, business managers were becoming increasingly confident that things were well under control. As evidence, they pointed to the successes of the past, the rapid completion of pollution control infrastructures, the advent of environmental management systems and standardized procedures, and the diminished growth in new regulations.

In the second half of the 1990s, many environmental departments were swept up in the consolidation of "service groups."

In the second half of the 1990s, many environmental departments were swept up in the consolidation of "service groups" that was taking place. They became part of shared service departments that also contained functions such as human resources, information technology, security, safety, and accounting.

By this time, environmental departments were undergoing round after round of cost cutting and headcount reduction. They were treated like any other service group—and thus were under intense pressure to demonstrate value.

This phenomenon was reflected throughout the profession. In 1998, for example, the Global Environmental Management Initiative (GEMI), responding to its members' concerns, offered the first part of what eventually evolved into a four-part series on how environmental departments could add business value.[5] Long gone were the days when environmental departments felt insulated against cutbacks because management feared going to jail if they tried to rein in compliance costs.

"Green Arthritis"

By the end of the 1990s, regulatory issues had stabilized, but progress on innovative programs had noticeably slowed compared to the high-flying days of a decade earlier. The resource spigot had been tightened, and even projects with positive rates of return were being rejected. There was a growing sense of frustration among some practitioners.

In 2000 I wrote a journal article with a colleague, Frank Friedman, that described the situation as "Green Arthritis" in which "environmental progress has become ossified."[6] Among the most telling aspects of the article were two countering opinions included within the journal article: a senior environmentalist blamed the lack of progress on Congress, and a high-level representative of the United States Environmental Protection Agency (EPA) acknowledged the problem but was optimistic that progress was being made. When read back-to-back with "The Death of Environmentalism," this now-five-year-old article seems prophetic.

Boxed In

There is no question that many, if not most, environmental managers find themselves in an extremely difficult situation today. With their budgets cut to the bare bones, many struggle just to maintain compliance and governance activities. Frank Friedman observes, "Some companies may even be moving backward as resources are cut and entry-level environmental staffs are replacing senior experienced professionals."

Bill Delasandro, editor of *Crosslands Bulletin,* has tracked and reported on environmental issues since the first Earth Day. He says:

Environmental departments have had their ups and downs over the decades as the economy has gone through its cycles. This cycle appears different. Many of today's senior managers were inspired by the activism of the 1970s. The "fire in the belly" that drove their early careers has diminished as their attention shifts to retirement. The new generation may be more focused on short-term business objectives and fitting into the corporate landscape.

Is the Appearance of Environmental Progress Deceiving?

Paradoxically, industry's public environmental image has, if anything, improved in recent years. During the 1980s, companies were inept at responding to growing public outrage over debacles such as Love Canal and Times Beach. No longer.

Companies have grown increasingly sophisticated at communicating their messages and successes. In many respects, environmentalists have been beaten at a game they ruled during the 1970s and 1980s. Today it is environmentalists who appear to be losing the war of words—a key point made in "The Death of Environmentalism."

This is positive news indeed for business. But with it come significant unintended consequences. Some business executives may believe that the "environmental problem" has largely gone away. Some do not look much beyond their own public relations messages and what is printed in the *Wall Street Journal* (where the typical message is that environmentalists are alarmists and extremists, and things are getting better).

Business managers do not pile resources into problem areas that they believe do not exist. They especially do not spend resources on areas that they do not understand.

For some managers, the environment has been reduced to a two-dimensional universe: compliance (including governance-related functions) and public relations (PR). In such a limited, flat space, there is little room for more significant and strategic contributions by environmental managers.

Sustainable Development, Corporate Social Responsibility, and Business PR

More than a decade of efforts on sustainable development (SD), and more recently on corporate social responsibility (CSR), has produced mixed results in expanding this flat universe.

Environmental compliance requirements offered a hard set of metrics (a.k.a. limits) that management could track and then respond to with added resources if things got out of whack. By contrast, SD and CSR still baffle most business managers, and the nature of the metrics needed to measure them is subject to debate even among environmental processionals.

