Right-Sizing Organizations for Quality

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OVERVIEW

Adequate staff resources are essential for achieving quality environmental, health, and safety (EHS) programs. The technical challenges, internal coordination difficulties, public-relations problems, and so on are rarely insurmountable—*if* you have sufficient fiscal and human resources to effectively deal with the issues. Without a minimum critical mass of resources, you become consumed with day-to-day firefighting and never make progress. In the worst case, an issue can erupt into a full-blown crisis, putting the company at risk and your reputation and career on the line.

Conservative risk managers, wanting to be on the "safe side," would argue for substantial resource commitments. The demand for rising profits, one of the primary drivers in a competitive marketplace, however, calls for limiting resources to the "bare bones." How does the strategically thinking EHS manager determine the optimal EHS resource level? What is the most efficient EHS organizational structure? How is this resource level and organization justified to senior management?

This is the first in a series of three articles (to be published in successive issues of *EM*) that provide insight into strategies to: determine EHS needs **(Part 1)**; organize these resources effectively **(Part 2)**; and sell the concepts to executive management **(Part 3)**. This material is not based on theory. The authors are senior-level EHS practitioners who have successfully dealt with management executives and boards of directors in resolving these issues and, in doing so, have mastered the techniques presented.

The methods are similar to those effectively employed by other functional disciplines to define and obtain resources. Written in the context of a corporate EHS group, these techniques can be modified and adapted to any functional level within a broad range of organizations. Whether you are an individual contributor or a manager, these articles can help you to better understand resource issues.

PART 1: RIGHT-SIZING EHS ORGANIZATIONS

INTRODUCTION

Before you can approach management about resource changes, you first have to determine the level of resources appropriate to meet the company's objectives. It may seem obvious and straightforward, but it is not. The greatest difficulty is maintaining objectivity during this process as careers are involved. Terminating an employee is among the worst tasks a manager faces. Justifying new resources can be brutally demanding for staff functions, especially if the company is not achieving financial targets and management suspects that existing support resources are not working optimally.

In this first of three articles, we take a look at methods to objectively "right-size" EHS organizations. The makeup and the total level of resources are dependent on management goals, organizational structure, and a number of other factors covered in this article and in the two that will follow. Right-sizing an organization is not a sequential process; you will need to integrate the information from all three articles at various stages.

The Challenge

Addressing resource issues is perhaps one of the greatest challenges the authors have faced in industry. In the past, maintaining the current budget level or making small, incremental increases from the prior year was rarely a problem. Obtaining a step-function increase in support staff resources was always and still is extremely difficult, particularly when adding to the EHS "head count." Even within very large corporations, gaining approval for a single staff member is a major accomplishment—unless a serious incident has galvanized management's attention and support. More recently, competitive business pressures and endless "restructuring programs" have made holding onto existing staff as challenging as adding resources.

The struggle to right-size environmental staffs can be frustrating because EHS staffs often deal with issues that may be considered "non-core" or are poorly understood by executive decision-makers. These same senior managers might be willing to create entire new sales, marketing, or manufacturing departments because they understand how those functions can add direct value to their businesses. Innovative EHS managers can also achieve resource additions but only if the issues can be communicated effectively to senior managers in a manner that builds confidence. The additional resources must be viewed as good investments of shareholder funds that will add value well beyond annual costs.

EHS managers first should recognize that many of the tools and techniques that other business managers use to gain approval for their programs are also available to them. Indeed, the EHS manager who is unable to appropriately staff an organization may have failed to gain

a clear understanding of the broader business issues. Stephen Covey, in his book *Seven Habits of Highly Effective People,* says, "Seek first to understand, and then be understood."[1] In other words, the first task that an EHS manager faces in a resource bid may be to understand business needs and concerns before attempting to convey any narrower functional needs. This article discusses some approaches to these challenges.

LAYING THE GROUNDWORK
Building a Common Vision

Building a common vision is a crucial first step for *any* business plan. It is also an area that some companies could certainly improve upon and, in doing so, realize the intended benefits of the exercise. The process sometimes becomes a "feel-good" activity using the latest management buzzwords but yielding little of the needed understanding and commitment. No wonder these management exercises are the subject of Dilbert® cartoons, but when completed properly, they can serve as a powerful force that motivates employees to achieve goals not dreamed possible. General Electric's (GE) meteoric rise to its current world leadership position was, in part, due to Jack Welch's ability to clearly communicate a vision. An entire section of the book *Control Your Own Destiny or Someone Else Will* is devoted to the techniques GE used to form and mobilize the commitment to a shared vision.[2]

The first steps in building an EHS vision are (1) to understand the company's current *business* goals and vision for the future; and (2) to identify how your EHS organization is supporting or can help support and achieve these business objectives, in both the short and long term. It seems obvious, but this single issue—synchronizing the EHS and business objectives—is where many organizational processes wander in unproductive directions. Unless you clearly understand the organization's business goals/visions and articulate EHS's role in adding value, the EHS function will probably fall short of

achieving its potential contribution to the company's success.

