ENVIRONMENTAL LEADERSHIP

Get Organized!

How should facilities organize their environmental, health, and safety (EHS) functions?

I have written extensively on corporate EHS organizational design, but very little on structuring EHS functions at the facility level.[1] This issue's column was prompted by a call from an environmental manager at a mid-sized manufacturing plant who wanted to know the basics of forming an effective EHS group. Here is the essence of what I told him.

Keys to Successful Facility EHS Organization

The keys to successful facility EHS organization are twofold: Fill the top EHS position with a competent professional, and have that person report directly to the plant manager.

Why are these steps so critical? Because EHS involves technically complex, legally abstruse, and politically sensitive matters. Regulatory agencies, unions, media, politicians, and the community at large can go on a feeding frenzy if they discover that EHS has been blatantly mismanaged at a facility. Witness the aftermath of the 2005 BP oil refinery explosion in Texas City, Texas, which killed 15 people and injured over 100.

At many plants, the EHS function reports several layers down within the organization. EHS personnel may also be responsible for additional, non-EHS activities that consume considerable time and attention. And, in some cases, EHS is staffed by individuals without the proper credentials or sufficient training. If these conditions exist, it is typically because EHS is considered an ancillary support function and not core to the site's business success—in spite of management's assurances to the contrary.

Understanding the Significance of EHS

Fortunately, a growing number of plant managers recognize that much more is at stake than just regulatory compliance. EHS is becoming a business concern extending far beyond the fence line.

To put the issue into perspective, think of it this way: If the BP refinery's information technology (IT) systems had crashed or its product quality had declined precipitously, few people outside the company would have heard about it—or, more significantly, cared one iota. But the process safety issue was different. As reporters say, it had "legs." As the Securities and Exchange Commission says, it had "material impact."

Consolidating EHS Resources

Generally, the most cost-effective way to organize EHS functions is to consolidate EHS resources into a single department, since there is overlap in skills and competencies among environmental, health, and safety professionals.

Security Functions

Security functions could also fall within the group's functional boundaries since safety and se-

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curity share some common skills (e.g., risk identification and mitigation). Pooling resources helps the facility shift staff to priority issues and balance the workload during times of peak demand.

Medical and Workers' Compensation

Medical functions, and especially workers' compensation, might also be consolidated with EHS—but this can be problematic. Because medical and workers' compensation records are closely linked to other confidential employee information handled by human resource (HR) departments, most companies prefer to keep the medical, workers' compensation, and HR functions together.

The cardinal rule of "it all depends" governs.

There are also other, more delicate issues—such as the potential for bruised egos if a full-time occupational physician has to report to a 25-year-old hot-shot EHS manager.

Regardless of the organizational structure, however, success depends on the health and safety people working seamlessly with the medical staff on issues such as chemical exposure, noise, and ergonomics.

Quality Functions

At the corporate level, some companies have combined EHS with quality under the theory that accidents are defects and the loss prevention techniques of both functions are similar.

This may make sense at corporate, but it doesn't at the facility level. Plant-level quality departments are (understandably) far too focused on day-to-day quality issues.

Who Should Hold the Top Job?

Should the top EHS job at the facility be held by an environmental, health, safety, or security professional? Functional expertise is not the sole determinant here. Overall competency is the primary factor, especially interpersonal, business management, and communication skills. In a perfect world, the functional expertise of the top person would be aligned with the primary issues at the site—but again, this is less important than competency.

If the top person does not yet possess the required EHS experience, he or she must have either a technically competent support staff or the wherewithal to know when, where, and how to go about getting help on EHS issues even when budgets may be tight.

EHS Headcount

Employee headcount is always a key concern of management. I frequently get inquiries about the ideal ratio of EHS staff to plant size. Sorry, such a ratio does not exist. The cardinal rule of "it all depends" governs.

Factors to consider include staff competency, employee population, external support (e.g., from corporate or the business group), business objectives, local regulatory requirements, legacy issues (e.g., community and union concerns or remediation requirements), and, especially, risk factors such as the nature of the processes and raw materials employed at the facility.

Depending on these factors, a very large plant could have no full-time EHS professional or dozens. Typically, however, even large facilities with more than a thousand employees need only a handful of dedicated EHS staff.

Centrally Locating EHS Professionals

Corporations sometimes centrally locate EHS professionals to service plants within a geographical region or business unit, and keep no staff at individual sites. This can be very cost-effective, but for it to work, there must be designated and trained local EHS contacts and well-functioning site teams, such as safety committees.

In addition, each plant manager must feel confident that these "in absentia professionals" are watching out for his or her individual facility's best interests. To ensure this, the company must allow plant managers to have direct input on the performance reviews of the EHS professionals.

Operating in a Less-Than-Perfect World

Unfortunately, in the real world, logical organizational design concepts do not always hold sway. Politics, personalities, and legacy issues often dominate. John refuses to work for Jill. Sally hates Bob's guts and is married to the plant manager's brother. Poorly performing Joe is about to retire, so let's leave him alone or he will file an age-discrimination suit. If EHS gets consolidated under Kevin, he will ignore safety since all he cares about is the environment.

I have heard them all, and so have you.

So what is a frustrated EHS professional to do if the organizational structure, the competencies, or the headcount at his/her facility are hopelessly deficient?

If top management at your plant is incompetent and motivated purely by the desire to avoid problems and penalties (a business principle that I will refer to in abbreviated form as "CYA"), then you may have to wait for a management turnover. For most eager, competent professionals, this is about as frustrating as watching wheat grow for the next loaf of bread. You may have to bail out of the plant or even the company.

In some cases, you may be able to facilitate progress by educating plant management on emerging dynamics. For example, your CYA managers may come to realize that they are placing their own careers and/or retirement at risk by not addressing EHS concerns that are growing more sensitive with each passing day.

In other instances, the appropriate person at corporate or in the business group may be able to intervene on key EHS issues at your facility. But, like any end run around management, taking this approach carries some real career risks.

Taking Steps to Improve EHS Organization

If your plant's management is highly competent, you might want to start by giving them a copy of this column and suggesting that they look at ways to enhance the effectiveness of plant EHS functions. Savvy managers are always on the lookout for new ideas to improve operations—and your handing this column to them can be seen as a compliment.

The next steps can be tougher, especially if you want to justify adding more resources or need to deal with "problem" employees who have been carried by the organization for years. Your recommendations might be immediately dismissed as biased and self-serving.

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Bringing in Help from the Outside

When making companywide changes, top executive management sometimes will bring in a "brand name" reorganization/re-engineering consulting firm. This may work fine when reorganizing the marketing, IT, or finance departments. Management consultants are usually clueless about the niche area of EHS, however. Their standard approach is to benchmark with similar companies using ratios based on factors such as production, sales, and employee headcount. This simplistic approach ignores a multitude of factors that are essential to EHS management (a few of which were mentioned earlier).

Conceptually, of course, it may be a wise move to mimic the top executives by getting outside advice on restructuring your EHS function.

External consultants generally are considered more impartial—and almost always are viewed as being much wiser than internal company personnel. This perception may be ridiculous, but it is the reality of executive-think. So if you cannot persuade management yourself, the best alternative may be to bring in consulting expertise.

The trick is to select a consulting company with individuals who can demonstrate that they have a broad range of EHS organizational experience. This expertise must go beyond just organizational design theory. Credible evaluation and restructuring of your EHS function must include awareness of how company culture, politics, and personalities can influence the implementation of EHS organizational changes.

Note

1. For a list of publications, see http://www.enviro-innovate.org/OIT/OIT-addl-info.html.

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