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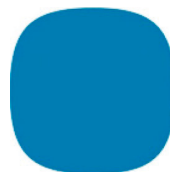
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Creative Management in a Changing Environment

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Adjusting to complex and rapid changes is a constant challenge to business corporations. Managing these changes has therefore become a task of central importance. We examine three key questions: What does environmental management involve? Why do certain firms handle this challenge more successfully than others? What constitutes a creative approach to environmental management?

The socio-political environment in which corporations function is increasingly dense and interrelated; therefore intuitive, informal mechanisms for monitoring changes and designing responses no longer suffice. It has become necessary to collect and analyze information about the environment in a systematic fashion in order to develop and

implement effective policies. More than ever before, economic success now requires the integration of comprehensive and detailed information about the social, political, and ecological environment of the firm. To recognize trends, to establish priorities, and to respond to challenges, new strategic instruments are needed. Environmental management involves gathering necessary data, analyzing its consequences, and developing appropriate policies.

In the course of socio-political changes in the 1960s and 1970s, conceptions about the role and function of business in society underwent significant revisions. Fulfilling economic goals alone was no longer considered sufficient. Business had to redefine the basis of its legitimacy to include the societal component. Rising social costs of economic growth as well as value changes questioned the desirability of basing business decisions exclusively on economic criteria. Assessments of business based on short-term economic performance alone were criticized as being too narrow and, in effect, misleading. Society's reorientation also influenced management thinking and resulted in a new awareness of societal responsibilities. This implied that it would be necessary to collect information about, for example, who suffered what consequences of business activities and to decide which negative impacts should be reduced first. In sum, new management functions demand: the expansion of forecasting to include socio-political trends, the integration of such information into business planning, and the expansion of information systems to collect data systematically on the social and ecological impacts of corporate behavior. Dealing with these new functions requires innovation in management practices.

Innovative tools for environmental management were not slow in coming. Research focused on developing specialized instruments for environmental scanning, for modeling changes in the firm's social and political environment, and for integrating such information into strategic planning. Business schools taught these methods, and corporations experimented with them; examples include assigning new functions to the board or introducing new task forces at different levels of management. After these innovative tools had been developed and put in place, however, it was found that the experience of business with them in practice showed uneven performance. The innovation did not guarantee high sensitivity to environmental challenges nor success in meeting these challenges. Several factors can explain these differences in the effectiveness of using environmental management tools: first, the traditional economic and manager-specific explanations and more recently, cultural explanations.

Differences in sensitivity to environmental challenges have usually been explained by a narrowly defined concept of economic interests.

According to this view, business responds to challenges only when it perceives a close link to profits. This simple model, however, leaves basic questions unanswered: Why do some firms sense that a situation offers opportunity while others see only threat? For example, while European automobile manufacturers perceived economic burden in the demands of environmentalists for cleaner cars, Japanese manufacturers developed catalysts. Or, within a single national culture, why does one food chain invest early in producing "natural foods" while others do not recognize the market opportunity? Perhaps this kind of decision is based on different time horizons in defining profitability. But "once the notion of long-term profitability is introduced, only paucity of imagination and a short time-horizon limit one's capacity to justify expenditures with no direct, immediate business benefit" (Ackerman and Bauer). Doubtless, short-term costs of developing new technologies are often higher than lobbying costs to prevent the new technologies from being mandated. But this begs the question: Why do some companies use a more long-term perspective on profits while others see more short term?

Company-specific differences are usually related to the qualifications and characteristics of management. Some managers are more sensitive to changes in the environment. However, individual managers can neither be credited with nor blamed for the overall responsiveness of the entire company. Organizations cannot be viewed so simply. Their complexity makes it impossible for a single manager to influence the whole scope of decision making. Besides, a good manager in one context is not necessarily good in another: the myth of the manager apt for every company and function has not held up in practice. Apparently, characteristics of the individual company itself must be taken into consideration. "Standard management practices" are not universal. Neither "good managers" nor "good techniques" have had the same level of success in every situation.

Corporate Culture

In attempting to understand company-specific characteristics, researchers have taken recourse to anthropological work on groups, borrowing the concept of "culture" to explain the behavior of businesses as a specific type of "clan." Corporations, after all, like other definable groups, are units whose decisions and behavior are guided by many tacitly accepted beliefs and values developed over time. Culture is a "collective programming of the mind" that is "relatively stable over time and leads to nearly the same behavioral pattern in similar situa-

tions" (Hofstede). The concept draws attention to the importance of values and beliefs for organizational structures, procedures, and behavior. It throws light on how "shared values (what is important) and beliefs (how things work) interact with a company's people, organizational structures, and control systems to produce behavioral norms (the way we do things here)" (Uttal).

The concept of corporate culture has attracted much attention, but it remains fuzzy, difficult to define, and hard to operationalize. Its attractiveness has led to a flurry of popular publications (e.g., Peters and Waterman, Deal and Kennedy) that have indicated that cultures can be typologized as "excellent" or "strong" and that companies having such excellent cultures also excel in economic performance. Such a simplistic, cookbook view has serious drawbacks. It implies that cultures can be manipulated at will to integrate selected characteristics of "excellence" in order to ensure top economic performance—a suggestion that is untenable and impossible to implement. The usefulness of corporate culture as a concept lies more in the differentiation of a company's decision-making and implementation style, its very recognition of individuality.

