

BoSC Update

Business of Safety Committee (BoSC)

Volume 1, Number 1

Welcome to Our First Issue!

Welcome to the inaugural issue of *Business of Safety Committee (BoSC) Update*. Over the past few years, your BoSC has worked hard to provide you with resources and tools to demonstrate the value safety, health and environmental (SH&E) practices bring to organizations.

BoSC is composed of the following dedicated members: Michael Behm, David Bondor, James Boretti, J. Terrence Grisim, Joel Haight, Phil Lemons, John Spath, Michael Thompson and Ken Wengert.

If you have not had a chance to check out our website, please visit <http://www.asse.org/practicespecialties/bosc/>. The website features PowerPoint presentations, technical articles, research and governmental resources.

You will notice our logo is C₂E or “Committed to Excellence.” This moniker was derived from the idea that an organization must be committed to excellence. To achieve this, you must know the business impacts of SH&E.

Our goal is to address small, medium and large companies, both domestic and international.

What we see here today is a natural evolution of BoSC from small beginnings to a newsletter providing an “update” as we discover new tools and resources and showcase some resources you may not know are available to you.

We hope you enjoy this newsletter, use our website and send us your feedback. Please feel free to call me at (817) 869-4217 or to e-mail me at mhansen@rangeresources.com.



*Mark Hansen, P.E., CSP, CPE, CPEA
Chair
ASSE Business of Safety Committee
Vice President, Environmental & Safety
Range Resources Corporation*

We are excited to bring you this first issue of the *Business of Safety Committee (BoSC) Update*. It is ASSE’s and the Council on Practices and Standards’ vision to focus our efforts on providing members the resources they need to communicate effectively with senior-level managers. The future trends of business today reflect the need to display program value while relying on and using evidence-based information.

BoSC’s role is to provide you with evidence-based information that you can use to communicate the effectiveness of SH&E processes within an organization.

I encourage you to take the time to read this inaugural issue, visit the [BoSC website](http://www.asse.org/practicespecialties/bosc/) and share your thoughts or information with us.



*James D. Smith, M.S., CSP
Vice President
ASSE Council on Practices & Standards
Managing Director,
Florida Region Risk Control
Arthur J. Gallagher
Risk Management Services*

BoSC Update is published quarterly by the American Society of Safety Engineers’ (ASSE) Council on Practices & Standards (CoPS).

Tim Fisher Director, Practices & Standards
Rennie Heath Manager, Practice Specialties
Jolinda Cappello Editor, *BoSC Update*

For information on submitting content to *BoSC Update*, e-mail jcappello@asse.org.



Business of Safety Committee (BoSC)
American Society of Safety Engineers (ASSE)
1800 E. Oakton St.
Des Plaines, IL 60018
<http://www.asse.org>

In This Issue:

| | |
|---|---|
| Business of Safety Symposium Announcement | 2 |
| Interview with Maureen Steinwall | 3 |
| Moving the Needle on the ROI Meter | 6 |

Business of Safety Symposium to be Held in March

As a fellow SH&E professional and as Chair of ASSE's Business of Safety Committee, I understand the importance of aligning safety with business goals to achieve high-level safety performance within an organization. And given today's economic climate, it is especially critical for SH&E professionals to know how to make the business case for safety.

Many SH&E professionals have asked how they can best make the business/safety connection, and in response, ASSE will offer the upcoming symposium, "The Business of Safety: A Matter of Success," from March 13-14, 2008 in Baltimore, MD.

This exciting symposium will show you how to:

- Analyze your organization's business processes and integrate safety into its goals
- Use business skills to enhance communication with management and to receive support for safety and health from management and the workforce
- Employ strategies to secure a seat at financial and strategic planning meetings and business skills needed to be an active participant
- Demonstrate to management how safety and health contribute to the organization's business goals

Twenty concurrent sessions will cover such topics as business tactics, negotiation and communication skills, risk assessment, cost-benefit analysis, influential leadership and other strategies to help you make the business case for safety.

Executive Forum Panel presentations by Edwin Foulke, Assistant Secretary of Labor for OSHA, Maureen Steinwall, President of Steinwall, Inc. and Thomas Krause, Chairman of the Board of Behavioral Science Technology, will share their insight on "Meeting the Expectations of Your Organization's Leadership." Chuck Martin, a recognized business strategist, will deliver the keynote presentation on leveraging safety leadership, and Roger Dawson, a leading author and speaker, will share his negotiation techniques. A panel of executive leaders from several corporations will also discuss their views on what influences their support for safety.

