Environmental degradation has now begun to affect society and is a cause for common concern.

Environmental Management:
Its Role in Corporate Strategy

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Environmental Management Systems: The Problems of Implementation

Interest in environmental issues from consumers, distributors and manufacturers has not abated, as some sceptics predicted, and environmentalism seems to be destined to be one of the key management concerns of the 1990s and beyond. Environmentalism has become a competitive issue in the marketplace and requires the minimization of environmental degradation as well as the gaining of public acceptability and credibility. However, to accomplish this is a complex task involving adaptation and evolution of accepted management functions and values. To date few organizations have achieved a truly "green" corporate strategy, in part because many companies lack a systematic approach to recording, monitoring and measuring factors which could have a deleterious effect on production and resourcing. However, bearing in mind that "it is never too late", more and more companies are starting to look at the numerous policies for implementing environmental strategies. This article investigates the development of environmental management systems (EMS) and the practicality of their implementation. It also aims to advance the discussion on the viability of environmental management practices within commercial organizations.

The role of management today is focused on the effective functioning of the organization. Management has therefore become a series of techniques and assorted functional disciplines and specialisms. Mintzberg[1] stated that "the structure of an organization can be defined simply as the sum total of the ways in which its labour is divided into distinct tasks and then its co-ordination is achieved among these tasks … the elements of structure should be selected to achieve an internal consistency or harmony, as well as a basic consistency with the organization's situation".

Similarly, Williams *et al.*[2] suggested that most organizations are characterized by subcultures which form around different roles, functions and levels. These comprise:

- an executive culture with a common perspective and beliefs about strategic direction;
- a management culture focusing on managing and resourcing;
- a blue-collar culture focusing on production or service.

If, as these authors suggest, management systems are based on such narrow perspectives, then any harm done to the environment in their quest for "effective functioning" has to be regarded as superficial, at best, and irrelevant, at worst. If this is so, when environmental damage or disaster occurs and becomes public, the effects on the organization can be particularly damaging. A notable example is the public's adverse reaction to the oil spill from the Exxon Valdez. Organizations which find themselves in this situation usually react in a state of panic and take actions which can have long-term detrimental effects on the organization, while some, such as Perrier, may respond positively. More significantly, the organization's shortcomings will be publicly exposed, thus damaging their financial objectives and status. As a result of such experiences, organizations now recognize the need to proclaim their acceptance of corporate responsibility and engage in some form of sound environmental practice. Many organizations have therefore loudly proclaimed their commitment to practising good environmental policy. Unfortunately, these claims appear to be quite hollow in that they often amount to "too little, too late". One of the reasons for this is that companies have a huge backlog of environmental cleaning up to do before they can realistically start to pursue worthwhile environmental strategies.

Beharrell[3] suggests that a good environmental policy rests on four factors, namely; a full environmental analysis, supplier co-operation, industry response and consumer education. He argues that these factors must all come within the boundaries of economic viability in a market economy and acknowledges that any environmental strategy must be based on sound commercial and

environmental logic if it is to survive in the long term. Without abandoning the aim of making a profit a company can still participate in the drive for environmental quality. Corporate responsibility is a philosophy of management, and industry and organizations often cite that environmentalism and the demands for a change in philosophy merely show that people are succumbing to passing trends which will die a natural death. This is a logical assumption for organizations which, without exception, have had growth via increasing market share and profits as their main objective since their inception. They have regarded environmentalism as a new product concept and have responded to demand in the normal way by greening their corporate image and giving their product range a green veneer. In doing so they have overlooked some of the more fundamental issues, such as intrinsic changes in production processes and resourcing. However, some organizations such as The Body Shop have successfully demonstrated that by incorporating environmental issues such as waste minimization, energy efficiency and recyclability into their corporate strategy they can gain a competitive advantage. MacKenzie[4] has shown that, with increasing physical and public exposure to the damaging effects which business practices can have on the environment, consumers are also looking for good, comprehensive, environmentally sound business practice.

Many companies adopt environmentally sound policies only to comply with legal regulations. Adhering only to such regulations is not sufficient because this form of control is usually reactive. Futhermore such legislation is unlikely to place a ban on environmentally damaging products or processes as this will conflict with most Western governments' commitment to preserving the free market system. One of the hindrances to adopting environmental measures is cost. Directors who spend resources on environmental issues will be seen as reducing company profits, but any manager who sets out to maximize company profits without concern for the highly sensitive public reaction to environmental issues will set off alarm bells among shareholders and the public and may put the company in jeopardy. However, the greatest stumbling block for any environmental strategy, like any management strategy, can be the way in which it is implemented.

