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Ask the Experts

by Steve Rice & Richard MacLean
July 2004

How NGOs Impact EH&S Organizations

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What impacts will Non-Government Organizations (NGOs) have on EH&S organizations?

Richard: Potentially substantial. The past thirty years was all about regulations. The coming decades may be all about voluntary (but de facto) standards, certifications and partnerships with NGOs. Current EH&S organizations were established to handle mandatory government regulations. Where is it written that the next generation of "EH&S and social responsibility activities" will be run by these same departments? Indeed, it may be more likely that other functional areas within companies take over these responsibilities. It's already underway.

The next generation of EH&S and social responsibility issues will influence companies in unconventional (i.e., non-regulatory) ways. Unfortunately, management's focus has been on the negative motivators for action (e.g., product boycotts and permit delays) rather than the

positive ones (e.g., competitive advantage green products and processes). Nonetheless, business management recognizes the powerful bottom-line impact that these issues can have on companies.

Contrast this with the current state of regulatory compliance. EH&S departments have grown increasingly efficient at handling these obligations. EH&S regulations, for the most part, impact processes within the fence line and thus, affect areas that are under management's control. Management may not like regulations, but they are much more familiar with the EPA and OSHA than this loosely-defined universe called NGOs over which they have no control.

In the first half of the past century, EH&S obligations were met by generalists typically within the plant utility or human resource departments. Specialized departments sprouted with the buildup of regulations. NGO-driven activities may be at a point comparable to the emergence of regulatory activity in 1970. Business management may view EH&S departments as the technicians handling the same old mundane regulations. On the other hand, they may view emerging NGO-related issues as where the really serious action will be. Faced with these dynamics, how might management respond?

There is already some movement to put EH&S governance-related activities (a hot button of NGOs) under the corporate audit staffs. EH&S and social responsibility reports are being taken over by communication departments; the EH&S departments are the data gatherers. New, high-level positions with titles such as "VP of Sustainable Development or Social Responsibility" are being created outside the chain of command of traditional EH&S organizations. Product certification efforts are being driven by sales and marketing groups or at the highest levels within the company.

So what does this mean to EH&S departments? Change your image and expand your business acumen, or be resigned to be the equivalent of the technicians handling the same old regulatory stuff.

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Are there any publicly available benchmarking studies on companies' EH&S staffing levels that could help us determine what staff size would be appropriate for our company?

Steve: As noted in Richard's responses both [last month](#) and in the [August 2001 column](#), there are many ways to go about this successfully, but it's so much more than merely a benchmarking exercise. You should start out by reading his ["Staffing By The Numbers"](#) article, the best single, relevant source available.

I would strongly advise against using benchmarking studies and reports as bases for determining "appropriate" staffing levels. This is because:

- *Every company is different -- even those in the same industry.* Take Pfizer and

Novartis for example -- the former has quite a bit of domestic manufacturing while Novartis has almost none. Other factors like company culture, level of centralization versus decentralization, and skill of front line people (including plant managers and operations staff) will greatly influence the number of staff, and experience, needed.

- *Different company objectives require different resources.* If the objective is "no major non-compliances," there is a significantly lower staffing need than if the objective is "fully ISO-14001 certified" or "an industry leader in sustainability."
- *What's a "staff count"?* Do you count the ten operators who each spend 10% of their time on EH&S matters as "1"? The number of part-time contract EH&S specialists or consultants as "0.5"? The full-time staff who are working 60 hours a week as "1.5"?
- *Size matters.* Because of the fixed, minimum base-load EH&S issues that most facilities require, a company that has a few large sites may need less overall staffing than a company that has many small sites, despite the higher production volume and sales of the former. The latter, however, may need staff with broader skill sets.

