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Ask the Experts

by Steve Rice & Richard MacLean
February 2003

Influencing Strategic Companywide Decisions

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Can EH&S personnel influence strategic companywide decisions from their position, and if so, how could one go about this?

Steve: This question arose from Brad Allenby's recent column on Greenbiz.com, [Is Environmental Management Really Strategic?](#) wherein he stated that a) most environmental management is important, but no longer overly strategic and b) "if you want to participate in the strategic decision-making of firms, don't train or job search to end up in an environmental slot." I have known Brad a very long time; over the years I've grown to appreciate his knowledge and practical expertise. His column skillfully noted exceptions and appropriate caveats.

Readers should recognize three underlying points in his recent column:

1. These conclusions primarily refer to traditional industrial environmental management such as regulatory compliance, permitting, auditing, and maybe even remediation. The lack of their strategic nature is evidenced by the increasing trend of companies to reduce staff and experience (or outsource them entirely) and the continued commoditization of the environmental services industry.
2. There are some opportunities to participate in companies' strategic decision-making, but those are only at the very highest executive levels and typically involve strategic environmental, not business, decision-making. The best example of an environmental-driven strategic business decision that I know of is BP's decision to become involved in developing and producing solar energy systems to a) "hedge" it's vulnerable position in oil and b) transform BP from being an oil company to being an energy company.
3. Fundamental "inward" decisions can still be made for strategies to meet environmental objectives; it's the "outward" decisions for strategies to meet business objectives that EH&S personnel seldom participate in.

So, how can one become a more active participant in developing a company's business strategies? As a recovering engineer, I offer four suggestions:

- *Learn business.* Read business books and newspapers; take a few business courses or [workshops](#). Use business and finance language when speaking to business people.
- *Learn their business.* Understand the company's business, or businesses, market, technology, financial dynamics and objectives. Help them achieve their business objectives, not your environmental objectives. Attend their staff meetings and sales/marketing events; take THEM to lunch.
- *Identify, create and communicate value in ways that those business people appreciate and value.* Years ago I helped BASF's acrylic acid business group identify that its acid had 0.2% higher purity than the competition. Even though acrylic acid was a price-based commodity, we developed a sales strategy that stressed the reduced waste and cost that customers would realize if they bought BASF's acid -- at the same price. At sales of millions of pounds per customer, even a 0.2% higher purity yielded significant customer cost savings and established a new sales strategy for the business group.
- *Go beyond EH&S.* Use EH&S to spearhead efforts in areas that are more strategic, such as corporate social responsibility, corporate governance and security. Just yesterday I was told by one EH&S executive that his function now includes business continuity (e.g. risk) management. In these times, that requires strategic business decision-making!

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What are the key things to look for to determine if a company has an outstanding EH&S program?

Richard: I suppose that some people may look for a state-of-the-art social responsibility report and a string of national awards. Not me. I look for the substance behind the flash. The number one ingredient, from which all quality programs flow, is a top-tier EH&S leader. These individuals are rare; they are as endangered as the Giant Panda. There is an abundance of *managers*, but few *leaders*. Leadership requires a person who is dedicated to the stated mission and not just maintenance, self-promotion, and self-preservation.

The second thing that I look for is the type of access this leader has to other executives (e.g., through an executive council), the CEO (e.g., either as a direct report or no more than one layer away), and the board of directors (e.g., through a formal, at least quarterly reporting mechanism, sometimes through a subcommittee). There should be a well-established reporting system that utilizes both leading and lagging indicators. Company managers should be held accountable for specific targets based on those indicators (e.g., through a bonus system).

Next, I look for the mechanism by which the company seeks outside input. EH&S managers talk amongst themselves, read journals, hire consultants, and attend conferences where NGOs and regulatory agencies talk about their hot button issues. None of these sources provide, however, a substantive challenge to the company's status quo. Outside stakeholder advisory councils have this power, as long as they are not subjugated by handpicked, safe "good-old-boys." The best councils are comprised of very senior, independent experts or community leaders that cannot be discounted. The typical EH&S manager would be torn to shreds by senior councils such as those in place at Dow or BHP Billiton. It is no wonder that there are so few companies that have these councils.

Finally, I look for a custom-designed EH&S management system based not on a conformance-oriented system, such as ISO 14001, but on a performance-oriented system, such as Baldrige. If you see: (1) leadership, (2) access to business executives and directors, (3) reporting systems with accountability, (4) stakeholder input of substance, and (5) performance-driven systems, you have found a company with an outstanding EH&S program. Sounds simple, but it is amazing how few companies meet these five criteria.

