THE ROI OF SAFETY
HOW TO DRAMATICALLY INCREASE YOUR BUDGET

eCompliance
Innovating safety

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Introduction

Occupational health and safety professionals know the substantial business value created from maintaining strong OHS practices across their organization.

Various studies over the last 30 years illustrate how a strong health and safety function reduces costly injuries and improves productivity. However, after speaking with over 1000 OHS professionals last year, we've established that in order to achieve success and communicate across organizations, we, as OHS professionals, must better understand the *business value of effective OHS* in the context of our organizations first.

The goal of this paper is to:

1. Illustrate why an in-depth understanding of the interconnection between the business and OHS functions is critical to an OHS professional's success

2. Discuss the most common personal and organizational obstacles faced when communicating the business value of OHS to the rest of the company

3. Provide an *OHS business value framework* to help communicate 2-3 business levers to focus on within the company

4. Provide methods for tracking long-term OHS business value metrics

5. Provide communication tips for the business value-orientated OHS initiatives to other managers, executives or owners in the company

Based on our discussions with mid and senior-level OHS professionals, we believe this paper can aide OHS professionals in at least a couple of the goals above. Although we provide some business tips on communicating OHS initiatives, ultimately, performance can be measured not only in terms of dollars, but also in terms of total relative risk to the company and the workforce.

Why Business Value is So Important to Your Success as an OHS Professional

Only you can define what success means to your role and your company. Likely, however, your definition rests on one more of the following three categories:

- Execution
- Influence
- Leadership

How will you get there? Who will be involved? Who will lead? The answers likely indicate that the ultimate success or failure of safety performance will depend on you. While it can seem daunting, it's actually a terrific opportunity to make the difference you've been trying to achieve.

Execution: How will you get there?

Whatever OHS plans you have in your company, today or in the future, you'll need the co-operation of colleagues and managers to execute simply and successfully. Usually simple execution rests on what's in your control. Understanding and effectively communicating the business value of OHS will help you *execute*.

Influence: Who will be involved?

Even the simplest tasks to be executed depend on your influence on others. These are typically things outside of your direct control. In recent years, you've probably seen the articles about what drives the *millennial generation's* (today's twenty-something's) behaviour – It's not enough to be their boss or pay their paycheck, you must also bring meaning to the task. This actually applies to your entire workforce, – think about the different outcomes you get from telling someone what to do ("try in") vs. getting them invested by ensuring they understand the task's importance before they complete it ("buy in"). Getting their "try in" is not enough. In addition to helping you execute, understanding and effectively communicating the business value of OHS will help you *influence*.

Leadership: Who will lead?

In an ideal world, workplace safety leadership occurs at every level of a company; from front-line workers demonstrating safety values to new employees, and even Presidents, who make their own personal commitment to workplace safety. We should all be safety leaders.

However, we don't live in an ideal world. In any organization, there are things within and outside of your control. It is vitally important to understand what areas in the organization you have the opportunity to control, if done thoughtfully. This is where your OHS leadership can really shine. One Safety Director we spoke with said, "Safety bravery is the difference between those that merely show up for the job and those of us that are professionals".

It takes more than just successful execution or influencing your peers to bring about positive change; it takes leadership. With all three, you can transform safety across your company even faster.

Execution	Influence	Leadership
• In your control	• Not in your control	• Taking effective control
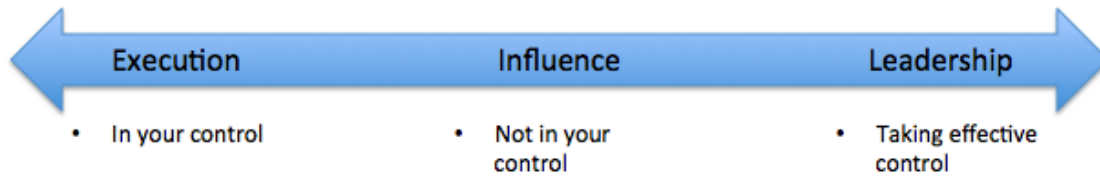
Removing Initial Barriers to Success

Everyone thinks of changing the world, but no one thinks of changing himself.