In many respects, environmentalists have been beaten at a game they ruled during the 1970s and 1980s.

As a result, business executives may view SD and CSR activities as primarily image-building efforts—and thus may fund them in line with PR efforts. Obviously they would never state this openly. But as the old saying has it: Pay attention to where the money goes, not the words spoken. Meanwhile, the debate about whether SD and CSR add value rages on in the business literature.[7]

John Ehrenfeld, executive director of the International Society for Industrial Ecology and emeritus professor at the Massachusetts Institute of Technology, is particularly harsh on SD efforts to date, stating, "virtually all efforts to produce sustainable development have been lit-

tle more than Band-Aids . . . . [Business' attention to SD has become] increasingly focused on treating symptoms and increasingly incapable of action on their own to deal with root causes."[8]

Where Things Stand Today for Environmental Managers

The convergence of all these forces leaves many environmental departments boxed in with inadequate resources; marginal management support on anything beyond governance, compliance, and PR; and limited executive management involvement in or understanding of emerging issues.

It is this last factor—emerging issues—that offers the greatest opportunity for environmental managers to prove their mettle and add real strategic value.

Emerging Challenges (and Opportunities)

Van Jones, executive director of the Ella Baker Center for Human Rights, is quoted in "The Death of Environmentalism" as saying, "The first wave of environmentalism was framed around conservation and the second around regulation. We believe the third wave will be framed around investment."[9]

The first two environmental waves and their underlying drivers (conservation and regulation) are widely recognized and understood. Jones believes that the third wave has already begun, and that its focus is on investment in public education, coalition building, and cleaner technology. He is on the right track but is missing the underlying driver in his U.S.-centric analysis.

The next wave is in fact the shift to global markets. It is actually the culmination of a series of converging dynamics, as described in **Exhibit 1**.

Exhibit 1. Emerging Global Environmental Dynamics

Dimension	Second Wave: Regulations	Third Wave: Global Markets
Operative Business Questions	• Are we in compliance? • How do we cut environmental costs?	• Are we doing the right thing? • How do we gain competitive advantage?
Power Drivers	• Regulations	• Market mechanisms
Power Brokers	• Exclusive: Regulatory agencies	• Shared: Government, NGOs, and local communities
Primary Impact	• Inside the fence • Community	• Supply chain • Global markets
Positioning	• Legal challenges • Lobbying • Public relations	• Transparency • Governance • Partnerships • Alliances
Source of Advantage	• Cost (i.e., waste reduction) • Agency-expedited regulatory permits	• Preferred provider • Product branding • Certifications • Market-entry barriers • Community support • Proprietary products
Objective	• Reacting to problems • Short-term issues	• Identifying solutions • Preventing long-term problems
Organization	Stand-alone, isolated departments containing environmental specialists	• Functional integration • Strategic enterprise coordination
Governance	• Ad hoc • Voluntary • Trust but rarely verify	• Independent audits • Certifications • Trust but verify

The European Union is leading the way with a series of directives and policies that have migrated from a focus on particular environmental media (air, water, and waste) to a holistic look at manufacturing operations and, more recently, at products themselves. The third wave represents a paradigm shift: integrating environmental dynamics with process and product design, marketing, and overall business strategy.

The United States has been slow to embrace this concept. The entire domestic environmental infrastructure is based on a regulatory compliance framework designed to solve environmental, health, and safety (EH&S) problems.

For more than a decade, the U.S. system has been widely acknowledged to be broken, but efforts to fix it have gone nowhere. Cynics argue that the Bush administration is implementing a business-friendly "fix"—dismantling current laws and relying on incentives, voluntary initiatives, and the free-market system to address environmental problems.

Many business managers indeed believe that relief from environmental regulation is on the way. This perception has the perverse impact of further eroding the ability of corporate environmental managers to maintain even consistent compliance.

