ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS) – THE BUSINESS CASE

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OVERVIEW

Debates concerning the costs and/or benefits of implementing an Environmental Management System have raged for some time. This paper seeks to distil the experiences of companies that have already implemented an EMS into explaining the business case behind their decision.

Risks and Opportunities

Better Environmental management usually leads to reduced operating costs and enhanced reputation. Failure to take environmental risks and obligations seriously is often the result of intuitive rather than informed decision making by senior management. Failure to act, otherwise known as "business as usual" has been clearly labelled unacceptable by Stern, IPCC and many other authoritative commentators. All businesses should be addressing the environmental risks and pressures they face. Identifying and managing these effectively generates opportunities and competitive advantage.

An EMS is a proven delivery mechanism for taking action to drive change towards reduced environmental impacts. An EMS is not an end in itself, unless a client, regulator or other influence insists on it as a precondition of business. Implementing an EMS for this reason alone rarely allows the realisation of the full benefits.

Some direct and indirect consequences of failure to act on environmental issues:

Direct

- Higher environmental taxes e.g. Landfill Tax, Climate Change, Fuel Duty
- Legislation e.g. compliance with Duty of Care, WEEE, Packaging Regs
- Higher insurance costs, particularly following accidents or prosecution
- Higher transport costs
- Carbon dependency and impacts e.g. price fluctuations, carbon footprinting
- Rising emissions and regulatory costs
- Rising discharges and regulatory costs
- Restricted planning and other permits
- Higher resource, water and energy costs
- Higher waste treatment and disposal costs
- Higher data acquisition and reporting costs

Indirect

- Exposure to customer and cultural demand change
- Eroded licence to operate and greater reputational risks
- Government policy e.g. "Sustainable Procurement" will mitigate against you
- Restricted access to markets
- Exposure to reduced supply of finite raw materials and resources
- Heightened climate and market change risks
- Greater supply chain dependencies and demands
- Adverse media & PR comment
- Impaired shareholder / stakeholder relationships and reduced access to capital
- Lower employee skills, accountability and motivation
- Reduced brand value

The role of an EMS is to identify and control risks and to generate and deliver opportunities.

While many organisations will have elements of environmental management this may not be fully functional, prioritised, efficient or delivering value. An EMS does not need to be certified to deliver benefits. However, third party certification to a standard such as ISO 14001 or BS 8555 provides assurance to stakeholders, especially clients, that environmental risk and costs are properly assessed and controlled to a universally recognised standard and that opportunities to improve environmental performance are under continual review. In addition, all environmental legislative requirements will need to be complied with if certification is to be maintained.

Some benefits routinely derived from EMS implementation include:

Financial:

- Cost savings from material, process, energy and waste efficiencies
- Potentially reduced insurance costs
- Reduced Health & Safety costs
- Reduced environmental taxes
- Reduced supply chain costs

According to the broad experience of Envirowise, a government funded agency that has worked on improving environmental management in thousands of companies, typical waste costs can be reduced by informed review by as much as 25%. Typically this can translate to 1% of turnover saved and a 10% uplift in profits. If you take into account all the labour, resource, energy and transport costs embodied in discarded materials, the true cost of waste is between four and twenty times the gate cost of its disposal.

Similarly, energy costs can be reduced by up to 20% in manufacturing companies by a combination of awareness-raising and best practice combined with some low cost monitoring and managing equipment. Not only does this reduce overheads but also vulnerability to rapidly rising energy costs and increasing comparison of carbon footprints as a product or service differentiator. As energy use varies widely between organisations it is more difficult to suggest the value of good energy management. However, for high energy users savings can be substantial.

Commercial:

- Satisfies customer and shareholder concerns
- Enhances brand value
- Adds competitive advantage
- Improves access to markets
- Enhances relationship with regulators
- Reduces supply chain risks

Organisational:	Quality of management improved
	Training improved
	Working conditions and safety improved
	Innovation encouraged
	Procedures enhanced
	Stimulates improvement in other operational practices
	Enables strategic overview and possible integration with Quality and Health and Safety systems
	Enables comparison with competitors and benchmarking
	Improves preparedness for new legislative impacts
	Demonstrates compliance
People:	Enhanced motivation and engagement with employees
	Improved skills and qualifications
	Greater feedback from employees
Environmental:	Increased material efficiency
	Reduced potential for pollution
	Reduced waste
	Reduced emissions
	Increased recycling
Communication:	Improved public image and reputation
	Improved dialogue with customers
	Improved dialogue with employees and other stakeholders
	Improves transparency, leading to greater confidence in business practices

Making the most of the opportunities

The costs of implementing an EMS are typically incurred in the first few months of its introduction. Thereafter, implementation gives way to much cheaper administration. However, benefits are quickly realised and remain cumulative year on year. Over time the financial benefits will significantly outweigh the costs. To that can be added the “non-financial” benefits realised, such as enhanced brand value, access to market and a improved share price.

From an industry perspective, a certified EMS audited by a third party organisation gives greater credibility to the business and differentiates it from competitors with the result that cumulatively over time the benefits will significantly outweigh the costs.

The extent to which the above opportunities are realised will depend on the degree of commitment placed on the EMS. Without commitment from Senior Management and effective engagement with employees and other stakeholders, opportunities from the EMS will be missed.

Types of EMS

ISO 14001:2004

This recognised international standard for implementation of environmental management systems, specifies the features and requirements necessary to help organisations identify, evaluate, manage and improve the environmental impacts of their activities, products and services. Any business that is legally compliant and can identify all their aspects and environmental impacts is able to achieve ISO 14001 recognition. There is no required level of excellence to achieve certification, just a commitment to continual improvement, prevention of pollution and compliance with environmental legislation and other requirements. An EMS can usually be implemented into an organisation within 6-9 months providing the required information and resources are available.

BS 8555

BS 8555 offers a stepwise system that breaks down the implementation process for ISO 14001 into 6 key stages. These stages have individual targets for achievement and can be assessed on completion so that organisations registered on the scheme can achieve early recognition for their commitment to environmental management.

Relationship to Quality and H&S systems

An EMS in the form of ISO 14001 follows the same format as ISO 9001 and OHAS 18001, and has many common elements. The British Standards Institute document PAS99 explains these commonalities further. Because of this it is often sensible to implement an EMS format with existing systems thereby reducing the amount of work required and further simplifying operational arrangements.

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FURTHER INFORMATION

- Contact The Olive Consultancy on info@consultolive.com or 023 8011 1440 to see how an EMS may be appropriate to your business.
- Bsi 2004
- Bsi 2007
- Iema 2007
- Net Regs 2007

REFERENCES

- Government position statement on Environmental Management Systems, Environment Strategy Directorate, Environment, Business and Consumers Division (September 2005). Available online: www.iema.net & www.emas.org.uk [Cited 15/07/07]