In addition, the symposium will feature case study roundtables so attendees can share techniques for linking safety to an organization's business goals.

This symposium will be a worthwhile investment for SH&E professionals, and I invite you all to attend.

For more information or to register, visit <http://www.asse.org/education/businessofsafety>.

Mark Hansen, P.E., CSP, CPE, CPEA
Chair, ASSE Business of Safety Committee

James D. Smith, M.S., CSP
Vice President
ASSE Council on Practices & Standards



Loss Control & the Entrepreneur

Maureen Steinwall participated in the Executive Forum at the 2005 Professional Development Conference in New Orleans, Louisiana. She spoke of business, business owners, entrepreneurs and loss control consultants. She also spoke of the optimism that business owners must have—what great things “could” happen and how the insurance industry tends to look at what bad things “might” happen. I specifically recall how she wanted to reach out to safety people and to pass her message along.

She implored loss control consultants to talk with entrepreneurs about the good things they see and to not drive right into doom and despair. She said that entrepreneurs do not want to hear the negatives—they avoid negative people.

As a loss control consultant, this struck a nerve. I called Ms. Steinwall, and we had several great telephone conversations. She is deeply involved in her business and in her community. She is a student of life, and she will soon receive her doctoral degree.

The Risk Management/Insurance Practice Specialty plans to work more with Ms. Steinwall in the future. She is our eye into the entrepreneur, our “spy” into the inner workings of the mind of the person who is ultimately responsible for making payroll. She can teach us how to be better communicators, how to greater impact our customers and how to become more valuable to our profession and to our companies.

Given below is an interview with Ms. Steinwall that focuses on an insurance company loss control survey. It may smart a bit, but it may also bring back memories of what went well and what did not. Hopefully, it will spark reflection and discussion with your peers. I think we can learn from Ms. Steinwall—we are all students.

Mark D. Oldham, CSP
Administrator
Risk Management/Insurance Practice Specialty

You have met with many carrier loss control representatives. What behavior, communication and preparation styles do loss control representatives exhibit during positive carrier surveys? As business owners, how do these loss control representatives differ from others?

In my observation, there are two types of loss control representatives: the “team player” and the “expert.” “Team player” loss control representatives approach their job with



Maureen Steinwall is the President and Owner of Steinwall, Inc., a manufacturing company that specializes in process engineering and thermoplastic injection molding. This forty-year-old company generates ten million dollars in sales annually and employs 95 people in its north Minneapolis location. Steinwall also owns ATS, a tactical paintball gun manufacturing company.

Steinwall is currently working on a Ph.D. dissertation in optimism, multimedia training

and empowerment. Her interest in training is evident within the systems used at Steinwall, Inc., and it has culminated in her winning a national training award in 2001 for her company’s training software program. Steinwall holds a master of business administration degree from the University of Minnesota in operations management. She is a graduate of the Harvard University Graduate School of Business’ Owner President Manager (OPM) program, and she also maintains a Certified Public Accountant (CPA) license.

the understanding that they represent one leg of a chair. The decision-making “chair” or team includes members from both the customer and the insurance company. The team needs to balance risk, cost, probabilities and services. The “team player” loss control representative’s role is to provide information to aid in the decision-making process.

“Expert” loss control representatives have a teaching style. They like to teach the proven methods, equipment, techniques and practices to their students. However, a problem arises when the expert-style loss control representative is sent into the decision-making team. If the customer’s frame of mind is to purchase insurance, teaching is not appropriate—information is. The expert-style loss control representative is better-positioned after the sale and only when the customer is ready to hear the message.

You discussed the conflict between entrepreneurial optimism and the negative “what-ifs” of carrier loss control representatives. Do you believe that most loss control representatives are attuned to fault-finding during surveys? What can be done to change this attitude?

All people like compliments, no matter their age or position. Why not start there? Why not start by highlighting all of the good things that a company is doing to ensure safe practices? My experience has been that loss control representa-

tives like to quickly point out opportunities for improvement. Communicating improvement opportunities takes a lot of upfront time because you need to prepare your listener. If the listener is not ready to hear the messages in the proper context, it will be heard as criticism.

I have yet to meet a business owner or manager who refuses to implement cost-effective improvement programs. But keep in mind that not everything can be accomplished. Prioritizing improvement programs is the business manager's job, and there are always more opportunities for improvement than there are resources available. And although safety issues are extremely important, they will compete with corporate survival issues, which are even more important.

Does it seem that most loss control representatives look for what is wrong rather than what is right? Why do you or why do you not believe this?