Executive staffs and CEOs rarely have backgrounds in EHS management. Conversely, EHS managers often lack business backgrounds with profit-and-loss responsibilities. Senior managers' concepts of EHS are most often very general and focused on the importance of

> **EHS managers should seek to first understand the business pressures and other issues that business managers face on a daily basis.**

managing the public's perception of organizational EHS, regulatory compliance assurance, and employee morale. At the operations level, managers seldom have a detailed understanding of complex EHS regulations that could, in fact, destroy an otherwise profitable enterprise. That, indeed, is why they hired EHS staff in the first place.

Responsible managers understand that businesses must be operated legally, morally, and in a manner that preserves the public trust. Many senior managers have learned the hard way that EHS matters can become sensitive public-relations issues. However, all too often politically acceptable rhetoric can cloud what began as a clear and explicit corporate direction. "Environmental excellence" or "second-to-none" may be the stated goal, *yet the approved budget and staffing levels may not be sufficient to maintain even "bare-bones" compliance*.

The journey toward reaching an agreement on a company's EHS goals and vision begins with a meeting of the minds between the EHS and executive management teams. It is an iterative process, requiring time and patience to reach closure. Executive management may only express what they want the business to achieve in conceptual terms. The EHS leader will, however, need to refine these concepts in a clear and concise matter. Additionally, it is necessary

to define more precisely what may be required to achieve this vision and how it will ultimately add value to the overall corporate objectives. This "reality check" is among the most valuable contributions of the EHS leader; it brings the business and EHS management teams together in a common understanding of what must be achieved.

Linking the Business and EHS Visions

The challenge of forming an effective EHS vision is threefold. First, the EHS group should become an integral part of the overall goal- and vision-setting process for the business. While EHS language rarely works its way into the overall business vision for a company, becoming part of this broader process provides an excellent opportunity to better understand business objectives and how EHS adds value. It also opens another avenue to be "at the table," with access to executive management and the decision processes that shape and control the company (covered in detail in Part 2 of this series). How this is accomplished differs greatly from business to business, but always begins with better communication with managers in other disciplines. Quality or HR organizations are often central to the goal/vision-setting process, and these functional managers are frequently among the most approachable of the corporate management tree. This will involve gaining their trust and also being open and non-judgmental about the issue.

> **Business management needs the understanding and the participation of EHS managers in setting and interpreting the corporation's overall goals and visions.**

Environmental, health, and safety excellence (a term most appropriately applied to programs that are vastly proactive and well beyond compliance) may not be the best plan of action for your

particular corporation at this time. Everyone involved must be up-front about their perspectives on an appropriate level of EHS proactiveness. An important key is to let your executive management know that you are open to the concept that step-wise (rather than "Pie-in-the-Sky") EHS progress is not only acceptable, but a preferable approach for an effective program.

Second, you will need to determine whether management's EHS positions are based on informed judgments or if they have an inadequate or incorrect conceptual understanding of appropriate EHS objectives. If the latter is the case, an education program tailored to management is in order. For example, some corporate EHS vision statements are created at light-speed in the wake of a major crisis. Here, the environmental manager may best serve as a voice of prudence in the face of emotional, knee-jerk overreactions. Environmental disasters, employee fatalities, and other corporate EHS crises may become an upstream swim that will test your credibility and relationships with senior management. Your responsibility will be to assist in assuring that the company EHS vision, while a stretch target, is in fact achievable.

The third challenge comes from the vast differences in stakeholder objectives for EHS throughout the corporation. Getting agreement and buy-in on a common vision can be difficult with any issue and is particularly challenging with EHS issues. Some decision-makers who are focused on other, more pressing, short-term business issues may be distracted from those environmental concerns that can be of strategic importance in the long run. On the other side of the coin, some major internal and external stakeholders may wish to impose idealistic (and unachievable) objectives upon the corporate EHS vision statement. It takes patience, relentless determination, and political and interpersonal skills to consolidate all stakeholder needs, capture senior management attention, and begin to influence the development of a sound and appropriate EHS vision.

In summary, a company's EHS vision should be a direct extension of the process used to create the overall business vision for the company. The best EHS vision statements:

1. focus on and are consistent with the long-term vision of the company;
2. are achieved with the broad-based participation of the total organization;
3. represent a rational, achievable, and appropriate level of EHS excellence for your business; and
4. have the buy-in and ownership of executive management stakeholders.

They are *not* cut-and-paste EHS value, mission, or policy statements from other companies. They must be custom-tailored to the specific issues and needs of your company. Much of what is contained in these articles is aimed at meeting the demands of the three management challenges described above.

