

# **Integrating EHS&S and ISO Harmonization to Drive Operational Excellence**

## Executive Summary

Operational excellence is just that. Besides seeking to improve quality, environmental management, health and safety and sustainability, it is also designed to address asset management, facilities management, business continuity, regulatory control and process improvement.

Many companies end up limiting the scope of operational excellence in the face of siloed systems and the challenge of expanding the program to include all of the disciplines needed. A recent study revealed that companies with operational excellence programs only gave those programs an average rating of 6.1 out of 10.

In the past, companies have used ISO management standards to help break down the many corporate silos that stand in the way of operational excellence and enhancements.

However, all of this is changing. Since 2012, ISO has been revising all of its existing management system standards, as well as creating new standards, using a harmonization scheme known as the "Annex SL - High Level Structure." At present, it is possible to apply the same numbering system to each management system.

It is now possible for a company to comply with an integrated and harmonized standard to meet its operational excellence requirements at corporate, facility and supply chain levels. Management system standards exist or are planned for a number of areas, including quality, environment, health & safety, energy management, compliance, business continuity, risk management, sustainable procurement, social responsibility and sustainable development.

ISO makes it clear that businesses can choose how they use the standards. Third-party registration is only one of the many different options for using these international management system standards.

This white paper is Part 1 of a 3-part series on EHS&S and Operational Excellence. This edition will explore how organizations can address their opportunities and threats (i.e. the effects of uncertainty) using harmonized management systems. It will also consider technological issues around software systems used to support the requirement for harmonization when working towards operational excellence.

## Harmonization: A Flexible Approach to Operational Excellence

The International Organization for Standardization (ISO) has made a dramatic shift in how companies can create management systems that will help meet their strategic objectives in an uncertain world. All companies face volatility, uncertainty, complexity and ambiguity in both the internal operational context and the broader external environment.

All of the new management systems seek to help organizations identify the opportunities and threats associated with this uncertainty. Armed with this information, the organization can engage its stakeholders and design an operational excellence program that will help it achieve the strategic objectives set out in the company's mission statement. This is critical to the success of any organization operating in these uncertain times. Many companies are currently making the transition to these new management systems:

- Quality Management (ISO 9001:2015)
- Environmental Management (ISO 14001:2015)
- Health & Safety Management (ISO 45001:2017)
- Compliance Management (ISO 19600:2014)
- Risk Management (ISO 31000:2009).

However, there are many other standards and management systems which can be used by organizational excellence programs. They include:

- Sustainable Procurement (ISO 20400:2016)
- Business Continuity (ISO 22310:2012)
- Assets Management (ISO 51002:2014)
- Facility Management (ISO 41001:2018)
- Social Responsibility (ISO 26000:2010)
- Organizational Resilience (ISO 22316:2017)
- Process Improvement – Lean and Six Sigma (ISO 18404:2015)
- Emergency Management – Requirements for Incident Response (ISO 22320:2011).

In addition, there are many other new and revised standards currently under development. Each standard can be used consistently within the new harmonized high level structure. These standards adopt the authoritative “plan-do-check-act” cycle:

- Context of the Organization and Stakeholder Engagement
- Leadership
- Planning
- Support Operations
- Operations
- Performance Evaluation
- Continual Improvement and Innovation.

This harmonization of the plethora of management systems is not without its problems. Those responsible for ISO management systems are often resistant to change and seek to keep as much of the old structure in place while conforming with the revisions found in the harmonized high-level structure. On the other hand, company leaders are now being held directly accountable for meeting the objectives of the organization using these new management systems. As a result, senior managers are getting more involved with the revision processes now underway.

There are new requirements for measuring performance and demonstrating continual improvement. This is important to organizations’ sustainability programs. It will now be possible to include operations in the enterprise risk management programs required of all publicly-traded corporations. The new management systems are less about discipline silos and more about getting everyone on the same page, helping their organizations meet key strategic objectives in an uncertain world.

## **Managing the Internal and External Context**

All the revised ISO management system standards open with requirements for determining the internal and external context

of the organization (e.g. corporation, facility or supplier facility). Determining the external context involves the application of a widely-used business tool known as PESTLE. This involves identifying the political, economic, social, technological, legal and environmental factors that could influence the manner in which each management system is implemented on the harmonized platform mentioned above.

Each organization needs to engage its external stakeholders to make sure that it has accounted for all of the significant influences that can affect its internal operations and business continuity.

The internal context includes the organization’s strategic objectives and requirements for operational excellence across all of its facilities and value chain partners. Each organization in the value chain must incorporate the information on dealing with the effects of uncertainty (i.e. opportunities and threats) in its operational planning efforts.

This data-intensive evaluation of operational excellence opportunities and threats provides the foundation for planning the harmonized management system. This is no longer the province of the ISO managers. It involves the entire corporate value chain and needs to be carefully monitored with an appropriate data-analytical system.

## **Leadership and Commitment**

Leaders in an organization are expected to take full responsibility for the effectiveness of the EHS&S performance results by demonstrating leadership of and commitment to the harmonized management system. The harmonized ISO system of management requires leaders to communicate a clear direction for their organization(s) with a defined strategic focus. They need to understand the effects of uncertainty on the company’s strategic objectives so they can ensure the achievement of these objectives in an uncertain world.

The ability to be flexible in adapting to changes in the external operating environment is just as important as managing the internal operations. After all, sustainable success relies on continual improvement, innovation and learning. Organizational success comes from the ability of each organization to integrate sustainability into what every employee does every day, instead of having a sustainability manager leading separate initiatives

to document the organization's sustainability.

Ensuring that sustainability efforts meet the intended outcomes helps drive continual improvement and innovation across the organization. Sustainability represents the sum total of the many components of a well-executed and harmonized management system standard.

