



## ENVIRONMENTAL MANAGEMENT: THE CASE FOR THE LONG VIEW

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A recent episode in the life of everyone's favorite fictional corporate employee, Dilbert, depicted our hero pointing out to his boss that the company's top-secret strategic plan was nothing more than the warranty to his chair. "But I've been managing to this for years!" says the dumbfounded executive in the strip's final frame. Though the humor of this cartoon arises from its exaggerations of the ups and downs of today's business world, its message rings true: strategic plans do not always provide the steady direction their well-meaning authors intended.

Too often, faced with a budget preparation deadline, we slide into a pattern of substituting annual budgeting for the strategy formulation, critical thinking, and continuous feedback elements that contribute to a successful strategic program. The annual budgeting exercise gets mistaken for long-term planning or strategic planning. Even when done on a multiple-year basis, operational budgeting is a device for short-term control, not long-term change<sup>1</sup>. To truly effect movement toward goals, that is, to bring about substantive change, a mechanism for taking the long view is needed.

In this article, the first in a six-part series, we explore the steps to implementing a long-term, integrated business strategy with respect to environmental management and compliance. The series was created with the environmental health and safety (EH&S) manager in mind, or others responsible for meeting environmental objectives for an industrial facility. Future articles will discuss the tools, monitoring tactics, resources, and continuous improvement measures that contribute to a successful long-term environmental management program. The series will conclude by reporting on a related survey of EH&S managers.

### What Does it Mean to "Take the Long View"?

The long view can be defined as covering somewhere more than one year but less than five. The yearly budgeting or planning process, as noted above, brings about only short-term changes. And speculating on factors such as market conditions or regulatory drivers beyond the five-year mark is risky. A successful, long-term environmental business approach consists of a detailed contextual planning phase – referred to here as the strategic architecture<sup>2</sup> phase -- tied closely to traditional business elements such as budgeting systems and management activities. Together, these contribute to incremental changes and long-term realization of goals and vision. Once changes start occurring, the system enters into a continuous feedback loop through which it is refined. This article focuses on the steps commonly neglected with respect to environmental management – namely, the development of a strategic architecture that guides annual planning and budgeting processes and the leadership activities that support implementation.

### *Contextual Planning*

In the contextual planning phase, the framework is built for all future decisions. Here, terminology and approach have been borrowed from *Competing for the Future*<sup>2</sup> by Hamel and Prahalad, who refer to the result of this contextual phase as *strategic architecture*. This is based on the concept that the future must be both imagined and built, marrying art with engineering, intuition with detailed analysis. According to the authors, strategic architecture is a high-level blueprint, not a detailed plan, since detailing a ten-, five- or even three-year initiative is impossible.

The strategic architecture phase always begins with the company's vision and goals. Using imagination and analysis, environmental strategies are developed in concert with corporate goals and reflect anticipated changes in external drivers such as regulatory and legal trends, new technology development, and chemical research. This latter step typically involves brainstorming the answers to questions such as:

- What can I/my team/my department do to contribute substantively to the growth and competitiveness of the company?
- Do I have a clear point of view about how relevant environmental regulations are likely to change in the next five years, and what is driving these changes?
- How much of my time is spent on external issues (e.g., what is the status of research on the potential harmful effects of our waste products?) vs. internal issues (which department should have to pay for maintenance of a waste collection area?)
- What types of overall strategies are other companies in our industry adopting; what about other industries?

The strategic architecture can be as simple as a single mission, such as the desire to eliminate RCRA permitting, adopt a zero-tolerance strategy for noncompliance, or attain a leadership position in sustainable development. Or, the architecture can be a multifaceted series of strategies and a comprehensive long-term "plan." Regardless, once the message is set, later alternatives and opportunities are evaluated against the blueprint or long-term plan to determine whether a decision will advance or hinder movement toward the agreed-upon corporate goals and be consistent with the blueprint. In the context of a uniform – and hopefully agreed upon – strategy, staff and management are much better equipped to make day-to-day decisions that affect operations. In this way, the context, or message of the long-term program, can elevate seemingly mundane decisions to much more important status. If one of the stated strategies is to minimize end-of-pipe treatment of discharge streams, for instance, a capital expenditure related to sludge dryers might be less desirable than a larger expenditure related to raw product replacement. Without the blueprint, the decision to purchase and install sludge dryers might be made based solely on short-term payback without taking the long-term strategy and corporate vision into consideration.

