Operating in Lean Times

An examination of best and worst practices for right-sizing environmental departments

A Scott Adams cartoon illustrates the decision-making process for layoffs in dysfunctional companies: Dilbert and Wally are looking into a conference room where all the "pointy-haired" bosses are assembled to select who will be terminated. Wally is magically transformed into the proverbial fly on the wall and eavesdrops on the conversation: "Let's focus on our priorities and make rational budget decisions. Ha Ha Ha Ha Ha. Back to reality, I'll fire Ted; he creeps me out. Who else do we hate?"

While amusing, this cartoon is also painfully accurate: Personalities and popularity, not performance, can sometimes drive company decisions. Clearly, this should not be the case. But when it does happen, those responsible often try to couch their decisions in acceptable terms by saying "Ted does not fit into our company culture" or "He's not a team player."

Environmental Professionals in the Corporate Crosshairs

For environmental professionals—who may be viewed by management as surrogate regulatory enforcement personnel—the implications are particularly troubling. As Terry Foecke, a sustainability process improvement consultant, states, "If you speak up, or are a contrarian, you are out. Or, if you are lucky enough to have an insider to protect you and your voice, you are out when they are out."[1]

Environmental personnel within organizations do not have to be powerless when downsizing decisions are being made. But courage and leadership are required to gain some control over the situation before it reaches the point where mandates come raining down from above. For those willing to take charge, this column offers some recommendations on how to lead your organization.

Lean Management 101

In lean times, corporate executives take a number of very predictable steps to scale back operations and cut budgets—as well as head count. Some steps are extremely effective and reasonable. Others are dreadful; the short-term gains they yield inevitably lead to substantial long-term damage.

Sensible Steps

First, the reasonable approaches.

Management invariably curtails all forms of discretionary spending, right after freezing hiring

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and imposing restrictions on travel and living-expense allowances. "Nice to do" projects become "forget about it" projects.

To survive, projects and programs must either be essential (e.g., pre-existing commitments, regulatory requirements, or mandates from top executives) or they must directly support activities that have significant short-term payback and/or other business characteristics that are deemed vital (e.g., supporting the introduction of profitable products and services or resolving the crisis du jour).

Outside consulting support and contract labor invariably are eliminated before the company makes cuts to internal staff. Employees who remain may face reductions in pay or hours, however, especially in today's downturn.

In the past, employment was binary: You were either in or out. Today, more companies are utilizing unpaid work furloughs. This approach has numerous advantages, including allowing the company to retain experienced talent. It also permits those employees who may wish to seek a different career path the opportunity to be employed while looking for a new job—always a position of strength.

Some early indicators suggest that companies are becoming more appreciative of institutional knowledge and less willing to offer early retirement to senior individuals. During prior waves of downsizing, far too many of the best and most re-employable people jumped at the chance of buyouts (only to grab job offers elsewhere), while the least employable individuals remained.

Knowing Where to Cut Back

Production head count typically can be cut in direct proportion to current and future demands: Barring any obvious productivity improvements, it takes X workers to make Y widgets. The same

Case Study: When the Call Comes for Cuts

I got a call from the corporate director of environment, health, and safety (EHS) at a Fortune 500, brand-name company. He had received word that staff departments were to be cut by 25 percent across the board. I asked him to describe the companywide EHS organization, the full scope of its responsibilities, the maturity of its programs, the extent of outsourcing, and the nature of the company's manufacturing operations.

Both he and I knew that the existing ratio of resources to activities was so disproportionate as to be preposterous, even if the company focused just on maintaining regulatory compliance. But the organization had managed to avoid environmental "issues" and crises, so from the perspective of executive management, things seemed just fine.

In order to determine how cuts would be made, the company had established a system that employed committees of cross-functional teams. The aim of this approach was to eliminate parochialism.

One of the committee members was an attorney who was not trained in environmental issues. She reported to the company's highly influential chief counsel and was the most hardheaded of all of the team members.

I was asked to evaluate what resources were actually needed to maintain environmental compliance. My analysis made clear that the company should be devoting more resources to environmental issues, not fewer. In a series of meetings, my findings were presented to the committee. As a result of the meetings, this attorney, who previously had been skeptical of the need for more environmental resources, became a supporter.

On the critical day when each department head was required to present a plan for the 25 percent cut, the EHS director presented his case for a resource *increase*. The top executives listened to his presentation and then asked him to leave the room.

The incredulous executives turned to the chief counsel and asked what was going on since they knew that he had a person from his department on the committee. The chief counsel explained that the need was real and that he was fully supportive.

