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SAFETY – BUILDING A COMPELLING BUSINESS CASE FOR CHANGE

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Introduction

In organizations today, the business environment has increasingly become more complex with greater demands for attention on a wide range of issues.

For most of these businesses, the challenge is how to deal with a diverse range of competing priorities and knowing which ones will deliver the best results. Inevitably, the ideas that will gain ascendancy will be those that demonstrate a positive return for the business, which are congruent with the overall business strategic directions, and which demonstrate a clear and manageable path to implementation.

The challenge for managers who carry responsibility for the effective implementation of safety programs is how to create a stronger voice for their ideas and strategies with Boards, CEO and other senior management.

This paper is intended to provide some general guidance on:

- ✓ Why many of the traditional approaches to safety fail to get attention in organizations,
- ✓ Provide some understanding of what motivates Boards, CEO's and other senior management,
- ✓ How to develop a compelling business case for change, and
- ✓ Provide some ideas on how to strategically reposition safety

Why Traditional Approaches Fail

There are a myriad of reasons why safety often fails to get the recognition it deserves within organizations. The reasons may be different in each enterprise. Below is a list of some of the principal causes for failure.

Lack of Knowledge – Safety is often regarded by senior management as a technical and complex area requiring specialist knowledge and training. The consequence is that many managers prefer to leave the management of safety to technical experts and lack the skills and knowledge to understand what is their role in managing safety effectively.

Unfortunately, safety leadership is typically excluded from academic and training agendas. Many managers progress through their professional careers without developing appropriate knowledge or skills in this area.

Poor Outcomes – Management are sometimes frustrated by the significant effort required to implement safety systems only to see little if any change in performance outcomes. They begin to see safety as an administrative burden required to meet legislative compliance and lose sight of the strategic opportunities that are available to the business.

Administratively Cumbersome – As mentioned earlier, safety has become a complicated affair. National employers can be faced with the requirement to comply with several hundred pieces of legislation requiring the development of very extensive policy and procedure manuals. Maintaining this bureaucracy can become a major activity in itself, and may not lead to improved performance.

Poor Investment Returns – Investing in Health and Safety is an expensive business. Generally there is a poor correlation between the investment required to implement effective systems and the types of outcomes that should be expected from an investment of that level. Premiums can be seen as uncontrollable cost of doing business, and therefore constraints around department expenditure and training programs are seen as the main opportunity to contain cost. Little is understood about the organizational impact of injury.

Inappropriate Influencing Skills – It is true that safety is now discussed within business more widely than ever before in the past. However, very often the conversation is more about operational issues rather than strategically how we can use safety to improve overall organizational capability. Safety Managers need to develop new skill sets that enable them to pitch their ideas appropriately at Board and CEO level as well as being able to bring these ideas alive in an operational sense.

Too Much Noise – In every business, there are a series of competing demands all requiring, energy, time and investment. Unless safety is strategically positioned within a business, it will be dealt with as a priority. The difficulty here is that priorities are easily changed and the risk is those things that are either easiest or that create the greatest commercial gain will get the primary attention. Safety is a long-term management issue and should be developed as a non-negotiable organizational value.

Strategy Doesn't Reflect Business Needs – Safety strategies may be developed separately to the business plan and therefore a conflict can arise between organizational priorities and safety requirements. This usually results in a lack of inclusion of safety in equipment and process design and purchase, development of business culture, and integration to other business processes and strategies. In this regard, safety may not always be seen as a major contributor to the execution of business goals.

It may be an interesting exercise to assess your own organization against these weaknesses as a way of helping to you to understand what needs to be done differently to effect change in the future. Using the table below, make your own assessment of what is happening in your business. You may also want to consult others views to understand their perspectives.

Issue	**Rating (1-5)**	**Comments**
Lack of Knowledge		
Poor Outcomes		
Administratively Cumbersome		
Poor Investment Returns		
Inappropriate Influencing Skills		
Too Much Noise		
Strategy Doesn't Reflect Business Needs		
Other (Specify)		

Ratings:
1 = Not applicable/Not like our organization
2 = Somewhat unlike our organization
3 = Sometimes like our organization
4 = Mostly like our organization
5 = Exactly like our organization

What drives Board, CEO, and Senior Management decision making

Understanding what drives Board, CEO and Senior Management behaviour is critical to the success of any safety program.

Unfortunately, inappropriate levers are sometimes used to influence behaviour which leads to diminished focus on safety performance and outcomes. These levers include:

- *The BIG Stick* – fines, penalties and other enforcement incentives are often cited as a reason for implementing safety programs. Whilst this may have a positive short-term effect in influencing behaviour, it is not usually a sustainable argument for change as the perceived threat of a fine or penalty is not present in everyday thinking. It is also an argument that tires quickly if used too often. It is interesting to note that many of the regulatory authorities are looking to increase fines and penalties as an incentive for business to improve safety performance. There is no doubt there is an appropriate place for fines and penalties within the system, however, it is unlikely to drive sustainable change unless the imposition of fines becomes significantly more prolific.

