Practical Leadership for Sustainable Business: Health and Safety Management

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Introduction

Sustainability, or sustainable business development, has become a popular and appropriate concept for business today. Sustainability is not a thing or a program. It is a way. Sustainability was defined by the Bruntland Commission in 1987 as the process by which organizations “meet the needs of the present without compromising the ability of future generations to meet their own needs.” A more recent definition of sustainability is found in the ISO26000, 2010 standard and reads, “Sustainable development is about integrating the goals of a high quality of life, health, and prosperity with social justice and maintaining the earth’s capacity to support life in all its diversity.” Perhaps the most practical definition, and the one on which this presentation will rely, is also found in ISO documents and reads, “…the ability to maintain or develop performance in the long term.” A large part of the sustainability concept is survivability.

The concept of sustainability is typically described as having three dimensions as depicted in Figure 1 below.

Figure 1. The figure depicts the three dimensions typically used to describe the sustainability concept.
This presentation will focus on the social dimension and, more specifically, the health and safety aspect. In this context, health and safety refers not only to an organization’s employees, but all its stakeholders. In order to sustain its business and survive long into the future, any organization must continually improve health and safety performance.

However, it must also be understood that these dimensions of sustainability must be seen as interdependent. Over-emphasis on any one dimension results in an organization out of balance. For example, if an organization focuses its efforts almost exclusively on economic results and does not adequately consider the impact of the social and environmental dimensions, the marketplace will likely perceive that organization to be a poor corporate citizen. By the same token, if an organization overly invests in corporate responsibility or green activities, economic results may not justify its continued existence. There must be a balance.

Safety Performance and Sustainable Business Development

Any organization that does not develop and maintain a concerted effort toward continual improvement in safety performance severely compromises its potential sustainable business development. There are two primary reasons why.

First, there are the critical issues of stakeholder perception, trust, and confidence. People are any organization’s number one resource, but more importantly, there exists a moral, ethical, and legal obligation to operate in a way that effectively manages the safety and health risks associated with the business. This obligation extends to all stakeholders and, when stakeholders perceive that continual improvement in safety performance is not a core value of the organization, there exists a level of mistrust and a lack of confidence that potentially endangers the business.

US Bureau of Labor Statistics records for 2013 show there were 3,007,300 total recordable work-related injuries for the year. 917,100 of these resulted in days away from work. There were 4,405 work-related fatalities. Statistics such as these drive negative perceptions of organizational efforts to manage safety and threaten sustainability. Any organization must prove due diligence in a systematic and comprehensive effort to manage its safety and health risks if it is to gain the confidence of its stakeholders.

Second, there is the fact that losses associated with safety-related incidents cost business much more than most leaders realize. Although safety is first about people, we should not apologize for being concerned about the economic impacts of loss on the health of the organization. We have long recognized that, while the costs of injury and illness (worker’s compensation, emergency response costs, etc.) are significant costs to most organizations, the costs associated with property damage and process interruption are much, much greater. The basic causes of injury events and those of damage and downtime events tend to be the same. The organization that effectively addresses all potential loss events in its risk management process minimizes the economic impact of those events and enhances its economic health. Organizations which fail to effectively control loss severely reduce their ability to survive.

Paul Polman, CEO of Unilever, has said of the sustainability concept, “Those companies that wait to be forced into action or who see it solely in terms of reputation management of CSR (corporate social responsibility) will do too little too late and may not even survive.” He seems to
advocate that any organization must engage the whole of sustainability thinking in its vision and strategic planning if it is to survive.

A quote from a recent edition of *The Economist* supports this idea. “Companies with an eye on their triple bottom line outperform their less fastidious peers on the stock market.” “Triple bottom line” refers to the three dimensions of sustainability, including the social dimension and its safety component.

