

Getting Ahead of the Game

Redesigning the HSE Function

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Introduction

The world of HSE (Health, Safety, and Environment) is changing fast. In many companies the HSE function is being shrunk with limited consideration of the consequent risks. Instead of simply accepting that this is 'just the way it is', HSE professionals need to **get ahead of the game** and demonstrate the value they bring to the organisation.

The efficiency and effectiveness (and potentially the overall burden) of the HSE function is increasingly being challenged by executives who are looking for better HSE and operational performance and risk management at reduced cost, as one dissatisfied executive put it to us recently 'I sleep at night by knowing that I have the right supervisors on the job not by having safety advisors running their own parallel bureaucratic processes'. The efficiency and effectiveness goals being sought are typically:

- Reduced headcount
- Fewer and simpler integrated processes
- Greater ownership within operations

In most cases, the HSE function either needs to transform itself or prepare to be downsized (e.g. usually by HR supported by external consultants). Downsizing, in our experience, usually occurs in one of two ways: rapidly, driven by cost reduction targets and without due consideration of consequential risk; or in a phased manner taking into careful consideration consequential risk. The approach taken is determined, in part, by the openness of the HSE function to the need for change.

In this context, the aim of this paper is to explore the early stages of HSE organisational transformation, specifically:

- Recognizing the need to change
- Redesigning the HSE function

This paper is intended to front-end and complement our paper on 'Less with Less' which describes a risk-based approach to implementation.

Recognizing the need for change

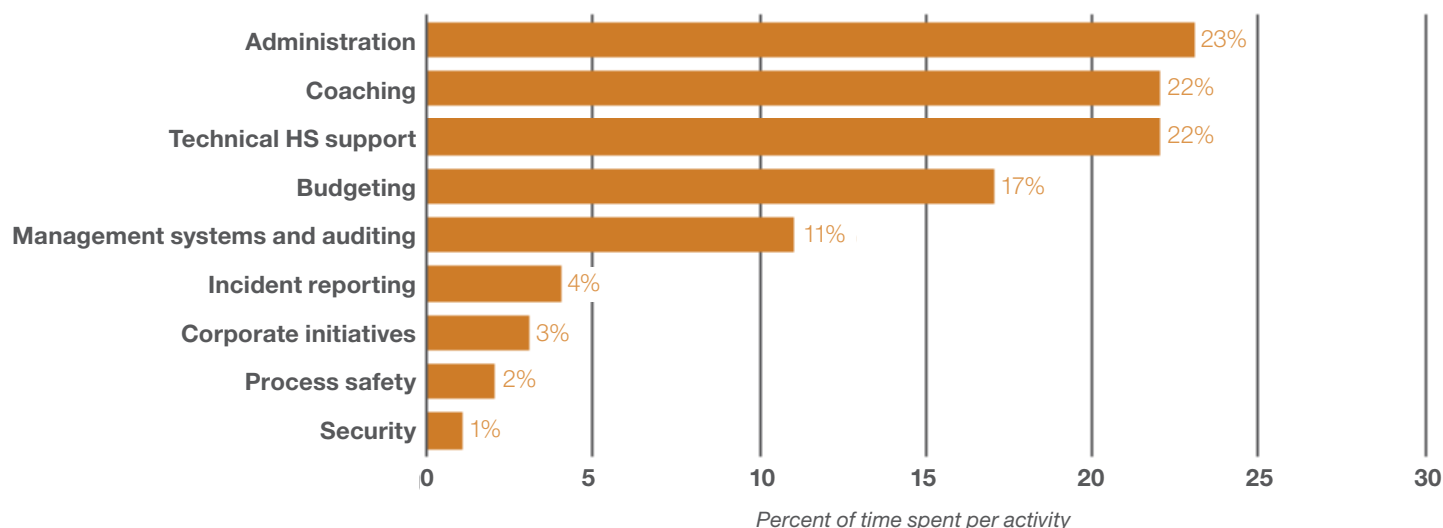
The warning signs for change include:

- **Functional overload:** If the HSE function has evolved into a ‘holding pen’ for multiple and diverse strategic, tactical, and operational services (e.g. including CSR, Sustainability, Quality, Social, and Security).
- **Evolution and past growth of the HSE function:** Have corporate, business unit, and site recruitment of HSE professionals been done in isolation and without participation from operations? Has there been a review of the size, shape, and composition of the function across the entire business portfolio? To what extent is the HSE function (and processes) a product of previous incidents?
- **HSE service catalogue:** The HSE function provides services to a variety of internal (e.g. the executive team, site managers, operational manager, front-line operators) and external ‘customers’ (e.g. regulators, local communities). If these customers (and

services) have not been defined and prioritized in line with the most pressing needs of the company then it may be time for a change.

- **HSE resource allocation:** Over the years large and complex HSE processes and systems have grown to respond to ever-increasing risks, regulatory burden and corporate expectations etc. Whether your company employs 50 or 500 HSE professionals it is important to understand how this valuable expertise is being deployed. We frequently find that HSE staff are spending a considerable amount of time managing their own HSE system requirements as opposed to directly supporting their customers (Figure 1). We also find site and operational managers using HSE personnel to deliver initiatives that are not directly related to HSE performance improvement or risk reduction, to effectively ‘fill in’ for shortfalls elsewhere in the organisation.

Figure 1. Activity analysis of 10 HSE manager roles



- **Ways of working:** Site managers usually tell us that their biggest source of comfort on safety performance first and foremost is the quality and calibre of their supervisors and operators. The support and expertise of the HSE function has to be 'fit for purpose' and 'on hand' especially for high risk work. If safety professionals are not in the field working alongside operational staff and providing support on high risk tasks (e.g. in-situ assurance) then it may be time to review the safety services being provided by the HSE function.

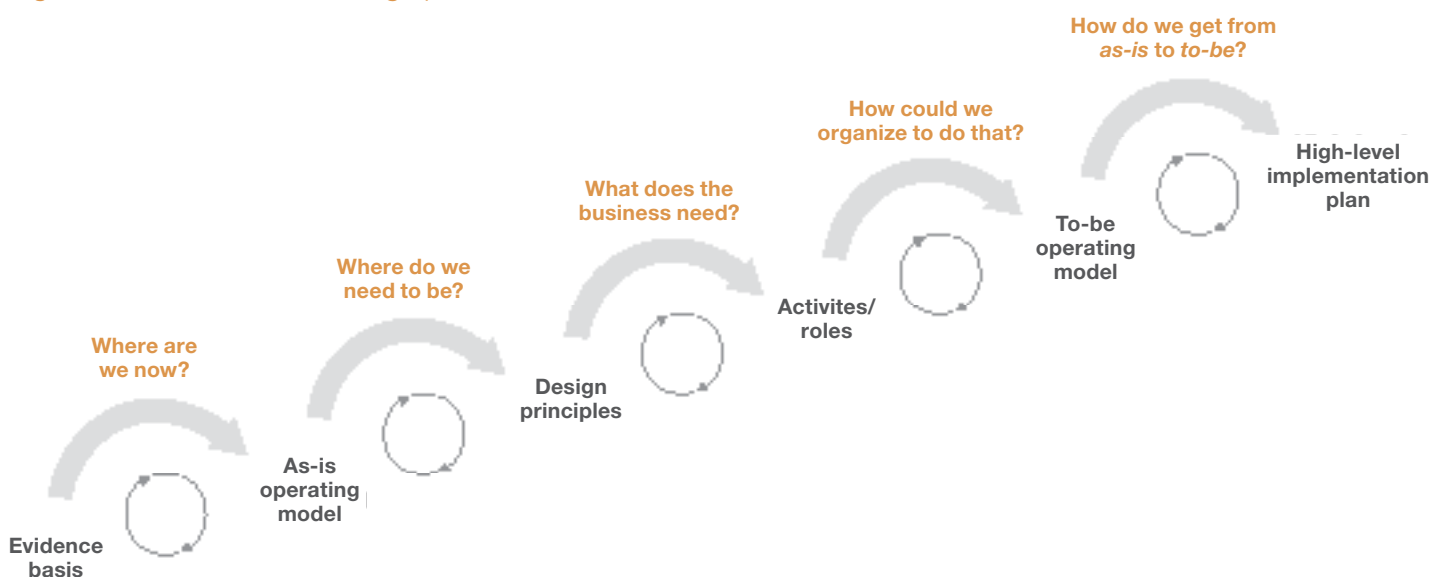
These symptoms are often ignored and the main trigger for a decision to redesign the HSE function is driven either by a specific event (an acquisition or major incident) or as a result of a sustained downturn. The downturn in commodity prices in the extractives sector, for example, has led to some companies being in an almost continuous state of 'downsizing' which, at its worst results in headcount reductions with little consideration of the consequent risks or workload (and morale) of the remaining staff ('cut and cope').