PUTTING THE VISION INTO WORDS

Unfortunately, clearly articulated EHS vision statements are uncommon. One might logically expect to find EHS vision statements in annual environmental reports. The authors scanned nearly 35 reports and other external communications, including those currently posted on the Internet and other items dating back to 1996, but none had a section on company vision. Indeed, only one report even used the term "vision" in the context of EHS. What one might consider a "vision" was usually termed a "goal" or a "commitment." By contrast, a number of reports stated the overall *business* vision for the company. *Is it any wonder that EHS managers are left questioning why resources do not sometimes follow the stated vision of excellence and leadership?*

> Don't use a "cut-and-paste" approach to forming your own vision. The vision statements of other companies serve as a good reference point, but they should not constrain or limit the process.

One of the greatest challenges with EHS vision statements is that they become a blend of values, specific goals, and missions. The vision statements for the *business objectives* for some companies suffer from the same mixture of elements—a problem identified in a number of texts on management strategies. EHS vision statements are especially susceptible to this problem because they can, in practice, be viewed only as value or commitment statements instead of what they should be: an integral part of the company's strategy for success.

Developing a *shared* vision is a critical segment of the overall strategic planning process. The proper development of a vision immediately leads to such questions as, How are we going to get there? What exactly does this mean in cost and effort? How will we know [measure] when we get there? How will this benefit the company? If the operations manager is involved in the overall EHS strategic planning process, the answers

JUST WHAT IS A VISION STATEMENT ANYWAY?

A vision statement is a conceptual description of the desired future state. It is a compelling picture or image that helps individuals understand the future direction and achievement of the organization's purpose. It answers the questions, "Where are we going?" and "What will it look like when we get there?" A strategic vision depends on an organization's ability to *see* and *feel* the desired state. It stimulates action and serves as a rallying point for the troops and a yardstick for measuring progress.

It sets a broad outline of a strategy, while leaving the specific details to be worked out. Thus, while many things may change in an emerging, uncertain world, if the vision is sufficiently robust, it will continue to guide the organization.

to these questions and others will be worked out as the process evolves. If they are not involved (i.e., if they are hit "cold" with the vision), it may only create confusion and concern over need, cost, and practicality.

If the vision statement is nothing more than a value statement (often a real risk with EHS visions), it will not be a recognized part of the business strategy. Empty "motherhood" statements may look good on the covers of annual reports but will provide no real guidance to employees—a failure to achieve the basic purpose of a vision statement!

Basic Elements to Consider

A company should focus on two important EHS concepts: 1) the business must be *compliant* with all applicable laws, regulations, permits, etc.; and 2) it must be dedicated to excellence in the role of good *stewardship* for the environment and the safety of employees, customers, and the communities in which they operate. The unwritten, third concept is that if a business expects to survive the pressures of global competition, it needs to accomplish the first two goals in a manner that most efficiently utilizes resources better than the competition does!

A powerful vision supporting these concepts contains three strategic elements:[3]

1. Focus on operations
2. Measurable objectives
3. A basis for competition in the industry

According to recent thought on the role of business visions, there are five key questions that should be asked and answered so that an organization's vision is clear and focused:[4]

1. What is the thrust or focus for future business development?
2. What is the scope of products and markets that will and will not be considered?
3. What is the future emphasis or priority and mix for products and markets that fall within that scope?
4. What key capabilities are required

to make strategic vision happen?
5. What does this vision imply for growth and return expectations?

Two of the simplest and perhaps best-known *business* examples are:

- GE: "We will be #1 or #2 in each of our businesses."
- Federal Express: "We will deliver the package by 10:30 the next morning."

Each of the above examples contains a succinct outline of the three key elements and provides a direction for answering the five questions.

One of the best EHS vision statements ever encountered by the authors was from an EHS director at a medical products manufacturing firm: "Our products and processes have to be viewed as so pure that our customers think that the stork delivered them." While this is not the vision communicated to the outside world, EHS management effectively propagates it internally to help employees understand the importance of extraordinary performance in EHS. It focuses on the processes and products, creating an image of absolute compliance and zero tolerance for spills and toxic emissions while reinforcing the strategic business need to be viewed as creating sustainable products of exceptional purity. The EHS programs, required resources, structure—*everything*—flows from this shared vision.

EHS managers sometimes fail to either influence or sell a shared EHS vision because they may think strictly in terms of achieving compliance. A better understanding of the business vision and economic goals of the corporation will help make the EHS contribution more meaningful and satisfying—achieving EHS compliance and excellence at higher and higher levels of productivity.

