



What about HSSE? – Why early inclusion of HSSE in ERP efforts makes sense

Overview

Ideally, enterprise resource planning (ERP) efforts would include health, safety, security and environment (HSSE) in scope. So why don't they? There are several, interrelated reasons which stem from a wider lack of integration between corporate finance and HSSE teams. It is easy for finance, often the champions of an ERP effort, to see ERP as only an accounting and finance effort. More innovative finance teams may extend this to supply chain and human resources. Some finance teams may go further and include operational maintenance. However, even the most innovative of finance teams may look at HSSE and conclude, "Yes, we know it is important, but we will get to that later." However, this approach leaves shareholder value on the table. The solution is to ensure that HSSE is part of the ERP planning effort, shape the business case for HSSE inclusion, and identify ways to best integrate HSSE into the effort. The following paper outlines the business drivers for including HSSE early in ERP efforts. The paper also offers suggestions on how to derive early benefits from bringing HSSE to the table, even if the decision to delay full funding of the HSSE modules.

Value Solution Keys

- Include HSSE in the ERP design, regardless of software deployment
- Initiate HSSE during the overall ERP effort
- Seek options to deploy best practices ahead of HSSE "Go Live"
- Explore the use of best practices if HSSE modules are to be developed later

What happened to the "Enterprise" in ERP?

The challenge of HSSE inclusion into ERP efforts is driven by several, interrelated reasons which stem from a wider lack of integration between corporate finance and HSSE teams. It is easy for finance, often the champions of an ERP effort, to see ERP as only an accounting and finance effort. Some finance teams may move beyond the core accounting and finance efforts and extend the ERP effort to other functions. Rarely, however, will an ERP effort include HSSE in scope.



However, the HSSE function is inextricably tied with the other enterprise functions. For supply chain, screening of potential suppliers and contractors based on HSSE metrics such as safety, is increasingly a function of procurement policy. In the area of operations maintenance, many of the interventions are connected regulatory compliance. For hours worked, human resource functions can speak to the HSSE metrics in an ERP. Qualifications, certifications and training can be tracked and communicated between HSSE and human resources. In the area of accounting and reporting, organizations are increasingly asked to track their HSSE spending, particular in restoration and remediation efforts.

With the dramatic improvement in information systems, including in-memory processing and mobile solutions, the ability to link HSSE with the fabric of the remainder of the enterprise has never been more possible, creating even safer, more reliable and more compliant operational environment.

So why isn't this happening during the scoping of ERP efforts?

In some cases it is driven by a lack of appreciation by finance teams as to the role that HSSE plays as partners in improving stakeholder value through the reduction of enterprise risk and improving reliability of operations. Finance is charged with helping their organizations increasing shareholder value, which is risked value, and this includes the HSSE and regulatory risks which could increase risks and lower value if not properly managed.

Other finance teams may understand this partnership, but may not see the integration value in including HSSE in the ERP scope. Other finance teams may see this, but budgetary constraints may force a delay in HSSE because of the inability to quantify the improvement to shareholder value that justifies the costs, or to account for the additional costs that are incurred by including HSSE at a later phase in the implementation of an ERP.



Shareholder value drivers for including HSSE early

Whatever the driver, including HSSE in an ERP scope leads to a superior ERP effort and generates increased shareholder value. Early inclusion allows organizations to:

1. **Seize near-term process improvements** – Including HSSE in an ERP allows quick process improvements that enable the company to function faster while remaining safe, compliant and reliable. While many organizations may have well-functioning HSSE processes, an ERP effort provides two important opportunities for further improvement. First, an ERP can bring best-practices to an organization's HSSE functions by either providing new processes, highlighting processes which can be simplified, or processes which can be eliminated. Second, an ERP can remove duplicity in data collection and reporting across the functions.
2. **Avoid rework** – Including HSSE drives down the possibility of rework as teams modify newly created ERP accounts and hierarchies to accommodate the management and reporting of HSSE information.
3. **Foster collaboration between functions** – By involving the HSSE function, an ERP is able to capture opportunities to foster improved collaboration between operations, supply chain, accounting and human resources, reducing workload and errors across the entire organization.
4. **Leverage ERP's risk reduction potential** – While an ERP can improve how organizations collect and communicate operational and financial data, including HSSE in scope provides an enormous opportunity for an ERP to increase compliance and reduce operational risk. Accounting and reporting compliance, risk and assurance are touted as a few of the reasons for an ERP. However, a robust ERP, with HSSE included, can also improve compliance, risk and assurance in the areas of HSSE performance.
5. **Enhance the sustainability of the HSSE workforce** – By using widely used ERP systems for the HSSE function, organizations can both expand the pool of potential HSSE team members and reduce the costs to onboard new team members. This helps to build sustainability into the function by lowering the costs and risks associated with the turnover of HSSE professionals.



