



Should E Be Separate or Combined With H&S?

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President Kennedy reportedly once said that he only wanted one-handed lawyers. That way they could not say, "On the one hand . . . But on the other hand . . ." This month we explore the advantages and disadvantages of combining the staffs of all three professional disciplines—environmental, health, and safety (EH&S)—into a single, integrated organization. We will examine organizational trends and the reasons underlying the changes. Since both authors are not lawyers, we will not only explore current practice and alternatives, but will also offer our opinion. Whether your present EH&S organization is integrated or separate, this article may offer insight into making a better organization.

Over the past year, I have given a number of presentations on EH&S organizational issues. At each I ask the audience the question raised by this month's *EH&S Advisor*. The show of hands is revealing. In general, audiences with predominantly environmental professionals indicate that the respective areas should be combined, while health and safety audiences believe they should not. But even in the audiences with the strongest preference, the response is far from unanimous.

I ask this question in conjunction with other organizational questions such as, "What function do you currently report up through?" Human resources, technology, line management,

legal, finance, services, engineering, or stand-alone are some of the responses. The distribution is all over the spectrum. When asked where EH&S functions should reside, again, there is no agreement.

What is troubling is not that EH&S organizational structures vary so widely, but that EH&S professionals do not agree even amongst themselves what is best. *If we can't concisely describe what's best, how can business management possibly know?* One participant did, however, give a very revealing answer to the question on reporting: "Report up through the organization that has the most power and access to business management." If there were ever a correct answer, this one comes closest to it.

That participant hit upon a key point: there is no right or wrong, only what does and does not work well in your company. Since companies vary tremendously, it is not surprising that organizational structures vary as well. Problems occur when managers reorganize without adequate input or evaluation. For example, company executives sometimes call upon business management consultants to restructure the entire company. These outside experts may be totally clueless when it comes to the unique demands of EH&S. For example, they may treat the EH&S staff solely as a service function, overlooking corporate governance considerations, or they may employ industry benchmark ratios to

size the EH&S group, ignoring company-specific issues. Have we just hit a sensitive point with the reader?

If changes are needed (or are upcoming), the first challenge is to get the key messages into business management at a high enough level and far enough in advance to make an impact. With enough preparation and access time to deliver a well-thought-out business case, this can be done. But what are the messages and key issues to put forth? Some of the basics are covered in the three-part series on right-sizing organizations by this author which appeared in the May–July 1999 issues of *EM*. With respect to the issue at hand, it is helpful to first examine how we got to where we are today.

SAFETY & HEALTH FIRST

Workplace safety and health concerns have been around for a very long time. The industrial revolution accelerated the need for specialized expertise, but it was the labor movement at the turn of the 20th century that propelled the issue to the forefront. For the first time, organized labor could bring an entire factory to a standstill. Safety and health became a priority management concern and employees were assigned to keep the issues under control. Safety was a *labor issue* and, not surprisingly, the specialists were often in human resource departments.

E-H&S? E+H&S

During the second half of the century, safety and health concerns were relatively well integrated into capital and operating costs. Staffs were relatively small and stable. In contrast, management attention to the environment is a recent development, just within the past 30 years. Newly created environmental groups were often in manufacturing site utility, engineering, or research technology groups. Environmental specialists concerned themselves with *process issues*.

Between 1970 and 1990, environmental staffs experienced unprecedented growth, sometimes while other departments were being relentlessly cut back. Ironically, the events that triggered much of this unprecedented growth involved public outrage over catastrophic releases (e.g., Bhopal, Exxon Valdez) or chronic health concerns (e.g., Love Canal, Times Beach) about toxic materials—both arguably safety and health concerns.

Environmental issues became a priority management issue because they represented large capital investments in pollution control equipment and substantial increases in operating expenses to remedy past practices. In addition, production became dependent on emission permits for the first time, and the threats of fines and production shutdowns were far greater for environmental non-compliance than for safety violations. Although safety and health staffs had been around a lot longer, environmental staffs were suddenly getting most of the resources and management attention.

