

THE EHS MANAGEMENT TOOLKIT

The Changing Role of Today's EHS Manager and
Tactics to Thrive in the New EHS Landscape



The EHS Management Toolkit is packed with insights. Before you dig in, take a minute to check out what you'll learn from this report.

KEY TAKEAWAYS

- + An overview of the evolution of the EHS Manager's role.**
- + A better understanding of the key EHS pain points.**
- + The tools and tactics to overcome today's EHS challenges.**
- + The role of data management in a successful EHS program.**

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The Changing Role of Today's EHS Manager and Tactics to Thrive in the New EHS Landscape

Until recently, most environmental, health and safety (EHS) managers came of age during an era where the primary focus was on the necessary but vastly complex topic of compliance. But while EHS compliance is still a significant and important area of EHS -- particularly with the recent increase in regulatory activity that is not expected to abate anytime soon -- companies have also begun to focus more intensively on other areas of environment, health and safety. These include reducing operational risk, driving operational excellence by improving environmental performance, reducing costs and streamlining the business process, and leveraging the results to tell the EHS story and engage stakeholders.

A Verdantix study published late last year found improving environment, health and safety, energy and sustainability reporting are top priorities among sustainability leaders at high-revenue firms: more than 90% of respondents cite improvements

in health and safety, energy and environmental management as “very important” or “important.”

While managing these vast and varied areas of EHS can be overwhelming, mature companies implement a number of tactics that can be keys to success in all of these areas. Tracking and managing can be one of the most important keys. As firms increasingly focus EHS strategies on operational risk and improving business performance, software companies are developing products that go beyond compliance to track incident management, performance analysis and management of change.

This report covers the pain points EHS managers must overcome in each of the various areas that EHS managers oversee -- compliance, risk management, environmental performance, streamlining business processes, and reducing costs -- as well as tactics that lead to success in all of these areas.



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—Verdantix study - Global Study 2014:
Sustainability Budgets and Priorities

Challenges Facing Today's EHS Professional

The world of EHS management is at an interesting turning point because of the economic downturn of a few years ago, says Daniel Sakrisson, a director and project manager with CH2M. With the downturn, many companies relied on fewer employees, and those employees had more responsibilities. EHS managers and coordinators began to do more in the realm of operations; their jobs became a catch-all for a variety of tasks, rather than a profession with well-defined responsibilities. EHS managers, often fighting to help companies stay afloat, had more on their plates than they were able to efficiently handle, and they didn't have the luxury of time to track or define their responsibilities. This led to much of an EHS manager's knowledge being "tribal knowledge," kept mainly within their own heads. "EHS employees within an organization have been so whittled down by the economy that they have become a small, specialized group. If [a company] loses anyone, it puts the organization in a bad spot," Sakrisson explains. "And now that the economy is improving, people have more opportunities to take jobs elsewhere, and they're starting to move around."

Losing the tribal knowledge contained within a single employee's head is not only inconvenient, but dangerous. "One company I know of had their key individual resign. None of their responsibilities were tracked, none were defined, and the company found out at the last minute that there was a permit coming

due," says Sakrisson. "They found out just in time and managed to get an extension, submitting within minutes of the final deadline, but it could have shut them down."

Companies need a holistic view of the entire organization, but with so much data to be collected, so many regulations, so much risk to track, that can be a challenge. "Mom and Pop shops don't need to worry much about this, but as you start reaching 250 or so employees, it becomes almost impossible to use spreadsheets to track things," Sakrisson says. "And you're taking a huge financial risk and a huge compliance risk by not tracking this stuff effectively."

Managing EHS information is not only important to keep track of programs; it is also a good way to provide data that can be mined for operational improvements and an increase to the bottom line.



EHS managers face a variety of challenges in the following areas:

Managing EHS Compliance

Compliance is usually the first step of the EHS journey for most companies. There are strong penalties for not being in compliance. Companies are regularly being fined millions of dollars, or can even lose their license to operate. And as it's a constantly evolving field, it is complex and difficult for companies to address.

"The EPA has vastly expanded its power to regulate water. We're also seeing increased regulations on greenhouse gas emissions, and we'll continue to see that in the future, along with regulation on methane gas emissions for oil and gas drillers," says Ned Ertel, president and CEO of regulatory and compliance services company RegScan. "The bottom line is that

we've been seeing more regulatory activity out of the EPA, and that will continue."

In an increasingly global business environment, "companies not only have to abide by regulations in their own countries. To be a global player, companies also have to comply with international regulations. We're seeing that companies outside of the United States, in countries such as China and the Middle East, are taking the lead in addressing global EHS challenges," says Phil Tesler, CEO of North America for Enablon, an EHS, sustainability and operational risk management software company.

