Tactic 8
Performance Scorecard

A scorecard is an important tactic that links key areas of organizational performance with an organization’s vision. This tactic helps identify critical indicators and targets. The EHS manager can use a mixture of document review, interviews, and focus group discussions to prepare the EHS scorecard.

The EHS scorecard can be constructed using a four-step method:

1. Identify and agree on the organizational values and vision/mission.
2. Identify and agree on the key areas of performance at which the business must succeed in order to achieve its vision/mission in line with its values.
3. Build and agree on a scorecard that explains the linkages between key areas of performance and the vision/mission.
4. Identify and agree on indicators to measure success, identify current performance against indicators, and develop targets.

Step 1. Identify and agree on the organizational values and vision/mission

◆ Obtain a copy of your company’s organizational values (also called core values or guiding principles) and its business vision and/or mission statement. (In some cases, these terms may not be used by the organization. Nevertheless, you should have a clear understanding of the essence of your business, why it exists, and where your senior leaders want to take the business in the future.)

◆ Ask the following questions:
  —What is our vision and how does EHS help achieve this vision?
  —What is our mission and how does EHS help achieve this mission?
  —What are our values and how does EHS support these values?
  —What EHS operating principles are we already committed to and which do we amend or adopt in support of the company’s vision, mission, and values?

◆ Start to align your EHS program with these organizational principles by determining what you do that helps the company perform against items.

◆ Coordinate this activity with Step 2 in the “Scoring the Results” (Tactic 7), if applicable.

◆ Create an EHS vision, mission statement, and core values that are aligned with the business counterparts.

Step 2. Identify and agree on key areas of EHS performance

◆ Use interviews with key members of the management team to learn more about the following items:

Values and Mission
1. How would you describe the organization’s values and mission?

EHS Perspective
1. If the organization is successful, how would EHS contribute toward this success - what are the organization’s EHS objectives?
  • Product and service outcomes
Making the Business Case for EHS

• Customer- and stakeholder-focused results
• Financial and market results
• Organizational effectiveness results
• Leadership and social responsibility results
• Coordinate with Step 3 in the “Scoring the Results” (Tactic 7), if applicable

2. What results or indicators would you use to measure EHS success?
   • Environmental
   • Safety
   • Occupational Health
   • Integrated (systemic and cross-cutting)

Stakeholder Perspective
1. If the organization is successful, how will it be perceived by each stakeholder group in 2 year’s time?
   • Employees
   • Customers
   • Suppliers
   • Communities
   • Shareholders
   • Regulators
   • Others (e.g., NGOs)

2. If the organization is successful, how will it be perceived by each stakeholder group in 10 year’s time? Is there any difference from the 2-year view?

3. Which are the key elements of the stakeholder perceptions that will help the organization achieve its EHS objectives?

4. What indicators would you use to measure success?

Internal Perspective
1. Which internal processes and management activities are central to driving increased stakeholder satisfaction and to achieving the EHS objectives of the organization?

2. What indicators would you use to measure EHS success?

Knowledge and Skills Perspective
1. Which areas of knowledge and skill will be essential to achieve excellence in internal processes and management activities and to achieve the EHS objectives of the organization?

2. What results or indicators would you use to measure success?
   Ask the question —“Where are we now?”

Step 3. Build and agree on a scorecard format
1. Evaluate the information obtained from the first two steps.

2. If the responses are highly consistent, draw up a scorecard (see Figure 1). If the responses are not consistent, identify critical areas of disagreement and possible alternative solutions.
3. Build consensus around the key areas of disagreement highlighted by your evaluation using a modified Delphi approach (see Tactic 4).

4. Prioritize the key indicators for each category (use the bubble-up/bubble-down tool from the EHS problem-solving tool) – what are the critical pathways to success for integrating EHS into the business and demonstrating how it can add value?

**Step 4. Identify current performance, initiatives, and action plans**

1. Use Attachment 1 to help align your EHS activities with what the company desires to have in each of the categories on the scorecard.

2. From the list (see Attachment 2) of EHS indicators, select some EHS performance drivers (i.e., leading indicators) that can be used in the “Learning and Growth” area. What are the outcome measures (i.e., lagging indicators) that would go with these other measures?

   For example, leading indicators can be:
   - Develop employee EHS potentials
   - Provide a useful EHS technical infrastructure
   - Create a climate for EHS action

   A lagging indicator may be a number of employee action plans for EHS activities. Using the Systems Approach tool, computerize the hierarchical process maps with all of the information on the main process including all of the EHS activities by work step (number of processes mapped with resource, activity, and information linked by work step), and have an independent survey completed to gauge employee satisfaction (percent employees satisfied with their job).