Consider EPA's Clean Air Act Title V requirements. A company with a regulated environmental program should consider what is currently on the appropriate regulatory agency's drawing board now and incorporate this information into its long-term thinking – its strategic

architecture. How many environmental programs were hard-pressed to meet Title V requirements when the deadlines drew near, unable to get the necessary buy-in from “upstream” contributors bent on making their product better and cheaper – even though the rule-making and state implementation process has taken as long as 7 years in some states? A blueprint should have been developed very early and components incorporated into the strategic architecture and annual business plan, and regularly modified *in parallel* with the regulatory process. Early components might have included awareness training, research into process alternatives, scenario planning, and even technology R&D. This approach would have had the best potential to avoid the costs associated with “end-of-pipe” technologies, continuing “business as usual” and risking enforcement action, initiating extended negotiations for a consent agreement to avoid noncompliance penalties and “buy time,” or discontinuing operations altogether.

Of course, other indicators of change should be evaluated in developing strategic architecture, among them:

- Ongoing research on specific contaminants
- Lawsuits in other regions and in other industries
- Developing technologies
- Competitors in the same industry
- Changes in the costs of materials and in the costs of disposal or transfer
- Vendor plans (a good source of industry information)
- The development of alternative raw materials
- Planned product and production changes, and anticipated changes in the demand for products

#### *Implementation/Results*

Most of us have learned to conduct annual planning and budgeting fairly well, creatively allocating our monies to meet short-term goals and capital limitations. As a result, we spend much of our time *managing to our budget* to meet immediate objectives and satisfy the corporate mandate to live within our means. We’re even adept at regrouping in mid-year to meet modified allocations. In the critical implementation phase, however, where both short-term and strategic change is realized, we usually see a broken link due to lack of diligent leadership toward strategies and long-term plans. Typically, “the urgent drives out the important; the future goes largely unexplored; and capacity to act, rather than the capacity to think and imagine, becomes the sole measure of leadership.”<sup>2</sup> To realize strategic change and an overall vision, the need to manage the urgent must be balanced with attention to the original blueprint. Leadership in strategic direction involves delivering a clear and consistent message about the strategic architecture and its connection to the company’s vision and goals. This will inspire collaboration and buy-in, eventually leading to a motivated, voluntary implementation team.

Those of us who shy from formal plans, or who have experienced the excitement of developing one, only to see it wither in a file drawer, will welcome this news: taking the long view need not

involve writing a lengthy plan. Somewhat like the ISO 14001 environmental management system process, in which written documentation is minimized in favor of collaboration, an effective long view approach combines intuition with enough documentation to serve as reference material. It would even be possible to execute an effective long-term program without a written plan, but some documentation is advisable. Written reports are valuable in case of resistance and can help new staff members get up to speed, fostering earlier buy-in and cooperation. At the least, the company's vision and goals, along with the specific environmental management strategies identified to support them, should be written down and shared generously within the organization. What's important here is that the message gets communicated clearly and often, both explicitly and through consistent strategic decision making, underscoring the commitment to long-term goals and the strategies to achieve them.

### *Continuous Feedback*

Henry Mintzberg in *The Rise and Fall of Strategic Planning*<sup>1</sup> says that intentions that become fully realized are *deliberate* strategies, while those that are not realized at all can be called *unrealized* strategies. In a third category he calls *emergent* strategy, a pattern is realized that was not expressly intended. He suggests that few strategies are completely deliberate and few completely emergent; effective long-term planning calls for the ability to both predict and react to unexpected events as part of the ongoing process.<sup>1</sup>

Within an effective long-term context then, as change occurs, a system of checks and balances is implemented. The long-term plan should include a process for ensuring that plant-level changes are communicated to the EH&S manager or team, who in turn review the long-term plan at regular intervals to determine its practical effectiveness. Evolutionary changes in external drivers are incorporated into the blueprint as evolving strategy, not as short-term exceptions to the chosen strategy. Once the contextual planning work is complete and the continuous feedback loop operating, the initial process need not be repeated on such a broad basis; it is simply tweaked to the evolving long view.