For example, China is realizing that the country needs to begin regulating pollution more effectively. "The problem that China -- and the rest of the world -- will have is that they want to regulate but they're worried about it affecting their growth rate," says Ertel. Regulations are expected to increase so substantially in China, in fact, that they can't build their facilities based on what regulations are today, but on what they think regulations will be in 10 or 15 years, he says, adding, "It's a very interesting and difficult landscape that we now face."





Risk is defined as the ‘effects of uncertainty on the ability of the organization to meet its objectives. The effects of risk can be positive (opportunities) or negative (threats).’

—Robert Pojasek, Principal Analyst, Verdantix

Reducing Operational Risk

The next step in the EHS journey tends to focus on reducing operational risk, particularly in asset-intensive industries like construction or gas. “Risk is defined as the ‘effects of uncertainty on the ability of the organization to meet its objectives,’” points out Robert Pojasek, a principal analyst with Verdantix, quoting ISO 31000: 2009 Risk Management Guidance. “The effects of risk can be positive (opportunities) or negative (threats).”

Physical risks of an operation are very real. There are incidents that increase the risk to equipment, the risk to people, and the risk of lost productivity. Often, Pojasek says, companies have an assets management program to reduce the negative aspects of risk, as well as an EHS program to manage compliance requirements. “But while a company’s assets often have EHS compliance requirements, the assets management people and the EHS people are not working together to help the organization meet its objectives.”

EHS managers attempt to identify all the different risks that exist in their operations and put in place controls to mitigate the risk; then they look for methods to make sure the controls are effective and that they can learn from these incidents to improve those controls. But it can be difficult to monitor and track events in a way that allows managers to pinpoint trends and devise solutions.



Driving Operational Excellence

Focusing on operational excellence is often the next step in the EHS journey. Once risk is being managed, companies can focus on bettering the business by improving efficiency, increasing productivity, and reducing costs.

Operational excellence tends to look at operations management with a goal of improving efficiency and effectiveness. “The focus is on what is called the ‘upside of risk,’ or the opportunity of execution,” explains Pojasek. “The EHS manager needs the time to participate in this activity, and the funds to make this happen.” As improvements are made, old ways of doing jobs are removed and the new, improved ones added, and value begins to add up.

“One role of the EHS manager is to track areas like water consumption, energy consumption, and waste. However, in the past five years there has been a big shift and we’ve seen the role of the EHS manager changing significantly. Unlike before, EHS managers are a real partner to their business and are expected to do more than manage regulations. They’re expected to reduce costs, demonstrate ROI and contribute to overall business excellence,” explains Tesler.



We see companies leveraging social networks to engage with stakeholders in a more personal setting, actually participating in one-on-one discussions with the issues consumers care about.”

—Phil Tesler, CEO of North America, Enablon

Telling the Story

The final piece of the EHS puzzle is leveraging the company's EHS work to engage stakeholders and improve education. Communicating the good work that has been done goes a long way toward ensuring the company's reputation is protected and maintained.

This can be particularly true for consumer-facing industries like food and beverage, textiles, and services such as banks or consulting, Tesler says. "They have traditionally been good at leveraging their stories, showing their good works across their organization and supply chain, showing how they're reducing environmental impact and improving social impact. However, these items are now not just for customer-facing industries. All companies are now expected to be good corporate citizens and communicate on product safety to stakeholders as well." He continues, "We see companies leveraging social networks to engage with stakeholders in a more personal setting, actually participating in one-on-one discussions with the issues consumers care about."



Keys to Success

While the challenges EHS professionals face may seem overwhelming, top companies are successfully implementing systems that allow them to look at their organizations globally and improve in all areas of EHS. "The Fortune 100 or 200 are doing this now, and you'll see the middle tier doing it, too, in the next five or six years," says Ertel.

A number of tactics can help EHS professionals get started and begin seeing success.

Develop a vision and communicate it

EHS programs can be far more effective when they are based on a long-term vision. “Software is great, but it is just a tool in the toolbox. It doesn’t fix all their issues,” says Sakrisson. EHS professionals should create a vision, understand where they want to make improvements and how software can help them get there, and then effectively communicate that vision across the organization.

The vision should be developed with help from the people at the top. “They’re the ones with the ability to make an overhaul happen,” says Sakrisson. But don’t fold it all within that group, he suggests. “You have to have a huge amount of help from all levels of the organization. You can’t enhance your EHS program without engaging the people who do it on a day-to-day basis.”

In fact, communication and interpersonal skills are key to an EHS professional, according to research from NAEM (Key Competencies for the EHS and Sustainability Profession).