The outcome? The EHS director did not receive all the resources he requested—but his was the only department that was not cut. Perhaps more significantly, executive management had a whole new perspective on what his EHS organization contributed to the company.

principle applies to spin-off businesses and closed product lines. It also applies to support departments that supply services in direct relationship to production (e.g., accounts payable, payroll, purchasing, and even human resources after the initial wave of layoffs has occurred).

But with other functional areas, such as finance, sales, legal, research and development, marketing, product design, and this column's particular area of interest—environmental—the decision process becomes much more complex. Some companies may actually need to increase staffing in sales, product development, and/or marketing during lean times.

Deciding where to cut staff can be of significant strategic importance. In fact, such evaluations often are essential to the future survival of the company. But all too often, in the case of staff functions (read "overhead"), management will simply make deep cuts in budgets, head count, or both. These decision-making processes can be quite irrational—which brings us to the unreasonable approaches.

Irrational Actions

Far too often, executives will simply demand that budgets or staffs be cut across the board by a figure such as 10 percent or 25 percent. All departments are expected to offer up their "fair share." This may appear to be the democratic way to go about cuts, but companies are not democracies: They are supposed to be capitalistic (albeit benevolent) dictatorships that should be concerned about long-term organizational viability and protection of shareholder value.

CEOs who lack courage—or the knowledge to cut through smoke screens—may use these blunt tactics. This approach allows them to avoid both the responsibility for, and the personal hassles associated with, selectively cutting departments, particularly those run by their most loyal followers and/or golf partners.

In some cases, deep cuts may in fact be appropriate. Influential department heads can sometimes be quite proficient at building empires that then need to be cut back during lean times. But not all staff organizations are so bloated that they require trimming to the same extent.

Another favorite executive technique is to bring in an outside, brand-name management consulting group to evaluate staffing and right-size departments. These consulting organizations usually feature armies of Ivy League MBAs who have never had to actually run a business but who claim to use the "latest" theories and benchmarking formulas. Senior partners market the firm's expertise and pitch their results. Needless to say, this approach has generated material for scores of "Dilbert" cartoons.

Environmental Staff at Risk

Environmental staffs within organizations typically face a number of unique issues that can make them vulnerable during lean times.

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The Inherent Complexity of Environmental Issues

First, management consulting organizations are generally clueless when it comes to right-sizing environmental departments. Their techniques may work well on processes such as accounts payable, which can easily be benchmarked. But environmental issues are affected by a broad array of factors that defy such simplistic approaches.

For example, even though benchmarked companies may be in the same industry sector, their environmental program maturity, specific processes, legacy issues, location, and even regulatory and enforcement factors are invariably all different.

Low Staff Levels—Even in Good Times

Second, environmental organizations are rarely overstaffed to begin with, even in good times. In general, companies with the most adequately resourced (not necessarily overstaffed) environmental departments are those that have undergone a major environmental crisis within recent memory. When this happens, executives who might previously have been unconcerned can suddenly go to the opposite extreme. They generally do not want a repeat of the crisis, especially if the company is covered by an outstanding consent order.

Relentless downsizing of environmental departments has been the business norm since the mid-1990s, when a combination of financial pressure and growing confidence in environmental management systems led managers to begin cutting back. The George W. Bush era only deepened the assumption that environmental concerns were "under control" and represented a low business priority.

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Corporate Emphasis on Reporting and Marketing

Third, companies' more recent high-level "environmental" initiatives have often focused primarily on green marketing and on communicating about sustainability efforts. At the same time, their core environmental compliance demands (which have not diminished) typically have received no additional funding or staff.

Fortunately, productivity has generally improved because of advances in information systems. But much of that gain may have been absorbed by efforts to improve public reporting or support green marketing.

Loss of Institutional Knowledge

Fourth, environmental departments face growing problems with loss of institutional knowledge as seasoned veterans retire and are replaced with individuals fresh on the learning curve. This loss of experienced personnel can be seriously detrimental since it takes real maturity and skill to communicate with top management about complex environmental issues—and to compete head-to-head with other departments for limited resources.

Environmental departments have become so pressured over the past decade that "survival" is now the operative mode in many organizations. And because raising environmental issues may not be conducive to career growth, top management often can be unaware of just how precarious the company's current environmental management status is.[2]

Right-Sizing Environmental Departments

The preceding description paints a rather bleak picture for environmental departments that get caught up in companywide downsizing efforts. But an unfavorable outcome is not inevitable if the right steps are taken—even after cutbacks have begun.

The most important principle is to push back on management's assumption that the existing resources assigned to all staff departments (including environmental) are disproportionate to current business demands.

There is no better time than the present to do a systematic examination of what it really takes to properly run essential environmental programs. Two considerations are crucial in this regard.