The essential question for environmental management is: How does organizational culture influence a company's ability to deal with change? Culture can be seen as a filter that has inherent strengths and weaknesses affecting business' ability to respond to the entire range of environmental challenges. Understanding corporate culture can therefore help explain why a company might be sensitive or insensitive to certain types of issues and effective or ineffective in dealing with them. How can creative management shore up weaknesses and build on strengths? This task requires, first, assessing company responsiveness across the board and identifying the influence of corporate culture and, second, improving performance in all areas, assuring comprehensive and well-balanced environmental management.

The recognition of the role of corporate culture in environmental management reveals the weakness of previous approaches that did not take the inner corporate environment into account. Creative managers must therefore search for innovative tools that are designed to meet these requirements: In addition to the demands of an increasingly complex environment and the demands of new roles and responsibilities of business in society, managers find that they must also come to grips with the demands of specific corporate cultures. In order to meet these needs, modern companies need an *integrated socio-economic management system* that combines the following three key elements: a corporate socio-economic planning function; an internal and external reporting function on socio-economic performance; and a goal-oriented evalua-

tion function for the performance of individual managers, profit centers, and the company as a whole.

Corporate Social Reporting

One tool that provides a comprehensive and systematic approach to integrating relevant social, political, and ecological data into the regular corporate information system is "corporate social reporting." Internally, this process supports management decision making; externally, it facilitates dialogue between management and its various constituencies. The "corporate social report" represents a means of institutionalizing the consideration of business-society interrelations into standard operating procedures and serves as a basis for evaluating performance.

Corporate social reporting is therefore somewhat of a misnomer for a far-reaching approach that includes planning, reporting, and evaluation. Seen from this broader perspective, the instrument appears to be particularly well-suited to meeting the demands of environmental management. For planning purposes, data are required on changes in the socio-political environment of business on the one hand and on the impact of business on the socio-political environment on the other. In addition, the various constituencies of the firm demand greater accountability, which means that they need detailed information about social, political, and ecological consequences of business behavior. The concept behind corporate social reporting is intended to satisfy both types of information demands. It is designed as an integrative management tool, linking goal-setting and planning functions to information and reporting systems, to performance appraisal, and back to the revision of goals and plans. What can be learned from the experiences of companies about the successful application of an *integrated socio-economic management system* such as the inappropriately labeled corporate social reporting? How have successful companies organized the process, and how is this instrument suited to different organizational cultures?

There are common characteristics of several advanced experiments with an integrated socio-economic management system. *First*, CEO commitment was high from the outset and maintained visibly throughout the process. *Second*, the staff responsible for the work combined members from throughout the organization with external academic consultants. Experience shows that such a diverse combination is particularly effective. The manager of the process was appointed by the CEO. The internal members of the committee assured that the process became an integral part of their traditional management functions. The

inclusion of academic consultants maintained methodological quality and provided external objectivity. *Third*, the annual or biannual report, like the entire process, was goal oriented. The companies evaluated their activities in the reporting period in light of the goals they had set at the outset, thereby providing the transparency demanded by external constituencies and at the same time establishing the basis for determining the goals for the next period. The creative managers who actively sought feedback from their constituencies and involved them in the assessment of results found that they achieved greater credibility and made better progress toward satisfying the demands of the business-society relationship. In sum, the experiences of companies that have introduced such comprehensive and demanding approaches to environmental management show that: The support of an innovative CEO is crucial; the process requires team effort, including managers from different areas of the company and external consultants; the interaction between goal setting, implementation, and evaluation functions necessitates a goal-oriented reporting process.

How does an integrated socio-economic management system contribute to optimizing the culturally determined strengths and weaknesses of a company? By requiring the systematic treatment of all areas inside the corporation and inside the relevant stakeholder groups, such a system enables management to review its position comprehensively and critically. It documents those areas in which the company has traditionally responded more successfully to challenges and reveals those to which the company has been less sensitive. It makes the concept of corporate social responsiveness more manageable by disaggregating it in practice rather than treating "responsiveness" as a singular characteristic that a company as a whole either has or does not have. Companies applying this instrument have discovered that they had goals and corresponding policies in some areas but did not have them in others. On the basis of this "cultural audit," management can establish goals and policies that suit the particular features and interests of the corporation. Management must ensure ongoing monitoring, putting pressure on the organization to implement policies. Culture has a significant impact on implementation. Some areas are slower and have a more difficult time. The experience of managers was that the reporting instrument helped them keep track of the progress made over the entire range of environmental challenges. In those areas in which the company was traditionally strong, it served to heighten responsiveness and identify emerging issues that maintained and enhanced specific strengths. And in those areas where responsiveness to change was underdeveloped because of cultural blind spots, the systematic approach to information collection and planning helped to correct weaknesses.

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