

Strategic Focus: When Should Firms Tie EHS And Quality Together?

MARCH 2022

BY PRITAM KAPADIA
WITH WILLIAM PENNINGTON



Strategic Focus: When Should Firms Tie EHS And Quality Together?

This report outlines how the EHS landscape is evolving to encompass additional elements to support business functions. Quality management systems are valuable platforms for firms to manage their assets to ensure process efficacy and reduce risk. The coupling of EHS and quality is not always conducted explicitly within a centralized platform, but due to the similar tools required, firms are already tying these processes together. The level of EHS and quality integration can vary, depending on the firm and type of industry. The uptake of a synergistic process can also depend on the relative importance of regulation and compliance within a sector. Verdantix finds that all firms have some aspect of EHS and quality requirements, and that quality processes can bring intrinsic benefits across their value chains.

TABLE OF CONTENTS

Strategic Focus: When Should Firms Tie EHS And Quality Together? 3
EHS And Quality Processes Comprise Similar Workflows
Product-Intensive Industries Can Capitalize On EHSQ Methodologies
EHS Will Associate Itself With Different Initiatives Within A Firm, Not Just Quality Management

TABLE OF FIGURES

Figure 1. Compound Benefits Of Coupling EHS And Quality Processes..... 4
Figure 2. Low, Medium And High Levels Of EHS And Quality Integration A Firm Can Adopt 7

ORGANIZATIONS MENTIONED

BlueKanGo, Environmental Protection Agency (EPA), Food and Drug Administration (FDA), Intellect, International Organization for Standardization (ISO), Occupational Safety and Health Administration (OSHA).

Strategic Focus: When Should Firms Tie EHS And Quality Together?

This report explores how firms and corporate EHS managers alike can shift their thinking from an emphasis solely on EHS to an overarching focus that encapsulates quality management as well. Firms are beginning to see the importance of aligning EHS and quality processes across numerous industries, understanding how this integration can prevent incidents, streamline workflows and increase process efficiency. The integration of proper quality management processes can begin a positive feedback loop for a firm. Effective quality systems can manifest themselves in better compliance, health and safety methodology and internal communication processes. This report identifies which types of firms will most benefit from the integration of environment, health and safety, and quality (EHSQ) processes, as well as consolidating the rationale for this coupling.

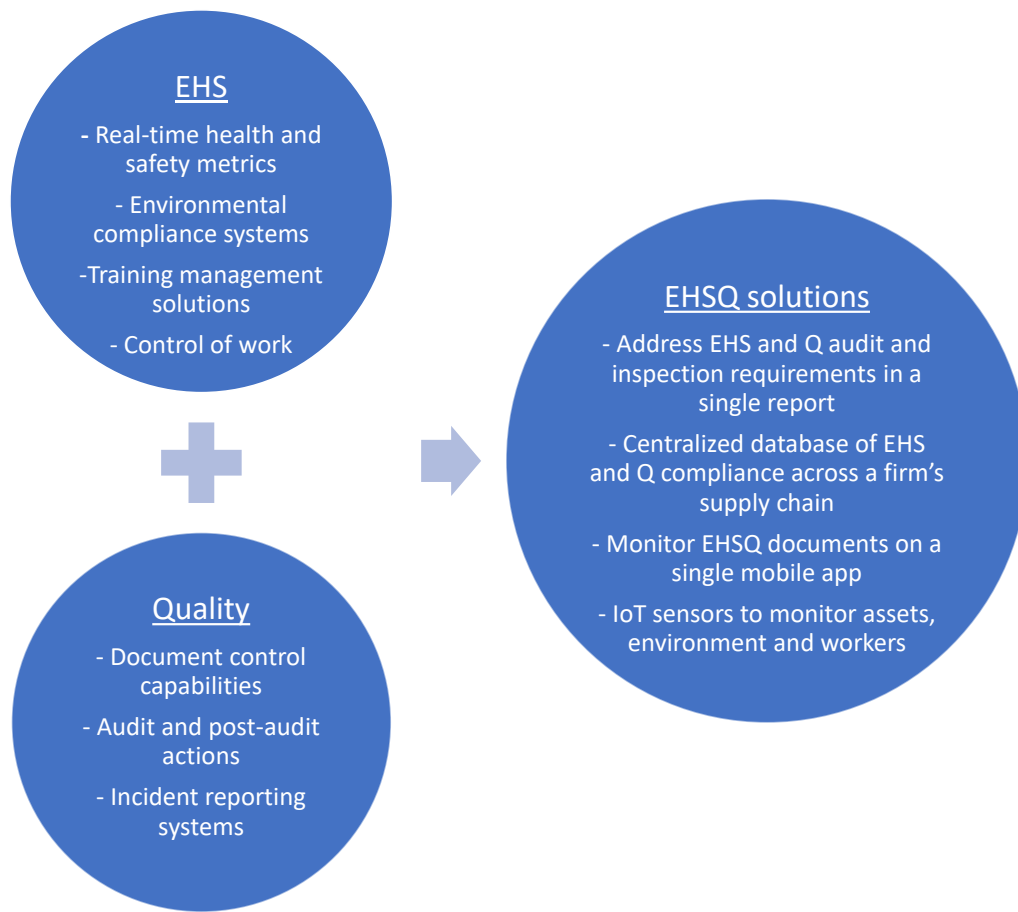
EHS And Quality Processes Comprise Similar Workflows