In the grand scheme of things, however, what occurs in Washington, DC, is becoming irrelevant.[10] The power brokers involved in the paradigm shift to global markets include a new cast of characters: nongovernmental organizations (NGOs), standard-setting bodies, foreign governmental entities, stock analysts, insurance underwriters, and a public linked through the global Internet.

The dynamics of these new "rule makers" are complex, as are the potential risks and the competitive opportunities they create. (For some discussion of this topic, see an article I coauthored called "The New Rule Makers."[11])

With these new actors playing an increasingly important role, the defining future question with respect to corporations will revolve around whether they are viewed as responsible users of resources—both natural capital (raw materials and the environment) and human capital (employees, customers, and communities). Unfortunately, most business executives are unaware of these emerging dynamics, still believing that the United States dominates the environmental agenda, even globally.

Environmental managers may be aware of individual initiatives, such as the European Union's RoHS (Restriction of Hazardous Substances) or the International Organization for Standardization's forthcoming guideline on social responsibility (ISO 26000). But most have not integrated these emerging dynamics into a cohesive business strategy, let alone explained the risks and competitive opportunities to executives. How can they when they are consumed with day-to-day fire fighting?

The defining future question with respect to corporations will revolve around whether they are viewed as responsible users of resources—both natural capital (raw materials and the environment) and human capital (employees, customers, and communities).

Intel on the Inside (Track)

I say "most" environmental managers, but (acknowledging the Yao Ming Syndrome) certainly not all.

Tim Mohin, director of sustainable development at Intel, is one environmental manager who understands the new global forces. He graphically describes these dynamics as they relate to his company:

> The global forces—the public ones that are above the surface—are continuously on our radar scope. For example, the precautionary principle is a driver in much of what is evolving in Europe. There are also

the internal, confidential product development activities we are involved with directly—tracked by sonar, as it were. We currently are designing the next generation of exotic chemicals and processes. If we have done our job properly, there will be no disconnects when everything converges at the surface. Delays at that junction point can be enormously costly.

Intel is putting new environmental assets on the ground in Brussels and Beijing, not in Washington. Lew Scarpace, the company's corporate director for EH&S, states, "Historically we have taken a strategic approach to managing permitting and other issues. This approach has resulted in significant reductions in the time to market, saving Intel tens, if not hundreds, of millions of dollars."

Access to top business executives is critical, yet it probably represents the area where the greatest differences exist among environmental departments.

Making the Transition to the Next Stage

As the Intel example illustrates, strategic opportunities are on the horizon. Some may dismiss these global dynamics as not applicable to a small or mid-sized domestic-based company. But this ignores the ripple effects of the current global supply chain. It is also a convenient excuse for environmental managers to take no action and continue with the same comfortable (but nonstrategic and low-value) tasks.

So how can environmental managers and departments break out from what amounts to a 1980s approach and join the twenty-first century? There are seven essential steps.

1. Open a Dialogue with Business Executives

Access to top business executives is critical, yet it probably represents the area where the greatest differences exist among environmental departments. At the facility level, access is almost always good because of the close proximity to the plant manager, who typically wants to be involved intimately in every aspect of the site.

But for some corporate and even divisional managers, the top corporate officers may as well be located on the moon instead of several stories up in the same building. I have been shocked to find that some leading environmental departments have no interface whatsoever with their company CEO or board of directors. They are literally isolated. Tragically, a few environmental managers actually prefer this situation—"hiding in the weeds" as it was described to me by one. After a decade of cutbacks, this attitude is as understandable as it is unfortunate.

For many other environmental managers (probably most), the situation is more promising: They are considered part of the executive team, attend key business sessions, and directly present reports to their board of directors. This access is critical if environmental managers are to educate executives on emerging issues. But far too many use this precious time to report on routine metrics, project status, and nonstrategic issues.

There are notable exceptions to this pattern. Some companies, such as Pacific Gas and Electric, hold carefully structured quarterly executive briefing sessions. Intel has carried the process to the next level of sophistication. Their two-hour quarterly management forum ("EHS Ops") is split in half: the first half is presented to a broad management audience and covers operational performance; the second covers strategic issues in an open dialogue that is limited to a very small group of business executives.