DEFINING IMPLEMENTATION NEEDS

Once a well-understood and articulated EHS vision has been determined and adopted by the business, the EHS manager should lead the process of

determining the specific goals, resources, and programs. These steps define an overall implementation pathway. Environmental managers do this quite well—defining overall program and resource needs. We will not discuss this area further; volumes have been written already. Other than the previously stated rule of thumb—*always consider the EHS vision in the context of the actual business goals and vision*—we offer one additional caution: *EHS management must have a very accurate understanding of the issues and risks faced by the company.* They must be honest with themselves—are they fully cognizant of current and future issues and trends that may impact their businesses? Managers almost always believe that they have an excellent understanding of the issues. That is human nature, and they can be very reluctant to admit that they may not have control over every area of responsibility.

It will be important to verify this status independently or you will not be able to properly match the size and scope of the programs to current and future issues. This is especially true if you are responsible for corporate operations and there are a number of business groups, each with varying levels of EHS involvement and expertise. This review should also address problems or opportunities that may arise a decade or more into the future and should include a review of strategic issues that may offer competitive advantages as well as disadvantages. It should not focus exclusively on compliance issues.

The size and scope of these reviews can vary tremendously and may include senior outside auditors working in conjunction with staff knowledgeable about operations and internal organizational dynamics. It could include a wall-to-wall risk review of all operations with a primary focus on the issues that have the potential to create major financial, legal, political, and/or public relations liabilities for the shareholders. Examples include catastrophic toxic releases; key

processes without operating permits; inadequate attention to sensitive political, community, or regulatory issues, especially those unique to your industry sectors; and major long-term liabilities (e.g., remediation, community or employee exposure). Do not overlook the scientifically groundless issues that may have a very high public outrage component. Remember, perceptions have become newsworthy realities for more than a few well-meaning industrial corporations relying on science!

If the potential risks and areas for competitive advantage are already well understood, the focus of this independent audit might be to align the vision and goals with the plan. In other words, outside reviewers might provide an objective examination of the plan to realize the vision. This step might include a management-systems assessment (MSA) to identify the viability of the vision and the risks that must be addressed for success.

When external auditors are employed, they need a business focus and an understanding of the issues that draw media, community, and regulatory attention. They must also understand the interrelationships among legal, environmental, political, and toxicological areas as well as current trends and sensitivities. This is not the normal "check-the-box" compliance or management systems audit commonly performed by technically focused EHS consultants. Each situation will vary with what the business wants to achieve and the risks and resources involved. Additionally, a self-audit program should be closely coordinated with the corporation's legal department and possibly even outside counsel.

In summary, as EHS managers evaluate resources for strategic reviews, they should define the deliverables *and* examine the providers. Can the review process identify strengths, weaknesses, opportunities, and threats to your businesses in a way that suggests resource needs and approaches? Does the review team have the technical capabilities and experience *plus*

the objectivity to perform the work? The latter point is especially important when reviews are strictly internal.

COMMUNICATING MAJOR ISSUES TO BUSINESS MANAGEMENT

Once an organization knows where it wants to go (the vision) and where it currently is (the issues review), it is time to rally support for "closing the gap." The third article in this series deals with communicating with management about changing the existing resource level or structure. If the issues review uncovers major risks that management is unfamiliar with, relaying this critical, new information along with the case for resource changes may not be wise. In fact, an ill-conceived approach to conveying major issues to managers may not only scuttle your plans, but could also damage your carefully built credibility. These two communication concerns—major issues uncovered and the overall business case for EHS resource restructuring—need to be integrated and sequenced properly.

Depending on the extent of the problems uncovered, it may be necessary to prioritize and pair them carefully with your proposed plans to address each. Data dumps of bad news in the absence of proposed solutions are likely to be counterproductive (as well as career-threatening). A barrage of negatives presented without context can overwhelm and confuse management. If directly followed by, or combined with, a poorly supported request for additional resources, management may feel unfairly prodded to support something it does not fully understand. A carefully considered process to raise awareness among various levels of managers can take months and should always be integrated with the steps taken to define resource needs.

One approach to prepare management for potentially negative information is to obtain advance buy-in of the formal issue review in the first place. Should a major problem flare up while

this process is underway, obtaining advance buy-in may prevent the dreaded question, "Why didn't you know about this issue and do something to avoid this mess?"

The possibility exists that management may react negatively to a risk review, believing that if no problems have surfaced to date, there is no need to look. Generally, this will not be the case if they have clearly been involved in the articulation of the vision and have committed to its achievement. As a part of the proposal for a risk review, you might suggest that you are examining the organization's effectiveness to ensure that:

1. The resources are in place to close any significant gaps.
2. The highest possible level of EHS productivity is achieved.

Make it clear that you will be using the opportunity to "right-size" your function. This will anticipate the inevitable next line of questions from business management.

RIGHT-SIZING TECHNIQUES

Once EHS management knows what should be done and how much effort it may take, the next step is to systematically evaluate how the current resources are being utilized. Huntsman Chemical uses the evaluation technique outlined in this section to optimize EHS resources. It is based on a resource map that describes the range of tasks required of the group based on the relative urgency and impact of each activity. There are other valid techniques, including zero-based budget and service-unit analysis, but the final objective is the same: a detailed understanding of how resources are currently applied and how they should be utilized in the future in order to achieve the vision.

