The costs and risks of compliance transformation

There are many benefits to transforming your business' approach to compliance, but there are costs and risks to be considered in the process. Here's how to handle them...

Costs

Over simplification

Look past the visible costs to see any underlying true costs. The rationale for change becomes even more compelling once they're properly understood.

e.g. Defect cost are often seen as the value of the defective part, but the true cost is probably triple:

The defect + Replacing/correcting the defective part + Time lost

Insurance

The cost of an adverse event is often not factored in. Smaller investments that ward off large risks should be characterized in terms of avoided costs — so, ranking and prioritizing the avoidance of these risks — and the possible costs if you don't.

e.g. In the USA, insurance premiums are calculated on recordable accident rates, so reducing accidents over time can significantly reduce premiums.

Optimization

The cost of retiring existing systems may offset the cost of a new, optimized approach. But as small, redundant, and suboptimized systems are retired and economies of scale are realized with a more efficient, centralized approach, this initial cost will pay dividends in the long-run.

Cost of doing business

As governance becomes more global, standards like the UN sustainability index increasingly become a driver across the supply chain, defining who large enterprise customers will and won't work with. Adhering to standards like ISO can support certification and help secure a company's position in the supply chain.

Risks

Systems

It can be hard to compare risks across different sites using different systems because they won't share a standardized baseline. Align systems across sites for a clearer view of risk levels across the whole business.

Calibration

People measure risk differently. Similar operational conditions will end up with a wide variance that can mask significant risk unless you consistently define risk assessment parameters.

Invisible systemic risks

Exceptional risks (high single point RPN) are obvious. What's less obvious are the "rocks below the waterline" — the lower impact risks scattered across a business that can go unnoticed if they're not purposely sought out. Calibrate your RPN properly so systemic risk isn't masked, and people don't just focus on a few higher risks.

Learn more about transforming your EHS compliance program with our eBook: **A handbook for EHS compliance transformation**

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