An open dialogue with executives is absolutely essential—not only to educate them on key emerging issues and opportunities, but also to better formulate a vision of where the company is headed and what the environmental de-

partment's role in reaching this objective should be. These dialogues are also critical to obtaining the resources needed to complete the next six steps.

2. Develop a Robust Strategic Plan

I have never encountered a comprehensive environmental strategic plan. Some may exist, but my colleagues and I have never run across one. The best plans I have discovered have been "free riders" on other sophisticated business strategic planning (that is, they were created because the umbrella business organization had its various reporting departments participate in, or follow, the overall business model).

The vast majority of environmental plans are budget and project planning exercises. Essentially, they are tactical plans with vision and mission statements that sound more like value statements. They are hastily (and begrudgingly?) prepared with little or no involvement by executive management. But why should we expect anything else? If a department is consumed by service projects, all that is needed is a tactical plan.

Strategic planning fell out of favor in the 1980s after many planners prepared three-ring binders that no one ever read. But that was a simpler time. Strategic planning is very much in vogue today (at least in business circles), with our complicated and interconnected world. It takes real effort, research, and involvement by other company departments and outside experts to develop a plan that is truly of value to the business. It is a major effort, not some two-day event.

Tactical planning may be sufficient at the facility level, but it is totally insufficient at the corporate or division level—where process and product R&D, sales and marketing, financial planning, and corporate communications reside. Emerging environmental dynamics will impact these areas. (This is an involved subject. I refer the reader to an earlier article I wrote on planning.[12])

3. Align the Company

In every company where I have interviewed employees at various levels (up to and including CEOs), I have found significant disconnects in the understanding of the company's environmental vision, mission, and objectives. I have also found that assumptions rule the day.

The lack of open and honest dialogue with executive management, and especially with the board of directors, is a major reason why environmental departments are caught in the surreal gap between having "environmental excellence" as the company's stated policy but resource restrictions that prevent them from even delivering consistent compliance.

Environmental goals get clouded in politically correct vision statements that are crafted for public consumption, with little meaning or relevance to employees of the company that drafted them. At one companywide environmental meeting for a major corporation, I presented the company's inspiring environmental vision statement along with those of three other companies. Only about a third of the audience could identify their own vision statement.

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The most critical step in developing an environmental strategy is to understand precisely what the real vision and objectives are—stripped of all the warm and fuzzy verbiage. But few companies get this most basic step right.

It is no wonder that environmental departments face seemingly arbitrary cutbacks and other demands: There is no common understanding of what they are to accomplish. "Measurable goals" wind up being the same old compliance, emission, and accident rates. These are important, yes, but they do not convey any sense of strategic value or competitive possibilities.

There are tools available to measure corporate alignment. I use a proprietary one based on a numerical scale and a few simple questions. Even a basic tool such as this, if properly used, can quickly identify key problem areas.

4. Align the Company's Resources

All the major environmental realignments (and especially staff reductions) that I am familiar with have been prompted by business management and not by environmental management. Typically, these realignments are the result of across-the-board changes in corporate organizational philosophy (such as downsizing, outsourcing, a move toward shared services, or centralization/decentralization). Often these top-down efforts involve outside business management consultants who are adept at streamlining most business service functions but who generally are clueless about the issues that influence environmental staffing.

Environmental management systems (EMSs) are wonderful tools that contain the essential elements to run a successful environmental effort.

Without a clear understanding of what is to be accomplished, along with alignment on definitive objectives at every level and the leading indicators necessary to track performance, how can a company appropriately staff its organization to achieve success? Defining these parameters is the first step in Organization Design 101.

Yet companies continue to benchmark against "peer companies," paying scant attention to the myriad issues that affect staffing and organizational decisions. Not surprisingly, many of these reorganizations have been disasters.