One of the ways in which to overcome barriers to acceptance of an environmental strategy is that companies should be prepared to accept the environmentalist concept – and the major tool in this is education. Business organizations must not only educate their employees at every level but the acceptance must come from the top down. Senior executives must be the forerunners of any change in company philosophy.

Development of a Structured Approach to Environmental Management Systems

One organization which establishes company and industry standards is the British Standards Institution. It has launched a standard for environmental management, BS7750, which outlines the steps for developing, implementing and maintaining an EMS. The Standard has been designed to complement BS5750 which is the Standard for developing, implementing and maintaining a quality management system. It defines environmental policy as a statement of the intentions and principles of action of the organization regarding its environmental effects. The objectives of an organization complying with the Standard should be to:

(1) sustain the environmental performance necessary to meet the requirements of its environmental policy (including, as a minimum, the requirements of regulatory agencies and of legislation); and

(2) provide confirmation to its own management that the intended environmental performance is being achieved and sustained effectively.

Figure 1. *BS7750 Environmental Management System*
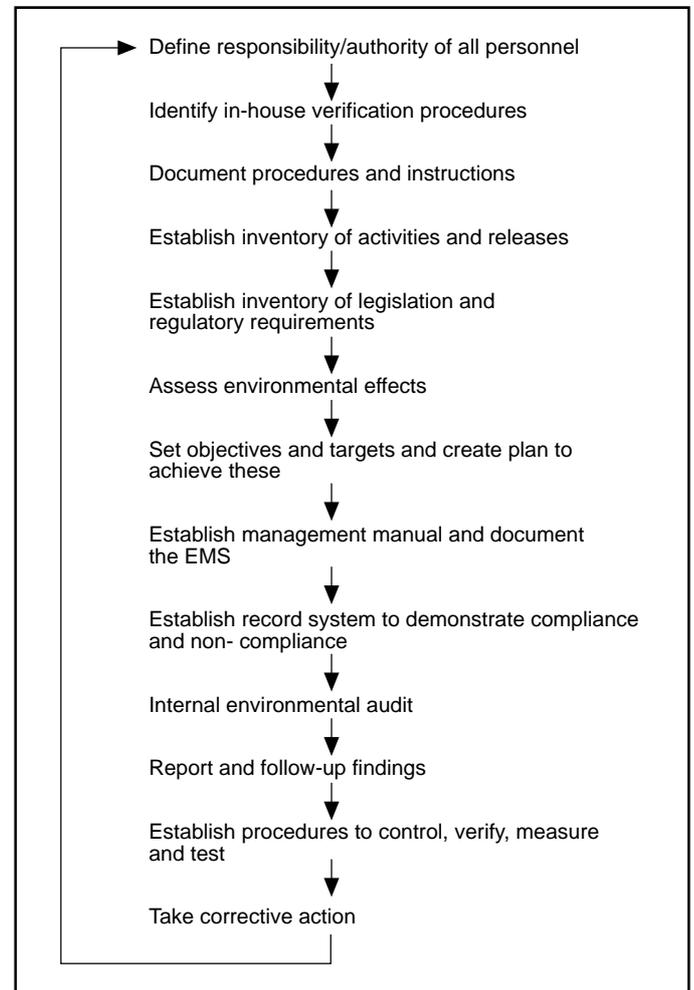
The Standard states that the ultimate responsibility for and commitment to, an environmental policy belongs to the highest level of management.

An outline of implementation procedures set out in the Standard is given in Figure 1.

If the Standard attracts as much attention and is adopted by as many organizations as BS5750 then environmental management should become standard practice in those organizations and will be regarded as an integral part of the corporate strategy.

