



# NAC Executive Insights

## Safety Leadership—Invest in Business Sustainability: Here’s Your Roadmap to Zero Incidents

### Key Points

This Insight will share benefits of safety leadership and the positive impact of a zero incident culture on your organization. Key areas covered include:

- How good safety is good business.
- Why safety is an investment, not a cost.
- Creating and sustaining a zero incident culture.

### Safety Leadership

Effective asset management and operations are the life blood of any business. The old adage of “Grow or die” applies universally, so all work must be executed to deliver business success or the business will not be competitive and eventually will cease to exist. An essential focus for executives embarking on any new investment is to maximize return on assets through effective risk management. Satisfactory returns, however, are not easy to achieve if your organization does not avoid delays and disruptions through strong risk management.

Few events disrupt business more than those that involve injuries to people or damage to the environment. The 2010 BP explosion and oil spill in the Gulf of Mexico testifies to the high personal, societal, environmental, and corporate costs of a single incident. The incident resulted in the tragic loss of 11 lives and has cost BP more than \$40 billion. (1)

### Good Safety Is Simply Good Business

Investing in the right processes, governance, knowledge, and change management systems significantly lowers the risk of such events. Reducing injuries to people and to the environment greatly minimizes the need to cover these unplanned costs. In addition to the direct costs, a single incident can:

- Damage corporate reputation and brand.
- Halt production, preventing timely fulfillment of orders.

- Limit the opportunity to secure future business.
- Hurt employee morale; curtail ability to attract and retain the best employees.
- Result in severe damage to assets, or total loss of assets.
- Increase regulatory attention and actions.
- Drive up employee costs due to lost time by injured employees and supervisors and increased training costs for new or replacement workers.
- Trigger costly legal action.

## Good Safety Is an Investment—It Saves Money

According to the Liberty Mutual Research Institute for Safety, U.S. employers pay nearly \$62 billion (2016 data) in direct U.S. workers' compensation costs. <sup>(2)</sup> It costs U.S. industry over \$1 billion per week (direct costs) for disabling, non-fatal injuries. This is not sustainable performance.

The leadership of many organizations today shares the erroneous assumption that not all safety incidents and injuries are preventable. Companies that realize the most success in the shortest timeframes develop a "Zero Incident Roadmap".<sup>3</sup> The "Leadership Imperative" leads to "Operationalizing Safety," which leads to "Continuous Improvement."

## The Leadership Imperative

The first three elements of the Zero Incident Roadmap help to transform an existing "compliance" culture to one that's committed to zero incident and injury performance. Put simply:

1. **Embedded core** values spawn development of the right future goals (in this case, achieving zero incidents) regarding safety.
2. Without the **right future goals**, you can't make core values—the cultural underpinning of your business—actionable.
3. Executives must provide "**felt leadership**" by "walking the talk," which drives consistent organizational commitment by making safety real and visible at all levels.

## Operationalizing Safety

The second set of three elements in the Zero Incident Roadmap also must work interdependently. Specifically:

1. **Standard work processes** allow you to make process improvements to improve safety—without triggering the law of unintended consequences.
2. **IT-enabled knowledge management** establishes the collaboration and learning framework needed to drive efficiency, effectiveness, and safety best practices throughout the life of a project, including the operation and maintenance of the facility.

3. **Operating discipline** locks safety improvements in place and delivers predictable and sustainable outcomes.

## Continuous Improvement

The most successful continuous improvement processes are based on measurements of leading indicators, which can provide predictive “early warnings” about potential hazards and incidents. If people recognize and act on these early signals, they can proactively make course corrections to prevent injuries and incidents. Tracking leading indicators requires having the right IT systems and timely, accurate information flows.

## Will Tomorrow Be A Zero Day?

Absent the right leadership—combined with transparency into everyday actions and behaviors and leading indicators—there’s a pronounced tendency for organizations to drift back toward their original state. To get a quick estimate on your organization’s potential to achieve zero, see how many of the following questions you can answer “yes” to:

1. Does your organization accept that all injuries are preventable?
2. Does executive leadership “get it,” and is it providing “felt” leadership?
3. Are there standard, IT-supported core work processes?
4. Do your IT systems promote and support collaborative work and decision-making processes?
5. Does the organization exhibit a high degree of operating discipline?

As you plan and implement your work, keep in mind *“An organization will achieve the level of safety performance that the leadership demonstrates it expects through personal actions and investments in people’s capabilities.”*

Ralph Waldo Emerson summarized it best: “Your actions speak so loudly, I can’t hear what you say.”

## Do the Math

According to the cost calculator created by the Safety Management Group, to cover the cost of an accident with direct costs of \$5,000 and \$20,000 in indirect costs (assuming you have a 10 percent profit margin), you would need to generate approximately \$250,000 in additional revenue. Extrapolate this to cover the total cost of a \$1 million accident and you would need to cover a \$10 million revenue impact.

## References

1. *BP Oil Spill Cost Hits \$40 Billion, Company Returns to Profit.* Brian Skoloff and Jane Wardell, 11/2/10 Huffington Post. [www.huffington-post.com/2010/11/02/bp-oil-spill-costs-hit-40\\_n\\_777521.html](http://www.huffington-post.com/2010/11/02/bp-oil-spill-costs-hit-40_n_777521.html).
2. Liberty Mutual Insurance Report <https://www.libertymutualgroup.com/about-liberty-mutual-site/research-institute-site/Documents/2016%20WSI.pdf>
3. "Safety: An Investment in Business Sustainability and Effective Risk Management," A Bentley White Paper, Jim Porter, September, 2013, page 8.

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## About this Executive Insight

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