An opportunity to reinforce a safe and compliant culture

While difficult to quantify, there is an additional value of including HSSE in an ERP scope. This is the opportunity to further integrate HSSE into the basic inner workings of the enterprise, reinforcing that good HSSE practices are an integral part of good business processes. With HSSE alongside the other functions to build the enterprise systems, the entire organization can see HSSE as an equal partner in creating excellence in performance.

Practical applications

The following are suggested steps that an enterprise should take as they set their ERP scope:

1 – Include HSSE in the ERP design, regardless of software deployment

Regardless of decisions to include HSSE modules into an ERP, HSSE should have a seat at the table. If the company has formed a steering committee, a decision board or other oversight body, HSSE should have a chair. In addition, they should have a representative on the project team. Any external consulting teams, at a minimum, should make an HSSE lead available. All of these steps will assure that even if HSSE is not in scope, the enterprise design will be compatible with later implementation. More importantly, it will assure that information that is needed by the HSSE function to help the organization to improve performance, track outcomes and demonstrate compliance, are not forgotten in the ERP blueprint.

2 – Initiate HSSE during the overall ERP effort

Ideally, for the value and cultural reasons discussed earlier, HSSE would be included in an ERP scope. In most cases, the additional cost of including HSSE will be outweighed by the additional benefits. While inclusion may add complexity to the program phase of the ERP effort, it will be outweighed by the reduction in complexity and cost for later development or working processes so intertwined with the enterprise by sitting outside of the system.



3 – Seek options to deploy best practices ahead of HSSE “Go Live”

Some firms may choose to include HSSE in scope, but initiate “Go Live” for HSSE last. This makes logical sense due to the needs to establish other parts of the ERP such as accounting, procurement, human resources, etc., upon which the HSSE modules are customers. However, that does not prevent the organization from embedding the improvements in process ahead of the software and to begin making the enterprise safer, more responsible, more reliable and more compliant.

4 – Explore the use of best practices if HSSE modules are to be developed later

Should an organization chose not to include HSSE in scope, it is still important to bring in consultants who can advise on how practices could be updated, improved, rationalized or eliminated a result of the enterprise changes in other functions. The consultants will also be able to help map out the best practices that would have been employed and help the teams with change management to those practices. At a minimum, you will have created the option to integrate HSSE seamlessly at a later date.

Concluding thoughts

We live in a highly regulated world. We live in a world where stakeholders demand responsible business execution. We live in a world where shareholders expect their leadership to manage safe, responsible, reliable and compliant operations. HSSE has become an integral part of how business is done – right. The technology to weave HSSE into the rest of the enterprise functions has never been more effective.

Ideally, HSSE will be part of assuring the “E” in an “ERP.” However, the steps outlined above will allow organizations to gain as much benefit from an ERP in regards to HSSE, even if the specific modules are not designed and brought on line as part of the wider enterprise scope.



About the author



Jeff Morgheim is the founder and principal of Edge Strategic Consulting, LLC. His clients are able to "quantify the unquantifiable" to make high stakes decisions with confidence. Jeff is an experienced financial executive with nearly 25 years of execution in the oil and gas industry at both BP and Chesapeake.

When executives need to build confidence into their decision making processes, they call on Jeff. He has developed strategic and planning processes at BP across the globe. While at Chesapeake, Jeff led several organizational transformation efforts in strategic and business planning, as well as performance management. One of the more challenging efforts involved the successful formation and launch of a multi-year, enterprise resource planning program involving 400 employees, consultants and contractors.

When executives face a crossroads, Jeff has been called. At BP, he served as BP's climate change director. He led successful efforts to tackle ineffectual climate policies and to promote alternative approaches which were technically and economically sound. At Chesapeake, he developed the first corporate budget which balanced cash flow with investment, and deployed its first portfolio analysis process to underpin its strategic plans.

When crisis strikes an organization, once again, they call upon Jeff. He served the BP executive team during the Macondo oil spill in and supported the Gulf of Mexico restoration efforts and regulatory strategy. He has a singular, unique perspective on all facets of crisis planning and crisis leadership. When Chesapeake faced its own corporate crisis in 2012, they called on him to develop planning and performance management processes to stabilize the company.

Throughout his career, he has succeeded in bringing the finance and HSE functions together as partners to reduce risk and create value.

He is a graduate of The Johns Hopkins University with degrees in both Economics and Russian Language.