- Tolstoy

Before delving into insights about OHS business value, we must first understand the barriers and weaknesses of our company and ourselves.

We've all been there. We want something approved. We know it will work. But people are busy, times are tough, or the company tried something similar before and didn't work. So we think about it some more, delay it, or even shelve it.

More often than not this is a failure of both understanding (the company) and communication (you). No amount of communication polishing will save your new initiative if it's unsound and no amount of understanding will help if it's not effectively communicated.

The most obvious place to point the finger is the company. The three most common Organizational barriers to successfully launching OHS initiatives are:

- Misunderstanding the difference between cost and investment
- Lack of integration of OHS in business decisions
- "Initiative fatigue" with too many initiatives going on at once across the company.

Effective understanding and communication of the business value of OHS can remove the first barrier, tackle the second, and naturally take care of the third.

However, it's less obvious is to look at ourselves as OHS professionals. We're fighting the good fight. Sure, not everyone understands, but we've made an impact since joining the organization and we've worked hard.

Despite any victories we may have had, as OHS professionals we're not exempt from the cycle of continuous improvement. The three weaknesses that we most commonly suffer from are:

- Inexperience with the language of business and finance
- Potential lack of integration with business goals and objectives
- Our own fear of failure

These weaknesses hold us back. Combined with the organizational barriers above, there can be a lot keeping us from achieving our goals.

Interestingly, these organizational barriers are related to the common barriers OHS professional face.
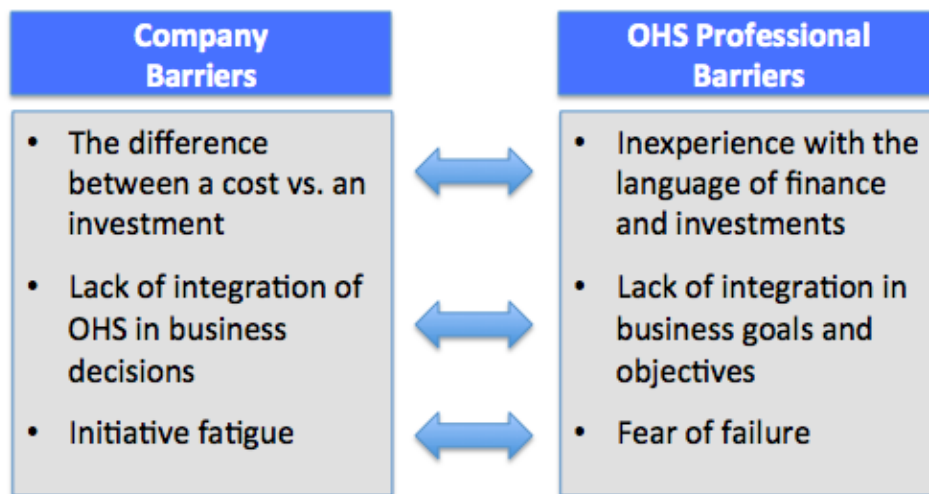

To overcome this challenge we must first tackle the OHS professional barriers and then work on the company barriers accordingly. We can do that by firstly better understanding what the Business Value of OHS means to *our company*.

A Framework for Understanding the Business Value of OHS

The five main things senior leaders of any company will care about are:

- *Cost*

- *Time*

- *Quality*

- *Risk*

- *Revenue*

For many organizations, *reputation* will also be a key consideration and comes from a combination of some of these variables. To understand the business value of OHS, we must take a moment to view the world through this prism.
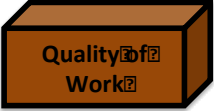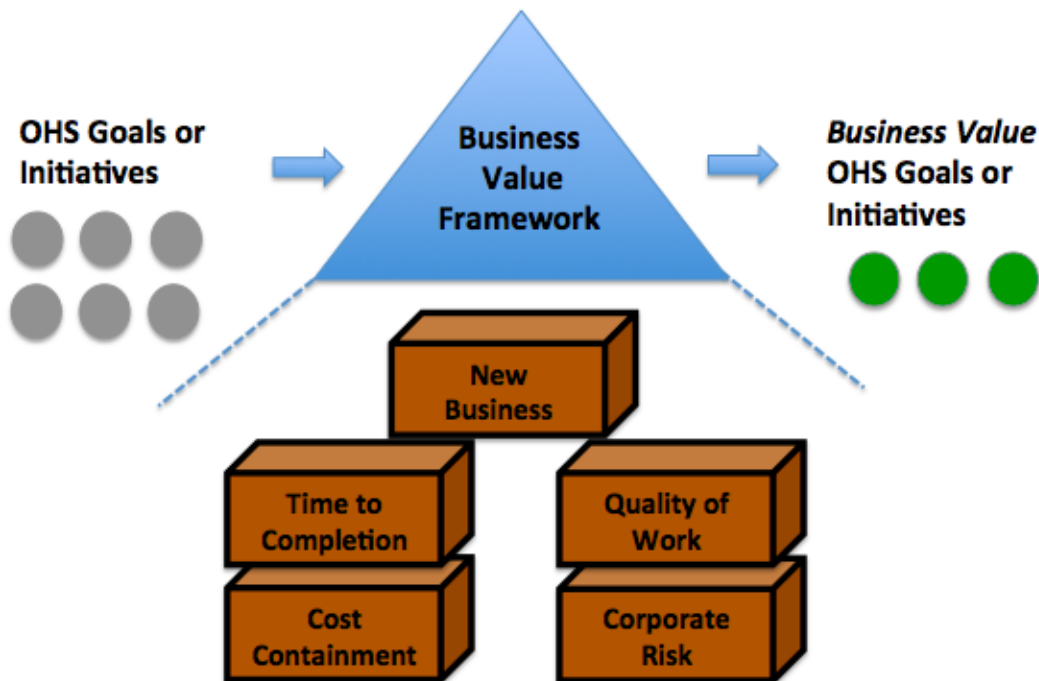

Where is the safety of the worker on this list? There isn't a single one of these business-blocks that workplace safety doesn't affect, but most companies have these five blocks at the top of their lists for management and board meeting discussions. That's because these blocks have common, measurable metrics that identify progress. Even if incident and injury rates are communicated at the CEO and Board level of your company, OHS success still relies on executives understanding the rest of the OHS variables that come into play. More often than not, it's not

that workplace safety isn't valued in your company, but rather its importance is not understood or valued from the perspective of these other business-blocks.

The question, then, is how we understand our OHS initiatives, goals, and track records against these five business-blocks. **The key is to understand which two to three OHS goals overlap with your company's main two to three business goals**.

Don't know what the top two to three business goals of your company or division are? Easy. Ask your President, your direct report, or even read the last annual report. It's critical that you understand what the top goals are and hear precisely how they're phrased. That's because once you know, you can pick and choose which key OHS initiatives overlap with the business goals. Here's where the real thinking comes into play…

Common Filters for Establishing OHS Business Value

	Does the OHS goal or initiative…	**Expected Business Value (Example)**
Current / New Business	• *Attract new clients?* • *Retain existing clients?*	• Add a $1 million / year client • Keep $5 million in business over the next 3 years
Time to Completion	• *Speed up existing process?* • *Get project done quicker?*	• 50-75% quicker supervisor decision making (1 week down from 2 - 4 weeks)
Quality of Work	• *Deliver more (or better) than the existing process?*	• Reduces reported errors or stoppages to client by 20%
Cost Containment	• *Reduces costs?* • *Allow company to grow without adding a proportionate cost?*	• 5-10% of time freed up per supervisor or employee • 25% lower incident rate = 5 fewer incidents at avg. total cost of $50,000 each • 25% lower insurance premiums
Corporate Risk	• *Reduce the probability (or amount) of lawsuits, fines, reputational damage, operational shut-downs?*	• Avoidance of cost of 1 major incident over 5 years • 25-50% reduction in costs of 1 major incident that occurs

Return on Investment

"ROI" is a common method of comparing the business value of several initiatives. It can be especially helpful when you have several initiatives with quantifiable benefits, like the example above. Let's take a look at how return on investment (ROI) is calculated.

One initiative may take an investment of $50,000 and result in $100,000 in savings per year for at least 3 years. This would be an ROI of 6x or 600% ($100,000 x 3 years *return* ÷ $50,000 *investment*). The key is to keep your return and investment estimates based on future amounts, not investments or returns already experienced.