Mapping Resources

Any EHS organization should be able to reconstruct just how all staff members have been spending their time over the past year. Some organizations maintain

very detailed records as part of a cost-allocation process. Departments that have few or no records can select some representative time period and re-create, as best they can, how the time was spent. This process can be supplemented by an ongoing resource analysis effort used to fine-tune the program as it evolves.

Some tasks are high in urgency, but have a low impact on the business. Such things as filing permit-required monitoring reports, performing mandatory equipment inspections, and submitting responsible care implementation reports fall under this category. Timing is important, but the overall impact on the business is low. Other tasks have greater impact, but are lower in urgency. These may include developing crisis management plans, fostering relationships with regulators, and determining EHS capital plans. They are important, perhaps even critical, to the business, but they do not need to be completed overnight.

We all know of tasks that are both highly urgent and high in impact: regulatory inspections, business due diligence activities, formal judicial processes, and emergency/crisis incident response. Tasks low in urgency and impact include routine procedures and reviews, administrative support, and document management activities. All EHS managers know that their organizations will carry out the full spectrum of tasks. Intuitively, these managers also know that each task lends itself to certain resource strengths and needs.

Task analysis should include, at minimum, a qualitative evaluation of the time spent on productive and nonproductive meetings. Group meetings and especially one-on-one discussions are extremely important; however, meetings carried to excess are a major contributor to wasted resources (and another favorite subject of Dilbert® comics).

An additional consideration is that tasks do not necessarily remain in one category. A high-urgency/low-impact task like submitting an emissions report to the EPA can turn into a high-urgency/high-impact one if the deadline is missed and federal enforcement activities result. Likewise, important and proactive high-impact tasks can convert to high-urgency matters if abnormal conditions drive short-term needs. For example, a task aimed at improving communications with fence-line neighbors can become urgent if a plant upset or release creates a public outcry.

Characterizing tasks is important because cost and resource implications are conveyed. The review team(s) will have to decide as a group the urgency and impact of each task area. As a first step, the review team might categorize the overall organization's responsibilities to gain an understanding of what actually *adds value to the business*. This analysis not only leads to a clearer understanding of all tasks, but can also prompt changes that boost higher "EHS productivity," as discussed later. We recommend that the task or task

grouping (collection of similar or related tasks) be classified into the following matrix quadrants:

- **Drone Zone**—Low Urgency/Low Impact—Work that may be necessary but can drain your group's resources, which should be used for issues of higher value. General-interest meetings fall into this quadrant.

- **Insistent Zone**—High Urgency/Low Impact—Work that demands immediate priority because of time-sensitive downsides, but offers little or no upside for higher value contributions (required regulatory reports, permit submissions, and emission inventories). This quadrant's demands have been growing and can consume much of an EHS group's time. Technology may assist here.

- **Competitive Zone**—Low Urgency/High Impact—Work that offers a high-value contribution to improving the company's competitiveness (compliance auditing, systems analysis and improvement, regulatory and community relationship development, risk management/reduction, and EHS capital project development). Systems implementation may assist here because the expense can be justified by the value and the tasks are ongoing and in, some cases, capable of being standardized.

- **High-Octane Zone**—High Urgency/High Impact—Work with value to the business that must be completed very quickly and often at great cost (crisis management, high-profile enforcement actions, lawsuits, and negative media exposure). Lawyers, expert consultants, and late hours for internal staff are typical expenses in this zone.

Once these records have been developed and categorized, it is fairly straightforward to plot time in fractions of person-years (see Figure 1). You can
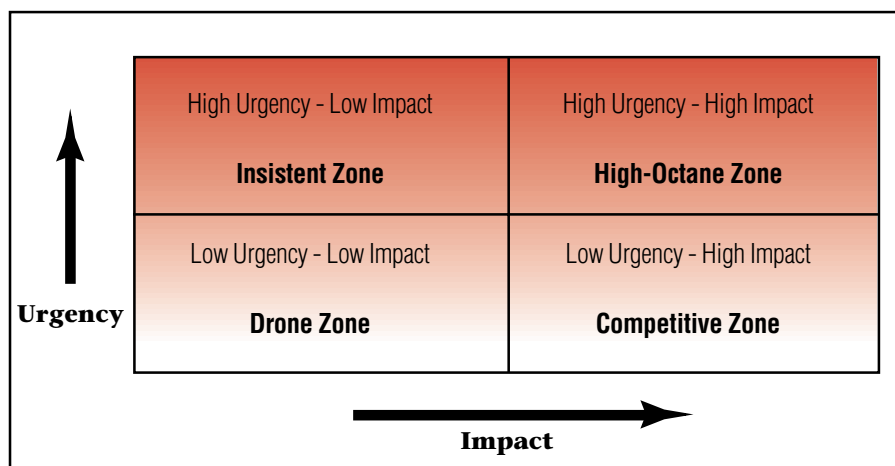

Figure 1. Performance matrix.

allocate the time as a simple rollup total in each quadrant. For large organizations, consider plotting a three-dimensional map with individual time spent (Z-coordinate) and incremental X-Y scales of urgency and impact.