Environmental managers need to take the initiative to examine their own departments, eliminate dysfunctional behaviors and structures, strengthen core competencies, and (if warranted) outsource mundane tasks to service providers who offer the best price-to-quality proposition. This should be an ongoing process, with business management involvement, and using the latest best-practice strategies (the impetus for the Organization in Transition research project mentioned earlier).

Johnson & Johnson offers an example of a company that takes a strategic view. J&J examines EH&S resource issues even before a new acquisition is completed. Most companies examine remediation and liability issues, but J&J carries it to the next level by conducting a staff evaluation to determine whether there are sufficient resources to carry out EH&S programs to the level required under the J&J Credo.

5. Align the EMS

Environmental management systems (EMSs) are wonderful tools that contain the essential elements to run a successful environmental effort. Even a conformance-based system such as ISO 14001 contains the key elements of policy (4.2), planning (4.3), objective setting (4.3.3), and management review (4.6). At a facility level—where goals are generally more tactical than strategic and where plant management is accessible—these systems can provide real value if properly implemented.

The operative term is "if properly implemented." Unfortunately, they often are not, especially at the enterprise level. Instead, policy development becomes an exercise in PR. Planning is tactical rather than strategic. And objectives are limited to the usual lagging indicators. The company rarely develops leading indicators that track metrics with strategic value.[13] The push to get a management system put in place or certified takes precedence over strategic clarity of business objectives; top executive involvement is superficial at best.

Ideally, an EMS should be a support tool that helps accomplish the company's strategy. Instead, these systems (and especially environmental management information systems, or EMISs) usually are "built" first, without thorough executive and board-level agreement on strategic objectives. It is the "cart before the horse" approach to environmental management.

Some responsibility for this situation lies with zealous EMS and EMIS consultants and certifiers. But environmental managers need to re-examine what these systems really are accomplishing relative to the resources expended on them.

I am by no means saying that companies should get rid of these systems. I am saying that they should implement them as originally intended, and as strategically necessary to add business value.

6. Stop Believing Your Own PR and Confront Reality

In measuring internal alignment within companies, I have found that top business executives generally have a rather upbeat view of their current status with respect to the environment. By contrast, front-line environmental practitioners have a more pragmatic view since they are closest to the issues and understand the technical and regulatory components.

Corporate managers, directors, and vice presidents can come from varied backgrounds. All have management skills, but they do not necessarily have much knowledge of environmental issues. Not surprisingly, their views can vary widely.

Environmental managers are in a difficult position. On the one hand, they want to convey accurately the company's current environmental status and potential future liabilities. On the other hand, they also want to take credit for the environmental group's accomplishments, and they do not want to come across as alarmists. They face problems if they cannot manage this delicate balance—or, even worse, if they lose touch with emerging realities, such as how their programs really stack up against the best in class.

A critical element of business success involves confronting reality. Just ask Larry Bossidy, former chairman of Honeywell International, who recently published a best-selling business management book by that name.[14] The developing dilemma is that, with budget cutbacks and other pressures, environmental managers may be less able to obtain truly objective, independent analysis of where they stand.

Obtaining funding for basic third-party compliance and ISO 14001 certification audits can be a challenge. Even more problematic can be securing funds for independent input on overall strategies and systems. Egos can be involved ("I know what I'm doing!"). There is also fear of the unknown ("What if something significant is discovered? I'll look bad!"). Whatever the reason, many environmental departments risk losing perspective on where they stand and just how significant and robust their programs are in reality.

Whatever the reason, many environmental departments risk losing perspective on where they stand and just how significant and robust their programs are in reality.

There are exceptions, of course. Dow Chemical Company has one of the longest-running external advisory councils. A number of companies, such as Duke Energy, BHP Billiton, and Schering-Plough, also seek external advice and counsel.

In a recent assessment of a client's management system, I found the usual weaknesses, but also uncovered a potential opportunity in a major R&D program. This would never have been discovered by using a standard ISO 14001 check sheet.

The point is that day-to-day familiarity with one's own programs, and audits that are merely routine, can lead to complacency. And compla-

cency can lead to career-wrecking surprises and lost business opportunities.