It is true based on my experience that fault always seems to be the first place people target in general. This is not a limited issue with loss control representatives. Remember that fault can lead to blame, which taps into shame and guilt. These emotional responses should be avoided in the workplace in all activities, including safety programs. How many times do we do our job 99% correctly, yet our supervisor points out the one percent that we did poorly? Why not acknowledge the 99% first? The listener will accept the one percent improvement opportunity more appropriately. This is true for teachers, parents, ministers, bosses—anyone with a position of power over others. Look for the good first.

Did you ever feel that a loss control representative had overlooked things your company was doing right? If so, how do you think it impacted your insurance cost of risk?

The business manager involved in purchasing insurance knows that the loss control representative influences the underwriter, which in turn impacts the company's insurance cost. If the loss control representative appears to be focusing solely on the negative, this behavior could be interpreted as a negative impact to the profitability of the company, and that taps into a fundamental corporate survival issue. Balancing the comments between the things that are good and the opportunities for improvement show that the loss control representatives (and the insurance company) understand their partnering role appropriately and that a fair price for their products is forthcoming.

In general, do you find that loss control representatives are familiar with publicly available information about your company? How does this affect your willingness to share more information?

Rarely will a new loss control representative understand my company. Many loss control representatives claim that they know the industry, but they rarely demonstrate an understanding of my particular business. I do not expect them to know the business at the beginning of a meeting, but I do expect them to have a better sensitivity of the differences between industry and my company. All companies differ from the average—50% are better, and 50% are worse. As a business manager, I work hard to point out what I believe separates us from the average in a positive way. I believe I can reduce my insurance costs if I am successful in doing so. As a selling tactic, it is a good idea to acknowledge if the underwriter is using that information in their pricing decision or not. It will validate the fact that the loss control representative was listening.

How does the quality of the insurance carrier affect your perception of the loss control representative?

The loss control representative is the insurance carrier; the insurance carrier as a corporate entity is secondary. If I cannot get along with the people who are providing the immediate service, I will conclude that I will not be successful with the carrier. The loss control representative is a salesperson more than an engineer.

Do you use value-added services from your carrier's loss control staff? If so, what services have you found most useful and why?

We rarely use any services from our carrier's loss control staff. It seems like all of the services are talked about at the purchasing stage, and then we forget about them during the rest of the year. We are fairly successful with our internal safety programs, and I presume that the loss control people are busy with their problem customers. However, it would be helpful if the carrier called us during the year to schedule a friendly visit. But be careful not to have this helpful sales call sound like an Occupational Safety and Health Administration (OSHA) audit.

Do you believe that carrier loss control representatives are salespersons? Why or why not?

There are two salespeople involved in the selling process—the broker and the loss control representative. They need to work together in their presentation to the customer. Typically, the broker is the trusted individual. The business manager usually follows the broker's advice; however, the purchasing decision is based on three factors: a) what the broker recommends, b) the total cost of insurance and c) how well the loss control representative presented the carriers' strengths, products and services.

If the loss control representative's selling skills are marginal, it is probably not a deal-breaker. However, if the loss control representative performs poorly (such as by insulting the customer), nothing a broker or carrier can say or do will heal that situation. Remember that "first impressions" are powerful images that are rarely erased. I recommend that a loss control representative and the broker team visit all customers. In my experience, the really bad loss control representative experiences have typically happened when the broker is not present.

How do you feel if a loss control representative asks you for validation of a comment or for proof? If you are not asked for validation or proof, does this impact your impression of the loss control representative? Why or why not?

Asking the "show me" questions are just fine. Business managers know that a loss control representative's job is to gain an understanding of the customer's business. A piece of that process is to gauge the level of honesty that can be established between the two companies. I would not advise checking everything out since the auditing process is time-sensitive. Often times, auditing is not viewed as an added-value activity, so limiting the validation process would be helpful.

If you owned an insurance company and had the opportunity to redesign the business model, how would you design loss control? How would you select your loss control representatives and underwriters?

I cannot claim to be an expert in the unique operations of an insurance company. But in general, all companies need to select their customer-contact people based on their interpersonal skills, emotional intelligence and coping or teaming skills—essentially, their basic ability to get along with people. This basic skill set includes patience, understanding, listening and empathy. All too often, managers hire for cognitive and technical skills, which in my opinion are less important.

If you had the chance to coach a carrier loss control representative with whom you previously met at your business, what would you say?

As important as it is to prevent bad things from happening, the fact is that bad things do happen no matter what. I understand that my company employs people who might be hurt on the job, and we go to great lengths to prevent accidents. But I also need to balance the safety decision against the probability of occurrence and the cost of prevention.