This mapping analysis can be useful in several ways:

1. Understand how the organization spends its time.
2. Determine how the organization should spend its time in the future.
3. Determine future resource needs (systems and people) to achieve competitive value.
4. Explain issues and potential returns in a way that senior business managers will understand.

Most organizations spend a surprising amount of time in the **Insistent** and **Drone** quadrants because they have institutionalized certain tasks inherent in workplace systems or regulatory regimes. These quadrants should be handled with technology tools and maximum delegation to the lowest level.

Organizations under significant resource stress tend to spend an inordinate amount of time in the **High-Octane Zone**. As deadlines are missed, system needs delayed, and relationship development neglected, more issues drift into the crisis category before being addressed. It takes a very simple post-mortem financial analysis to understand that operations in this zone are very

expensive and inefficient. Ironically, many groups operate extremely well in this intense zone and point to the business disasters skillfully avoided as accomplishments with value. Yet a savvy senior manager will soon conclude that a steady diet of such activities is not only too expensive, but too diversionary. The best course an EHS manager can take is to limit tasks falling into the high-high quadrant and shift resources to the **Competitive Zone**. Only after investing in the **Competitive Zone** can the impact of the **High-Octane Zone** be reduced.

Mapping the Future

Once the group understands where resources have been spent, the next step is to understand what can be done to shift things to more effective positions on the matrix. In the **Drone Zone**, the group should look to see if any of their tasks can be:

1. eliminated entirely
2. systematized by improved data sharing, standardization, and technology use
3. outsourced (covered in greater detail in Part 2 of this series)
4. delegated to another service organization

Close examination may show traditional reports, activities, and measurements no longer provide value to the organization. Unless administrative tasks are required by law or inflexible corporate policy, they

should be subjected to rigorous examination for real business value.

In the **Insistent Zone**, the group should also consider using greater levels of outsourcing and system applications and technology for report generation and data management. New information systems and software/hardware support may be needed to facilitate efficiency. Can routine reports be generated by contract service providers to free your staff to supervise or broker more urgent issues? Obviously, when managers map future resources, they should focus as many staff resources as possible in the **Competitive Zone**.

Unfortunately, since work in the **Competitive Zone** has less urgency and is discretionary, the insistent priorities of other zones work constantly to deny such resource reassignments. To assure that the program is moving from reactive to proactive, a specific resource allocation goal should be established and its progress measured. Otherwise, other reactive needs will always take priority.

As the group maps for the future, the following process should guide the reassignment of resources and tasks:

- **Step 1.** List all compliance/legal and corporate policy tasks that must be completed without fail. Determine the "minimum compliance resource level" and which of these tasks can be outsourced or delegated. Most of the task-defined resources will move into the upper-left quadrant.
- **Step 2.** Define the list of competitive, value-contribution efforts that the organization could and should be working toward in order to truly improve EHS processes in accordance with the vision. Next, narrow that wish list by creating a Pareto diagram that defines the highest "EHS Productivity" per invested resource. Place these resources in the **Competitive Zone** and attempt to assign quantifiable

values to the successful achievement of those tasks. (Suggestion: Any historic data available on money spent in the **High-Octane Zone** will help quantify this value since *you should commit to eliminating 50–80%* of all resources spent in this area.)

- **Step 3.** Include the administrative resources matched to the tasks that the group has identified as essential or non-discretionary in the lower left quadrant. Document those tasks that the work group has decided the business can live without since they are not represented in the resource proposal.
- **Step 4.** Address the resources in two distinct ways. First, how many actual resources will be required? Give particular attention to "multitasking," since handling multiple assignments and roles generates the highest payback in productivity improvement. Second, note how many resources should be handled in-house or outsourced. (This is covered in greater detail in Part 2 of this series.)

There are many other resource considerations to be evaluated in the fourth step. How well does the current staff fit the new roles displayed in each quadrant? Does the focus on value-added competitive issues work? Will the new organization require new information systems and related hardware and software support to be more efficient? Ask yourself repeatedly: Is there a better way to do this?

THE HUMAN SIDE OF RIGHT-SIZING

The new organization has to be right-sized with the proper people and processes. This will be the tougher task for the EHS leader: redefining roles and assessing whether current staff has or could acquire the capability to execute the new vision. Here the company should partner heavily with the human relations area.