The integration of EHS and quality processes allows better cross-functional management across a firm. This is the result of both functions using similar methodologies and tools to accomplish their objectives. However, there are subtle differences in the manner in which these functions operate. When considering both processes, it is important to understand that:

- Firms are already tying EHS and quality together, but it is not always obvious.**
Firms across the risk spectrum are already promoting collaboration between EHS and quality processes; however, this is happening rather informally. The move is especially prevalent in production and manufacturing industries such as life sciences, pharmaceuticals, and oil and gas. EHS managers must constantly communicate with quality management, for instance, on the production of a new chemical and its associated risks. In this example, there will be several impacts across a process line from any change, which can have knock-on effects on both health and safety, and quality management processes. However, typically, collaboration happens in a more fragmented way, with these two business functions working independently and coming together when necessary. This can sometimes lead to repeated processes and miscommunication between teams.
- Audit and investigative processes fundamentally rely on the same tools.**
Both EHS and quality management programmes highlight the importance of audit and investigative processes (see **Figure 1**). In EHS, audits are typically more practical and conducted more frequently, to ensure compliance. Quality audits require longer time frames and are conducted for entire processes a handful of times a year. Although nuances exist between the two factions and their audit processes, both stress their importance within their remits. The same is true for investigative processes that try to uncover the issues that underpin a process or system. In both cases, the tools required for these processes belong to both EHS and quality systems; however, the decentralized nature of EHS and quality platforms results in firms often adopting two different platforms to conduct similar tasks.
- Firms will begin to see immediate benefits when they couple EHS and quality processes.**
Firms will quickly begin to see improvements in communication as what were once two separate departments are centralized within one system. Miscommunication between departments can often lead to problems, while tying these two areas together allows rapport to be easily diffused amongst team members. A centralized unit also provides a greater level of visibility; this enables improved decision-making, as firms can leverage cross-functional focus groups with the same information, but different points of view, to provide holistic solutions for fieldwork and process management. Firms will also experience efficiency benefits, as the number of similar tasks for EHS and quality management processes will be effectively halved.

FIGURE 1

Compound Benefits Of Coupling EHS And Quality Processes



Source: Verdantix analysis

Product-Intensive Industries Can Capitalize On EHSQ Methodologies

Firms from various industries have already begun to integrate EHS and quality processes, thanks to their similar workflows and the strategic benefits that come from this coupling. The integration of EHS and quality processes may not be able to cater or provide ample benefits for every type of industry, so considerations must be made prior to switching to a provider of EHSQ platforms. Firms looking to implement a holistic EHSQ platform should consider what level of integration they require (see **Figure 2**), as well as the:

- **Importance of regulation and compliance for their firm and industry category.**

Both EHS and quality processes exist in a niche that is devoted to ensuring compliance with regulatory bodies. For many high-risk industries, this becomes a pivotal part of their operations. There is often a correlation between high-risk industries requiring greater levels of regulation in both health and safety and quality elements. Regulatory bodies such as the US Environmental Protection Agency (EPA), Food and Drug Administration (FDA) and Occupational Safety and Health Administration (OSHA) are ready to impose hefty fines for a lack of compliance. A single system that may be able to account for multiple subsets of regulatory disciplines can lead to more stringent strategy adoption in a firm's operations. This, in turn, can reduce the likelihood of accidental regulatory defiance.