**Focus on Safety: A Megatrend**

The world is changing and being shaped by a collection of so-called megatrends. A megatrend is a phenomenon that will significantly impact the way the world operates and how individuals live their lives. Among these are issues such as population growth, the development of a global economy, and focus on corporate governance. These trends are key concerns in sustainability thinking, but are also drivers of increased attention to an organization’s safety performance.

As the world’s population grows, so do exposures to the safety and health of individuals and, by extension, to the population at large as people are drawn physically and economically closer together. An organization’s concern for safety extends to all stakeholders, not just employees.

A global economy challenges an organization’s ability to compete in an ever-expanding arena. The organization must be able to prove itself worthy of investment and market share by demonstrating not only its concern for people, but its ability and determination to manage its risks in a responsible way. Safety performance is one of the key indicators by which the world judges that effort.

An organization that does not demonstrate a consistent and reliable means of governing itself in all aspects of its business will have trouble convincing the marketplace that it is reliable in development and delivery of its products and services. An inadequate approach to the management of safety-related risks might well be an indicator of an organization’s lack of competency to manage other aspects of its business.

**Safety and the New Risk Reality**

Risk management in any organization is a complex array of reviewing threats and protecting the organization from fortuitous loss. The world of risk in which business lives is multi-faceted and ever-changing. The safety-related risks with which any organization must deal are not the same as they were, even in the recent past. The world of safety-related risks with which a particular organization must deal every day is not static and is shaped by multiple influences. It is important that the organization understand these influences if systematic and comprehensive efforts to manage the resultant risks are to be effective. These influences are so numerous it would be difficult to list them all. It may help to understand them by using categories as illustrated in Figure 2 below.
Figure 2. The figure illustrates the four categories of influences that shape the risk reality with which any organization must deal.

The environment category does not refer to the green environment, but to the various aspects of the world in which the business operates and that have potential impact on its sustainability. It includes influences such as the regulatory environment, the marketplace’s demands for accountability and information, the extent of media attention and publicity, the attention of NGOs, the world’s appetite for risk, etc. A critical concern of all these influences is safety performance.

The experience category includes the individual experience or history of the specific organization, but also the collected experience of the specific industry, and even of industry in general. The safety-related experience of the organization can cause it to become either more risk averse or risk tolerant. Lack of improving safety performance or the experience of serious safety incidents can cause an organization to either take a defensive posture or engage in a more concentrated effort to improve. While continually-improving safety performance is highly desirable, it can potentially result in the organization becoming dangerously over-confident in its safety management capabilities. The same phenomena are potentially present in a specific industry or in industry in general.

The culture category refers to influences such as the management style of the organization, how individual stakeholders perceive the organization, whether the actions of the organization match its stated vision, goals, and objectives, whether safety is seen as a priority or a value, etc. An overly-permissive culture that allows at-risk behaviors in order to facilitate
production will find it difficult, if not impossible, to improve safety performance. An organization that states unequivocal commitment to safety, but routinely sets that commitment aside when circumstances seem to demand it will struggle for improvement. By the same token, an organization that sets high safety standards and consistently holds all stakeholders accountable to them may earn the reputation of being dictatorial, too rigid, or overboard on safety. Such a reputation may be desirable, but it also results in risks that must be managed.

The systems an organization uses to manage its affairs have an effect on the world of risk it must manage. Whether systems are overly prescriptive or excessively permissive, they present risks which must be managed. Safety management systems that are not based on systematic and comprehensive risk identification and assessment will be porous, weak, and ineffective. Systems that only seek compliance with regulations are based on a culture of minimum commitment and are not sustainable.

Sustainable safety performance is a vital and necessary part of a sustainable organization. Such performance can only be achieved when the organization understands and effectively manages its changing world of risk and all the things that influence it.

Leadership for Sustainable Safety Performance

Management systems have been a part of the business lexicon for decades, and rightly so. The various concerns of business must be managed in a systematic and comprehensive way. However, in the last few years, business has turned its attention more to leadership, and has done so in a way that implies there is a difference between management and leadership.