OVERLAPPING DISCIPLINES

Viewed from the perspective of the zones of influence in which they work, the three professions that make up the EH&S field are separate and distinct. Some of their obvious dividing lines are mechanical injuries to humans (e.g., crushing injury or repeat trauma) versus destruction of ecosystems (e.g., clearcutting); toxic chemical exposure to workers versus emissions to the environment; and spills and explosions involving company employees and property versus toxic releases to the community.

These distinctions among the professions blur very quickly, however, if viewed from the perspective of the skills required for each (e.g., compliance auditing, employee training, information tracking and statistical analysis, stakeholder communication and relations, management systems, and accident prevention), and they all but disappear as we examine the skills required to manage these professionals. Indeed, many departments are managed by business individuals with little formal training or experience in the technical aspects of EH&S.

The growing trend in business management is to differentiate human resources by critical skills, not by just by departments, product lines, titles, and so on. Clearly, when viewed from the perspective of skills, EH&S professionals share many of the same talents. Although environmental staffs and health and safety staffs may have formed separately and for different reasons, there has been a general trend to both consolidate

EH&S ADVISOR CHECKLIST

Should H&S Be Combined with E?

1. Problems may occur when business managers reorganize without adequate input or evaluation.
 - If reorganizations are in the wind, particularly if outside management consultants are involved, get involved.
 - Deliver the key messages far enough in advance and high enough in the company to make an impact.
2. Recognize that organizational changes to separate or combine EH&S are sometimes initiated for the wrong reasons.
 - resource allocation disagreements;
 - power struggles/span of control;
 - personality conflicts; or
 - job security issues.
3. The fundamental characteristics of EH&S have changed.
 - Historically, safety concerns were also *labor issues* and environmental problems were *process issues*.
 - Zones of influence were once separate and distinct. Similarity of critical skills is bringing these professions together.
4. The general trend is toward combined staffs.
 - Resources can be more easily shared to meet peak demands or attack the highest priority issues.
 - Individual staff members benefit from being exposed to more varied work and training.
 - Combined staffs can lead to fewer resources required for staff management and administrative tasks.
 - Today's issues often have all three dimensions. Efficiencies are gained in management communications.
 - Combined groups generally have more access to and influence on business management.
5. There can be exceptions to the rule, and a one-size-fits-all approach should not be used.
 - If keeping the functions separate improves the efficiency and effectiveness, keep them separate.
 - Justification may require independent and objective evaluation.
6. Relationships matter. Newly combined organizations succeed because
 - a balanced approach is used; one function is not ignored over the others;
 - all resources work in harmony, especially during peak workloads; and
 - managers work out in advance how resources that cross organizational lines are shared.

staffs and integrate the responsibilities into other business functions. The recent rise in shared service groups is just one indicator of the movement toward consolidation. Even from a regulatory standpoint there is growing overlap (e.g., the recent U.S. Environmental Protection Agency [EPA] risk management program regulations).

Likewise, the voluntary compliance movement exemplified by ISO 9000/14000 has done much to encourage consolidation. In order to achieve certification, management must be organized and proficient in collecting and analyzing information to make decisions. There is little room for redundancy and little room for "internal politics." Two separate departments warring over budgets and staff is a situation that will not survive very long in business. E and H&S are so similar in both their knowledge base and how this information is interpreted that these functions fit together naturally.

How far has this consolidation gone? Articles are frequently written in the context of integrated approaches to EH&S. There has been, however, very little *quantitative* information published on the integration of environmental with safety and health staffs. Some papers may discuss integrated approaches, but the reporting relationships are usually not specified. Still, some inferences can be gathered. For example, we recently spoke with Bob Jonardi of PricewaterhouseCoopers LLP, whose firm historically has conducted confidential benchmarking studies of EH&S staffing at major multinational companies.¹ "Integration of the environmental, health, and safety functions is a work-in-progress, and although many companies are moving in this direction, it remains far from the norm. This is an organizational design decision, and company *strategy* drives organizational logic and thus structure."