Similarly, the phrase *payback* is also commonly used to describe the period of time that passes before the initiative pays for itself. Using the example above, the *payback* period would be 6 months. That's because the $50,000 investment is recovered within half of the first year's benefits, which are $100,000 per year (or $50,000 over 6 months).

ROI and payback statements will always be estimates, but you'll want to communicate them something like this:

"With conservative assumptions, our ROI on this initiative is very high at 6x (or payback is very short) and therefore, we have a very high confidence level that this OHS initiative is justified for its business value alone, in addition to harder-to-calculate safety, or intangible, benefits".

Whether you rely on an "ROI" type communication or not it is also possible to apply this thinking to calculate a *Safety ROI.* This ROI can help prioritize the OHS value of initiatives from your perspective when dealing with limited resources:

- **Initiative A:** $30,000 total investment to help safety conditions for 1,000 workers across the company immediately
    - $30/employee cost for incremental safety benefit

- **Initiative B:** $100,000 total investment to help safety conditions for 500 workers in Division "B" immediately
    - $200/employee cost for incremental safety benefit

- **Initiative C:** $50,000 per year investment to help safety conditions of 1,000 workers over 3 year period
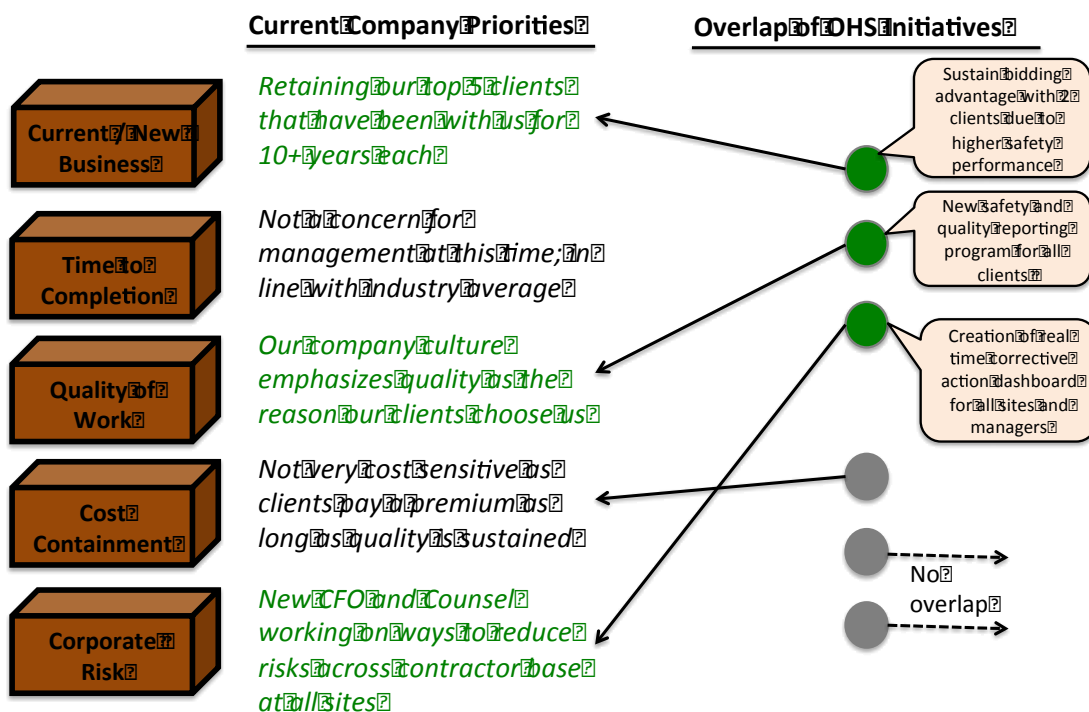   - $150/employee cost for incremental safety benefit with 3 year life

Check out our full-fledged EXAMPLE coming soon.

