

STEPPING UP TO OPERATIONAL SAFETY EXCELLENCE.

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In 1985, I dared to ask one single question that ended my 18-year career as a safety practitioner. It also, however, impacted how safety would be managed in companies throughout this country, and marked the beginning of a second more productive career as an Organizational Performance Consultant specializing in 'Preemptive' Risk Management. That question was presented to the profession in March 1993 as Professional Safety's cover story entitled: "Safety Management: A Call for Revolution". Now, some ten years later, it is being asked across five (known) continents impacting the thinking of academics, and practices of many global institutions and organizations. That critical question was, (and remains)... "WHY"?

Inquiring minds want to know:

- Why...are 'all industry' LWD Incident Rates only marginally improved, in spite of 30 years of federal regulation and enforcement?
- Why... do Workers' Compensation costs continue to escalate in many business segments in spite of these incident rate declines?
- Why...do multi-location companies with one centralized safety program have such diverse results across their organizations?
- Why... did NIOSH researchers find that companies with better safety efforts had higher accident rates?
- Why...did a Department of Energy (DoE) study conclude that sites that invested more (% of budget) in safety incurred higher loss costs?
- Why, in many organizations, is 'safety' managed differently than all other business functions? And most importantly,
- Why...did HR executives of the Conference Board cite 'SAFETY' when asked what function could be eliminated due to failure to add value?

These questions frame the bigger question: "If 'safety programs' are a common denominator to organizations that both fail and succeed, what then is the 'X-Factor'...the differentiating variable that separates world-class performance (the best) from the vast majority who struggle to maintain mediocrity (the rest)?"

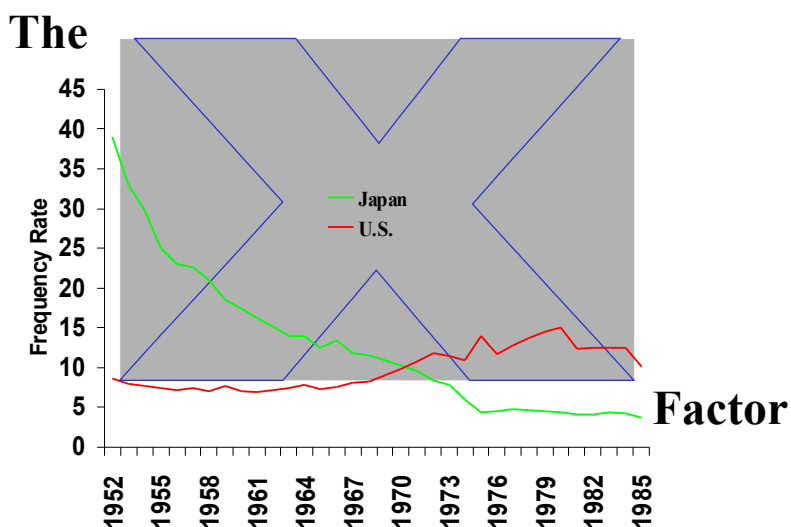
THE 'X'-FACTOR

The answer to these questions in specific, and clarification of the 'X'-Factor (excellence differentiator) in general was provided by Professor Richard Wokutch in 1992.. In his book: "Worker Protection, Japanese

Style”, two important insights emerged. The first was a comparison of United States vs Japan injury frequency trends, which indeed visualized the ‘X’ - Factor, and the second was his observation, that in spite of the vast difference in results, Japanese safety programs were very much the same as those employed by US firms suggesting that safety programs weren’t the differentiating factor—culture was: “Concern for safety and health is integrated into the production system: it supports efforts to promote quality, and productivity. Accidents would severely disrupt production, and therefore must be avoided at all costs. Individual workers and line managers take primary responsibility for ensuring the workplace is safe and healthy. They don’t rely as much on safety managers, or governmental regulators as is often the case in the United States”.