Business leaders need to review the policies around the many operational components of the program and integrate them into a harmonized set of documents that are appropriate for the purpose and context of the organization. Planning the harmonized organizational excellence program must include the nature, scale and organizational excellence impact of its activities, processes, products and services.

Leaders must demonstrate commitment to fulfil all of their legal and regulatory compliance obligations.

Finally, leaders must determine the organizational roles, responsibilities and authorities of all the internal stakeholders, and be certain that this information will be communicated effectively throughout the entire value chain.

This information must also be vetted through sufficient engagement with the external stakeholders. There are no longer employees with the title of ISO management representative. This function is built into the entire organization.

## **Planning for Harmonized Operational Excellence**

It should be clear by now that operational excellence has the potential to meet its goals when a company uses the ISO harmonized structure as a means of determining how the program will be operated and monitored for continual improvement. Planning begins with the formulation of actions to address the opportunities and threats that were identified using the PESTLE analysis of the internal and external contexts. It often helps to think of this process as realizing high priority opportunities to offset the most significant threats.

Under the direction of senior leaders, uncertainty analysis is conducted using the risk management methods prescribed in the ISO 31000 risk management standard. Uncertainty analysis takes the information from the PESTLE analysis and seeks to

identify the actions that need to be taken to address each facility's operational excellence needs.

Some corporations already have an Enterprise Risk Management (ERM) program in place within their financial management system. It is now possible to harmonize this program with the operational excellence structure to strengthen financial performance in line with improved operational excellence and sustainability performance.

Planning is an iterative effort, as every corporation faces uncertainty in its internal and external contexts. Risk management programs focus on the organization's ability to meet its strategic objectives. Meeting objectives becomes more likely when the organization is able to deal with uncertainty.

## **Implementing the Harmonized Operational Excellence Program**

Once a plan is in place, the focus can turn to implementing the harmonized management system. There are two key aspects of implementation programs – support processes and operations.

Support processes include the identification and allocation of resources needed for the operational excellence of the harmonized EHS&S management system. These include programs that ensure worker competence and awareness, effective internal and external communication and the widespread use of documented information.

Operations must have a focused operational planning and control program to meet the requirements of the EHS&S management system. An emergency preparedness and response system needs to be in place to manage unplanned situations. Finally, there needs to be a system for dealing with change and uncertainty to keep operations in line so the organization can meet its strategic objectives.

## **Performance Evaluation**

Organizational excellence is built on the successful execution of the planning and implementation stages. Progress is carefully monitored and reviewed by senior leaders of the organization, using a formal monitoring, measurement, analysis and evaluation program. Performance indicators are determined

during the planning element of the harmonized management system. There is also a program to manage the effects of uncertainty on the organization's ability to meet its objectives. These activities are referred to as the "check" element of the plan-do-check-act program.

There is a wide range of compliance obligations, ranging from contractual conditions to compliance with regulatory and legal requirements. The interests of both internal and external stakeholders must also be managed and evaluated. The ability to meet these obligations is overseen by senior managers through the use of an internal audit program. Many corporations now incorporate these obligations in their "enterprise risk management" program.

The governance structure of the organization must then include that information in its critical review programs. Information is shared with the stakeholders through the governance communication program on a regular basis.

## Continual Improvement and Innovation

Organizations need to make sure they act on their opportunities for improvement to help offset the threats posed by the effects of uncertainty and the inability to meet strategic objectives.

Governance provides oversight of the program to track non-compliance and take necessary actions to mitigate the uncertainty and meet the goals required to address the strategic objectives. Changes to the EHS&S harmonized management system need to be made where necessary to improve the suitability, adequacy and effectiveness of this system, to meet the strategic objectives of the organization.

The harmonized management system is continuously enhanced to deal with the disruptions that are becoming more common in today's global economy. This involves a step beyond documented improvements. Many organizations are integrating "learning" into each of the steps of the plan-do-check-act cycle.

## Harmonization of Operational Excellence

It is now possible to run all operational excellence programs on the same harmonized ISO management system platform. The columns in the platform represent the many different management systems that are necessary to support

operational excellence. Each row represents the elements of the harmonized management system described above. Any organization can now create an operational excellence program that fits the international harmonized structure and use the various harmonized elements to determine how best to plan, implement, check and act on the documented information.

Up to now, it has not been possible to integrate the many disparate management systems effectively. It is now possible for organizations to make a serious commitment to realizing the benefits of operational excellence. The platform used will be unique to each organization. Within the corporation, the plan-do-check-act elements will be transmitted to each facility and supplier using the harmonized structure. However, how the organization implements the program will be determined using the external context.

Organizations should turn to the use of harmonized software to establish and execute their operational programs. Since many organizations may continue to have their quality management programs independently certified to meet the requirements of their larger customers, they will be able to add various elements in each program column to create an EHS&S program that will drive efforts to maintain a high level of operational excellence.

## About EtQ

EtQ is the leading Quality, EHS, Operational Risk and Compliance management software provider for identifying, mitigating and preventing high-risk events through integration, automation and collaboration. At the core of EtQ's framework is a compliance management platform that enables organizations to implement best-in-class compliance processes configured to meet their existing processes, create new compliance processes and automate and control their compliance ecosystem. EtQ's product lineup includes Traqpath™ for individual compliance users, Verse Solutions™ for small to medium sized businesses and Reliance™ for enterprise organizations. EtQ was founded in 1992 and has main offices located in the U.S. and Europe. To learn more about EtQ and its various product offerings, visit [www.etq.com](http://www.etq.com) or [blog.etq.com](http://blog.etq.com).