

Part of the strategy should be to educate management that EHS governance is not just ensuring regulatory compliance and positive public relations. Unfortunately, this two-dimensional view is how many business managers see EHS. Social responsibility and sustainability are still placed in the context of managing PR, in part because so few EHS managers have translated the implications of these terms into actionable strategies. Even some EHS professionals do not understand the difference between governance and compliance auditing (see sidebar).

These reviews may be a good way to set the record straight. Because of the sensitivity of these reviews, conduct a test run with your own staff and/or trusted critics. These sessions can be an excellent forum for surfacing a number of related issues and obtaining feedback. If you are conducting a board review, the CEO and others will, of course, want to know the substance first. Before it even gets to that stage, you should conduct a dry run with a trusted officer/mentor to get his or her view as to the clarity, relevance and substance of the material.

Ten Essential Questions

The following is a list of questions that may be asked someday by your management. Maybe some of these have already been asked in one form or another. Even if a number have already been addressed in the past, you should update management on their current status, and include those questions not yet asked. These questions are purposely not structured for binary yes/no answers — the objective is to generate substance and depth in the responses. In essence, these are the tough, core questions, and you are a lot better off bringing them up first.

1. How do we assure ourselves that we have the right people and organization in place?

EHS managers invariably wait for management to initiate resource and organization initiatives. They shouldn't. It is not enough to state that the organization is terrific and getting better; you should provide hard evidence that the staff has been rigorously tested for competency and cost effectiveness. Executives know that all functions can suffer from turf protectionism and they are particularly wary of the "We are in great

shape" response to this question.

The original Hay Group model of management compensation exacerbated this tendency, since a manager's pay was partly dependent on staff size. Because of the potential for "conflict of interest," these staff reviews are generally best supported with some form of independent review using a proprietary template that is backed up by benchmarking.

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You should also have a staff competency model in place, as well as rigorous review systems, such as 360-degree feedback for performance evaluations. The organizational structure should be based on current research, not the antiquated compliance control models of twenty years ago.¹

2. How are our internal resources working together to achieve our EHS objectives, where are there opportunities for better communication and integration and what is the current assessment of our EHS culture?

The focus should not be just on the EHS staff, but also on how the company as a whole works together to achieve EHS objectives. Many EHS problems have nothing to do with the size or effectiveness of the EHS staff, but rather with the ingrained culture of the organization. This is particularly true if the various departments and functions block or ignore input from the EHS professionals and/or assume that their job is profits and production and the EHS people "take care of the compliance obligations."

Companies cannot afford to hire enough EHS professionals to offset the negative impact of such a culture. In summary, if the culture is amiss you need to deal with it. This is a sensitive issue, since the message may not be welcomed by some operating managers and staff officers. "What do you mean we do not cooperate?" There are, however, tools and techniques available to do this effectively.

3. What are the strengths and weaknesses of our EHS systems and policies relative to our competitors and relative to our needs, how was this deter-

mined and where and how will changes be made?

It is not good enough to state that "We are ISO 14000 compliant." The real issue is: Are the systems improving performance and how do they stack up relative to the competition and the company's future needs? This review is worthwhile just to familiarize management with the full spectrum of programs that are necessary to run an effective EHS governance system. Often, management may be aware of an individual component, such as the audit system, but they may not, for example, see how this fits into the overall continuous improvement program.

4. How do our EHS investments (both human and invested assets) add value, where should these resources be increased or decreased and why?

In other words, are we getting our "bang for the buck"? Aside from the specific questions on staffing size, this is probably one of the most basic concerns of management. Because business managers are generally not trained in EHS, they do not have a frame of reference — a benchmark — against which they can determine if the company is truly getting its money's worth.

There have been a number of guidelines to help EHS managers estimate business value, such as the material produced by the Global Environmental Management Institute and the World Business Council for Sustainable Development.² It is extremely difficult to quantify business value in terms of hard dollars; if the call comes in to do just that, you are at a decided disadvantage. A program in which you educate management on the qualitative/intrinsic value is a lot more effective because it is not done "under the gun."

5. How do our measurement and reporting systems assure us that we are measuring and communicating the information we need to best manage EHS, and how do we ensure that the information is unfiltered and accurate?