- *Administrative Compliance* – the introduction of safety systems are argued on the basis of complying with relevant legislation and Australian Standards. Whilst this can be an effective argument to introduce safety systems into a workplace, the size and complexity of some of these systems can create an administrative bureaucracy encouraging a minimalist approach to compliance rather than focusing on the effectiveness of the systems.

- *Cost Reduction* – potentially one of the more effective levers for influence, however, often there is sometimes a poor link between effort and investment required versus the potential financial return.

- *Technical Jargon* – the use of unnecessary technical jargon can make it more difficult for senior management to understand what is required and how it will impact on the business.

In September 2004, IBM Business Consulting Services published a Global CEO study[1] that examines the business agenda for CEO's in the next 2-3 year period. The survey was conducted amongst 456 CEO's globally, of which 243 are based in the Asia Pacific Region.

The study highlighted that there are three (3) primary drivers currently influencing CEO's. These include:

- ✓ *Growth* – this includes developing strategies for revenue growth (including new products/services, new markets, channel issues, customer intimacy, and diversification), cost reduction and containment, asset utilization, and risk management.

- ✓ *Responsiveness* – 85% of the study group recognized the need to improve organizational responsiveness, flexibility, and agility in order to successfully respond to changes in the market place.

- ✓ *People and Change* – people are seen as pivotal to successfully managing change. Keys issues identified include re-skilling, retention, and leadership. There is widespread agreement that this issue is potentially the most difficult priority to address.

We can readily see from this study, that there is quite a disparity between traditional influencing methods and what is of keen interest to CEO's and Boards.

Furthermore, senior managers also carry functional responsibilities for the business and may have other particular areas of interest that also require attention.

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[1] The Global CEO Study 2004, The Asia Pacific Market Viewpoints: A/NZ Companion Guide. IBM Business Consulting Services © 2004.

For example, the Company Secretary is likely to be interested in issues that affect director liability and Australian Stock Exchange (ASX) compliance requirements. The Chief Financial Officer will be interested in opportunities to reduce cost and improve EBIT performance. The Head of Operations and Human Resources are likely to be concerned with issues affecting productivity, culture, and employee relations and so on.

It follows then that there are many different ways in which to influence change within an organization by engaging all stakeholders and ensuring the business case for change represents something of interest to their particular accountabilities and values.

Building the business case for change

Building the business case for change is a challenging task at the best of times.

The first thing to consider is how senior managers and CEO's may have been "pre-conditioned" in their thinking about health and safety. If there has been a heavy reliance on traditional methods of influence, the topic of safety may have become jaded within the business and some may perceive that the issue is in the "too hard" basket.

The following steps outline a process that can be used in a range of different scenarios to help build the business case for change. It should serve as a useful guide to work in most situations but may require further adaptation or lateral thinking to suit particular industries or organizations.

Step 1 – Where are we, where do we want to be?

A major challenge in any change process is to develop a clear sense of what is currently working and what is not. The best way to understand this step is to articulate exactly what are the outcomes that are currently being achieved. This is quite distinct from understanding what processes are in place.

At this step, we want to know premium trends over several years, claims volume, audit results, prevention improvements, case severity, organizational impact of injury, LTI rate, fatalities, anything that gives us a real sense of what is actually occurring in our business today. If possible, track trends over several years to demonstrate whether performance is improving or deteriorating. Based on historical trends, project future trends 3-5 years out.

Conduct an analysis of key factors contributing to these trends. Demonstrate impacts of OH&S interventions, introduction of new work processes and technology, and other significant organizational changes.

Importantly, develop a clear picture or vision of what safety outcomes should look like if the business managed the issues well. Use the same metrics and analysis to demonstrate the size of the gap between current state vs. future state. This will determine whether the focus for change is incremental or transformational. The wider the gap, the more significant the strategic intervention will need to be in order to deliver the desired outcomes.

Current ⟷ Future = Incremental Change

Current ⟷ Future = Transformational Change

Step 2 – The importance of Benchmarking

Effective use of benchmarking is often overlooked because it can be a difficult exercise to undertake with competitors. However, it is amazing how influential quality benchmarking can be. Managers are competitive by nature and can think of nothing worse than be shown (tactfully) to be behind best practice.

There are three types of benchmarking to consider:

- ✓ Internal – analyse performance within your own enterprise. Why is it that one work area consistently performs well, yet another area is constantly beset with injury. Is it just a difference in work process or equipment, or are there cultural or leadership issues in play. Identify "islands of excellence".

- ✓ External (within industry) – compare performance with that of a competitor. Often this can be difficult to do because of commercial sensitivities, but some firms will take the view that safety should not be a competitive issue and are willing to share ideas and information. Even if it is only possible to collect anecdotal evidence from other sources, this can send a very powerful message within a business. Again, no one wants to be performing worse than their major competitor.

- ✓ External (other industry) – non-competing industries are usually much more willing to share information and strategies. Look for the best of the best, and where possible, industries that have some characteristics the same as your own, for example, geographically disperse, employee size etc. Look for examples of turnaround success stories. What did they do, how did they do it, what are the key lessons to be learnt that can be applied in your enterprise.