One of the shortcomings of the Standard is that it establishes current legislation and regulatory practice as the basic criteria and only acknowledges that some organizations may wish to aspire to more stringent environmental objectives. Unfortunately, legislation is usually introduced retrospectively as a result of public pressure or in the wake of some disaster which has aroused public concern. It is this reliance on legislative regulation which has, in effect, created a hiatus for organizations where they can be seen to be "doing the right thing", while in reality they are protecting their seeming integrity by responding to potentially damaging publicity. The Standard does however, place strong emphasis on training and education of personnel at all levels of the organization. It also stresses the importance of recording, reporting and follow-up of all procedures and policies, which, over time will form the basis for improvement as the organization and the personnel move along the learning and experience curves. Adherence to legislative and regulatory requirements is a starting point for those organizations implementing BS7750 and places environmental management firmly on the corporate agenda.

Roome[5] defines strategic management as a planned and programmed adjustment of the structures, systems and activities of a business in response to perceived and anticipated changes in the business environment and takes into account the organization's capacity to change. He further states that the purpose of these strategies is to ensure that the organization develops along a route which allows effective and efficient realization of its goals, but at the same time remains flexible enough to meet challenges and opportunities as they arise. His analysis suggests that most companies are reactive to various shades of environmental threat and that most of them need to track potential environmental threats/vulnerabilities and to link those to an environmental policy and business strategy. There is little guidance, however, on how companies might react or move towards such a positive stance.

Roome's strategic options model identifies five broad theoretical options. The first three are set against standards of compliance with legal requirements and social pressures. These are non-compliance, compliance, and compliance plus. *Non-compliance* strategy emerges through managerial default and certainly relates to companies which cannot react to changing environmental standards because of cost constraints, existing liabilities or managerial inertia. *Compliance* is a reactive strategy where solutions to environmental problems are developed as legislation sets the agenda. Firms adopting such a stance do not take control of their environmental priorities and will eventually be left behind by the more environmentally proactive companies. *Compliance plus* applies to firms which take a proactive stance and seek to integrate environmental management systems into the framework of their business strategies. Organizations adopting this strategy exercise control over the direction and pace of their environmental performance and are likely to make critical judgements about their environmental priorities. The two remaining options in the model are commercial and environmental excellence and leading edge. *Commercial and environmental excellence* assumes a logical conclusion that environmental management is good management. Organizations which operate at this level have core corporate and managerial values focused on the achievement of quality. This applies equally to environmental management and other business concerns. *Leading edge* revolves around "state-of-the-art" environmental management and companies which practise this type of strategy set the standard for other businesses. Under this strategy the company and its whole workforce are encouraged to work towards an environmental ethic and environmental responsibility is part of every employee's function. Staff performance and review will include evaluation of, and reward for, the employee's contribution to successful environmental and commercial performance of the company.

Roome further suggests that the major problem is that commercial excellence is an optional choice for investors and managers, whereas environmental excellence may not be optional for society. He goes on to note that the change process through which the compliance company goes will normally address a specific compliance issue or, will be the result of a decision to commission an environmental audit or review. This signals management's awareness of the company's environmental impact but says little about whether the implications for organizational change are realizable.

Those companies which pursue the commercial and environmental excellence strategy will need to build on product stewardship, systems thinking and co-operative approaches to problem solving. It sets these in the context of structures which value the contribution of individuals and teams to corporate goals. In this form of organization, senior management are responsible for setting in motion organizational structures which encourage consensus-based forms of decision making. In

this way employees contribute to the central vision of the environmental ethics and codes of practice by which they and the company operate. They also contribute to the translation of that ethic into practice and are responsible for its achievement. Roome also argues that employees in this form of company are close to an environmental ethic as well as being close to the customer.

There are parallels between total quality management (TQM) systems and the development of a structured approach to EMS. Welford[6] has suggested that organizations which are now practising TQM have benefited from falling costs. This decrease in costs has come about through lower failure and appraisal costs and less waste. One of the main aims of quality assurance of products and services is to maximize profits but there can also be a hidden benefit, which is to minimize the loss to society. This can be seen to include less consumption of a non-renewable resource in the production process as well as any subsequent damage, such as disposal of waste. Increased market share will also follow as quality of products and services conveys immediate satisfaction to the consumer. Welford argues that companies and managers who take the environment seriously change not only their processes and products but also their organizations. Their ability to do this effectively and profitably depends on the qualities of management and the effectiveness of the systems in place. Those organizations which practise TQM will find it easier to install an effective environmental system.

A TQM system, like an EMS, is a continuous cycle of improvement where the organization learns from its successes and failures and improves its operations and outputs. Environmental improvement, like the culture of TQM needs to be embedded at all levels of the organization and a proactive stance is central to the improvement of environmental performance.

