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## From the Inside Out

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### ABSTRACT

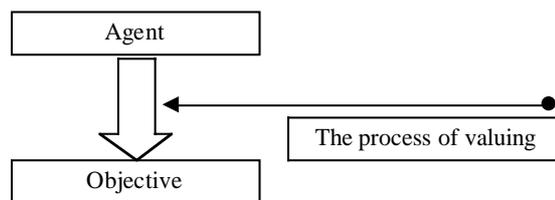
Environmental values are integral to the work of environmental regulators. However values are not simple concepts that can be 'applied' by the regulators. How they are taken on board will depend, inter alia, on the nature of the organisation, its staff and the issues it deals with. Because the environment is complex, the use of values, and in particular of monetary values, will also be complex. While certain ways of expressing values may not be without problems, they can still provide useful guidelines for action. An organisation uses both internal and external processes to develop and articulate values. The challenge is, over time, to integrate these processes and make them more meaningful.

### KEYWORDS

Appraisal, decision theory, organisation theory, valuation

### INTRODUCTION

In this paper I try to describe the experience of developing an approach to environmental values within an organisation.<sup>1</sup> My concern is with how the agent uses values to achieve its objectives. In order to do this, I assume a simple schema, which includes an agent (the organisation and its constituent parts), a set (or sets) of objectives and the means by which the organisation articulates its values in order to achieve the objectives.



How one understands the processes within this schema depends, in large part, on where one is viewing it from. My perspective is from within the agent.

#### BEING AN AGENT

This could be about any agent, but my experience clearly is clearly with the Environment Agency. That is a Government agency, with a wide range of duties, including flood defence, environmental protection and water resource management.<sup>2</sup> The value of the environment is central to any environmental regulator.

The agent represents another party, the principal, and its objective is to deliver some goods or sets of goods, for that party. In the case of regulatory agencies, that ultimate master is the Government. There is a significant literature on principal-agent theory, which analyses more fully the relationship between bodies like company managers and shareholders, or regulatory agencies and their ultimate masters. That literature is primarily concerned with how the agent carries out the task role of representing its principal. However in this paper, I want to look at two other forms of representation which are relevant to an agent:

- As well as representing its principal, the agent also represents itself, in its dealings with the world outside itself.
- The agent also represents its staff, and indeed, the staff represent themselves, within the context of the agent and its role.

Corporate bodies tend to represent themselves consciously in their dealings with the world, for example, in terms of thinking of their reputations, their credibility, etc. Such considerations are often vital to their continuing viability. But they also represent their staff, and may encourage and support the staff in representing themselves in particular ways that enhance the organisation.

My representation of myself, both within my organisation and outside, depends on factors such as my professional background, my position within the organisation and the strength of my representation relative to others in the organisation. Similarly others in the organisation will have their own representations, for example as flood defence engineers, fisheries scientists, fresh-water biologists, etc. These representations do not determine the set of values that an individual may have, but they may form an important part of that set of values. The organisation tends to support those representations, where they are seen as contributing to the organisation, and indeed those representations may be integral to how the organisation represents itself.

The point of drawing out this aspect of representation is to show that the organisation, the agent, is not a neutral player, and that it is probably not an

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homogenous player either. In attempting to develop a value system for an organisation, or a means of articulating values within an organisation, one is not starting with a blank slate, but needs to adapt what one is developing to take account of what is already there: the organisation, its staff, and the way that the organisation and the staff represent themselves.

So what does this mean for an academic process, such as Environmental Valuation in Europe (EVE)? In an organisation such as the Environment Agency, which has a strong scientific and intellectual base, ideas are an extremely powerful driver. However injecting ideas into the organisation is not enough. Some ideas may be too novel or different to be accepted readily. Equally, there may be some ideas already embedded within the organisation that are so fundamental that they may be hard to identify or articulate as being anything other than common sense or 'natural', for example the notion of the value of the environment. In order for projects such as EVE to be effective in this context, in inputting new ideas, or in challenging embedded ideas and giving them new meaning, they need to be set out in a way that catches the interest of the organisation, and latches on to the openings in the existing set of ideas.

