

# Countdown to Zero

*Environmental staffs are becoming smaller, but what is the ideal size?*

By Richard MacLean

**B**enchmarking is a common business tactic, but does it make sense to use this gauge to measure the efficiency of environmental, health and safety (EHS) professionals? More specifically, should benchmarking ratios be used as a basis for rightsizing an EHS organization? The short answers to these two questions are (1) rarely and (2) never. This article may provide the information you will need to survive the countdown to zero, as economic woes mount.

Earlier this year, I received a call from a finance department manager who was given the task of locating and “taking the fat out” of a multi billion-dollar corporation. She wanted to know the ideal environmental staff ratio based on her company’s size and industry sector. When I started to go into a list of factors that needed to be considered, she got really annoyed. It reminded me of the times I had asked engineers what I thought were simple questions, only to have them drone on and on with the details. Just give me the number!

Asking someone for the time and getting a lecture on how to build a watch would annoy anyone. To this businesswoman, her environmental staffing issue must be just as simple. Indeed, staffing ratios work for task oriented service functions such as payroll, but not in the EHS world. I refused to give her a number, suggesting that a simple evaluation be performed to first evaluate the key considerations and only then come up with a number. She was in a hurry and would have none of this.

Unfortunately she may represent the norm, rather than the exception. I am familiar with scores of staffing decisions that were made in a matter of seconds by ill-informed executives who considered EHS

functions as strictly task-master type chores (i.e., fill out the forms, train the employees, finish the required pollution control project, etc.). If it were only this simple, then using benchmark ratios among similar industries would be the way to go.

Even when there is considerable information to support a new approach, executives may just go along with industry norms. For example, a staffing analyst made a recommendation to combine the safety group with the environmental department in order to gain certain synergies. Management still chose to go with its industry’s norm, namely placing safety in human resources. Familiarity and herd mentality trumps logic in the absence of irrefutable information. Maybe it’s because some executives may not know much about EHS, but they sure as hell believe that they know how to run their business.

## Examining the Numbers

For decades, companies have benchmarked where they stand relative to the staffing levels in their industry sector. Ratios, such as employees per production volume, represent one of the most basic units of productivity, and higher productivity leads to greater profits. Is there any wonder why executives closely track these numbers and get very upset if their company is in the lowest performance quartile?

There are very specific EHS activities where standard ratios may be a valid methodology to size staff support. For example, regulatory required personnel training and industrial hygiene monitoring are tasks that are very well-defined and can be “normalized” against a standard unit, namely employees. As a general rule, the more the service resembles a well-defined

commodity, the more likely that simple ratios or other factors can be reliably used. This presents an interesting paradox. Commodity services, such as these, are typically the first to be outsourced. If anything, staff comparisons using ratios are even less reliable today than they were in the past.

Staffing surveys from which these ratios are derived are rarely at the activity level where comparisons might have some relevance. Usually, these surveys are at the organizational level (site/corporate) or functional level (safety/environment). Aggregating the numbers at these levels might provide some insight into the management philosophy (e.g., centralized/decentralized approach), but little else.

Most staffing surveys do not clearly differentiate between full time professionals and collateral support. The prominence of outsourcing today also requires an analysis of total resources, not just internal staff. In addition, key networking and other interface relationships that may profoundly affect how these resources work together are rarely revealed.

In reality, staff size depends on a multitude of factors that dramatically affect the final outcome (see Table 1). Corporate staffs can range from a “skeleton crew” to hundreds of individuals networked across the company. Similarly, manufacturing site staffs can vary tremendously in size and are highly dependent on current issues, regulatory obligations and the nature of the operations. Overall, a company’s “legacy of EHS issues” and management’s philosophy for dealing with them can be a far greater determinant than any common metric such as total revenues.

Not surprisingly, survey results are all

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over the map. For example, a benchmarking study of large corporations, conducted by Compaq Computers, reported a variation in EHS staff size from three to 200 per billion dollars of revenue. Another survey of 50 companies, that was conducted by a major management consulting firm, contains charts that look like random scatter diagrams. In yet another survey, an employee relations firm found about a 13 to one spread in the staffing level among survey participants in the utility sector.

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The bottom line to all of this is that benchmarking staffing levels are useful only when: 1) the activity is well defined; 2) operations and structures are standardized across the survey base; and 3) data is adjusted to take into account the structures and processes (a nearly impossible feat). "It depends" might be the operative expression for determining the best and most cost-effective staff level.

### So What Good are Surveys?

After all this survey bashing, why even concern yourself with ratios or even average staff size? First and foremost, your company's management team may require you to use or develop them. For service functions such as accounts billable and payroll, these surveys are an extremely useful tool in judging productivity and the impact of new technology. They provide an overall gauge of where the company stands relative to competitors, and CEOs love independent assessments of where their business ranks among its peers. From management's perspective, surveys are the definitive validation technique.

An EHS resource review may also become one element in a much broader study by outside business management consultants to restructure the entire organization. Surveys, by such well-known management consultants as Mercer, may define the overall staffing philosophy for these service functions. EHS functions are sometimes rolled up into categories such as engineering or technical support. If management sets a target of a 25 percent reduction "across the board," all departments must deal with the consequences.