Making the Case for a Properly Sized Department

A case study in the sidebar illustrates the first consideration: The need to build the case for a

properly sized department—and then work back in terms of cuts from that point, rather than from current staffing levels. Many of the principles used in the case study are described in a three-part series about right-sizing that appeared in *EM, The Magazine of the Air & Waste Management Association*.[3]

There are several essential steps in this process. In particular, you need to:

- **Align with business objectives:** If executives are talking about environmental excellence when their real objective is compliance, you need to know this key fact to properly right-size your efforts.
- **Identify key threats and opportunities:** Most environmental managers believe they have an excellent understanding of the important regulatory issues that affect them. More often than not, however, they don't. It is not possible to right-size your department if future regulatory issues are poorly understood or if there are liabilities that have yet to be discovered. The same applies to potential opportunities for green products or brand-building that can be used to justify the retention or expansion of environmental resources.
- **Map current resources:** You need to determine exactly what environmental resources currently exist in your company—including indirect, matrixed, outsourced, and full-time dedicated resources. Just as important, you should map what they actually are doing. Most organizations spend a surprising amount of time on routine, low value-added activities or "firefighting."
- **Map future resource needs:** You should evaluate future regulatory, sustainability, and social responsibility demands and account for projected productivity improvements.
- **Determine the optimum organizational structure:** Companies are generally moving toward combining environment, health, and safety (EHS) into one department—or even integrating EHS with security, sustainable development, and social responsibility. They also increasingly use a combination of centralized control over some issues (e.g., governance, due diligence, management system audits) and decentralized responsibility over others (e.g., program implementation, routine compliance audits). The optimum structure for your organization will depend on factors such as company culture and business preferences.
- **Develop your analysis and polish your presentation:** You should fully develop your analysis of environmental resource needs based on factors such as those discussed here. Just as important, you should create presentation material that clearly lays out the issues in business terms that executives readily understand.

You should evaluate future regulatory, sustainability, and social responsibility demands and account for projected productivity improvements.

Accomplishing the above will provide documentation on where gaps may exist between your company's current environmental practices and what is required to achieve the organization's business objectives.

Keep in mind some obvious sticking points. In particular, management may be unaware of emerging environmental issues. The European Union's Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) program, for example, is still catching companies by surprise.

In addition, management will inevitably be skeptical of your evaluation results if they appear partial and self-serving. Gaining the support of other functional areas in the company or using

external expertise (as illustrated in the case study) may be essential.

Tackling Poor Business Practices and Dealing With "Toxic" Politics

The second key consideration involves determining why and how existing resources are being wasted. In many companies, an amazing amount of energy can be expended on overcoming poor business practices (such as "management by crisis") and even problems created by dysfunctional individuals.

There is a reason that "Dilbert" cartoons are so popular. There is also a reason the BBC television sitcom *The Office* won a Golden Globe Award and was replicated for U.S. TV. Med Yones with the International Institute of Management states, "In my experience, the main reason for poor organizational performance is not the lack of business knowledge, but rather negative internal politics."[4]

When this is the case, the best way to dramatically increase the efficiency of resource use is to fire or isolate a few toxic individuals. Exposing these individuals can be difficult, however. While they may be unskilled at leadership, team building, and peer relationships, they sometimes are geniuses when it comes to personal survival skills, including self-image building among upper management.

But even these individuals can be dealt with using the right strategies. For example, third-party interventions and targeted surveys among employees can raise issues that otherwise might be off-limits.

The Bottom Line

In bleak economic times, environmental departments inevitably will be asked to make sacrifices. But the outcome does not necessarily have to be cuts that take an already stretched organization into a zone where careers are put in jeopardy.

Now may be the perfect time to start building your case. You need to let executives know if your environmental organization is already stretched so thin that you are finding it difficult to meet regulatory mandates and maintain the essential risk management functions required by the company's board of directors. These demands will only become more difficult in the future, especially if the Obama administration fulfills its promise to enact additional environmental mandates.

Notes

1. E-mail to author dated February 26, 2009.

2. This statement is not just idle speculation: I have used a survey instrument in many companies to directly measure these gaps.

3. See MacLean, R., & Monty, R. (1999, May). Right-sizing organizations for quality. EM, pp. 19–31; MacLean, R., Monty, R., & Dotson, K. (1999, June). Optimizing the organization's structure. EM, pp. 19–33; MacLean, R., & Monty, R. (1999, July). Making the business case to executive management. EM, pp. 21–29. Available on the author's Web site.

4. Yones, M. (n.d.). Dysfunctional leadership & dysfunctional organizations. Executive Journal. Available online at http://www.iim-edu.org/dysfunctionalleadershipdysfunctionalorganizations/DysfunctionalLeadershipDysfunctionalOrganizations.pdf.

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