The power of ideas in organisations, and of organisations to transform ideas into things they are more comfortable with, is discussed more fully elsewhere.<sup>3</sup> I raise it here because ideas do not just come into organisations in discrete units, but are transformed as they enter it. For example, some ideas may carry with them unintended connotations, which can be hard to unpack. This can be illustrated by the notion of risk, which has a strong base in the Environment Agency. This is leading to the development of a 'risk-based' approach to regulation. This is a very natural and common sense approach, with the intention of basing regulatory activity on the environmental risk of industrial processes. However it is not value free. Clearly different risks may be associated with different values (whether that means different costs of dealing with them, or social value to local communities, etc.). Hence the Agency's approach is not simply to produce a calculus of risk.

However, to base regulation on a notion of 'risk' may lead to a rather despairing form of regulation, one which sees the objective as being minimising damage, rather than seeking positive enhancements. That is not a far-fetched thought. Already in some regulatory areas, such as health and social care, regulatory bodies are acting defensively to reduce risk to the things they protect, and to themselves, rather than taking risks to promote positive change. In effect there is a danger (a 'risk', even) that, in protecting both the organisation and the things that the organisation is responsible for from risk, the organisation may begin to see risk reduction as the primary objective, rather than trying to promote value. As a result the organisation may become excessively risk averse.

## THE OBJECTIVE(S) OF THE AGENT

The agent seeks some positive outcome for the principal. But the objective is not necessarily a simple one either. Looking at it in simple principal-agent terms, clearly the objective for an environmental agency has to do with the environment. As I suggested above, there can be different interpretations of the objective, along a continuum between minimising risk and maximising value. But perhaps a more fundamental question that arises is 'what environment?' In other words, what is the object of the regulatory agency's attention?

At one level, the environment is a statutory construct – it is that thing which is protected by environmental regulation. It might be possible to describe this statutory environment by mapping it on to the different regulatory bodies and their statutory duties. However, even using that limited perspective may be insufficient to describe the object. For example, within regulatory bodies, there may be numerous sub-divisions of the environment as object. At an extreme level, because each individual brings a different perspective to his or her task, there may in effect be as many definitions of the environment as there are regulators employed by regulatory agencies. In general this does not matter: what matters for the success of the regulatory agency, and those it regulates, is that there is broad agreement on the overall objectives, not agreement in detail on the meaning of the term 'environment'. However, these differences in meaning can become more important where one is dealing with a novel issue. For example the debate on genetically modified organisms can be represented as reducing pesticide use and so protecting the environment, or affecting our relationship with nature, and so damaging the environment. Mediating between these meanings of environment is rather more difficult.

One way of mediating between the different definitions is to attempt to capture the environment in some simple set of concepts. This may one of the reasons why the collection of environmental data is so important – it allows us to gather around a common set of tags or descriptors for the environment. Moreover, as the data is made more available (for example, the Environment Agency makes its data widely available on its web-site and in publications<sup>4</sup>) then it allows this same common ground to be extended outside the organisation.

The data set in itself is empty without underlying models, which not only make sense of the data in a static way, but allow the environmental regulators to examine how the environment can change over time, and how the regulators themselves can change it.<sup>1</sup> So in a sense the environment gets transformed from something defined by statute, to something described by data, to something modelled, and in turn improved, by definite action on the part of the regulator.