FIGURE #1 The ‘X’-FACTOR

FIGURE 1 Frequency Rates Japan and the United States



Richard Wokutch “Worker Protection Japanese Style”

Data Sources: Japan Institute of Labour 1988
National Safety Council

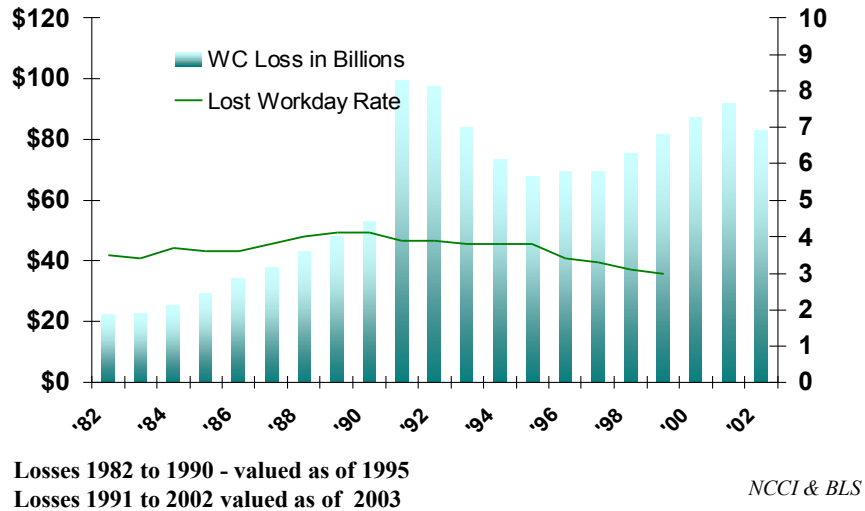
In his October 2003 Occupational Hazards article: “Getting the Culture Right”, Don Eckenfelder contends that organizational attitude ultimately determines whether safety initiatives succeed or fail, and proposes three core truths: “1) Culture predicts performance, 2) Culture can be measured, and 3) Nothing is more important than getting the culture right!” (Eckenfelder) The culture of an organization, its basic beliefs and values concerning people, is what drives safety excellence.

Tom Peters and Bob Waterman spent a decade “In Search of Excellence”...attempting to discover what lies at the core of operational excellence. After years of research, they summarized their findings in a simple, yet powerful message to American management: “Figure out your values system!” Values lie at the core of an organization’s culture, and are the predictors of, and ultimate determinants of all operational outcomes...safety included.

FIGURE #2 INCIDENT RATES AND WC LOSSES

FIGURE 2

LWD IR & WC Losses 1982 - 2000



TRADITIONAL STRATEGIES

Stephen Covey warns that: “If we always do what we’ve always done, we’ll always get what we’ve always got.” The obvious question hence is: “What do we do, and what have we got?”

Research by the National Institute for Occupational Safety and Health (NIOSH) initiated in the late 1970’s has documented the limited effectiveness of traditional safety approaches in minimizing loss outcomes. When safety effectiveness ratings of a studied population of companies were compared to loss outcomes produced, no significant correlation of ‘effort to results’ was found. However, when the same population of companies was studied a second time comparing management competencies to loss outcomes, a clear correlation of management effectiveness to low incident rate outcomes was revealed.

A more recent study (safety budget vs loss incurred) at selected sites within the Department of Energy also resulted in unexpected findings...the more significant being (Crites):

1. “Increased investment in a formal safety program did not produce improved safety performance. Distribution of results indicted an inverse relationship, i.e., the greater the safety investment, the higher the level of loss, and
2. Factors having minimal impact were:
 - A shift in safety emphasis
 - Size of the safety budget
 - Degree of hazard
 - Safety rules (quantity or quality), and
 - Safety committees

These, and other similar studies conducted over the past 10 years confirm that management (more than programs) is the major controlling influence in achieving safety excellence, and that overall...maximally effective safety programs in industry will depend on those practices that can successfully deal with people variables. Dan Petersen, concurs with such findings. He has concluded: "We believe probably that there's something having to do with the culture and the climate of the organization that makes the whole safety program work. What works in one organization, may not work in another." (Sheridan). And similarly, D. A. Weaver, a thought leader of the profession 50 years ahead of his time observed: "Excellent organizations frequently achieve exceptional safety results in the absence of any visible safety program, and excellent safety performance cannot be attained in a generally poor organization." His bottom line: "Safety is nothing more than a by-product of doing things right."