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What billing rate should I charge for my independent consulting services?

Steve: Since billing rates and project proposal pricing really can't be split apart, I'll cover both of them over the next three columns. This and the March column will focus on the billing rates; the April column will extend the issue to project pricing.

Setting your billing rate is a complex issue involving personal needs, the type of service being

provided, market position and many other factors. In general, billing rates depend on at least three primary factors:

1. How much are your services worth on the open market?
2. How much does the competition charge?
3. How much is a client willing to pay?

The first and third relate to the value or perceived value that you provide. Remember also that by using your services the client does not have an employee with associated salary, benefits, payroll taxes, training and other overhead expenses. The second one relates more to your market's conditions and participants.

A commonly overlooked fourth factor is the type of work being conducted. Jobs that are more complex and/or require a higher level of expertise or risk should command a higher rate; jobs that provide a steady base project load and don't have associated marketing expense may warrant a slightly lower rate.

Here is a rough guideline for current environmental, health, and safety (EH&S) consulting services:

- High level specialist: \$200 - \$250/hr plus expenses
- High level generalist: \$150 - \$200/hr plus expenses
- Specialist and generalist: \$100 - \$150/hr plus expenses with a 5%-10% adder
- Other project support: \$35 - \$60/hr plus expenses with a 5%-10% adder
- Administrative: \$25/hr

Clearly, some jobs will have activities involving several of these categories; project quotations should reflect the variation in the type of work, and their respective rates. In addition, jobs that involve being an advisor that provides initial project guidance should command a higher billing rate than jobs involving pure consulting support or project implementation. Keep in mind that billing rates in your sector may be under pressure if your competition primarily consists of recent retirees, academics and nonprofit groups that have other sources to cover their overhead costs.

Next month I'll cover several of the external factors that will impact your billing rate.

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What is the latest on corporate EH&S and community report verification?

Richard: More and more companies are providing verification statements. As a point of comparison, verification was up fifty percent in the top 50 reports between 2000 and 2002, as measured by SustainAbility in their evaluation [The Global Reporters -- Survey of Corporate Sustainability Reporting](#). I predict that within five years, any company that intends to produce

a serious corporate report (as opposed to a PR “green glossy”) will have some form of verification.

The question remains, however, what type of verifier will be used and what protocol will be used? The Global Reporting Initiative has released updated guidelines for attestation (Annex X in the GRI 2002 Guidelines) but, at the moment, it does not seem to be positioning itself as the definitive standard. In June 2002, the UK-based AccountAbility released its Guiding Principles document, which further refined the [AA1000 Series Assurance Standard](#). This standard was created in 1999 and updated in March 2002 with the introduction of specialized modules covering:

1. AA1000S Assurance Framework
2. Governance & Risk Management
3. Integration with Existing Management & Accounting Systems
4. Measuring & Communicating Stakeholder Engagement
5. Accountability in Small & Medium Sized Organizations

The Belgium-based Fédération des Experts Comptables Européens released a [Discussion Paper](#) in April 2002 asking for input on an updated standard for independent assurance of sustainability reports. This follows the original Discussion Paper released in 1999. With no clear standard, companies appear to be using a combination of techniques and, more often than not, an ad-hoc approach, depending on their budget and the organizations doing the verification.

Traditional accounting firms appear to be taking the lead in supplying verification statements over specialty consulting firms or NGOs. This is not very surprising since they are already well entrenched in companies, and business executives are familiar (and comfortable) with these verification services. The irony is that among the verified reports examined by SustainAbility, accounting-verified reports ranked lower than those verified by consultants or NGOs.

So, where is this headed? The determining factor may be when and if more companies add EH&S and social responsibility metrics to their financial reports. France is now requiring such combined reporting. Novartis, Shell, Tricor and others are headed in this direction voluntarily. Combined reporting will favor the accountants and formal verification protocols.

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What do employment recruiters charge for successfully placing a candidate with a company seeking to fill an open EH&S position?

Steve: I checked with Dr. Carl Dahlstrom, Director of Employment Services at [ETI Professionals, Inc.](#) He informs me that the fee is typically 20%-25% of the first year's salary, though it does vary according to the difficulty of the search. The maximum fee is often around 30%. This structure is for direct hire, or contingency, assignments – the recruiter only gets paid if he or she places the candidate. Fees for retained placement assignments, where

companies retain a recruiting firm to fill a specific, usually more senior executive position, are based on the retained service provided and presume successful placement.

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