7. Lead the Transition to the "Third Wave"

The environmental dynamics for the third wave are already well under way, as shown in Exhibit 1. It is no longer a question of if, but how, these forces will play out and affect companies. Environmental managers can either react passively as the situation gains clarity or else take a proactive role in shaping the company's future within the new playing field.

Many high-profile companies—including British Petroleum, Chiquita Brands International, Home Depot, Duke Energy, Intel, and Procter & Gamble—already are actively working to influence this transition. Indeed, Ron Jarvis, vice president of lumber merchandising at Home Depot, may be one of the first third-wave environmental strategists to make the front page of the *Wall Street Journal*.[15]

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Most companies neither need nor want to achieve such national visibility. But every company should develop a strategic plan for competitive positioning during this transition.

Consider General Electric. In the past, GE has not sought to be an environmental leader, in part because of its legacy of PCB waste and its history of work within the defense and nuclear industries. The company's response to second-wave environmentalism (i.e., regulation) was to circle the wagons and break out the big legal guns.

But its response to the third wave has been something totally different: "ecomagination." General Electric is now focusing its "energy, technology, and manufacturing and infrastructure capabilities to develop tomorrow's solutions such as solar energy, hybrid locomotives, fuel cells, lower-emission aircraft engines, lighter and stronger materials, efficient lighting and water purification technology."[16]

Environmental managers have the training and background to guide efforts toward the third wave. It is a complex and tricky arena, however, as evidenced by the recent public stumbles of the Royal Dutch/Shell Group. Shell's error was to believe that "environmental leadership" was linked with PR (i.e., second-wave strategies) rather than with core business competitive positioning (i.e., third-wave strategies).

Sustainable development and CSR, particularly, are sensitive and complex areas. Those at the "bottom of the pyramid" (that is, the world's poorest citizens) are particularly ripe for abuse in the enthusiastic rush by marketing managers to find new profit opportunities. The many issues in this area are discussed by Professor C. K. Prahalad, whose writing is rapidly gaining traction in corporate America.[17] What function inside companies will ensure that "bottom of the pyramid" programs do not run off the track?

How will professional societies and trade associations help shape the dynamics of the third wave? The jury is still out. For most organizations, these dynamics have been off the agenda up until now. Instead, corporate success stories and consultant sales pitches dominate.[18] After all, examining fundamental shifts in roles can be painful for most organizational members, and indeed for the organizations themselves.

Where is EPA in all this? A recent issue of *Outside* magazine described "the 20 most powerful voices leading the environmental counterrevolution."[19] No one at EPA was mentioned. *Outside* is not exactly a peer-reviewed academic journal, but it does provide a street-level view on what is

going on: The White House is calling the shots. EPA is irrelevant.

The bottom line is that the traditional players who defined environmental managers' role in the business world are changing. In the grand scheme of things, even the White House is just one player in a more complex landscape that now contains hundreds of NGOs and many powerful international standard-setting bodies.

Concluding Remarks

In 1965, industry did not understand that it was facing the second wave of environmentalism: regulation. If companies then had understood the full dimensions of this paradigm shift, they would have modified their hazardous waste disposal practices, grabbed the "low-hanging fruit" that pollution prevention initiatives offered, changed their public communication practices, and exercised more caution in buying and selling potentially contaminated properties. It is all so obvious now, but very few companies understood the issues or acted on them at the time.

In 2005, industry faces a no less wrenching transition. The signals are just as vague and contradictory today as they were back then. But this time around, at least some companies are taking steps to position themselves. And no wonder. The past transition spanned four decades, but problems now arise in a matter of days. Competitive opportunities fade just as fast in an electronically interconnected global market.

The dynamics of the next wave are becoming more obvious to everyone. If environmental managers fail to lead the way in shaping this third wave, other managers will move in to fill the void. After all, that's where the promising career opportunities will be.

Times are changing. Some environmental managers are genuinely excited and are rising to the challenge. Are you? What is your vision and strategy?

Notes

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