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The HSE function as a Business Partner: Challenges in transitioning to a business partner model

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Abstract

The Health Safety and Environment (HSE) function and its associated areas of expertise (e.g. Social, Security & Sustainability) are changing fast. As these functional areas become an integral part of operations aided by rapidly changing technology and with cost pressures driving ever-more streamlined and cost effective support, companies are wanting a lot more from a lot less. The purpose of this paper is to describe the challenges that these functions now face in the transition from high-cost service providers, to engaged and aligned business partners.

The HSE function as a Business Partner: Challenges in transitioning to a business partner model

According to the Boston Consulting Group, support functions (e.g. supply chain, IT, HSE, HR, finance, marketing) can make up between 10 and 45% of operating expense (2013). This is especially the case where large functional support has been built up over many years, often in the absence of an adequate focus on cost effectiveness.

As a result, we see a growing trend in re-organizing HSE functions - especially in those that are failing to effectively engage with their internal customers, as highlighted in the ERM paper *Getting ahead of the game: Re-designing the HSE function* (2016). There are not only substantial costs savings to be made in doing this, but also huge potential gains in efficiency and effectiveness.

This paper examines the challenges that these functions now face in the transition from high-cost service providers, to engaged and aligned business partners. From here on in we will use HSE as a proxy that incorporates Social, Security and Sustainability services.

Improving HSE performance & saving costs

Functional redesign programs, which establish clear accountabilities and service offerings, outsource non-core offerings and implement 'self-service' tools, are often considered to be successful in that they achieve the desired short term cost saving and efficiency goals.

In some cases, these cost savings are an illusion. A client of ours recently admitted that their HR transformation process simply transferred administrative tasks (using 'clunky self-service tools') to the front line, resulting in a 15% reduction in supervisor productivity.

Similarly, the goal of maintaining/improving performance with a lower headcount can be delusional. ERM recently worked on a HSE functional redesign project where the goal was a 30% reduction in head count and budget with no deterioration in HSE performance. While these goals were achieved during the course of the assignment, we established that the HSE performance at 14 operations, measured by regulatory compliance and injury frequency rate over a three-year period, did not correlate with either the size of the on-site HSE team, or their annual HSE budget. Site HSE performance in our experience primarily depends on the:

- Caliber and commitment of the site leadership team;
- HSE competence of the workforce;
- Inherent site risks and liabilities;

- Competence and capabilities of the HSE function.

In general, we find that only the last of these factors, competence and capabilities, is evaluated in any great detail during HSE functional redesign.

HSE as a business partner

Although the business partner model concept has been around for more than 20 years, for example Ulrich's Human Resources Champions (1997), and has been widely adopted by HR and Finance functions, it has only been applied to the HSE function relatively recently e.g. during the last 5 years.

The adaptive (behavioral and cultural) goal is typically expressed as something along the lines of 'We, the HSE function, need to become an engaged and aligned business partner sufficiently flexible to meet the changing needs of our internal customers.' This is quite a tall ask for a function that typically prides itself on its depth and breadth of technical expertise; especially the environment, health and social professionals who are, more often than not, pre-occupied with ensuring both regulatory and social license to operate.

For the traditional HSE professional who has spent their entire academic and industrial career specializing in technical and regulatory detail; the need to suddenly 'become an integral part of the business, by helping to realize the strategy' or 'drive a culture of partnership by proactively finding synergies with other functions' can come across as a bit of a shock.

In order to address some of these challenges some new HSE operating models have tended to separate out the administrative/transactional elements (into service centers) from the more strategic elements of the role (business partners) as per Deloitte's Service Delivery model. Typically, regional centers of HSE expertise serving multiple business units and assets are set up to provide prioritized responses to regional needs.

Partnering with operations

The HSE function is often rather disconnected from operational needs; this is arguably because of the important role it plays with its other key stakeholders (e.g. regulators and the local community). Functions, and HSE is no exception, are frequently viewed by operations as being more focused on rolling out new systems and programs from the top, or reporting data to 'corporate' than providing practical support to operations' senior leadership.

When it comes to the quality and level of support they receive, operational leaders are often dissatisfied. We recently interviewed over 100 superintendents and supervisors to provide 'voice of the customer' feedback as part of a global functional redesign program. While their HSE technical expertise was not challenged, their practical knowledge of the operations and willingness to work as a team - sometimes at very short notice, to solve practical problems -

was. As one supervisor put it ‘HSE folks design systems and tools for stable, fully staffed production, they don’t seem to understand the day-to-day reality of operations.’

Customer feedback is not collected as often, or as systematically, as it should be. HSE functions are often tasked with making their own organizations ‘fit for purpose’ and frequently omit to include the perspective of their customers, ironically missing the partnering concept.

When HSE business partnering fails

The level of success in transitioning the traditional HSE function from high-cost service provider to aligned and engaged business partner has at best, been patchy. The reasons for this include:

- **Lack of a strong leadership network**

Too often insufficient effort is made to ensure that deep and well-networked relationships are in place. Having competently resourced, safe, compliant, efficient and reliable operations is typically the shared goal. For the HSE business partner it is not all about ‘pull’ from the customer, there is quite a bit of ‘push’ as well (because of new regulations or a desire to step up performance). For business partnering in HSE to be successful, there has to be a respectful and trusted ‘peer to peer’ relationship with operations. When there are fewer dedicated HSE resources in-house, the HSE business partners also needs to learn to treat suppliers and contractors as partners. The role of the HSE business partner is complex; if it is simply a re-packaged HSE VP or team leader role, it is unlikely to work.

- **A lack of clarity on accountabilities and ‘ways of working’**

Specifically around who owns HSE risks and who makes the essential and critical calls. As one operational leader put it to us recently: ‘If I own the HSE risks what does my HSE business partner own? If it is a true partnership then they have to have some skin in the game’. If this is not resolved then the business partner will only ever serve and advise. The hand-over points between business partners, operations and centers of expertise and/or service centers have to be clearly defined and well understood.

- **Lack of engagement with operations**

Operational leaders need support, and they need help in understanding what kind of support they need. If operational leaders do not get what they need from their HSE business partner, they typically, and very quickly, will find ways of getting the support they need from elsewhere.

When HSE business partnering works well

Much has been written about how to make business partnering work efficiently and effectively. Whilst most of it is based on learnings from HR and Finance, it is highly relevant to the HSE function. What we see when it comes to successful HSE business partnering is:

- **Strong individual relationships matter**

Relationships that are strong enough to work seamlessly on operational and technical challenges e.g. making better decisions particularly around risk prioritization, competencies and performance improvement are integral to success.

- **Great HSE leaders**

Investing in HSE business partners who are respected by both their technical and their operational peers makes a huge difference. Relationship building and communications skills are essential in order to have courageous conversations with top management, technical experts and operational leaders.

- **Support from the top**

To encourage a company-wide culture of business partnering and shared decision making; the HSE business partner, as a 'trusted advisor', needs to focus on meeting the needs of the business. So when priorities change (e.g. we need to cut costs) the HSE function can support this goal by, for example combining training, assurance and reporting processes with other functions or implementing tech-enabled solutions.

It is relatively early days for business partnering in HSE. New and diverse operational and HSE leadership roles are likely to emerge over the coming years as we inevitably move towards the full integration of HSE and its associated areas of expertise into operations. As we can see though, with effective partnering this will prove more of an opportunity than a threat.

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References

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