When asked to identify the differences between management and leadership, participants in DNVGL’s training courses have offered contrasting responses such as those in Table 1 below.

<table>
<thead>
<tr>
<th>Management is…</th>
<th>Leadership is…</th>
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<tbody>
<tr>
<td>“…about facts, figures, and paperwork.”</td>
<td>“…about people.”</td>
</tr>
<tr>
<td>“…position or title.”</td>
<td>“…earned respect.”</td>
</tr>
<tr>
<td>“…about direction or instructions.”</td>
<td>“…out-front, showing the way.”</td>
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<tr>
<td>“…involves strategic and tactical planning.”</td>
<td>“…day-to-day decision-making.”</td>
</tr>
<tr>
<td>“…about technical competency.”</td>
<td>“…involves people-skills.”</td>
</tr>
<tr>
<td>“…about structure.”</td>
<td>“…involves flexibility.”</td>
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Table 1. The table summarizes contrasting responses to the question, “What are the differences between management and leadership?”
Perhaps the most interesting and consistent response to the question is summarized as follows.

*Management is about maintaining the status quo, making sure the systems work as designed, ensuring compliance with requirements, and keeping the business running on an even keel to achieve stated objectives. Leadership is about challenging the system, not being satisfied with the status quo, adapting to changing conditions, and articulating a vision for the future. In other words, leadership is about change and effective leaders are change agents.*

Some of these responses have been stated with a high degree of passion, but no matter the level of passion, all respondents have agreed that both management and leadership skills are necessary if the organization is to survive.

Safety is no different. Safety management systems are still as important today as they ever were. However, the focus for many organizations today is *safety leadership.*

Consider the following. *Everyone in an organization is a safety leader.* An individual’s words and actions determine whether they are a positive or a negative safety leader, but they have no choice about being a leader. Someone is watching them for clues on how the world works. An individual’s words and actions shape organizational culture, whether or not they intend to do so. If this is true, then other questions become important. Are effective leaders born or developed? Are some people naturally more adept at leadership than others? Can an individual learn to be a more positive leader?

According to some, leadership is determined by distinctive characteristics present at birth (e.g. extraversion; intelligence; ingenuity). However, according to Forsyth (2009) there is evidence to show that leadership also develops through hard work, careful observation, and intentional learning. In other words, effective leadership can result from nurture as well as nature. There exists a body of knowledge for constructing effective safety management systems. There is also a body of knowledge for developing positive safety leadership. Continual development of leadership capabilities is vital for any organization determined to drive improvement in safety performance.

Effective leaders have been characterized by such traits as being fair-minded, straightforward, mature, dependable, imaginative, loyal, self-controlled, and independent. However, in a repeated survey with 75,000 respondents over 20 years, only four traits have repeatedly scored over 50%. They are honesty, forward-looking, competent, and inspiring. What do these traits look like in an effective safety leader?

**Honesty** – The leader is perceived as having integrity because he or she tells the truth, even when it is difficult to hear. They recognize and reward when such attention is earned, but also confront when necessary. They consistently enforce safety requirements and don’t make exceptions or play favorites. They are willing to deal openly with basic causes and management system deficiencies that lead to incidents, even when doing so may reflect negatively on organizational leadership.

**Forward-Looking** – The effective safety leader understands that what his or her organization is doing for safety management today will not be sufficient for tomorrow. The changing world of risk will present many new challenges and the organization must be prepared to address them
effectively. Failure to do so will not only inhibit improved safety performance, but will threaten the very existence of the organization. The leader must be able to develop and articulate a vision for the future. They must deal with the question, “What’s next?” They must be about sustainability.

Competent – The leader is perceived as having developed the requisite knowledge and skills to be effective in their role. Effective safety leaders continually develop their safety-related knowledge and skills. Their learning process includes staying up-to-date on regulatory requirements, but also involves the understanding and application of new concepts, tools, methods, and technology for safety. Safety must be a line-management responsibility and professional safety staff should perform as the organization’s internal consultant and subject-matter expert; however, all those who accept their role as a safety leader should develop and maintain an appropriate level of competence to be credible.