Of course the models and the data are not beyond question. Issues such as climate change expose particularly well the broad variability in estimates of physical effect and value. Andy Stirling has shown how large the variations in estimates of monetary valuation can be.<sup>6</sup> This variability creates a substantial

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difficulty for those who wish to use valuation estimates for policy decisions, or who are simply trying to make sense of the totality of valuations. It clearly calls the methodology into question as a useful tool for policy, but I don't think that it necessarily means that such approaches have no use. It does certainly mean that one cannot pick values randomly from the great body of valuation studies available in order to inform a given policy question, any more than one can pick from the results of the many scientific studies. However in any specific policy situation there are policy analysts' heuristics that enable one to pick through the variability. In the specific situation one can commission a tailored study, using current thinking and information, or one can seek to come to a consensus view based on the many data sets available. Hence, while this does not avoid the basic problem that values, like other forms of information, are contested and contestable, one can produce a justifiable, or auditable answer.

The environment is not, of course the only object of interest for a body such as the Environment Agency. The very decisions that a body, such as the agency, takes are also real objects, on the way to achieving its environmental objectives. Indeed, for a regulatory organisation, its main outputs are often its regulatory decisions: the actions taken to execute those decisions frequently being taken by others. (For example, the regulator may set or enforce a condition in a licence, but the actual work to deliver those conditions is done by the firm that holds the licence.) Moreover, the decisions are often what the regulatory organisation is judged by, not necessarily by the outcome. This is not unreasonable. In the case of the environment, for example, it may be very hard to trace how a particular regulatory decision, by itself, has changed the environmental outcome. That is not to say that the regulation does not improve the environment – there is clearly an association between regulatory activity and improvements in the environment in recent years. Rather, it is to say that in individual cases the causality may be hard to establish, not least because of the long time lags that there can be between action and improvement.

In official circles, there is an explicit model of decision appraisal,<sup>7</sup> but there is rather less analysis of decision making. Appraisal is the process of analysing the issues, in order to 'inform' the final decision:

## ANALYSE — INFORM — DECIDE

This is a relatively linear model, and does have a strong 'progressive' assumption, i.e. that good analysis necessarily leads to better decisions – a not unreasonable assumption one might think.

However this may lead to a number of tensions. There is a tension between the analysis and the final decision, which is not always fully explored. The more complete the analysis, then the less one seems to need to distinguish between the results of the analysis and the final decision. That is to say, if the results of the analysis are to do action X, then under what circumstances might the decision-

maker decide to do action Y instead, and why did the analysis not come to the same conclusion? There are a number of reasons why there might be a difference between the results of the analysis and the decision. It may be because the analysis stage has focused on quantitative analyses, and the final decision has to try to incorporate the more qualitative information. This may suggest that there is a problem in the way in which policy analysis deals with qualitative information. Alternatively, the analysis may have sought to use values based on consensus or on some 'average' set of values, rather than reflecting diversity of values, which the final decision may have to address. The opposite may also have occurred, in that the analysis might wish to have preserved many options, enabling the decision maker to bring to bear a final set of value judgements on the decision. Either way, there is a strong case to be made for analysis, under this model, to be explicit about the value assumptions it is using, or for it to use a number of value assumptions, in order to draw out the different dimensions of value.

A second tension may arise between this relatively simple model, and the more complex, even haphazard, way in which decisions can seem to emerge in business, in government and in society. In many cases, the decision, or key elements of it, may be 'made', or may emerge, in advance of the more detailed analysis. In the traditional model, where the analysis precedes the decision and informs it, this may be seen as a failure: the analysis is being used for *ex post* justification rather than *ex ante* information.

Therefore while this model is in general a good one, it does neglect the dynamic nature of decision-making. Most appraisal guidance recognises that each individual decision is an iterative process. But decision making is even more dynamic than that. No decision exists in isolation, and the analysis of each decision can, and should, inform each subsequent decision. Even *ex-post* justification contributes to the information base. This is particularly true where one is influencing a public debate, and seeking to ensure that debate is conducted on the basis of readily available information. This is not to excuse wilful neglect of analysis, but to show that the simple model needs to be substantially developed in order better to reflect the practical problems faced by regulatory bodies.

#### THE PROCESS OF VALUING

Having described the agent and the objectives that the agent has, I now turn to the processes that link the one to the other.