Problems Hindering Effective Implementation of EMS

One of the major barriers to implementing an environmental management system is the range and complexity of issues involved. O'Riordan[7] suggests that this complexity is brought about because environment can be interpreted through several "human constructs" – politics, economics, science, culture and religion.

It is further argued by Roome[5] that the environmental resources and constraints which are important to society are components of complex overlapping ecological, physical and human systems which are difficult to understand, disentangle or predict. Many organizations are reluctant to address environmental issues because managements are aware of this complexity of issues and sense that their existing resources will be a limiting factor

in dealing effectively with environmental issues. These concerns are usually expressed through lack of financial resources, economic concerns, or conflicting market demands. While these issues are undoubtedly of paramount importance to any organization they are not wholly incompatible with environmental management.

One of the major problems with presenting an environmental plan is that others see gaps and ultimately confusion in implementing the plan. How, therefore, can businesses start to realize fully the significance of environmental imperatives? Steger[8] suggests that managerial systems need to recognize the value of building the beliefs and commitment of the workforce into an environmental policy. He argues that by highlighting market opportunities presented by environmental improvement, companies will recognize the importance of organizational change.

Any organization which recognizes the need for a fully integrated EMS must also realize that the fundamental element for success and effectiveness is to bring about a change in the values and philosophy of the organization. Donaldson and Davis[9] suggested that a value programme should go through three stages:

(1) recognition of the current business values;

(2) analysis of the effect of these values on how the organization operates;

(3) prescription, i.e. an assessment of how appropriate these values and alternative values might be to guide present and future behaviour.

Options such as environmental policies may be presented which require new procedures, rules and standards. Goals and objectives may need to be restated and personnel will need to recognize and accept common core values.

Such value programmes are concerned with feelings and philosophy but they can equally be concerned with real events and situations and, while people are conscious of fundamental rules or standards which guide their personal behaviour, they encounter more conflicting options when making decisions throughout their commercial and industrial life. Integration of core business objectives and environmental issues will come about only through the acceptance of corporate and social responsibility by personnel at all levels of the organization. This means not only a change in organizational behaviour but also a change in individual behaviour. It will therefore become increasingly important to recognize what motivates personnel to take, or avoid, specific actions. The models discussed for implementing EMSs all recognize that the stimulus for change must come from the top down. In accepting this, there is an implied belief that top managers have the power to bring about change but there is a failure to recognize that managers will also take actions which not

only benefit the organization but will also improve their own interests. Personnel at any level will act and react to established procedures according to their own judgement and interpretation, and these will be a reflection of their personal codes of conduct, responsibility and ambition. Business practice and corporate activity will therefore be endowed with an ethical dimension at every level in the organization.

One of the most important issues to the successful implementation of an EMS will be to gain an insight into individual and corporate internalization of codes of practice.

Vinten[10] argues that while establishing principles for behaviour is fundamental, there is also a need to provide assistance with their interpretation. He argues that there are three different types of code of behaviour:

(1) The regulatory code: where there is a direct one-to-one correspondence between the code and behaviour. Here there is an ethical imperative which is so paramount that it is adhered to without question.

(2) The aspirational code: the aim of this is to provide a standard to which to aspire, but to recognize that full compliance may rarely be possible where practicality and expedience need to be considered.

(3) The educational code: this does not believe in rules and regulations which may be unhelpful or damaging. It believes in the individual conscience rather than collective decision and aims for enlightened discussion of the issues.

Vinten's argument for the three standard behavioural codes of practice can be paralleled with the various models for implementing an EMS as outlined in Figure 2. An analysis of BS7750 would suggest an acceptance of the regulatory code, much in the same way as Roome's compliance option. The compliance-plus option would be a

close interpretation of the aspirational code, while the leading-edge option could be likened to the educational code. In analysing how best to integrate and implement an EMS, it would be necessary to come up with elements of all three.

There is an argument that Vinten's three types of behavioural code are a development model for companies which wish to practise environmentally sound policies. Organizations which are at the initial stage of assessing environmental issues and impacts can begin by establishing procedures and policies that at least comply with legislation and regulatory codes of practice. As experience and knowledge are acquired, realistic and achievable goals and objectives which go beyond compliance can be introduced.