   Make sure there a good measure for each of the indicators selected to include in the scorecard. How do your traditional EHS indicators relate to these indicators?

3. Next go to the “Internal Business Processes” category in Attachment 2 and select the leading indicators, such as improve quality management focus in process improvement, or ensure effective use of IT in managing the operations. Allocate all EHS activities to the employees working in the process.

   The lagging indicators may be using the Systems Approach with its quality management tools to prepare the action plans, allowing workers to see all the information on resources, EHS activities, and regulatory information that is specific to their work. Have a couple of key outcome measures based on the operation to see if having the employees involved in this way has increased compliance (e.g., reportable incidents or reduction in the use or loss of resources used in the process).

   You should see some linkages between the items in this level and the items in the “Learning and Growth” level. Make sure there is a good measure for each of the indicators selected to include in this section of the scorecard. How do your traditional EHS indicators relate to these indicators?

4. Now you are ready for the “Customer, Market and Stakeholder” category. For the leading indicators, let’s look at product EHS attributes, customer relationships, and image and reputation. The lagging indicators for these performance drivers could be number of “green” or “inherently safe” products, customer satisfaction measures, and new markets for the products. The product attributes could have been developed through hierarchical process mapping or the “lessons learned” from the employee teams using the action plans.
Customer relations could be improved by better communicating the EHS efforts using the visual tools of the Systems Approach or selecting projects that were of great interest to them. The image and reputation are linked to the drive for quality management used as a basis for the entire program and how that was communicated to customers and other stakeholders.

Make sure there is a good measure for each of the indicators selected to include in this section of the scorecard. How do your traditional EHS indicators relate to these indicators?

5. Finally, you are ready for the “Financial” category. This is the link to value for the organization. The leading indicators will come from the vision and mission of the company usually using the information from Steps 1 and 2. Lagging indicators are from the company’s financial objectives for the current year. They need to be linked to the items in the Customer, Market and Stakeholder category.

Make sure there is a good measure for each of the indicators selected to include in this section of the scorecard. How do your traditional EHS indicators relate to these indicators?

Step 5. Show how the indicators interact in a hierarchical manner

Place the indicators on the hierarchical EHS scorecard. Draw arrows linking the “Learning and Growth” level indicators to an indicator that is at the “Internal Process” level. Draw arrows linking the indicators in the “Internal Process” level to indicators in the “Customer, Market and Stakeholder” level. Finally, draw arrows from the indicators in the “Customer, Market and Stakeholder” level to the “Financial” level.

You now have a device that can help you relate your EHS performance to the value building components of the company.
Eight Business Value Tactics

Figure 1. Hierarchical EHS Scorecard
Figure 2. Blank Scorecard

- **Financial and Market Perspective**
- **Customer and Other Stakeholder Perspective**
- **Organizational Effectiveness - Internal Business Processes**
- **Learning and Growth-Human Resource Perspective**
ATTACHMENT 1: Aligning EHS with What the Company Desires

Financial and Market Perspective

Reduced Overhead
  - Improved Stakeholder Value
  - Stakeholder Engagement and Accountability
  - Improved Bottom Line
  - Improved Cost Structure

Revenue Growth
  - Environmental Protection
  - Improved Branding
  - Improved Use of Assets
  - Increased Value to Customer

Customer and Other Stakeholder Perspective

Satisfied Customers
Satisfied Suppliers
Satisfied Community
Satisfied Regulators/Government
Improved Environment
Product Leadership
Satisfied Workers

Organizational Effectiveness – Internal Business Processes

Effective Management of Assets
Procurement Management
Resources Productivity Improvements
Process Improvement
Excellent Customer Knowledge
Effective Compliance Management
Operational Excellence

Learning and Growth—Human Resource Perspective

Better Work Practices
Include EHS in Performance Reviews
Improve Risk Management
Training in Organizational Values
Technology Awareness
Corporate Culture Improvement
Enhance Employee Competencies
ATTACHMENT 2: List of Indicators by Balanced Scorecard Category