It is also important for executive management or senior EHS leadership

to independently evaluate the process to assure that managers or supervisors are not unduly influencing things to achieve narrower objectives instead of the company's overall goals. For example, an EHS supervisor in the difficult position of deciding who goes and what gets outsourced may use a variety of arguments to rationalize maintaining internal resources that should be outsourced, or even eliminated.

> **Do not cut off options prematurely. The analysis should be objective in determining the extent to which outsourcing works for a particular function.**

"Independent management analysis" does not necessarily mean the evaluation must be done completely with outside consultants. One or more members of the evaluation team can be non-EHS professionals who lend objectivity to the analysis and ask those "what if?" questions. For example, the team may include several senior EHS staff members, a human resources staffer, and a "customer" representative (perhaps from manufacturing). Authority, roles, and responsibilities should be clear to all team members.

An "independent evaluation" may be initiated in response to overall resource reduction targets. For example, an EHS resource review may become one element in a much broader study by outside business management consultants reengineering the organization. While

> **Optimize resources now and demonstrate to executive management that maximum efficiencies are being maintained on an ongoing basis.**

many of these management consultants have noted reputations for excellence in business, they may or may not have the *senior EHS expertise* to adequately evaluate

these particular resource issues. Without preparing the groundwork as suggested in these articles, you are facing a major, uphill battle. The object is to optimize resources *now* and demonstrate to executive management that maximum efficiencies are being maintained on an ongoing basis. Your degrees of freedom are severely limited by reactive responses.

A proactive move to optimize resources should always occur in close communication with executive management. Management may consider your efforts a showcase on how to "do it right." If they are not involved in developing the EHS vision-setting goals, you may not only be off the mark in terms of strategic direction, but could be subject to additional, across-the-board staff resource reduction targets later!

Maintaining Performance and Morale

Transitions are very tough on all employees, and EHS staff members are no exception. They may view the impending changes as job-threatening situations over which they have little or no control. As one manager who went through a recent major downsizing and restructuring succinctly stated, "You either add value or you are out." Employees often do not know where they stand because the managers making organizational decisions may not be those who understand their contributions. Even solid performers can be cut if their expertise is no longer needed and no suitable alternative job can be found. Morale problems among the essential staff who are maintained can also be expected as they react with anxiety.

Star performers may leave the company, especially those with marketable skills and a few years invested in the company. Valuable senior staff may quit in frustration or opt for early retirement. The authors' observation has been that some of the very best employees quickly start to evaluate new opportunities both inside and outside the company. Unless proactive steps are taken, the organization may

lose the very resources it needs to create maximum opportunities. The marginal or poorest performers may be the only ones who stay, operating under tremendous stress that further deteriorates performance.

Nevertheless, a major restructuring may not be viewed as negative or threatening by all employees, especially the star performers. Just as the Chinese character for "crisis" is a combination of the ones for "threat" and "opportunity," some may embrace the process as a welcome opportunity to "shake up" the status quo. Change often adds new experiences that were previously not available under the old organization. As described in the next section, it will be essential to keep these highly motivated employees informed and active proponents in spearheading the change process.

Communication

EHS management must maintain excellence in service delivery during the transition. But how do you retain the best performers, maintain morale, *and* sustain high productivity? Communication is critical. It should be clear, concise, and frequent. Emotions run very high during reorganizations. No matter how elaborate and extensive these communications, employees are constantly evaluating managers' words for evidence of "plastic participation," namely, going through the motions of seeking input, but not considering the information adequately. Even if this is not true, the burden of proof will lie with management. They must demonstrate that they are genuinely interested in input.

Communication must flow both ways in a manner that recognizes and rewards thoughtful input. If recommendations are not followed, the reasons why need to be explained so that employees are not alienated. To improve the probability of retaining key employees, the company should first identify these individuals, involve them in the process where appropriate, and, at a minimum, communicate regularly to

ensure that everyone has a full understanding of the activities. Additional problems can occur if management is perceived to be biased or there are undercurrents of favoritism or politics. All actions taken need to be consistent and in keeping with the overall objectives and company human relations policies.

Be prepared to address how specific management actions serve the objectives of organizational change. Party-line statements, such as mandated reduction targets, can backfire if used to justify an action inconsistent with stated objectives. Your smartest people, the ones you most desire to retain, can detect this at 50,000 feet. It may be prudent to follow baseline employee appraisals with additional ones to evaluate how staff may be affected, positively or negatively, by the changes.

Some additional words of caution: This is not the time to surprise employees with previously uncommunicated performance issues; make promises that you cannot deliver; or terminate poor performers. Termination processes should already be in place and used where appropriate. There are serious legal, moral, and company policy issues involved in *both* hiring and terminating employees. Once again, a close working relationship with human resources professionals must be maintained.