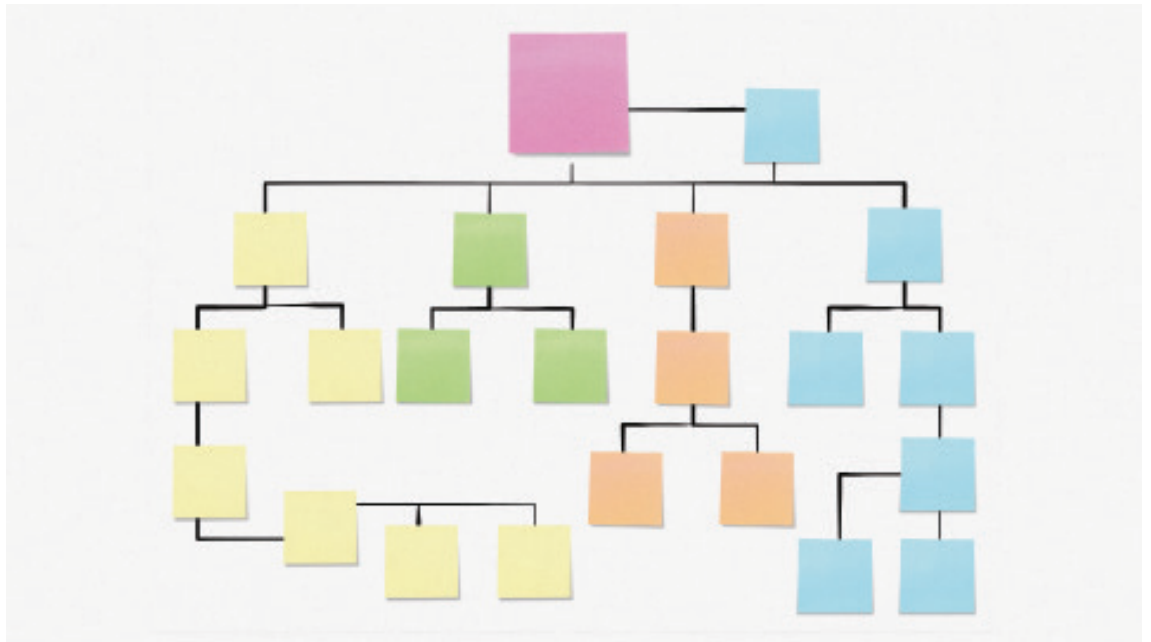
Re-designing the HSE function

Once a decision has been made to transform, downsize, or simply redesign the HSE function, then it is time to map the 'as-is' and 'to-be' organisation and systems and to initiate a plan to implement the transition. This change process is well understood (Figure 2) but needs to be tailored carefully when applied to the HSE function. Here are some of the lessons we have learnt when mapping the current HSE organisation:

- **Bring 'the voice of the customer' into the process at the outset:** The HSE and HR function will have a view of how the HSE function could be transformed to deliver better performance at lower cost. This needs to be complimented by the views of various 'customers' including the senior management team, operational leaders, supervisors, and the front line.

