Global Megatrends in Environmental Consulting 2019

Environment Analyst explores how the environmental consultancy sector as part of the wider professional services industry or 'global knowledge economy' is facing up to – and even exploiting – a broad range of internal and external pressures, and also the long-term prognosis for the discipline in a rapidly changing world.

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Entering a new age of environmental activism

In this, our fifth annual Global Megatrends Insight Report, Environment Analyst considers some of the key challenges and pinch points facing the industry against a wider backdrop of rapid societal change and increasing environmental activism. Surely never has the time been so right to be in environmental consulting? Yet there are still some significant barriers.

Our expert panel considers these and other issues facing the industry, from consolidation to staffing, ownership models to major project delivery risks, and also the shape and role of the profession in the years to come given the disruptors and drivers.

If a week is a long time in politics, it’s hard to equate how much and how fast things have changed in the world of environmental consultancy since our first Global Megatrends report in 2015! Markets have gone up and down (and back up again); political frameworks that we thought were rock-solid have been shaken to the core; technological advances have turned long-held practices on their heads; and the push and pull of intergenerational dynamics call into question the traditional workplace. Combined, these factors have all conspired to pull the rug out from the status quo. Meanwhile, concerns over climate change, sustainability and our management of Planet Earth have formed a constant but increasingly urgent backdrop.

PwC identifies five megatrends shaping society at large: rapid urbanization; climate change and resource scarcity; shifts in global economic power; demographic and social change; and technological breakthroughs.

And if trying to run a successful business, clients and navigate the market together weren’t enough, the sector has its own trends with ongoing challenges.
On this last point, Lahre elaborates: ‘Humans tend to like to feel they are a part of something, or a ‘tribe’, and to see the impact of their efforts. In a smaller firm, it’s easier to cultivate this sense of ‘tribe’ and make an impact on a personal level. There will always be a place for the megafirms, as well as the large, mid-size and small ones too.

“Clearly, the vertically-integrated firms (i.e. engineering/consulting and construction) need to be large and have access to significant capital to withstand the inherent construction risks; but we don’t think that pure professional services firms have to be huge to be successful; certainly our industry performance metrics do not show economies of scale reflected in growth or profitability metrics. In fact, growth and profit margins generally decrease as the size of firms increases.”

Tembusu’s Tan has the benefit of experience at both ends of the industry spectrum. Having spent much of his decades-long career working in some of the sector’s biggest names, including Singapore’s Jurong Engineering Ltd and western firms such as CH2M and Ramboll, he became convinced of the merits of smaller operations to better cater to the market’s needs – partly in his home region of SE Asia – not just because they offer greater flexibility and cost efficiency.

Perhaps, a bit like Heinlein, the parts that other couldn’t reach...?

It was the motivation to establish Tembusu to fill the services gap. But fundamental to the imperatives of SMEs is the

countries), while Tan’s own Tembusu is growing rapidly through its collaborative approach, having linked with a dozen or so like-minded SMEs offering inter-related services. Newcomer EHS Support is another variation on a theme; it comprises over 100 staff in a ‘virtual operation’ (i.e. with no actual offices) across the US, Australia, New Zealand, UK, Belgium and South Africa. EHS Support’s European director, Gerald Hincka, commented: We are highly experienced people working for huge firms looking for a different.

What they lack in size, seem more than make up for specialisation, agility and service.

Middle ground...
As a mid-size firm we have the resources to deliver on large-scale projects but at the same time we are easier to deal with than larger firms – so it's the best of both worlds. We don't need to be as large or have the same infrastructure requirements. We're flexible and can adapt to the needs of our clients. This allows us to compete successfully in the market and deliver high-quality projects.
Limage acknowledges that the huge investment in technology - automation, drones, AI, data analytics etc – is quite natural: “It’s what people have always done otherwise we’d still be hunter-gatherers.” But, he wonders if the recent pace of change and automation come from the concern that we can’t find people to do the job efficiently? He has a further niggling fear: “Has any system ever been invented that was 100% reliable? There is no doubt that mistakes will occur in automated construction projects.”

It’s a concern shared by the also retired Marc Rivard who fears an over-reliance on technology could cause us “to forget the basics”; and given this sector’s role in major infrastructure, the stakes couldn’t be higher. “We must ensure that governance structures are in place; we’ve seen this in the past with genetic modification. AI is attracting a huge amount of interest (including some more sinister) but we have yet to establish government regulations.” It’s something he hopes this industry will take very seriously.

Outlook II: ESG, sustainability and blurring boundaries

Returning to less somber scenarios, Tembuna’s Tan feels strongly that the EC sector is going to have to broaden its scope: “The Global Reporting Initiative’s definition of sustainability references the economic, environmental and social impacts caused by an organisation’s everyday activities; in this context, it is imperative that the EC industry embraces the full array of sustainability components into its repertoire to provide integrated solutions for its clients.” It’s a view shared by AEC’s Lahre who feels that sustainability and environmental consultancy, whilst technically distinct concepts, naturally coexist and inform one another.

But this muddling of interdisciplinary boundaries does pose technical and commercial considerations.

Lavalin’s Alex Dumond says: “From a technical standpoint, outcomes cannot simply be spliced together. Any technology solution must be the application of design and the consideration of the context opportunity.”
Collaborative advantage: The magnitude of the challenges that we face are beyond the reach of a single firm or industry and a colossal collective effort is required. EC firms need to crowdsource solutions and embrace knowledge sharing and collaboration... even with competitors.

This last point might sound counterintuitive, concedes Dumesle, but actually it’s not such a foreign concept in a sector where individual firms are rarely in a position to take on the entire scope and wrap the risk on megaprojects, and hence regularly team up. "If intellectual property might have been its main source of competitive advantage, it is a firm’s ability to work efficiently with others that will support its success in the future and accelerate the deployment of critical sustainable solutions," he concludes.

Extinction Rebellion

Outlook III: multidimensional crossroads

So, the environmental consulting sector finds itself at a multidimensional crossroads of sorts. Not just in terms of its own journey as it wrestles with internal and external pressures, but at an environmental, social, commercial, political, regulatory and technological juncture (that’s a lot of dimensions!). And it stands between different stakeholders and influencers, rule-makers and enforcers, and (not to over-dramatise the situation) at a pivotal point in human evolution.

In 2018 the UN told us we have twelve years to tackle irreversible climate change; it was the year that society at global economy in an open letter co-signed by the chair of the climate-focused Network for Greening the Financial System (NGFS).

And of one thing you can be sure: business will want to safeguard its investments against the threat of future impacts, man-made or otherwise, because if money talks, the loss of it is surely deafening.

But not wishing to end on a negative note, let’s not forget our current predicament actually represents enormous business opportunities on many levels!

SNC-Lavalin’s Stewart comments:

"I am a firm believer that linear change (climatic, policy, awareness e.g. public response or uptake of EVs etc) is out of the way. At a behavioural change level there is, she says, still room for non-counterparties.

"The main thing to do is to reduce emissions demand, to continue to transform right now and move towards net zero, and focus on the transition of our supply chains.

"In terms of what we do, what we’re trying to do is to make sure that our clients are aware of what that looks like, and that they can understand the risks involved in their activities."