There is no escaping the fact that to do a staffing assessment properly, you can't take shortcuts based on an objective of "be 80% (or whatever factor) of the mean for comparable companies in our industry." A very basic model is:

1. Determine the overall EH&S objectives and measures of performance to those objectives.
2. Inventory the tasks needed to achieve those objectives.
3. Establish the skills necessary to conduct those tasks and reasonable estimates of the number of personnel with those skills required to accomplish them. Don't forget to include "overhead" time for company meetings, training, holidays, etc.
4. Inventory the existing tasks, skills, personnel and resources currently available.
5. Conduct a gap analysis between "what is needed" versus "what is available" and prepare a plan to bridge the gaps.

It's not unlike a new product design or engineered construction project. Neither of those can be done successfully by only benchmarking others' work, either.

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Could you clarify the confusion regarding the audit experience requirements for becoming a certified Responsible Care Management Systems auditor?

Steve: The confusion arises from a "disconnect" between the wording of the technical

standard and the way the auditor certification organizations are implementing it.

Responsible Care Management System [Technical Standard RCMS205.00](#) specifies certain requirements must be met to become a certified RCMS Auditor. One requirement (4.1.3) is the completion of "4 audits and 20 days of auditing" in the past two years. The presumption is that these should be management system audits, though that is not stated in the standard.

BEAC extends this requirement for its Program for Certification of RCMS Auditors by requiring "at least 4 EH&S-related management system audits consisting of at least 20 total days within the past two years" before a person can become "conditionally-certified" (not "certified"). Full certification would be granted upon successful completion of BEAC's EH&S Management Systems examination, but by no later than the end of 2005.

This creates a classic "Catch-22" for most people. To conduct RCMS audits one must become conditionally certified, but one can't become conditionally certified without having done the specified number of EH&S management systems audits. Other than a very small handful of corporate (and former corporate) staff folks who have done internal, defined EH&S management systems audits, most people cannot meet this requirement. There is some doubt whether ISO14001-certified auditors could meet it either, as they would have had audit experience with environmental, not EH&S, management systems audits.

This "Catch-22" occurs because the Technical Standard establishes the requirements for auditors to become certified. Comparing BEAC's RCMS auditor certification requirements 4d and 5, that audit experience has been brought "upstream" as a requirement for auditors to be conditionally certified. RAB is the other auditor certification organization; a comparison of auditor certification requirements 4.1 and 12.0 reveals a comparable "Catch-22" for most people.

The net impact is that, for the most part, the only people who will be eligible to become certified RCMS auditors will be those who are already in such an auditing situation. This, ACC has told me several times, is contrary to their intent.

In mid June I prepared and submitted [a 2-page "white paper" on the situation, the problem, its impact and a possible solution](#) for consideration at the upcoming Technical Oversight Board (TOB) meeting. Hopefully, the issue will be resolved by this time next month. Stay tuned...

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Will the movie *The Day After Tomorrow* have a positive or negative impact on support for global action to curb greenhouse gas emissions?

Richard: Lots of people have weighed in on this question. It certainly has sparked controversy. NASA issued a directive to its employees not to talk about the film and once that leaked out, they promptly backed away from their gag order. Environmentalist George Monbiot commented, " *The Day After Tomorrow* is a great movie and lousy science." The

liberal spin doctors at Moveon.org have positioned the movie as another indicator of "the enormous threat that President Bush is not dealing with." And on and on it goes.

I have not seen the movie and will not until I can rent the DVD (I've read the story line, however). I'm already overdosed on special effects substituting for a script of substance. Yes, the movie will at least inform people that the record-breaking cold spell in New England is an indicator of global warming instead of just the opposite. But, I suspect that the number of enlightened folks will be more than offset by those who will believe that this is another vivid demonstration of environmentalists touting wacky theories.

My feeling about this movie is one of utter disappointment: Hollywood flash, predictable plots and rationalizations over why science had to be sacrificed to keep the audiences' attention. There are screenplay techniques that could have been used to represent a more realistic period of time. *Citizen Kane*, considered the greatest movie ever, spanned the life of an individual from childhood to death. Consider the *Star Wars* trilogy and its expansive time frame. The award-winning television series *Roots* covered a time period spanning generations. With the right script, the movie could have turned the issue of slow climate transformation into a compelling story that illustrates each generation's responsibility for protecting future generations.