Internal to any organisation are the formal and informal processes for decisions. Typically they will revolve around meeting legislative requirements, or passing budgetary or resource hurdles. These may require some explicit analysis of costs and benefits, which will dictate the types of value taken into

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account. Even within the organisation these can be limited, with specific functions or groups taking more of a role in determining the values in specific cases.

They will usually be supported by quantitative or semi-quantitative tools of analysis. Together with the specific functions and groups, these tools then tend to act as gatekeepers for new forms of value – if the new forms of value do not match the people, or the tools, then they may not find it easy to enter.

Obviously over time these can change and develop, and new ideas can and do change things, although as noted above, new ideas can be subject to various kinds of transformation as they enter an organisation.

What can be more difficult to articulate within an organisation are the underlying values. These may emerge if one looks across the actions of a body, but may not be readily visible. These attitudes may, for example, be linked to the organisation's skill base. Many organisations may try to affect this by making an explicit statement of values, perhaps in the form of a mission statement. However these may be as much aspirational, intended to galvanise action and beliefs, as a reflection of what people are trying to do.

The emergence of new issues can present a further area of difficulty. It may be difficult to include novel issues such as genetically modified organisms or endocrine disrupting substances within existing methods of value formation – the 'base data' for the values may not be there. Hence more radical processes of public debate and internal reflection may be required to articulate them.

Organisations also engage in external processes. These can take a number of forms. Clearly one is that organisations have objectives set for them – the principal, in particular, will have determined aspects of what the agent does, effectively acting as an outside referent. But there will always be particular stakeholders who are able to play a strong role in influencing an organisation's values. They may be able to do so for historical reasons, or because they have a particular specialist knowledge they bring to the issue.

The challenge for most public bodies today is to make these external processes both more transparent and more inclusive. This includes some analysis of the existing engagement with outsiders, and making more concrete efforts to have structured engagement with the public, as well as with the interest groups that are the traditional focus of external processes.

However, accommodating these external processes to the internal ones cannot and does not take place overnight. Nor can the external processes continue in isolation from the existing internal processes. This means developing the tools which can deliver the external processes, while still being meaningful to the internal audience.

When one adds to this the substantial practical issues involved in developing a wider dialogue, one can see that this is no mean challenge to an organisation.

## CONCLUSION

In order to understand how to articulate and permeate values within a regulatory organisation, one must understand the nature of the organisation as an agent, the objectives of that agent (and the objects to which those objectives refer), and the processes by which values are identified and articulated. As an agent, the organisation represents not only its principal, but also itself: the organisation's own values and its approach to forming values really do matter. The objectives of the organisation are not just the objectives set for it, but also the need for the organisation to be seen to be achieving those objectives. That means being seen to be taking good decisions to achieve those objectives. The decisions that an organisation makes are significant objects in themselves for the organisation. Finally, the process of arriving at values can be internal or external, with the challenge being to make both more meaningful and practical.

## NOTES

<sup>1</sup> In general within this paper, I use the term 'value' loosely, but broadly, covering monetary and non-monetary expressions of value, and thinking of it both as a quality of objects and as a fundamental belief.

<sup>2</sup> The duties of the Agency are set out in the Environment Act 1995.

<sup>3</sup> See for example Carol H. Weiss, 'Knowledge Creep and Decision Accretion', *Knowledge: Creation, Diffusion, Utilization*, 1(3), March 1980: 381–404.

<sup>4</sup> See for example the Environment Agency's State of the Environment reports, or the 'State of the Environment' sections of the Agency's website, <http://www.environment-agency.gov.uk>.

<sup>5</sup> As Mark Van Vugt argued in the workshop, once one has information about something, one can use the information to make that thing change.

<sup>6</sup> Andy Stirling, presentation at an earlier meeting of the Concerted Action Programme.

<sup>7</sup> See for example, *Appraisal and Evaluation in Central Government* (HM Treasury, London, 1997).