Step 3 – Listen

Sometimes we get so caught up trying to influence change that sometimes we forget to stop and listen.

Meet with key stakeholders across all levels of the organization and listen to what they have to say about the way safety is being managed in the business. Ask them for their views on what is working and what is not, what do they need in order to become more effective, are they aware of how we are performing, benchmarking trends, what do they think needs to be done differently in order to be more successful.

This is a simple but critical step in influencing change. It creates the opportunity to draw a much wider group into the discussion about safety within the business. Safety is everybody's responsibility, they should be an input to the strategic design of a change program and develop a shared view on what needs to be accomplished and how.

Step 4 – Develop the Strategy

Having created the picture that distinguishes the current state vs. the desired vision, the next step is to articulate what actions are necessary to achieve the desired goals.

These actions will reflect what is known about the strengths and weaknesses of the current approach as well as what is learnt from the benchmarking exercise.

The strategy should include the following key topic areas:

- Executive Summary
- Strengths and weaknesses of the current approach
- Strategic Goals and Opportunities
- Overall Model for Change
- Key strategies and linked outcomes
- Resource Management
- Financial Business Case
- Key milestones and review points

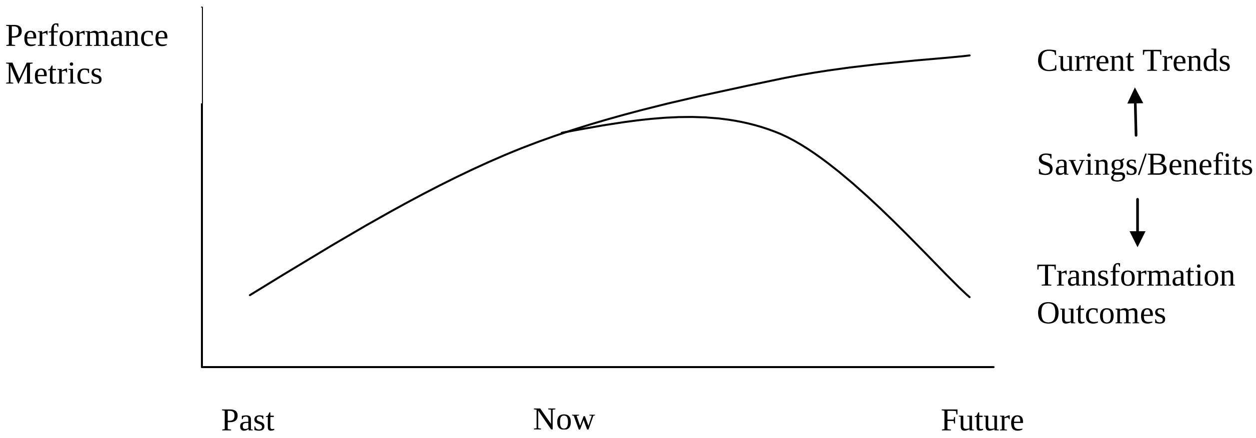
Use a style and format that is familiar to the business. Make it easy for others to read and understand what is being proposed making sure that investments required and expected return are clearly spelt out.

Ensure that the strategy targets specific areas of interest to the key stakeholders as outlined earlier. Note who are the key stakeholders who are likely to will determine whether the strategy is to proceed. Often this will include the entire executive team. Whilst Operations and HR may carry much of the responsibility for implementation, other members of the executive can be powerful allies in helping promote the change.

Step 5 – Talk Business Language

Use the business language that it is commonplace within your enterprise. Avoid using technical or confusing safety terms unless they are readily understood. The more effort required to explain strategies and ideas, the more uncomfortable the audience is likely to become in agreeing to chnage. They need to sense that what is being proposed is straightforward and achievable, not complex and difficult to relate to.

Develop a clear financial model demonstrating the investment in resources required to achieve the change and articulate the expected savings. Demonstrate how these savings will occur and when they are expected to be realised. Involve the Finance department to review your financials and secure their sign-off that the key assumptions and models used are correct. Finance may even suggest a specific financial modeling tool such as a net present value business case to help sell your strategy. Think how powerful it would be, to have the Head of Finance openly support your strategy because of the financial merits of what you are presenting.



Step 6 – Engage Key Stakeholders

Once the strategy and supporting financials are complete, present the strategy to each of the key stakeholders who are likely to have an influence on the final decision. Seek their input on content, style, and presentation. Make adjustments to reflect their views and re-present back to them a second time to make sure you have captured their feedback.

This will ensure they have read and understood the document long before any decision is made. If there are problems, you will know well in advance and have an opportunity to rectify them. Undertaking this activity also ensures they get their “fingerprints” on the document. When finally presented to the CEO and Senior Management team, the strategy and business case will already have their endorsement and sign-off becomes a mere formality.

Summary

Creating a compelling business for change case demands different skills and a new way of thinking. It’s about finding a “hook” that is relevant to each stakeholder and which engages them personally. It is also about making sure that all the “hooks” together, create an argument that is both compelling in its own right as well as congruent with the strategic imperatives of the business.

“The definition of insanity is doing the same thing over and over and expecting different results”. Benjamin Franklin