The image of bubble-wrapping our kids before they leave for school comes to mind. Protecting our children, employees and ourselves is extremely important, but so is living a full life. Being too scared to enjoy our life because bad things might happen is an emotional disability that can be just as damaging as a physical disability. I happen to think emotional disabilities are more damaging overall. ■

Visit ASSE's Online Forums!

- Find the answers you need
- Add new contacts to your professional network
- Stay connected with your fellow ASSE members

Log in to the Members Only section of the www.asse.org and click on "Forums" under "Networking."

Take advantage of this valuable membership benefit today!

Moving the Needle on the ROI Meter

By Mark D. Hansen, CSP, PE, CPE, CPEA

Return on investment (ROI) is a key meter of performance on management's "dashboard." Stockholders and financial analysts use ROI (which is sometimes referred to as return on capital employed or return on assets) to judge the company's future. And the judgment they make often directly affects the company's future and the job security of its safety director and other employees.

Your safety, health and environmental (SH&E) programs better move the needle on management's ROI meter. If they do not, watch out.

ROI & the Safety Program

ROI was not what many of us had in mind when we got into safety. Our original intent was and remains the improvement of the company's SH&E program performance. ROI maximization was not necessarily part of that equation.

We learned early in our careers that we could not get very far with our SH&E plans without the backing of executive management. We also discovered that the best way to secure that backing was to ensure that our SH&E programs moved the needle significantly to the right on the ROI meter.

The ROI Model

ROI probably exceeds the scope of expertise most of us possessed when we started at our companies. The ROI model is a tool to help practitioners overcome this limitation. Figure 1 illustrates this. To move the needle on the ROI meter, follow the model's trail.

The model shows the business engine that the ROI meter is monitoring. It has two subsystems—income as a percent of revenues and turnover of assets.

ROI is the product of the subsystems. They in turn relate revenue, expenses, income and capital and our rent assets to each other and to ROI.

The Importance of Validating Programs

SH&E programs should be validated by the impact on the engine's components. Otherwise, the impact of those programs on overall business performance is likely to be minimal and accidental.

Programs must also be validated according to relative impact on ROI. For example, a company may seek to reduce SH&E expenses. However, analysis may find that increasing production from existing assets may have greater consequences for ROI.

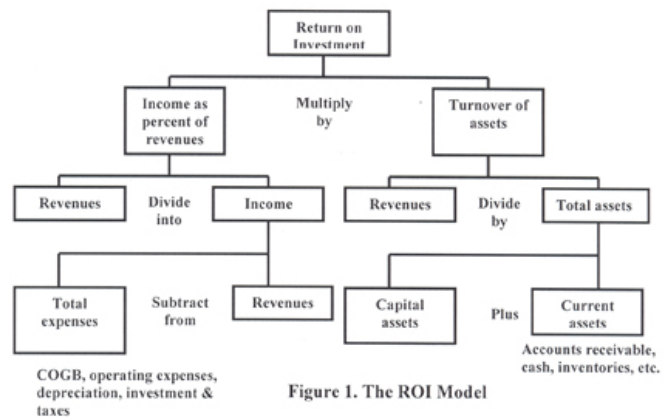


Figure 1. The ROI Model

Another example is the company that seeks to reduce investment in inventories. However, while reducing production inventories through equipment availability performance has immense ramifications for ROI, reducing inventories does not. This is because inventories represent only a small percentage of total assets.

Using the Model

The ROI model has a long history of industry use. SH&E practitioners can use it to set business-based direction for enhancement programs. Here is how:

- Step 1:** Explore and understand the nature of the business in which your company competes.
- Step 2:** Divide the plant into production units. Differentiate between the unique internal and external business environments and the strategic challenges faced by each.
- Step 3:** For each production unit and its unique business case, establish availability-based business goals with respect to subsystems and components of the ROI model.
- Step 4:** Assess and compute the relative impact of goals for ROI. Set performance targets (objectives) for each goal as a result of the assessment and computation.
- Step 5:** Reassess, prioritize and reorganize your company's existing SH&E enhancement programs to best achieve availability-based business goals and their objectives.

This introduction to ROI principles represents just the tip of the iceberg. Acquainting yourself with the principles of ROI is of great importance to your company and your career. Executive management wants to pursue market profit share; the SH&E practitioner wants to pursue SH&E performance. ROI enables both sides to connect and move forward in concert and in pursuit of a common objective. Thus, moving the needle on the ROI meter makes a company safer and more profitable. ■