Marlon Brando playing the boxer, Terry Malloy, in the Academy Award winning movie *On the Waterfront* tells his brother, "I coulda had class. I coulda been a contender. I coulda been somebody, instead of a bum, which is what I am." *The Day After Tomorrow* "coulda" had class instead of expensive special effects. It "coulda" been a contender to rival the impact of Rachel Carson's *Silent Spring* for awakening international environmental consciousness. It "coulda" been something to stimulate serious debate instead of tacky controversy and political swipes. Instead, it is just a movie that eventually will be forgotten. But, it will make a lot of money quickly (\$400 million worldwide and still counting) which is what matters to the producers who will be long gone when the real effects of climate changes begin.

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How can I become more astute in the area of socially responsible investing?

Steve: Let's break the lesson plan into three portions:

1. *Read.* If you want the "cream of the crop," I'd suggest two subscriptions: [Green Money Journal](#) (a quarterly hard-copy periodical @\$50/yr) and [The Progressive Investor](#) (a monthly electronic periodical @ \$149/yr). *Green Money Journal* revamped itself starting with Issue Number 50 (Spring 2004) and has greatly improved; I especially like its special reports and analyses. *The Progressive Investor* has in-depth company profiles and special sector reports, which are also available a la carte. Ironically, Rona Fried, its founder and editor, also contributes to *Green Money Journal*. [The Social Investment Forum](#) is also a good source of information and [Business Week magazine](#)

covers the topic on occasion and provides additional insight into the darker aspects of corporate disclosure and governance that the other ones do not.

2. *Attend conferences and network.* All of the sources listed above have an extensive listing of suitable events in North America, Europe and Asia. Two that you may want to focus on are [The Annual Social Venture Institute](#) (British Columbia, Canada, in September) and [SRI In The Rockies](#) (Keystone, Colorado, in October). Don't just sit there and listen, though. Collect brochures; "work the floor" to find people from whom to learn; collect their cards (and have some of your own, too).
3. *Meet with fund managers and SRI investment advisors.* Reading the journals and websites listed above can give you a good indication of who might be in your region. Conferences usually include attendee lists -- scan them for additional peer and mentor contacts. If [Hal or Jack Brill](#) is at one of the conferences listed above, be sure to make a connection with either of them, too. If you can, scan who might be on the conference agenda and contact them prior to the conference to get on their schedule for a few minutes of individual discussion.

Each portion can be done in parallel. In fact, there is probably an advantage to doing them concurrently -- while reading one of the journals you may well come up with questions that you could ask a fund manager or SRI investment advisor when you meet with them at a conference or individually.

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Postscripts: Turn, Turn, Turn -- Part II. Now that the employment picture has "brightened" according to government officials, what impact is that having on turnover in the EH&S profession?

While the U.S.'s monthly turnover rate for the "professional and business services" sector is running about 3.5 percent, there are no specifics on the EH&S profession. A bit of estimating, however, puts things in perspective. Each month I send out pdf copies of my most recent articles to roughly 1,500 senior EH&S professionals, primarily in the U.S. If the rate of e-mail "failure to deliver notices" is an indicator of EH&S turnover (including moving jobs, leaving the profession or retiring), then the rejection rate of about 1.5 percent each month that I'm seeing suggests a slightly lower than average turnover rate. Since senior employees have lower turnover rates than those for entry level-employees, the percent that I'm witnessing seems somewhat in line with the general industry numbers.

A sampling of 1,500 by no means provides statistical certainty, but it does indicate that there is no wholesale layoff or turnover of EH&S professionals. A turnover rate of say, 10 percent per month would indicate a serious situation.

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