

Good Safety Ensures Good Business

The role that safety plays in today's business is becoming more critical than ever before. In some instances, a seemingly innocent safety error can mean the difference between being in business, being under duress, or being out of business. Business schools are peppered with case studies on crises around safety and sustainability - Bhopal, the Tylenol® tampering, Piper Alpha. These are lessons in what to do, and in what not to do. How a firm addresses the safety of its employees, its suppliers, its customers and its community stakeholders can speak volumes about how well the organization is managed, how much earning potential it has, and whether or not it makes a good partner over the long term.

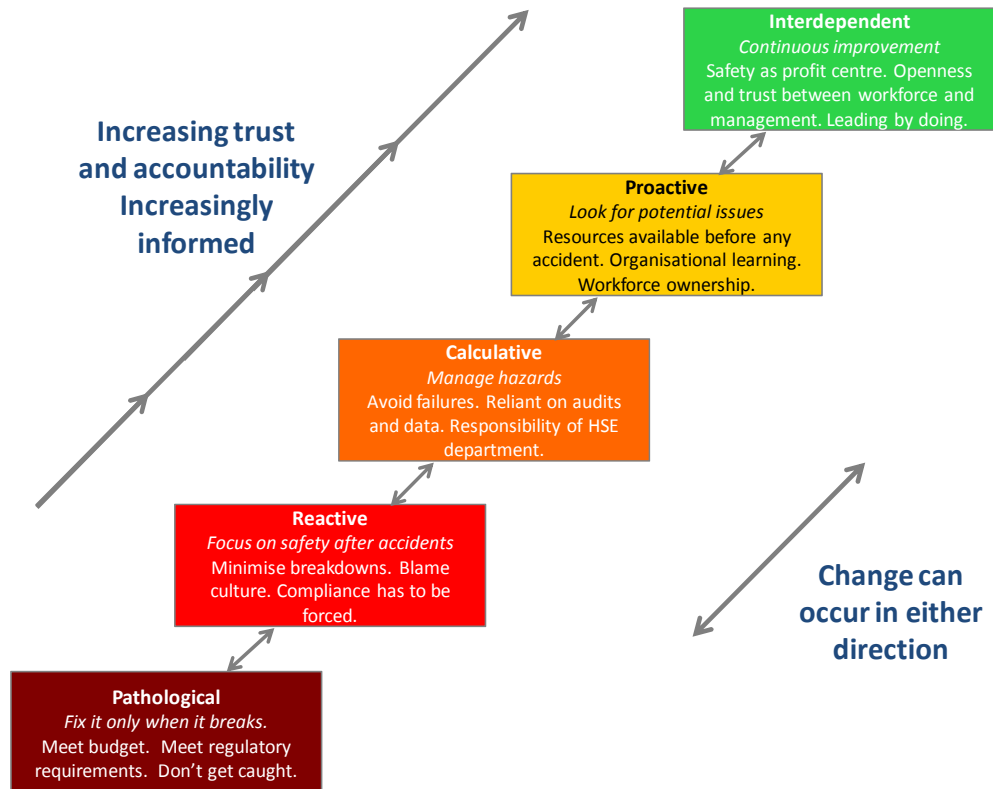
We believe a strong overall safety performance can be a leading indicator for business viability, resilience, and perhaps even profitability. Strong safety performance requires disciplined thought and detailed work processes. This very same discipline can be applied to how people are hired and trained, how business deals are consummated, how M&A is managed, how financials are worked, and how employees are managed and supported.

Safety performance requires the right culture. This should be based on values articulated by senior management and understood across the company. Values provide a common sense of purpose and inform common standards across the organization. Effective values should make or imply choices about the way an organization operates so that they influence behaviours and decision-making.

With values as the foundation, a broader safety culture can then be developed. In its most basic form safety means that everyone associated with or affected by the business is not hurt or disabled in the course of doing business. This includes not hurting individuals, not damaging equipment and not destroying infrastructure.