Figure 2. Illustrative HSE change process





- **Activity and task analysis:** All roles at every level should be analysed. There will be significant variation in how similar roles are implemented in different locations and this will help to understand the rigour with which roles have been both developed and implemented as well as how far they might have morphed into something different in reality.

- **Risk profiling:** Sites will have inherently differing HSE risk profiles and performance histories (Figure 3). Size, age, operational complexity, location will all contribute to the inherent risk of each operating facility. Past audit findings and incident history are two indicators of past performance that can be used to build a picture of which sites are not currently managing to meet either regulatory or corporate standards.

Figure 3. Asset risk profiles

Inherent risk						Management performance				
Site or process	Scale of operation	Complexity	Location relative to receptors (remoteness)	Isolation	Age	Audit findings	Incident history			Regulatory regime/ Attention from authorities
							S	H	E	

Source: ERM analysis

Lessons from designing the 'to-be' organisation include:

- **Design a fully functional operating model:** to describe how HSE will be organised and how it will operate in order to deliver the desired level of performance. The operating model should detail not only the organisation structure but also the accountabilities, the services catalogue and the desired 'ways of working' (Figure 4). Organisation charts inevitably are the most contentious element and often consume a disproportionate amount of the available design time. Road testing scenarios on each of the proposed model (e.g. to help visualize the new ways of working) can be incredibly helpful in determining strengths and weaknesses.
- **HSE headcount reduction must be accompanied by HSE process and systems reduction:** This is covered in more detail in 'Less with Less'. One of the hardest aspects of this type of transformation is getting agreement on which systems and processes will be eliminated, which will

be streamlined and which will be retained. Cutting headcount and leaving all the corporate HSE requirements in place is nonsensical. It leads to a significant additional burden being placed on the remaining HSE staff and/or transfers work to the front line just when the organisation is already at full stretch. Eliminating processes can also deliver cost and efficiency savings.

- **Engage operational leaders in fine tuning the new operating model:** Senior executives, site managers, and HSE leaders often have a different perspective on what good looks like and what the preferred operating model should be.
- **The importance of a high level implementation plan:** The 'to-be' HSE operating model should be accompanied by a high level implementation plan before it gets approved. Swift implementation is always preferable (e.g. 8-12 weeks rather than 6-12 months) and needs to be done with precision, professionalism, and attention to detail; so it needs to be well resourced.

Figure 4. Key components of an HSE operating model



Source: adapted from Bain Consulting

Summary

The main concern which prevents companies from downsizing their HSE function is the consequential impact on HSE performance and risk exposure. To evaluate this concern executives usually want to know the answer to two questions:

- How does the HSE function influence HSE performance? And,
- How much HSE expertise already exists (and is embedded) in operational teams?

Broadly speaking the HSE function provides governance and advisory services to multiple internal customers. These customers have different and not always compatible needs. So perspectives regarding the value of the services provided by the HSE function will vary considerably depending on whether

you are talking to an operational leader (e.g. level of hands-on support), a site manager (e.g. maintaining the license to operate), or a member of the executive team (e.g. HSE performance and risk).

The level of HSE knowledge and expertise that resides within operations and the performance standards set by executives are critical factors in determining the size, shape and competence of the HSE function. A transparent analysis of both is necessary to assess how the HSE function influences HSE performance. In our experience this type of analysis is rarely carried out and is one of the reasons for dissatisfied customers. HSE functions need to be very alert to their internal and external customers' needs and to transform accordingly.

More information

To find out more about ERM's HSE redesign services, please contact:

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