### **Why Take the Long View?**

As discussed, adopting the long view to environmental management provides a well-thought-out context for the annual budgeting process, giving it meaning and accountability. Likewise, it provides a context for decision making, the most effective route to achieving long-term goals. Other benefits include:

- Enhanced credibility with regulators, shareholders, customers; regulators appreciate seeing evidence of positive intent with regard to proactive environmental practices, just as shareholders seek a well-managed and profitable company, and customers value firms that implement a "green" approach.
- A compelling and well-timed case for support from upper-level decision makers; this is valuable when seeking funding for projects that tie in to the long-term plan (i.e., to the company's vision and goals).

- A sense of purpose and a rallying point for staff; increasingly, employees in a variety of industries report that doing work that is satisfying and meaningful is as important to them as compensation and benefits.
- Self-sustainability so that the program carries on even amid staff or management turnover; when strategic planning is linked to a single manager's vision, and/or when communication, outreach, and follow-through have been weak, a strategic program usually ends when the manager departs.

### **What if There is Resistance?**

After years of managing to short-term budgets and fixed goals, some of us will naturally resist an approach that relies heavily on intuition, collaboration, and communication. Sample arguments – the “yeah, buts” – include:

- Taking the long view takes too much time.
- No one ever follows through anyway, and this won't keep management from cutting funding.
- Environmental management is different from operational groups.
- My company doesn't have a long-term vision and strategy for us to link to.
- Why bother? My company gives me one directive: cut costs.

We can overcome these forms of resistance in upper management, our supervisors, our staff, and ourselves by weighing each against the benefits of the long view.

*Time.* This process represents an investment that yields long-term benefits. It does not require a lot of time to craft a strategic plan, but the resulting program needs some time to evolve. Staff and management also need time to buy in and begin thinking long-term themselves. The strategic thinking prior to planning and budgeting, consistent communication, and ongoing leadership are most critical. Even these steps do not have to be time consuming. An entire blueprint could be a list of bullets that easily shared with others at a moment's notice. Or the message could be distilled to fit on a card or bookmark that is distributed across the organization. Either way, simple communication will be better remembered and more effective.

*Follow-through.* With ongoing communication and the participation of staff, follow-through will happen. When staff and management begin to witness how the context and long-term plan make their decision-making jobs so much easier and effective, the program will have built-in support for continued success. Likewise, as the incremental changes grow in number and significance, people will wonder why they didn't approach their operations this way before.

*Vision.* While it is true that some firms do not have clearly articulated visions and goals, all companies offer clues about their direction. An EH&S manager in a chemicals firm might have witnessed the acquisition of a number of small specialty product ventures in recent years. What might this say about the company's goals? Or maybe special awards are given each year to employees who have done the most to improve product quality, customer service, accounts

receivable management. Perhaps attention is paid to being a *good citizen* in the community. These actions all provide glimpses into the philosophies of management, and can be used to tailor an environmental program in sync with them.

*Cost-cutting.* The mantra to cut costs is well known to all of us. Usually, though, it is accompanied by a spoken or unspoken corollary: cut costs, but do so while maintaining productivity, quality, and market share -- or even boosting them. Taking the long view provides real opportunities to reduce costs, not just once, but on an ongoing basis. And this may be the single most important response to the naysayers among us, even when that person is *us*.

## REFERENCES AND SUGGESTED READING

<sup>1</sup>The Rise and Fall of Strategic Planning. Henry Mintzberg, The Free Press, New York, 1994.

<sup>2</sup>Competing for the Future. Gary Hamel and C.K. Prahalad, Harvard Business School Press, Boston, 1994.

<sup>3</sup>The Art of the Long View. Peter Schwartz, Doubleday, New York, 1991.

<sup>4</sup>Thinking in the Future Tense. Jennifer James, Simon & Schuster, New York, 1996.

<sup>5</sup>Environmental Decision Making for Engineering and Business Managers. Betty J. Seldner and Joseph P. Cothrel, McGraw-Hill Inc, 1994.

<sup>6</sup>Developing Business Strategies. David A. Aaker, John Wiley & Sons Inc, 1995.

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