Financial
- Environmental $ saved
- $ fines/penalties
- EHS costs (% of sales)
- % proactive vs. reactive expenditures
- Increase in relative % of proactive expenditures
- % environmental costs direct-traces
- $ capital investments in control
- Energy costs
- Disposal costs
- Recycling costs
- Recycling revenues
- Revenues from green products
- $ operating expenditures
- Reduction in cost of debt
- Cost avoidance from environmental actions
- Permits faster than average due to reputation
- $ workers’ compensation costs
- $ trend on insurance
- Environmental legal expenses
- Growth in operation profit
- Lowering of the overhead cost
- ROIC – Return on investment capital
- ROCE – Return on capital employed
- Operating margin
- Cash to earnings ratio
- Ensure EHS projects support business strategies
- Meet the EHS annual budget
- Focus on planning and synergy with business projects
- Contribute to top line growth

Customer, Market and Stakeholders
- # cause-related marketing
- # green products
- Product safety
- # recalls
Eight Business Value Tactics

◆ Customer returns
◆ Unfavorable press coverage
◆ % products reclaimed after use
◆ Product life
◆ # stakeholder communications
◆ Key external stakeholder relationship score
◆ Functional product eco-efficiency (e.g., energy costs of washing machine)
◆ $ community support related to environment
◆ # community meetings
◆ Realize the full potential of strategic products
◆ Improve market share
◆ Achieve superior customer satisfaction
◆ Improve environmental performance
◆ # community complaints
◆ # shareholder complaints
◆ Implement product stewardship program

Internal Business Process

◆ # LCAs performed
◆ % materials recycled
◆ % waste to landfill
◆ # certified suppliers
◆ # accidents/spills
◆ Cost associated with accidents/spills
◆ # audits/year
◆ # truck miles
◆ # notice of violations
◆ Line management EHS satisfaction score
◆ Improve quality management focus in all business processes*
◆ Ensure effective use of IT supporting the business strategies
◆ % office supplies recycled
◆ % junk mail reduced
◆ Internal audit scores
◆ Audit recommendation implementation score
◆ Information sharing score
◆ Energy consumption
◆ % facilities certified
◆ % of product remanufactured
◆ Packaging volume
◆ Nonproduct output
◆ # supplier audits/year
◆ Fresh water consumption
◆ Greenhouse gas emissions
◆ Air emissions
◆ Water emissions
◆ Hazardous material output
◆ Vehicle fuel use
◆ Habitat changes due to operations
◆ # employee accidents
◆ # lost workdays
◆ # work stoppage due to environmental controls not operating
◆ # suppliers certified
◆ # supplier violations
◆ Environmental quality of facilities
◆ # safety improvement projects
◆ Avoidance of claims
◆ Improvement in operations performance
◆ OSHA recordable rate reduction
◆ Improvement in safety
◆ Total recordable incident rate (TRIR)
◆ Issuing internal standards for EHS
◆ Lowered resources used in production and services
◆ Work to full business integration including embedding of EHS approach/commitment in entire organization
◆ Monitor performance and quality of EHS processes, targets, data, and documentation
◆ Utilize EHS trend spotting and risk management in the decision-making process
◆ Use project management to optimize efficiency and quality
◆ Issue EHS codes of conduct to suppliers
◆ Set pollution prevention goals
◆ Use injury cost and frequency data
◆ Prepare Hierarchical Process Maps of all main processes
◆ Allocate all EHS activities to work steps in the process maps

**Learning and Growth**

◆ % employees trained/training compliance rate
◆ # training programs/hours
Eight Business Value Tactics

- Reputation per surveys
- Inclusion in “green” funds
- # employee complaints
- Unfavorable press coverage
- # violations reported by employees
- # employees with incentives linked to environmental targets and objectives
- # of functions with environmental responsibilities
- Management attention to environmental issues
- % employees using car pools
- EHS employee satisfaction score
- EHS employee retention rate
- Successful job rotation plan
- Employee education $
- Integration of EHS into line organization
- EHS target achievement rate
- EHS expense spending
- EHS performance score
- Create winning culture
- Align EHS vision, mission, and values with business
- Report on EHS performance
- Participate in EHS benchmarking
- Implement an EMS
- Implement OHSAS 18001
- Analysis of incident reports
- Regular safety meetings
- Integrate EMS with OHSAS 18001
- Implement a source reduction program (pollution prevention)
- Participate in a government voluntary program (e.g., Performance Track)
- Implement behavior-based safety program
- Participate in VPP
- Start using EHS Balanced Scorecard
- Design for the Environment (DfE) training
- Environmental Accounting Training
- Budget for seminars and conferences for EHS people