According to Jonardi, roughly half of the companies analyzed in a 1996 study reported integration of the EH&S functions into their operating groups. This does not imply that the E and H&S functions have themselves been integrated to this extent at all levels. The functional integration depends upon which organizational level is being considered, e.g., corporate versus line. "We plan to test this evolutionary process again this year in our next round of benchmarking activity," reported Jonardi.

Annual environmental reports are also an indicator of management's thinking on EH&S integration. A 1997 survey found that approximately 30% of environmental reports also included health and safety information.² A more recent survey on environmental reporting found that some industry sectors such as chemical and oil refining almost exclusively provide integrated reports.³

IN A PERFECT WORLD . . .

Our own qualitative assessment is that a significant amount of EH&S staff consolidation has occurred over the past 10 years.

In a perfect world, this makes very good business sense. Resources can be more easily shared to meet peak demands or attack the highest priority issues, especially in large companies with several business sectors. Individual staff members also benefit by being exposed to more varied work and training. The skill set of senior managers, especially at the corporate level, is very similar. It may be possible to cut back on resources dedicated to staff administrative tasks.

Access time to executive management is very limited, and it is much more effective and efficient to present consolidated information on issues that often have all three EH&S dimensions. Securing a place at the table where key business decisions are made is critical. It is far better to have one knowledgeable EH&S person present than to try for three specialists, only to wind up with none present. Frank Friedman states his view on this issue unequivocally in his classic book on EH&S management: "Traditionally, environmental issues are handled separately from safety and risk engineering. This is no longer advisable."⁴

If it is so obvious that consolidation has clear advantages, why is agreement lacking among EH&S professionals? First, EH&S professionals become understandably wary when business managers use cookie-cutter, one-size-fits-all principles to

construct organizations. There can be extenuating circumstances in any reorganization. For example, several of the early implementers of shared service organizations consolidated *all* EH&S activities into a single service department. These companies soon recognized that some activities such as corporate oversight needed to be split up and that other activities had to report up through line management at the manufacturing sites.

Yes, consolidation makes sense, but under some circumstances it may be more effective to have specific expertise and responsibilities report up through separate organizations. This may be especially true at the manufacturing site level. For example, in an assembly plant with very few environmental issues but extensive employee turnover, safety training needs, and a high incidence of ergonomic and trauma issues, the safety and health staff might report directly to line management or human resources. The environmental staff might be located in the site utility group, since they might have the most access and control over permitting and pollution prevention programs. Indeed, a typical employee might be a process engineer with part-time environmental responsibilities supported by outside consultants as needed.

RELATIONSHIPS MATTER

Regardless of the reporting level, staff size, or structure, all resources must work in harmony, especially during peak workloads. Sharing is not an option; it is an absolute necessity to meet competitive pressures today. Managers should work out in advance how resources that cross organizational lines are shared. A very good example of this cooperation is illustrated by the relationship that often exists between medical staff and industrial hygienists.

The medical function in most companies generally resides in human resources, and with good reason (e.g., confidentiality of records, links to personnel records, health insurance, employee counseling functions). Industrial hygienists are typically located in safety departments, but work very closely with the company medical staffs over ergonomic issues, workplace zoning, and chemical exposure issues. In our careers we have found scores of ongoing turf wars and staff conflicts, but never once found this medical-to-industrial-hygienist interface dysfunctional. We are sure that there are difficulties somewhere, but we have not run across any.

CASE STUDIES

In the reorganization process, informed individuals need to sort out the issues and put the right people in the right places where they can do the most good. The valid business need to either separate or combine EH&S activities may be unattainable by ongoing personality conflicts, job security issues, priority disagreements, and power struggles. These issues must be dealt with directly.