Inspiring – The effective safety leader demonstrates passion for the cause and a positive, can-do attitude. To be inspiring, one does not have to be overly enthusiastic or emotional, but must be consistent in displaying a positive attitude toward safety and the contribution safety activities make not only to the well-being of individuals, but to the well-being of the organization. While the characteristics of positive safety leaders discussed above are important and can be developed, it is most important that they be translated into practical actions.

Practical Safety Leadership – What Must We Be About?

The characteristics of positive leaders are only demonstrated by the actions they take and the words they use. The following is a list of some practical actions of positive safety leaders and can be used to assess one’s own leadership performance.

<table>
<thead>
<tr>
<th>Practical Leadership Actions</th>
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<tr>
<td>Actively listens to safety-related complaints, reports of hazards, concerns, etc., and deals with them appropriately.</td>
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<tr>
<td>Keeps stakeholders informed of progress on corrective and preventive actions.</td>
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<tr>
<td>Communicates the rationale for alternative solutions or responses to problems.</td>
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<td>Doesn’t view complaints or issues as personal attacks.</td>
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<td>Keeps up-to-date on existing and pending regulatory issues.</td>
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<td>Takes advantage of safety-related training opportunities to continually develop competence.</td>
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<td>Ensures all stakeholders have access to current information.</td>
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<tr>
<td>Challenges the status quo.</td>
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<tr>
<td>Remains open to new ideas.</td>
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<tr>
<td>Accepts that safety is an equal responsibility to production, quality, budget management, etc.</td>
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Approaches safety issues with the same degree of passion and enthusiasm as business-related issues.
Unwilling to compromise on safety standards and expectations.
Consistently enforces rules and procedures.
Presents new safety initiatives/requirements with a clear explanation of the reasons behind them.
Consistently follows rules and procedures.
Positively recognizes those who consistently comply with safety requirements and/or contribute to improved safety performance.
Doesn’t rely on tangible incentives as primary recognition methods.
First, a listener. Then, a speaker.
Provides timely and honest feedback.
Lives safety 24/7.
Includes safety as a key part of all team meetings.
Accepts responsibility for safety and doesn’t constantly defer to safety staff to handle issues.
Engages stakeholders in the development/improvement of safety-related activities.

Table 2. This checklist of practical actions of effective safety leaders can be used to assess one’s own safety performance.

Opportunities for Leaders – Improving Organizational Culture and the Safety Management System
There are many traditional safety management activities in which leaders must engage. Among them are workplace inspections, safety meetings, incident investigations, development of task analyses and procedures, and emergency preparedness. There are some not-so-traditional activities that also require the engagement of leaders at all levels of the organization.
The Identification of Management System and Organizational Culture Deficiencies – The incident investigation process must identify basic or root causes and address them appropriately if incidents of the same type are to be prevented in the future. However, leaders must recognize that these basic or root causes originate in deficiencies in the management system or in organizational culture. Unless these deficiencies are identified and addressed, they will manifest themselves in new and unanticipated ways. Effective safety leaders consistently assess the system and culture to identify strengths and opportunities for improvement.
The Proper Implementation and Maintenance of a Robust Risk Management System – Leaders must understand and engage in activities to identify or recognize safety-related risks, assess them for their potential, determine their acceptability, apply the hierarchy of controls, and monitor the implementation and effectiveness of controls. They must understand that this is a never-ending process.

Stakeholder Engagement – The more an individual or group is meaningfully involved in decision-making, the more likely their acceptance of and compliance with the decision. Effective safety leaders take every opportunity to engage stakeholders, especially employees, in safety-related activities.
Effective Behavior-Based Safety (BBS) – Leaders recognize that, while a BBS activity is a great opportunity to identify at-risk behaviors and coach employees, its most valuable use is as a tool to identify and correct management system deficiencies. Leaders learn how to conduct effective observation and coaching activities. They also learn the value of using observation data to identify issues with the management system or organizational culture that allow or even prompt at-risk behaviors. BBS isn’t so much about fixing the people as it is about fixing the system.