Evaluate the Rewards System

The rewards and recognition process may need to change. Individuals who have been rewarded for gathering and controlling the flow and access to business information (protecting turf and gate-keeping) will need to be recognized for openly sharing information across the businesses. Territorialism is one of the most insidious causes for the failure of reorganization programs. Individuals have a difficult time with the concept of team rewards, especially when a company is struggling. Early on, highly visible recognition for demonstrating the new organization's values is almost always an excellent approach. Conversely, those

who are unable or unwilling to demonstrate these shared values must be dealt with, and sooner rather than later.

Assessing and Monitoring Quality

It will be important to have access to reliable, objective information on the group's performance, both historic to determine if programs not meeting expectations are under-resourced and ongoing to ascertain if the right-sizing process is cutting into performance or achieving desired objectives. The following techniques are sometimes employed by EHS organizations to track and monitor both group and individual performance:

- **360-Degree Performance Reviews**—Peers and customers, in addition to management, provide input.
- **Service-Level Agreements**—EHS assists another area. Service-level agreements do more than just help with budgeting; they can also act as a forum to discuss performance objectives, expectations, and issues.
- **Customer Satisfaction Surveys**—A mechanism to raise issues when face-to-face discussions are not generating concerns.
- **Point Responsibility**—A person who integrates all of the possibly conflicting inputs. What is the customer's bottom line evaluation and who will provide it?

A **Strengths, Weaknesses, Opportunities, and Threats** (**SWOT**) review is used extensively in marketing to define the competitive landscape, but it has interesting application in the analysis of EHS team effectiveness:

Strengths—What are the things the EHS organization does really well? What is your group's richest knowledge base? Where do the group's interests lie? How is each element of strength serving the business need? Are these things that help the overall objective of achieving the company's vision?

Weaknesses—What are the things that the group does not do particularly well? This information should ideally come directly from your internal customers. How are these issues causing problems for the group? What are the resources that are most overstressed? What are the disciplines that are just plain missing? During this step, you will need to avoid the blanket tendency to say, "If we just had *x* more people…" Challenge the group to look at weaknesses from the basis of resource mix, not volume.

Opportunities—Looking at the above, what could the group contribute to the company vision if they had some of their weaknesses remedied? What costs could be saved? What adverse business problems could be avoided? What business processes could be streamlined?

Threats—What upcoming issues or problems are going to hit you like a speeding bus if you do not become more effective? Where does your EHS process begin to get in the way of business objectives? What are the competitive pressures within the business that are likely to make it tougher for your group to achieve its function in the future?

Some of the best (as in "painful") information comes from the contrast between your group's SWOT and the input from your internal customers. All companies have some mechanism for individual performance review. Adding new measures of performance evaluation, such as those listed above, may be problematic, especially in evaluating individuals versus groups. If these evaluations are implemented in concert with a right-sizing program, they can add new anxieties to an already tense situation. Employees may feel that they have not been given a chance under the "new system" before decisions will be made about issues impacting their careers.

Timing and Sequencing Are Important

Most companies are forever in some state of transition, but *waiting for closure on these outstanding organizational issues should not be used as a reason for inaction.* Some changes will make sense, no matter what the shape of the overall future organization.

The potential for major organizational changes should, however, influence the sequencing of some things such as re-allocating, hiring, re-training, and terminating staff. Essential staff—regardless of the future organizational structure—should

be hired or transferred to areas where they can best serve the company. Unnecessary staff should be cut or assigned to more productive areas. Reassignment should occur only when these individuals have technical skills or can be trained to fill new positions in a reasonable period of time. Where there are doubts, it may be best to take a conservative approach (restructure, but do not relocate people).

When significant changes are made, it is critical to allow adequate time for the benefits to occur. All too often, changes are implemented and the new program is terminated as unsuccessful just before the benefits are reaped. This constant "cycling" of change can also lose employee buy-in as they wait for the next new program to be implemented.

CONCLUSION

Successful EHS managers not only deliver on their basic functional missions but also maximize value contributions at aggressive levels of productivity. The days of sacrosanct staff resources, even in EHS, are long past. Obtaining new resources or, for that matter, holding onto existing ones can be a challenge. How do you find the time to make the case for additional help when you are barely able to keep your head above water? The temptation may be to take shortcuts, but success requires a carefully planned strategy.

In the experience of the authors, it is better to re-prioritize current programs, even at the risk of letting some noncritical items slip, than it is to neglect the essential steps. More than technical excellence is required. EHS managers need to understand how their groups affect overall competitiveness and work hard to improve it. Unless you do your homework, you risk never getting additional resources—until a crisis erupts. More resources may then be forthcoming, but you may not be directing what you get.

The authors also believe that addressing the *technical* issues just discussed will be relatively straightforward. Gaining a common understanding with management is a formidable task, but it is not insurmountable. Maintaining *objectivity* in the right-sizing analysis and maintaining morale during the process will be *major challenges*. In the next issue of *EM*, we will examine organizational structures and how these influence the right-sizing process with particular attention to the latest trends in outsourcing and shared services.

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