Safety managers are typically the ones thrust into the awkward position of being absorbed into larger environmental departments. Safety departments have been around a lot longer than environmental departments, and some may consider these mergers a loss of power, a downgrading of job status, and a signal that the issues will no longer carry the significance they once did.

Personality conflicts, job security issues, priority disagreements, and power struggles may destroy the value of either combining or separating EH&S. These issues must be dealt with directly.

The reason for concern that we have most often heard from safety staffs is that the safety function is being marginalized. Calling the new, combined department Safety, Health, and Environment instead of EH&S will not necessarily overcome these fears. How well the integration works depends on the skills of the manager(s) in charge. We offer five case studies and one example.

E-H&S? E+H&S

The first case study involved the corporate organization of a very large, diverse multinational based in the United States. The three functions were combined at corporate in the mid-1980s for the first time, and the manager of safety was retained in his existing position. The vice president of EH&S reported up through the legal department and allowed this very skilled manager to continue ongoing safety and health programs. The company had a commendable safety record that continued to improve under the new organization. A number of years later the vice president left and the manager retired.

The new vice president, a skilled environmental lawyer, had never worked in manufacturing, was unfamiliar with safety and health programs, and did not replace several skilled safety and health professionals. Corporate leadership in this area fell behind. Eventually, the safety performance of the company deteriorated significantly, to the point where the CEO demanded action. Safety suddenly received the attention it should have had all along.

The second case study involved a large multinational based outside the United States engaged in heavy manufacturing. The business leaders were keenly aware of the dangerous nature of their operations. They had seen firsthand the injury and death possible without an absolute commitment to safety. So focused was executive management on safety performance that environmental issues were given secondary attention at corporate headquarters. Eventually, a number of well-publicized environmental incidents began to shift the focus to a more balanced approach and additional resources.

These two case studies provide a picture of what can happen to a company's overall EH&S performance if the functions are not properly prioritized or resourced. At a site level, however, the impact can be much more specific and measurable if E does not work well with H&S. "I could give you a list that would stretch from floor to ceiling where separation of the functions responsible for Environment and Health & Safety has led to some real nightmares for companies," says Dr. Frederick M. Toca, author of *Managing People and Programs in Industrial Hygiene*.⁵ He shared with us some specific examples:

In the third case study, an environmental department reported to engineering. The group advised the company's management not to install exhaust vents over the plastic fabrication equipment because of the difficulty of obtaining stack permits. The Occupational Health and Safety Administration (OSHA) had to come in and rescue the employees from exposures to dangerous levels of dusts, fumes, solvents, and isocyanates!

In the fourth case study, the safety department recommended the installation of a water wash fume control system on a large paint spray booth to limit employee exposure. The advice was heeded by management and the booth was installed with the appropriate exhaust vent, but the wastewater was dumped down the sanitary drain without a permit. This action led to a hefty fine, a cease and desist order from

the municipal sewer district, and a major expenditure for emergency control equipment.

In the fifth case study, the environmental department, in charge of all storage tanks, deemed its tanks to be in compliance with "all applicable government requirements and completely safe." As a result, a multiple fatality occurred due to a lack of requirements for OSHA Permit Required Confined Space Entry.

The last example is derived from the model established by Organization Resources Counselors (ORC), an international management and human resources consulting firm. Soon after the passage of the Occupational Safety and Health Act of 1970, ORC formed its Occupational Safety and Health (OSH) group, composed of corporate safety professionals, occupational physicians, industrial hygienists, and attorneys responsible for managing safety and health issues.

Its two focuses are to promote effective OSH programs and practices in the workplace, and to facilitate communication between business and government agencies responsible for establishing national OSH policy. Today, ORC's OSH group is composed of nearly 140 Fortune 500 companies whose members keep current on key issues via quarterly meetings and communication from and through ORC.