- **Ways in which vendors incorporate strategies to enable firms to implement EHSQ platforms.**

EHS and quality management requirements can vary considerably across the risk spectrum, so one solution will not always fit all. From a firm's perspective, it is important that the right people in the right departments are working together, based on their task profile. This ensures that procedures are harmonized and best practices established in the merging of EHS and quality processes. From a vendor perspective, it is important to cater to a variety of firms and industries. Witness BlueKanGo, which takes an industry-agnostic approach to its platform, with a focus on the centralization of information. Similarly, Intellect utilizes a no-code platform, giving firms the ability to form custom applications that can better cater to their specific requirements, without the need for high levels of consultation from specialized staff or experts.

EHS Will Associate Itself With Different Initiatives Within A Firm, Not Just Quality Management

Different industries will derive various benefits from an EHSQ platform, as vendors develop solutions to tend to firms' needs. Although not all firms have heavy regulation and compliance duties, quality can still be measured throughout their operations. It is also important to note the implications that arise from EHSQ strategies that exist on the periphery, which may not always be obvious. Implications to consider are the facts that:

- **All firms have EHS and quality requirements, even in lower-risk industries.**

Organizations are often complex systems made up of various elements that rely on one another. The International Organization for Standardization (ISO) and its family of ISO 9000 standards is an example of a framework to which a vast majority of firms adhere. The standards help to ensure that firms meet quality standards and form a basis from which business elements can operate. Although historically EHS has catered for regulation-intensive firms, the developing requirements of the EHS function are becoming more obvious. In the Verdantix 2021 global corporate survey, 58% of respondents cited improving mental health and wellbeing management as a high priority in the coming two years (see [Verdantix Global Corporate Survey 2021: EHS Budgets, Priorities And Tech Preferences](#)). The survey also addressed the growing importance of EHS for ESG practices. When questioned about this, 97% of respondents agreed that EHS would drive ESG initiatives over the next two years.

- **Quality processes can influence a firm across its value chain.**

A strong culture of quality can reverberate across a firm's value chain. If such a culture is developed, firms will see subtle benefits around knowledge processes and quicker onboarding. The 'Great Resignation' brought with it a loss of institutional knowledge. Quality management, in some instances, is akin to knowledge management, encompassing how knowledge is captured and can be applied to improve performance. An effective quality management strategy can thus aid firms in bringing new team members up to speed and improve the effectiveness of onboarding processes. Being able to scratch the

back of different areas within a firm can instigate a positive feedback loop in which better delivery in specific areas can improve quality management processes.

- **An EHSQ ecosystem can benefit operational excellence and IT regimes.**

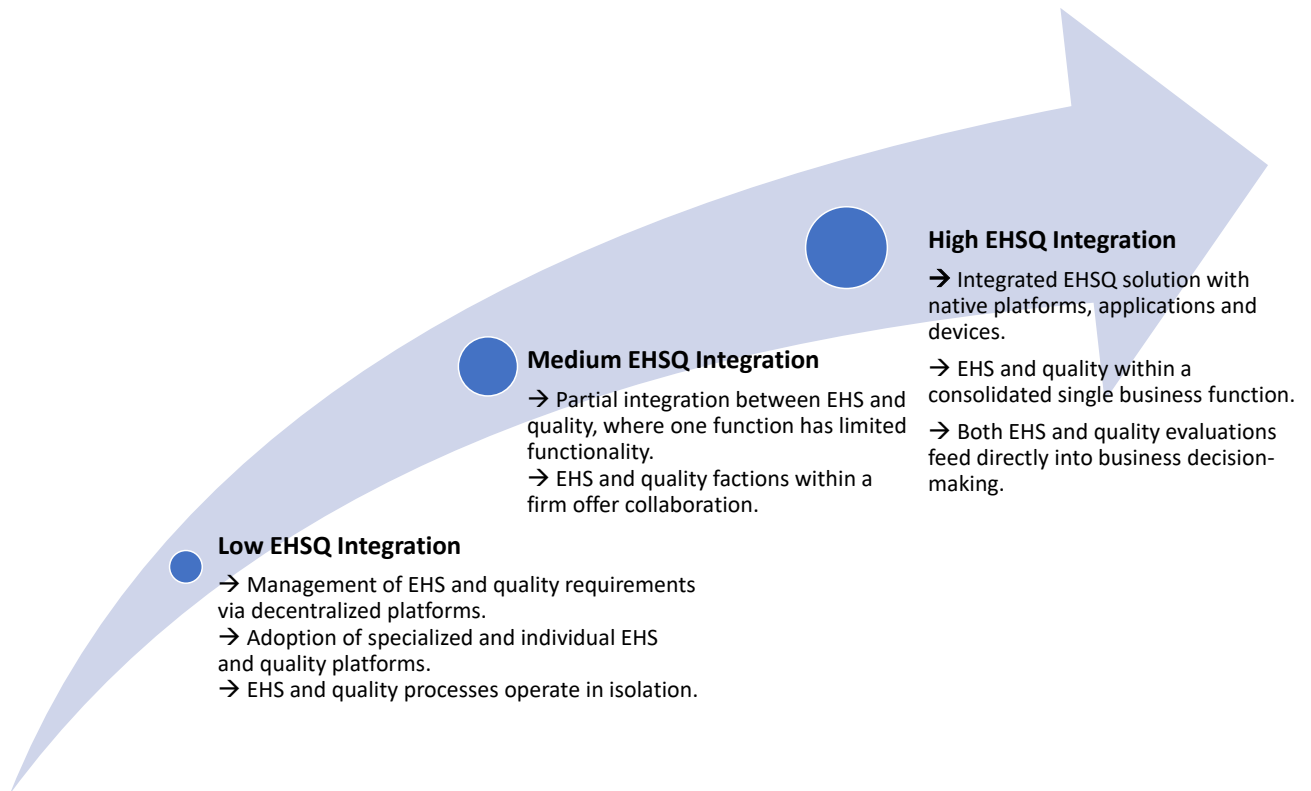
OSHA has 14 process safety management (PSM) elements, which can be broken down into 'worker safety', 'operational risk management (ORM)' and 'asset integrity' categories (see [Verdantix Green Quadrant: Process Safety Management Software 2021](#)). PSM and ORM have long fallen under the remit of EHS, operations and IT, with numerous factions playing a role to ensure process integrity. With the benefits EHSQ provides, firms can not only evaluate the risk and process safety of operations, but ensure that business quality is also maintained. On the rising tide of Industry 4.0, IT teams can work closely with EHSQ platforms that have the capabilities to accommodate PSM requirements. This synergy will ensure that both tangible and digital assets are accounted for and high levels of quality adhered to.