THE SAFETY EXCELLENCE EQUATION

More recent Gallup Organization research on high performance companies also identifies values and leadership as key differentiating factors. In "First Break All the Rules", lead researcher and author Marcus Buckingham summarized the key findings of that study: "Excellence is not the opposite of mediocrity...Excellence is Different." Excellence is not generated by more of the same, only faster, quicker, harder; but rather by re-focusing on the drivers of high performance, culture (values) and leadership (practices). Relative to 'safety', this would suggest that traditional safety elements (programs), although valid and necessary, are alone, not sufficient to achieve safety excellence in an organization. These elements need be empowered by the culture of the organization. There is a 'Safety Excellence' equation that applies to all organizations, and it is:

$$\text{SAFETY EXCELLENCE} = \text{CEOu}$$

Where:

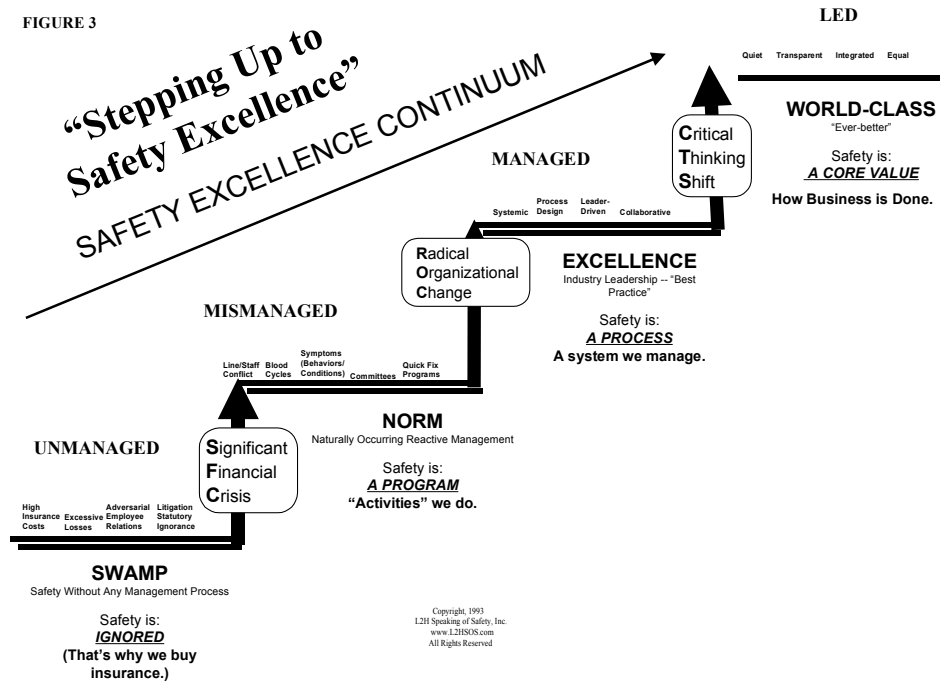
- C** = the **CULTURE** of the organization (Values)
- E** = the **ELEMENTS** of the safety (Program), and
- O** = the **ORGANIZATION'S** safety performance (Systems).
- u** = the **LEADERSHIP** (Actions of Executives and Champions)

The Safety profession has spent over 50 years perfecting the 'E' - Elements of safety; it's now time to move forward, and focus on the enablers of excellence—the 'C' - Culture and 'O' - Organization of the business.

When conceived ten years ago, the safety excellence continuum model proposed to define and diagnose culture improvement opportunities, consisted of only three levels, and two requisite 'step-changes'. It is now evident that a fourth 'high-end' performance level, and a third mindset change is requisite to attaining true World-Class distinction. The revised excellence model now consists of four 'step-change' performance levels: SWAMP – NORM – EXCELLENCE and WORLD-CLASS. For those familiar with the original work, this revision will reinforce original concepts. For those more recently entering the profession, this model serves as a strategy beacon to guide efforts toward world-class results. In "Good to Great", Jim Collins and his research team concluded that: "The first step of Leadership is not visioning, but rather confronting the brutal facts." (Collins) Following are the patterned management practices and predominant cultural beliefs that define the current reality of safety, and which must be confronted at each level of the 'step-change' journey to World-Class safety in an organization.

FIGURE #4 THE SAFETY EXCELLENCE CONTINUUM

FIGURE 3



**STAGE I – THE S.W.A.M.P.
(SAFETY WITHOUT ANY MANAGEMENT PROCESS)
Safety is 'Unmanaged' - Safety is ignored!
COSTS ARE THE PROBLEM!**

Organizations mired in the SWAMP are frequently managed by the 'Tyrant-a-Saurus Wrecks' a management species that has evaded extinction in many organizations. These companies reject responsibility and perceive safety as a burden placed upon them by regulators, the insurance industry or the Labor organization, a task with no productive value. They accept accidents as an unavoidable cost of doing business, are autocratic, and have a heavy 'production focus, with safety frequently compromised to quota and/or delivery schedules. People are viewed as expendable resources. Their planning is short-term and reactive; communications are one way (down), and founded in mandates of fear. They employ 'make-do' solutions to equipment and facilities problems, often leaving them unsafe. Minimal employee involvement is allowed in the process and labor/management relations are often at odds concerning safety and adversarial on most everything else. It's always a case of 'them vs us!'"