After nearly 20 years of work centered almost exclusively on OSH issues, ORC's management, at the behest of many of the group's *safety* professionals, decided in the early 1990s to form an environmental group. Its primary focus is to develop and maintain an awareness of federal environmental policies, legislation, and regulations among member companies. The environmental group also expands the platform of the OSH group by providing opportunities to explore crossover issues such as process safety and risk management programs, occupational and environmental exposure limits, and common issues surrounding data collection. ORC's top management believes that the blending of the two worlds is inevitable, based upon the enthusiastic support by member companies to support these efforts to establish common forums.

DO ORGANIZATIONAL CHARTS REALLY MATTER?

The five case studies and the ORC example illustrate that it is not so much whether the organizations are combined or separate, but that the skill and experience of management are often the deciding factor in ensuring that EH&S talent is working in harmony. In the first two case studies, EH&S were together in the box on the organization chart, but safety in one case and environment in the other case were, for all practical purposes, AWOL. In case studies three through five, the organizations were separate on the charts and the staffs were not talking to one another. In the final example, ORC management understood the inevitable value of providing one or more forums for practitioners of each discipline to come together, minimizing their differences while underscoring the similarity of their work.

From a broader perspective, organizational charts are becoming outmoded. In a recent *Harvard Business Review* article, Henry Mintzberg and Ludo Van der Heyden summarized the obsolescence this way:

"No wonder [organizational charts] have become so irrelevant in today's world. With traditional hierarchies vanishing, and newfangled—and often quite complex—organization forms taking their place, people are struggling to understand how their companies work. What parts connect to one another? How should processes and people come together? Whose ideas have to flow where?"⁶

The authors offer "organigraphs" as a technique to draw—and thus see—how companies really operate. Taken from the French term for organizational charts, "organigramme," organigraphs use "sets, chains, hubs, and webs" to describe what components connect together and how the work is coordinated. Regardless of the terminology, it all gets back to the point made earlier: relationships, not lines on a chart, matter.

CONCLUSIONS

We are not suggesting that you launch into a round of charting new organizations. What we are saying is that far too much

attention is paid to reporting structure and not enough to what is actually going on, what needs to be done, and how to best get this work done efficiently. Combined EH&S departments are more effective and efficient under most normal circumstances. That's our one-handed opinion. This rule has exceptions, which need to be evaluated carefully, fairly, and objectively. Company culture has an enormous impact on organizational structure, of course, and no organizational structure will work if the employees are at war with one another or are not communicating.

We have found far too many examples where objectivity was lacking and the familiar and safe course of action was chosen over new input and ideas. Now may be a good time to take a look at your organization. And that's our even-handed guidance! ☺

REFERENCES AND NOTES

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3. Krut, R. et al. *The 1999 Benchmark Survey of The State of Global Environmental Reporting*; Benchmark Environmental Consulting: Hartsdale, NY, 1999.
4. Friedman, F. *Practical Guide to Environmental Management*, 4th edition; Environmental Law Institute: Washington, DC, 1992; p 46.
5. Dr. Toca is president of Atlantic Environmental Inc., an EH&S consulting company in Dover, NJ, www.atlenv.com. His book is published by the American Industrial Hygiene Association (www.aiha.org).
6. Mintzberg, H.; Van der Heyden, L. *Harvard Business Review* 1999, September-October, p 87.

"Advisor" to Hold Business Workshop

Richard MacLean, the *EH&S Advisor*, will conduct a half-day management workshop, Business and Environment in the New Millennium, at the Annual Conference & Exhibition in Salt Lake City, UT, on Monday, June 19 from 1:30 to 5:00 p.m. MacLean will explore emerging trends, their impact on EH&S organizations, and the tools and techniques for companies to gain competitive advantage. Full details will appear in the May issue of *EM*. This is your opportunity to *Please Ask, Please Tell* the *EH&S Advisor* in person!



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