Change Management – Leaders understand, develop, and consistently enforce a robust change management process. Some may believe that such a process is a bit over-the-top, and will resist its routine application, or develop elaborate rationale for why it isn’t applicable in certain cases. Leaders insist on the application of the process in accordance with organization standards. The Proper Use of Leading Indicators – Leaders will continue to use lagging indicators to measure progress or results of their safety efforts. However, the effective leader will learn to rely on leading indicators to assess the level of work being done to control loss and will adjust their activities accordingly.

**Achieving Sustainability in Safety Performance**

What do leaders need to do to drive an overall safety improvement strategy and, most importantly, how do we ensure it is sustainable?

Organizational leadership must understand a simple truth. Regulatory compliance is the minimum standard to which an organization must comply just to exist. However, being in compliance with regulations in no way assures the organization that it is providing a safe and healthy workplace for its employees or that it is adequately protecting the health and safety of all stakeholders. A proper safety process must be based on a thorough understanding of the organization’s risk profile. Both a robust safety management system and a positive organizational culture are necessary.

The following are brief descriptions of tools and methods that can be used to achieve sustainable safety performance.

*Systems Engineering* – The systems engineering process is a top-down, comprehensive, iterative, and recursive problem-solving process, applied sequentially through all stages of project development. It is used to transform needs and requirements into a set of system product and process descriptions, generate information for decision makers, and provide input for the next level of development.

When safety requirements are properly integrated into the systems engineering process, the organization can have a high degree of confidence that all such requirements have been identified and that appropriate controls are in place.

*Safety at the Business Planning Table* – Safety must be involved in the life-cycle of the organization. A business case can be made for sustainable business development and the role safety can play in that development. Not only can well managed safety processes protect the lives and well-being of stakeholders, but they can contribute to the overall health (read financial performance) of the organization.
The only way to leverage safety for improved business performance is to have safety sit at the strategic planning table as an equal partner with operations, R & D, sales and marketing, legal, public relations, and other business concerns. Budgets must be developed with a safety component based, not on initial cost concerns alone, but on a substantial understanding of the organization’s risk profile.

**Internal Auditing** – Organizations are increasingly under pressure to demonstrate how they can create value while meeting the world’s economic, social, and environmental needs. With increasing complexity of risk and the demand for business to operate sustainably, companies are challenged to demonstrate that they are responsible and trustworthy. Safety performance is one measure by which an organization is judged.

Any organization must be able to provide evidence that it employs a mature safety management system. A robust internal audit process is one means of demonstrating due diligence in the management of safety.

Such an audit is not about compliance to regulatory requirements. It is also not limited to an assessment of how well internal standards are being met, although that is important. A proper safety management audit includes an assessment of how well the organization’s system employs leading-edge thinking and best practices. The results of an audit should provide stretch and challenge. It should lead the organization through change.

**In Conclusion**

Sustainability is not just about the environment. It is not just about corporate responsibility, or company image, or doing what the world wants. It is about survivability in an ever-changing business environment. Improved safety performance is a necessary and critical ingredient in the sustainability recipe. Improved safety performance requires, among other things:

- An understanding of how safety performance contributes to sustainable business development and the health of the organization,
- Acceptance of leadership responsibilities at every level of the organization,
- The continual development/improvement of leadership capabilities on a personal and organizational level,
- An understanding of the organization’s risk profile and the things that influence/change it,
- Routine application of a robust risk management system (identification, assessment, controls, monitoring),
- Engagement of all stakeholders in the safety process, and
- Embracing change.

**Bibliography**


The Economist. (May, 2012) “*Understanding Sustainability*”.