These companies have high insurance costs driven by both frequency and severity. Their Experience Modification typically exceeds 1.25 (25 % debit surcharge). They populate the high-risk pools, and adversely affect the insurance rates for their industry classification. These companies operate in statutory ignorance, often in violation of recognized codes and regulations. Employee complaints and whistle blowing occur frequently. They are targets of labor lawsuits and workplace litigation emanating from injuries, which frequently make national headlines. Companies mired in the SWAMP remain there until a Significant Financial Crisis (SFC) occurs, which can be either a single catastrophic event, or a cumulative increase in loss costs so significant as to impact profits, and threaten the CFO's or CEO's position, hence

forcing senior manglement (not a typo) to acknowledge a problem and declare: “We need a safety program!” It is with this impetus that evolution to Stage II the ‘N.O.R.M.’ begins.

STAGE II – THE N.O.R.M.
(NATURALLY OCCURRING REACTIVE MANAGEMENT)
Safety is ‘Mis-managed’ – Safety is a Program!
PEOPLE ARE THE PROBLEM!

Because the decision to act was driven by cost and ignorance rather than an understanding of real causes, the NORM is typically christened with the ‘kiss of death’—the hiring of a Safety Director! This is a typical move as management believes people are the problem, hence the natural answer is to hire someone to ‘fix them’...not us!

At this stage, companies implement safety programs without having adequate understanding of the problems or the actions necessary to resolve them. They implement programs patterned after what others have done, i.e., create committees, establish rules, implement training, and enforce progressive disciplinary policies. None of these proves effective, as they are answers that do not address the problem...the management problem.

Line managers typically excuse away accidents as employee carelessness. They are in conflict with the safety officer who they perceive to be a nitpicker impeding their real job...to get product out the door! Line supervisors do not accept responsibility for the safety and health of the people assigned to their units, and embrace ‘quick fix’ programs which have minimal impact, as employees see through the ploys and ‘blow them off’.

Safety campaigns have high visibility, with slogans, contests, gimmicks, and incentive programs. Managers issue rules and more rules, but frequently compromise them in their own day-to-day behavior, sending a clear message to employees: “Read my lips...” Efforts are cyclical as they follow blood cycles--injuries occur, pressure applied; injuries reduce; pressure removed.

Activities focus on inspecting out hazards and observing and disciplining out unsafe work practices. This process fails to identify core problems, and only addresses surface symptoms. Line managers ‘do’ safety but don’t ‘buy into’ safety. Insurance costs in these organizations show some improvement but plateau at or about industry norms. Experience Modifications hover around 1.00 plus or minus 25 percent...this varies year to year.

The NORM is where many companies exist, and where most will remain. For an organization to advance onward to Stage III...EXCELLENCE, they must undergo a ‘Radical Organizational Change’ (ROC), discarding traditional beliefs and approaches, and adopting a more progressive mindset on systemic cause and correction. These become the Excellence companies.

STAGE III – EXCELLENCE
(SAFETY EXCELS TO THE TOP QUARTILE)
Safety is ‘Managed’ - Safety is Integrated.
PROCESS IS THE OPPORTUNITY

In excellence companies, safety is less scheduled and more systemic. Efforts are dedicated to the building collaborative systems and cooperative partnerships that integrate safety into core business processes. There are few, if any, safety rules, safety meetings, safety audits, safety training, safety metrics, and least of all safety committees. The objectives of such activities are integrated into operational procedures. In place of separate ‘safety’ activities, there are normally held operations meetings (that include, and often start with safety), there are standard operating procedures and training (that include safety), there are problem seeing and solving sessions (that address safety), and there are manager meetings to address on-going performance improvement opportunities (that include safety).