- **Traction of GRC and ESG in the EHS ecosystem is not the same as that of quality.**

There is a growing trend within the EHS ecosystem to integrate governance, risk and compliance (GRC) tools to provide better ESG insights. This triad of capabilities enables a funnelling up, to provide a holistic and central view of governance and compliance. However, the functionality of each aspect may become watered down if the process is conducted too drastically. Currently, ESG, EHS and GRC exist mostly as separate platforms, and it is important that strong functionality is maintained for each of these crucial business processes. Where EHS and quality differ in terms of their coupling is in the specialist make-up of the two fields and the people-centric nature of the functions. Although metrics may be rolled up into complex integrated systems, such as those of GRC and ESG, firms will need specialist functionality in both EHS and quality management as a strong foundation. Getting EHSQ right should be the primary goal for firms before the use of these metrics for GRC and ESG purposes can be considered.

FIGURE 2

Low, Medium And High Levels Of EHS And Quality Integration A Firm Can Adopt



Source: Verdantix analysis



VERDANTIX CAPABILITIES

RESEARCH, ADVISORY, INSIGHTS & EVENTS

Through our research activities and independent brand positioning we provide clients with:

- Research relationships based on an annual research subscription
- Confidential advisory services such as commercial due diligence
- Thought leadership studies for brand building and lead generation
- Executive summits, roundtables and webinars
- Advisory workshops to rapidly increase your sector knowledge
- Multi-country and complex customer survey projects
- Marketing campaign support with analysts and content

VERDANTIX MARKET COVERAGE

Environment, Health & Safety

Focuses on the software and services markets that enable corporations to improve their performance across environment, health and safety including compliance, risk and performance.

Operational Excellence

Focuses on helping managers in operations, asset reliability, process safety and maintenance roles to leverage technologies which enhance production reliability, asset health and operational safety.

Smart Building Technologies

Focuses on software, intelligent building technologies and consulting services that enable real estate and facilities executives to optimize the value and performance of their building portfolios.

ESG & Sustainability

Focuses on the decisions of investors, tech providers, financial services firms and corporate leaders. Conducting in-depth research on the full range of services and technologies required to succeed with ESG and sustainability strategies.

WHY VERDANTIX?

Verdantix is an independent research and advisory firm with expertise in digital strategies for **Environment, Health & Safety, ESG & Sustainability, Operational Excellence** and **Smart Buildings**. Our mission is to anticipate the insights and data that our clients need so you can succeed with growth strategies, invest wisely and optimize performance.

WWW.VERDANTIX.COM