Drive a culture of EHS excellence

Companies sometimes fall into the trap of thinking that as long as they have a compliance division, they’re doing everything they need to do. But by truly focusing on EHS excellence, getting buy-in from all employees can improve the entire company culture.



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—Daniel Sakrisson, Director and Project Manager, CH2M

"I used to be a field worker, and at the first company I worked for, they were very focused on safety. Sometimes when companies say that, you may laugh a bit, but when you see the actions that come out of it, and make safety an easy thing, it boosts your confidence in the company and makes you a happier worker," says Sakrisson. "Some of the best environmental personnel are active in some kind of environmental club or organization. If the company they're working for is conscious and compliant, most likely they're going to be good to their workers. It helps the company attract the best resources."

Understand what you need before choosing an environmental management information solution

"One of the weaknesses of all systems is that the data is only as good as what you are able to get out of it," says James Buckert, director of environmental management systems at aluminum rolled products manufacturer Aleris International. "You really need to know exactly what you want and if you can get that information out of the system easily."

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Companies can avoid major headaches by setting up the system correctly the first time, knowing what types of output they want, what parameters they want the system to meet, and the various ways they want it to be able to sort and report on the data.

Tesler elaborates: “EHS managers need to start by asking themselves what the core business challenges are that they need to address. Do you have a mandate from your manager to reduce costs? Is your company dealing with a particular safety concern? Are you trying to better manage your supply chain as your company expands into new countries?”

Managing activities across all levels of the organization and all areas of EHS

With so much data to be collected across so many activities - regulations, risks, operations and reporting - it becomes impossible to track it all with simple spreadsheets, documents and emails. “People say they want to improve their EHS. They have meetings, they assign actions, but they don’t have an organized way of putting it together. There’s no follow-up, no accountability,” explains Sakrisson. “The end of the year comes, they open a spreadsheet, and none of the actions have been taken. Everyone was too busy doing other things.” Software that allows a company to track these activities helps avoid this problem.

Another problem that can be solved with accurate tracking is the amount of time it takes to prepare reports, says Sakrisson. In a recent workshop, some of his clients claimed it took anywhere from 16 to 40 hours a month to prepare reports. “That’s an insane

amount of time. It’s a huge advantage when you have a database, when you have information organized into a system that prepares the report for you,” he says.

For example, dashboards can give EHS managers the ability to look at any facility and make sure they’re in compliance, look at how many incidents took place at any particular location, track regulatory deadlines and requirements, examine equipment failures or other causes of lost productivity, compare the success of different programs and activities, track savings in terms of improved energy and water programs, and more.

“The role of technology is very different than a few years ago. A software solution is not just about tracking anymore. It’s about the quality and accurateness of the data being collected as well. And the role of big data and advanced analytics adds a whole other dimension. You’re able to leverage big data and sophisticated analytics algorithms to make better decisions from the boardroom to the factory floor,” says Sakrisson.

Mine data to drive excellence

Once a company has a system in place to track EHS initiatives, the data such a system provides allows managers to identify best practices and roll out those best practices to improve business and financial confidence. Data such as where the most incidents happen, how many employee absences are taking place, or when equipment tends to fail gives a company the ability to make immediate, informed decisions.

Data mining also helps a company understand their own business on a holistic level. “Often, when we talk to a client, they say they enter their EHS information into a database, that their process is a well-oiled machine,” says Sakrisson. “But when they look more closely, they find that the corporate structure was not being used by managers, because it ‘doesn’t really work for their region or department.’ The picture of their EHS journey becomes blurred.”

Aleris has successfully been using data for improved performance. For example, the company mined a year’s worth of data and discovered that certain types of hand and arm injuries were repeated globally. “We have preventative measures but were still getting injuries, so we are able to look at them and evaluate what needs to be done,” says Buckert.

Buckert’s team has also put a system into place that automatically sends an email to all concerned parties whenever there is a reportable incident or illness. The email includes a cause analysis for management staff so they can identify what went wrong and how it can be prevented next time.

Aleris has also been able to organize its vast number of employee observations in a way that allows managers to assess risk. “We have 41,000 observations, with 50 data points each, that we’ve completed in a two-year period. That’s a lot of information,” says Buckert. By using a system to


mine that data, he was able to see trends, such as activities that were not actually causing harm but that have a high risk of doing so. “That gives us a great deal of visibility into EHS issues and helps them do better,” he says.

In this way, an EHS division becomes a value-add rather than simply an expense.

By developing a vision, driving a culture of EHS excellence, understanding what is needed before choosing a solution, managing activities across all areas of EHS, and mining data to drive excellence, companies can significantly reduce operational risk, improve environmental performance, streamline business processes, engage stakeholders and, ultimately, reduce costs and improve the bottom line.



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