If these compliance-plus strategies prove to be effective they will form an integral dimension to the overall corporate strategy. Finally, organizations would arrive at the educational code where the development of strategy involves the recognition that the environment has important consequences for management and operational procedures. Managers will then apply new environmental management techniques in the continuous adaption of strategy and the measurement and monitoring of business and environmental performance.

Organizations and management systems cannot be seen as disconnected sets of disciplines and techniques clustered around various functions and activities with bolted-on environmental management. One of the problems with strategic business units and profit centres is that they ignore the benefits of synergy and hinder the development of a comprehensive corporate environmental programme. In order to achieve growth and sustainable development there is a need for systematic handling and analysis of values and behaviour, not just those associated with environmental management but throughout the complete strategic management process. One of the difficulties of this is the unquantifiable aspect of benefits attainable from a programme of corporate and environmental values. It is people, not organizations, who fail to act responsibly. It is people, and their core values, set within an organizational dimension, on whom any programme for change must focus. Employees are often solely engaged in specialized functions which are removed from direct contact with the organization and its impact on the environment. There is a need to create a suitable internal environment and philosophy, and to maintain a good communication system which unites workers and management in an integrated structure. Organizations need to review their collective capacity to deal with sound environmental practice and to develop both individual and team ethics and motivation. To do this companies could begin by expanding on their mission statements in order to create a shared, negotiated and evolving work philosophy which embraces environmentalism. EMS must be implemented rather than

Figure 2. *Integration of Corporate Behaviour and Values with Environmental Strategy*
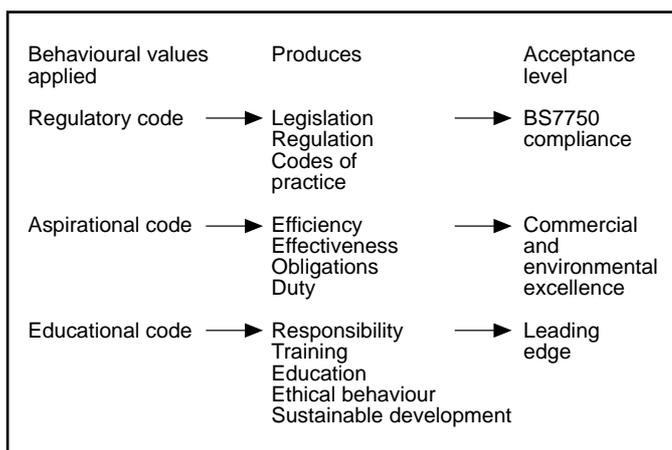
articulated and this implies that senior management must modify current practices to provide encouragement and sufficient resources to generate good ideas and proposals. Employees at all levels must be able to exercise some influence in the decision-making process. This means that formal hierarchies and current practice will be challenged and new roles and procedures developed by highlighting and refining current deficiencies.

Conclusion

Maintaining standards is no longer an unaffordable luxury and establishing a programme for the systematic handling of business values can be highly successful. Organizations which already practise TQM have seen that a belief across the whole organization that quality is an important value in all decisions and actions can be very profitable. By integrating EM into its systems the company accepts corporate responsibility for its environmental effects and it needs to allocate responsibility through the management structure. While quality assurance has an immediate impact on the customer, the benefits of sound environmental practice have a delayed, but much more enduring effect. As a result of this time-lag, organizations have tended to regard their pursuit of environmental excellence as being secondary to stakeholder demands.

The degraded condition of the environment has begun to affect society and is now a cause for common concern and, as such, is being seen as everyone's responsibility. Consumers are recognizing that they are as responsible as managers for ensuring not only that products are safe but also that they are produced in an environmentally benign manner. They can exercise this responsibility by means of boycotts, government lobbying and pressure group activities. Their concern will become more vocal as they become more informed about the long-term effects of pollution practices and policies. Companies can no longer adopt a superficial approach to "green" issues but will have to integrate environmental standards and criteria into their commercially oriented management strategies. In order to do this they must incorporate new value systems into their organizations, educate their personnel and develop total environmental management systems which are implementable on a commercial basis.

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Further Reading

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Application Questions

(1) Does your organization identify relevant, key environmental issues and give appropriate consideration to them?

(2) To what extent should your organization's strategic plan be re-evaluated in the light of environmental management?

(3) What initiatives would you suggest to foster environmental awareness within your organization?