How business leaders go about meeting these basic requirements reveals critical differences between companies. Many see safety as something that needs to be managed in order to keep the regulator satisfied - this indicates a more 'reactive' culture. A few view safety as a competitive advantage, moving beyond the compliance mindset in order to embrace best practical or best available approaches - this is the proactive or even interdependent culture.

The different types of safety culture are summarised in the diagram below. Organisations can move from the bottom to the top of the diagram by developing effective safety cultures and establishing the necessary processes and systems to sustain these. To be able to do this, they need first to understand their existing culture before starting improvement initiatives that will help it move to the next level.



Safety matters. It is no longer acceptable for a business to hurt anyone at work. It is even more appalling to injure anyone outside of the workplace. Whole industries have come under great stress due to a few owners' inability to operate safely. Nuclear energy is a prime example, where incidents such as Chernobyl and Three Mile Island have heavily tainted the industry's generally good safety record. Communities would rather accept job losses, than accept workplace or community injuries. Good safety, or caring for one's employees and communities, is one simple way to begin the journey that will yield positive benefits throughout the business.

To achieve good business and reliable operations, safety must be viewed as an investment. This investment comes in the form of capital, training and development, and in appropriate levels of resourcing, including allowing enough time to do an adequate job. These work processes are difficult to maintain and to balance in a dynamic business environment. Even some of the safest firms realize that they must be diligent in the stewardship of their safety work processes during difficult economic times or abnormal business pressures.

However, a number of studies have shown that good safety pays. According to the Liberty Mutual Research Institute for Safety, for every \$1 invested in safety, there is between a \$3 and \$6 saving. Achieving returns like this takes a commitment by executives to view safety as an investment in the business versus a cost to be managed.

When deciding where and when to spend money in this area, it is simply a question of "pay me now" or "pay me later." One must ponder why the resources are not applied in the beginning, and why a firm always seems to have the time, the money and the resources available after the incident has occurred, the damage is done, and

the amount of funding required has increased. A more robust management system would make the investment on the front end, when the cost is less.

Firms with better safety are just managed better. With good safety, firms are able to sign more supply contracts, because their operations run more reliably and with fewer interruptions. They are able to commit earlier because they know with a higher level of certainty that they are able to deliver. They also know that their workforce is stable, and that key skills will not be subject to workplace injuries or labour unrest. There will be no inspections by the regulator that cannot be easily handled. There will be no shutdowns or emergencies that will cause a break in supply and an interruption in revenue flow. There will be fewer lawsuits and complaints, as the operations will not leak and communities will not need to be evacuated. The workforce will remain a partner to the management in serving customer needs, and the safety culture will be positive.

Many of the stronger safety efforts are augmented and supported by developed maintenance and process control programmes, and by solid human resource sensing and measurement efforts. Continuous improvement is an important management element, and lean manufacturing and six sigma tools are commonly used. It is important to use a variety of tools in ones' kit to ensure good safety outcomes. Even when a firm is doing everything right, good safety can be very elusive. The "doing" of good safety is difficult. The "having" of good safety can be fleeting. In fact, safety performance never stays the same - it is always getting better or getting worse. Similarly, when one thinks one has safety in the right place, that is exactly when one should start to worry. The key is to never become complacent.

About i2a Consulting

i2a consulting helps clients improve performance through good business. Good business means meeting regulatory requirements and making responsible choices. Good business is about developing the right leadership and culture; using processes, metrics and systems to influence how people behave; and being operationally effective in getting the right things done.

We focus on issues related to corporate responsibility, compliance and business ethics. We combine expertise in key risk areas with proven delivery capability to embed effective solutions. Our approach brings people together enabling knowledge, skills and experience to be used effectively to achieve positive results.

We approach safety from a background of business consulting and improving performance. We combine deep expertise in critical areas with a proven ability to deliver behavioural change. Our clients get the right solutions working in the right ways.

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