Officers and directors have been fed the same old lagging indicators of risk management (spills and accidents), compliance (notices of violations) and emissions (Toxic Release Inventory) for decades. Now may be a good time to develop and educate your management on a balanced scorecard approach of leading and lagging indicators.

The focus should not be on what your competitors are reporting, but on the metric that will matter to stakeholders in the future and your relative position with regard to the competition, based on these metrics.

Plant managers have an uncanny ability to know what is going on within the fence line. Directors, by the very remoteness and infrequency with which they meet, can be easily isolated from the real world, as was the case at Enron. If you are talking to the officers and directors, you should provide an explanation of how risk issues are surfaced systematically without filtration. It takes more than a self-declared "open door policy," — one of the most bogus ways to go about getting information up the line. There are other, more appropriate methods for moving the facts forward.

6. What does "corporate social responsibility and sustainability" mean to this corporation, how do we measure it and how do we achieve our objectives?

It may be time to cut out the buzzwords and translate all this stuff into actionable business terms. My approach would be to focus on the metrics that will define sustainable development for your industry sector. Again, there are emerging methods that can do this very effectively.

7. What are our current EHS risks and liabilities, what are we doing to reduce these issues, and how do we know there are not other hidden risks?

A standard ISO 14000 aspects and impacts review is not enough, especially if it has been proceduralized to the point that inexperienced individuals are "going through the motions." Complacency can be a major inhibitor and sometimes it is necessary to step back and re-examine the overall picture with a fresh set of experienced eyes.

I have seen, on numerous occasions, well-meaning senior EHS professionals get so accustomed to certain issues that they just assumed they were not significant. Exposing these issues requires both the willingness to challenge the status quo and a system/methodology for implementing it. Many of the methods now used to identify liabilities are too superficial and unimaginative to be effective, especially with respect to uncovering future liabilities. Boards recognize these failings and the object is to show that your probing is not just business as usual.

8. What emerging issues will positively or negatively impact our competitive position, what process(es) is (are) used to gather this information and what are we doing to leverage them to our advantage?

Officers and directors may not even be aware of the potential for competitive gain through effective EHS management. Exploring this question can open up an entirely new view of how an EHS staff should work with product and service development departments. The best way to do this may be to map the company's strategic plan against your own. There are specialized techniques to do this with the net effect of translating your program activities into business terms that management can readily identify with.

9. What is our current relationship to external stakeholders (i.e., customers, agencies, non-governmental organizations (NGOs), community, media), how should these relationships be enhanced and why? How do we seek external input, and what are our critics and supporters saying about us?

This is an opportunity to explain the EHS dynamics that take place beyond the fence line. I would recommend that you cover issues such as the shifting dynamics of NGOs as an influential stakeholder, the impact of emerging international de facto standards on the ability to serve certain markets and the time value of compressing permit reviews and approvals through positive relationships with the community and government agencies. You should also explain how you obtain an early warning of issues that may be brewing. The object is to demonstrate that you use anticipatory issue management rather than just reactive responses.

10. What is the company's overall vision and long-term objectives for EHS?

Although this is the last question, in a perfect world it would be first. Unfortunately, asking management this question in the absence of the education program suggested in questions one through nine may be risky. The response may be an overly narrow view of what EHS is all about and what it can do to add to the company's competitive position.

One approach may be to bring management up to date on the key background

Governance is Not Just Compliance Auditing

Corporate governance is poorly defined, in part because the term is so broadly used to cover a number of different economic and social relationships. In general, governance centers on core issues, such as the future viability of the corporation and the moral and ethical obligations to abide by government regulations, laws and social norms. It is the obligation of the officers and directors of a corporation to properly control the company in the best interests of stakeholders and implement the corporation's stated policies and systems. Routine compliance auditing is one critical component of governance. So, too, is due diligence associated with property transactions, mergers and divestments.³

issues and then start the dialogue for where the company should be headed. Ultimately, it is up to the officers and directors to formulate the vision and select the performance targets that will get the company there. Few boards and officers are equipped to do this today in the context of triple bottom line and sustainable development. Your job is to provide them with the tools and information. **EP**

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References

- ¹ See the work by the Center for Environmental Innovations, Organizations in Transition project at www.enviro-innovate.org/OIT_main.htm.
- ² See Web sites www.gemi.org and www.wbcsd.org, respectively.
- ³ For a summary of definitions of corporate governance see www.encycogov.com/WhatIsGorpGov.asp.