

# Go Beyond Compliance with SAP EHS Management

1 Best Practice, 2 Challenges, and 4 Opportunities to Reduce Operational Risk

by Peter Bussey, SAP

Unwanted incidents and accidents are a threat to sustainable business operations and profitable growth, costing industries over US\$1 trillion every year globally. Some of these incidents are high-profile, catastrophic events that tremendously impact people, companies, and the environment. Recent examples are not hard to find:<sup>1</sup>

- An offshore oil rig catches fire and sinks, killing 11 people, causing one of the worst, most expensive environmental disasters in US history, and destroying US\$88 billion in market value.
- Failed supply chain controls force a consumer products company to recall 1.5 million lead-contaminated toys and pay a US\$1.25 million civil penalty.

Many operational incidents and accidents are not as visible as these headline-grabbing events — take, for example, injuries or illnesses from exposure to unsafe working conditions. But whether they are major news stories or not, all of these incidents have two things in common: Each one is the result of an inadequately managed environmental, health, or safety risk, and each can be prevented by improving your company's ability to recognize, assess, and control risks.

## A Risk-Reduction Best Practice

A **management system approach** is a widely recognized best practice for effectively managing environment, health, and safety (EHS) risks and preventing incidents. EHS and quality

management system frameworks, such as ISO 14000, OHSAS 18001, and ISO 9000, enable organizations to define how they will manage various types of operational risks. These frameworks are typically based on a “Plan-Do-Check-Act” process of continuous improvement, which involves:

- Identifying and assessing risks proactively
- Developing plans and implementing programs to mitigate those risks
- Monitoring performance against targets
- Performing periodic management reviews

## Connecting Strategy and Execution

Many large enterprises have adopted some type of EHS management system and have invested extensive resources to implement it (typically 3% to 5% of revenue in the case of asset-intensive industries). Most companies have set aggressive goals to reduce and even eliminate EHS incidents. If companies are taking these essential steps, why do many continue to experience an unacceptable number of incidents and the resulting costs, lost productivity, downtime, brand damage, and lost shareholder value?

Simply put, it boils down to operational execution. A management system defines what is to be done and how it should be done. The trick is knowing how to consistently implement the programs, activities, and requirements in daily operations — that is, effectively “operationalizing” your EHS management system. There are two common obstacles to achieving this:

**Challenge #1: Poor visibility into risk and compliance status.** Fragmented “islands of



**Peter Bussey** ([peter.bussey@sap.com](mailto:peter.bussey@sap.com)) joined SAP 12 years ago and is Senior Director of Sustainability Solution Marketing, responsible for SAP Environment, Health, and Safety Management go-to-market initiatives. Peter holds masters degrees in environment health science and public management from Harvard University and Carnegie Mellon University, respectively.

<sup>1</sup> See <http://dealbook.blogs.nytimes.com/2010/06/17/bps-shareholders-take-it-on-the-chin> and [www.cpsc.gov/cpscpub/prerel/prhtml10/10094.html](http://www.cpsc.gov/cpscpub/prerel/prhtml10/10094.html).

information” make it difficult to monitor, analyze, and report on key performance and risk indicators that are based on cross-functional data. Such a lack of real-time visibility into EHS and operational performance data forces a reactive posture; incidents are responded to *after* the fact and risks are identified and controlled *after* they cause a problem. This is akin to driving a car using only the rear-view mirror; it’s hard to make progress, and the risk of something going wrong is high.

**Challenge #2: Disconnected business processes and workflows.** A patchwork of business and EHS applications is a barrier to consistent execution. Lack of process automation, manual compliance checks, data errors, missed handoffs, and the unavailability of the right information at the right time all set up risky scenarios.

Once an organization defines a sound management system and attempts to implement it, IT can impact the system’s effectiveness — either positively or negatively in terms of visibility of risk and compliance status, and in terms of consistent execution of EHS processes and workflows.

### How SAP Can Help

SAP offers a number of solutions to help organizations better manage EHS risks in manufacturing operations and throughout the supply chain. Organizations running SAP ERP should seize the following opportunities to improve operational risk management (ORM) and EHS performance:

**1. Effectively integrate EHS into operational business processes with SAP Environment, Health, and Safety Management (SAP EHS Management).** SAP EHS Management provides comprehensive capabilities to manage product safety, workplace health and safety, and environmental compliance with native integration of core business processes. For global companies running SAP, this application enables consistent operational execution of EHS requirements and visibility into risk indicators.

**2. Improve visibility with fast time-to-value packaged analytics.** Preconfigured dashboard and analytics solutions from SAP Best Practices for Analytics in Sustainability add value to SAP EHS Management implementations (see **Figure 1**). Three analytics packages, covering product safety, workplace health and safety, and environmental compliance, are available at no charge from SAP Service Marketplace. These packages offer visibility into incident trends and exceptions, as well as the ability to take quick, preventive actions.

**3. Proactively reduce risk with enhanced incident management capabilities from SAP EHS Management.** New incident management capabilities — including support for safety observations and all incident types, flexible guided processes, and advanced reporting and analytics — will be available as part of SAP Business Suite 7 in September. With these capabilities, companies can more proactively prevent incidents because they can track and analyze unsafe acts and conditions (including near misses) — not just incidents that result in injury or environmental impact.

**4. Collaborate with SAP on the next generation of ORM solutions.** In 2009, SAP worked closely with customers in the asset-intensive industries to better define requirements for holistic ORM. As a result, SAP announced a multi-year investment and development roadmap to enhance current core ORM capabilities in the areas of change management, process safety, and EHS risk management. We invite customers to collaborate with us to inform these efforts.

The stakes are high in terms of the potential adverse impact of incidents and accidents on an organization and the environment. By adopting and effectively implementing EHS and ORM systems, organizations can reduce business risks, cut operating costs, and protect revenue and brands, all while leveraging previous investments. ■

**FIGURE 1** ▼ With this SAP EHS Management packaged analytics dashboard, organizations gain operational visibility to rapidly identify trends and risks needing corrective action, and to proactively improve health and safety performance