While many management consultants are noted for their reputations for excellence in business expertise, they may or may not have the senior EHS expertise to perform an adequate evaluation of EHS resource issues. Although there is no magic numerical formula to right size EHS staffs, an inexperienced consultant may view these ratios as the way to demonstrate competency in their analysis, especially if the recommendation is to cut staff. (Hint: You should always ask the so-called expert, "How large was the EHS organization that you ran?")

I have heard numerous examples of EHS departments being "rightsized" by management consultants who were totally clueless on how to properly run an EHS function, but were given this responsibility because they were evaluating overall staffing levels.

Benchmark information should be available in case management wishes to use this as a basis by which to judge the EHS organization. Without the groundwork prepared, as suggested in this month's Manager's Notebook, you are facing an uphill battle. The object is to optimize resources now and demonstrate to executive management that maximum efficiencies are being maintained on an ongoing basis. You must also frequently remind them of this effort or at some point in the future they will ask for another round of rightsizing. Your degrees of freedom are severely limited if you are constantly reacting to management's requests to cut costs.

If your staff size appears to be significantly over or under resourced within your specific industry sector, you should be prepared to put this apparent anomaly in perspective. For example, you can construct a chart using Table 1 to illustrate where the company may stand relative to each of these items to help frame the issue for management.

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You might use benchmarking data to support your argument, but it should not be the primary argument and certainly not the justification to maintain the status quo. Also note that management has limited control over some of the items listed in Table 1

(e.g., historical “legacy” of issues), but considerable control over others (e.g., competency of the group).

Table 1. Factors Affecting Overall Staff Resource Level

#### Company Driven

- Nature of the business/Risk of operation (e.g., industry group, environmental “footprint,” proximity to sensitive areas)
- Legal/Regulatory requirements (e.g., different states or countries, chemicals and processes)
- Company goals
- Company culture (e.g., degree of integration of environment into line management, tolerance for risk)
- Number of separate sites/Employees
- Communication obstacles (e.g., language barriers, distance between sites)
- Company regulatory compliance history
- Profitability and production rate of facility

#### EHS Department Driven

- Competency of the staff
- Experience level of the individuals
- Morale and work ethic of the group
- Maturity of the existing programs
- Organizational structure
- Departmental processes (e.g., use of information management systems)
- Program mix and priorities given
- Cost of EHS staff
- Willingness to share information and resources

#### When Do You Do This?

If you suspect that executive management believes that they are not getting a sufficient return for the resources expended, and that something is “just not right” with their EHS program, now may be a good time to examine staff size. There are also times when an evaluation is almost always needed such as during or after a corporate restructuring. It is especially important to examine staff levels:

- During acquisitions and divestitures,
- Following mergers,
- While reengineering or restructuring,
- After compliance audits finding numerous “exceedences,”
- Prior to a public relations or advertising campaign,
- Prior to the budgeting cycle, or
- When justifying resources for new EHS initiatives.

It is during these times that an EHS staff may need to be downsized (or increased) and company goals and direction for EHS reassessed. By using simplistic approaches, such as staff ratios, it is entirely possible to pass muster while wasting resources, moving in the wrong strategic direction or ignoring long term liabilities. In other words, a company may be spending too many resources doing the wrong things very well or the right things very poorly.


#### The Future

The sad fact remains that there is extremely limited information on sizing or organizing EHS staff resources. As stated earlier, in the absence of irrefutable information, herd mentality trumps logic. The

rush to place EHS into shared service, or heavily outsource these functions, are classic examples of a business management idea carried to unfortunate extremes. Those who experienced the ordeal are only now starting to fine tune the organization and repair the damage.

The Center for Environmental Innovation, a 501 (c) (3) nonprofit, is currently conducting groundbreaking research on current approaches to sizing and organizing EHS departments within small, medium and large companies. It is not a theoretical look, but a real-time assessment of actual practices, including the specific issues of outsourcing, shared services, trans-national staff groups and major business restructurings, such as mergers and divestments. The information obtained during a series of workshops, surveys, literature searches and business management interviews will enable the program to gather the credible information that will support the proper sizing and organizing of EHS departments.

**“It depends” might be the operative expression for determining the best, most cost effective staff level.**

Since I have written more on the subject of EHS organizations over the past few years than most, it comes as no surprise that I am in the middle of this research project being done by senior EHS professionals. Support is being provided by a number of companies, such as Anheuser Busch Co., BHP Billiton, Briston-Myers Squibb, Clean Harbors Environmental Services, Duke Energy Corp., Lockheed Martin, Ontario Power Generation and Williams Co. Sponsors have access to real-time data and the benchmarking network in advance of final publication in journals and magazines targeted to reach executive business management — where it will do the most good. For more information about the program and a current list of sponsors and participating organizations visit the Web site at [www.Enviro-Innovate.org](http://www.Enviro-Innovate.org). This research may provide you with the information you need to survive the countdown to zero! 



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