

By David E. Downs, CIH, CSP

IT’S ALL ABOUT VALUE... It seems that everyone is asking the VALUE question these days. What is the value of EHS programs in today’s business and regulatory environment? How does EHS add value? How do we demonstrate the value of our EHS initiatives?

Clearly, times have changed from the days when meeting requirements of new governmental regulations meant adding

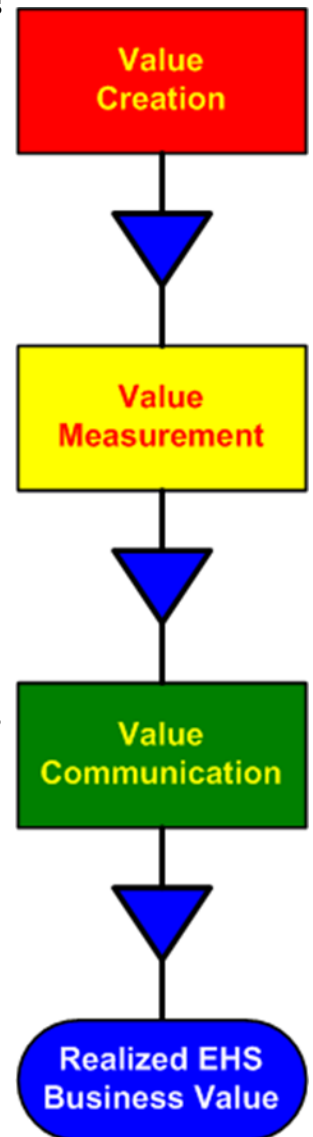
IH staff. The days when Superfund site liability claims resulted in multimillion dollar budgets for EHS functions are fading. Criminal liability due to worker health and safety issues has not been a major factor for most organizations. And, based on measures such as industrial injury and death rates, hazardous waste generation and air emissions, EHS performance over the last 30 years has consistently improved.

EHS professionals have brought value to their organizations. Thank you very much, but what are you doing for us today? The simple business reality is that organizations reward (support, fund, develop, etc) those units that add to the value proposition today and tomorrow. (When we say organization, by the way, we mean not only “for profit” corporations, but also governmental units, labor unions, universities, non-profit organizations – any organization that exists based on the value it brings to its stakeholders.) In the past, our value as EHS professionals may have been defined by others (regulators, litigators, activators) - today we are challenged to define our “present value” to our organizations.

So, what is EHS Business Value? How do we create it? How do we measure it? How do we communicate it? These are questions that have challenged EHS Managers in recent years. A number of these professionals have worked together to find tools and solutions in an AIHA Professional Development Course, “Creation, Measurement and Communication of EHS Business Value”. This series of articles will review and describe the concepts behind the PDC and, in a unique partnership, make the software and other tools available to readers on the AIHA web site. We will take you through the process of:

- Creating Value – In order to create value, we first have to understand the business value structure in our organizations. What are the values, or, stated differently, the business criteria that are employed by managers in making decisions? We will explore ways to identify these business values within your organization, discuss common pitfalls and misconceptions, and help you understand how your business structure and model can have a critical impact on how business values are defined. Our experience has shown us that all business values are not created equal – and we will

NOTE: THIS IS THE FIRST OF A SERIES OF ARTICLES ABOUT CREATION, MEASUREMENT AND COMMUNICATION OF EHS BUSINESS VALUE. CHECK BACK EVERY MONTH FOR A NEW ARTICLE.



provide an analytical tool you can use to determine the value priority within your organization. Finally, we will use the value priority results in a “Value-Weighted Risk Assessment Process” to identify those key EHS risks/issues that have the most impact on the organization’s business values.

- **Measuring Value** – After determining the key EHS risks/issues, we will work on developing SMART objectives designed to reduce that risk. These objectives will most often be “lagging” indicators of performance – how do we also generate leading indicators of future performance? Many organizations have implemented the “Balanced Scorecard” approach to help identify those activities and initiatives that are drivers of future performance. We have adapted these concepts in developing a “Strategy Map” around our EHS objectives. Finally, we “demystify” those seemingly arcane financial measures used by many organizations – Net Present Value, ROI, IRR, Payback Period. We also provide a spreadsheet template which explains their use and generates the metrics to describe how our initiatives generate financial value. We will discuss how to use both tangible and non-tangible aspects to describe the benefits of our proposed projects.
- **Communicating Value** – After all our work to define and measure the business value of our EHS initiatives, we have to effectively communicate with our managers – both before and after approval. We provide pointers and techniques to determine the best way to present our information. All too often, we neglect the opportunity to routinely report the status of our projects and how they are generating the improvements and benefits we promised. We provide a template that can be used to report progress based on the Strategy Map previously developed. In addition, a tool used in a number of organizations to concisely communicate project activities and progress, the “Three-in-One Chart”, will be demonstrated.

As we said at the beginning - IT’S ALL ABOUT VALUE... If we don’t fit in with the business values of our organizations, our survival and our success as a profession is in question.