These organizations are well schooled in TQM concepts, progressive management, principles, and modern leadership practices. Accidents are rare events, and when they occur they are addressed quickly and effectively...at their root cause level. Labor relations is healthy with many of these companies listed on recognized business lists, i.e., “Best 100 Companies to Work For” and/or publicized in business trades, B-school case studies, and management journals. Accident costs are low, and Experience Modifications evidence a downward (credit) trend to .75 or better (at least 25% better than industry average). For these companies, safety pays dividends and adds to the bottom line. Many in this group have transformed their safety function from a cost center, to a profit center in recognition of its ability to make margin contribution and create shareholder value. Excellence companies face one additional ‘mind shift’ on the journey to becoming a true World-Class safety organization. This final ‘step-change’ involves a Critical Thinking Shift (CTS) wherein safety is no longer perceived as a technical and/or managerial issue, but as a core value critical to business success. Safety in World-Class organizations is cultural, an issue of leadership values-- ‘Safe is how business is done’.

STAGE IV – WORLD-CLASS
(SAFETY AT THE TOP)
Safety is ‘Non-managed’...Safety is led!
CULTURE IS THE SOLUTION!

In a short, but powerful statement, Peter Drucker summed up the cumulative insight of his five century career as this planet’s most influential thinker on management practice: “ With 50 years of hard evidence at hand, it’s awful hard to ‘slough off’ the truth...It’s all about PEOPLE!” (Drucker) One of the most distinguishing features of world-class safety organizations is that ‘shared ownership’ by all replaces ‘forced accountability’ by few. Line managers accept primary responsibility for leading safe operations, and employees actively contribute to and cooperate with the process because it is founded upon shared values not imposed rules. Senior managers place a high value on the health and well being of people, believe that accidents are unnecessary, intolerable, and preventable...and let those thoughts be known throughout the organization. In world-class organizations, safety is a measure of operational effectiveness...a key metric of strategic business success or failure. The decisions managers make are time-consuming and planning is formal and strategic. Responsibilities for both line and staff managers are clearly defined and aligned with collaborative partnerships replacing inter-function conflict.

These companies shun quick fixes, knowing quite well they won't work. Their employee relations policies and manager practices are employee centered and humanistic. Employees are empowered and rewarded, often through gain-sharing arrangements. Communications are open and informal. Feedback is encouraged, and the grapevine is more constructive than destructive. Methods to produce safety are built into job briefs and standard operating procedures. Results are closely measured and monitored. Causes for variations are identified and rectified, and there is a predominance of reinforcement over discipline in this process.

There are no flag-waving campaigns, stump speeches, or bells and whistles; there are simply 'good business' practices that produce superior results. Insurance costs and retained losses are low relative to the size and scope of operations. Experience Modifications are among the best in class, and hover historically below .50 (fifty percent credit) or better than the industry. In these organizations, safety loses its identity; there are no 'safety programs'. There are few, if any, accidents. There is simply 'excellent leadership'. As Peter Senge asserts: "Mastery is invisible."

World-Class performance will only become a reality in an organization when all managers; executive, operations, line and staff fully integrate safety into the organization's mainstream value system, policies, and practices. This will not result from safety programs superimposed upon the organization, but only when safety is fully accepted as integral to the organization's mission, and as a strategy critical to the success of business objectives.

For those organizations willing to commit proactive leadership, and willing to refocus efforts (it doesn't cost any more money), World-Class safety is attainable, NOW. Peter Drucker's observation, however, on the requisites of business success applies in all organizations: "All theory degenerates into work". Given an opportunity to pursue transformational change (in mindset and strategy), an unfortunate reality is, most defer to Coderre's (Paul) Law of Least Resistance: "Given the opportunity to do nothing, most will." They prefer to employ L.A.M.E. (Lazy – Antiquated – Mediocre – Externally focused) excuses for substandard performance. To these organizations, the soft warm ooze of the SWAMP is too comfortable (numbing), and the status quo of the NORM too familiar (easy). They opt for the more common alternatives (and costs) of mediocrity:

- Increase the annual Workers' Compensation premium budget.
- Add legal and claim administration staff.
- Blame the government, the Union, El Nino, and their useless brother-in-law.
- Set higher production quotes to offset loss costs, and
- Lower the bar on margin projections!

World-class safety is a journey available to all, taken by some, and completed by an elite few.

"Watch that first step...it's a big one...and potentially a very profitable one!"

To learn more about this topic, contact Larry Hansen at (315) 383-3801, by e-mail at llhsos@dreamscape.com, or online at www.L2HSOS.com.

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