Prioritizing OHS Initiatives

Let's say that we have six OHS initiatives that we're considering, but we only have enough *relationship capital,* or time with the management team, to push on one or two of these initiatives (if you're lucky). Management will not buy in to all these initiatives at once, but over time they may. In our hypothetical example, our management team is highly focused on risk, retaining key clients in an increasingly competitive market, and prides itself on a high level of quality, which has allowed our company to retain the best clients in the industry.

We have put our six OHS initiatives through our filters for establishing business value (above) based on our company's corporate and financial goals and only 3 have clear business value associated with them within the context of those company business goals (risk, new business, quality). Because they have business value associated with them, we can make a stronger case for management support and have a higher likelihood of the initiatives succeeding (which positively impacts both business and safety)[1].

EXAMPLE

| Current Company Priorities	Overlap of OHS Initiatives
Current / New Business — *Retaining our top 5 clients that have been with us for 10+ years each*	Sustain bidding advantage with 2 clients due to higher safety performance
Time to Completion — *Not a concern for management at this time; in line with industry average*	New safety and quality reporting program for all clients
Quality of Work — *Our company culture emphasizes quality as the reason our clients choose us*	Creation of real time corrective action dashboard for all sites and managers
Cost Containment — *Not very cost sensitive as clients pay a premium as long as quality is sustained*	No overlap
Corporate Risk — *New CFO and Counsel working on ways to reduce risks across contractor base at all sites*	

However, we can still only pitch one or two options and only have ten minutes to make the case during the monthly management meeting. As shown in the chart below, we can further prioritize

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[1] Our example assumes we need management support for all initiatives

our initiatives by which ones have a *higher business value* and a *higher probability of success*. This means that we won't propose the initiative that came first, or the one that we came up with. Instead we rather focus on expected outcomes. The sooner these two initiatives are completed successfully, the sooner we'll be able to sweep through and complete the rest. Besides, we'll have a solid track record with management the next time we pitch to them.

One important thing to keep in mind is that ultimately it may be the company's leadership that decides to accept (or discount) the *price the uncontrolled risk* you estimate are resulting from the safety gaps that you're looking to close. Similarly, leadership will also decide to accept (or discount) your proposed initiative as a solution to address those risks. If they had no decision in the matters, you would have controlled it already! Therefore, framing the "price" or "cost" of such risks in relative terms will help your leadership peers see your perspective and resulting recommendations for prioritizing OHS initiatives.
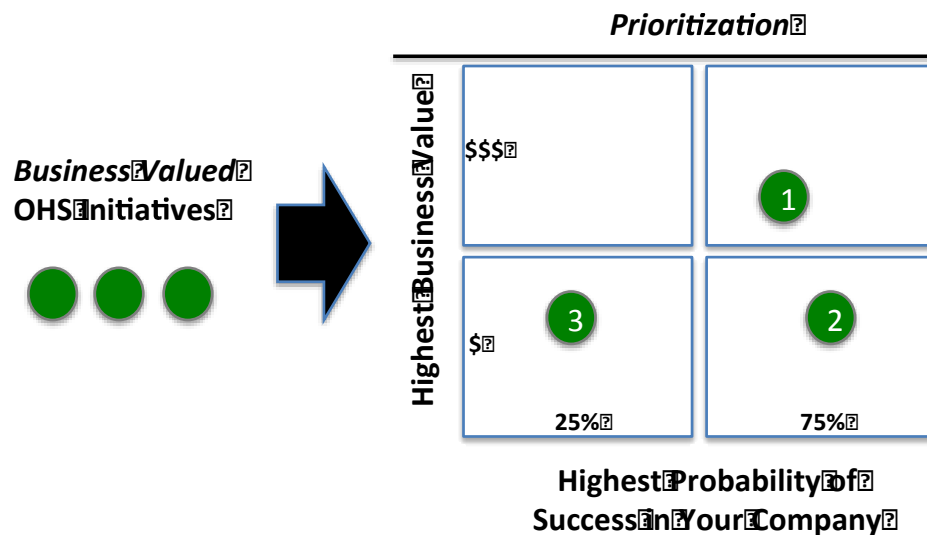
Tracking the Business Value of OHS

What gets measured, gets managed.

- Peter Drucker

If you cannot measure it, you cannot improve it.

- Lord Kelvin

Fast forward 6 months and two of our prioritized initiatives start to show progress towards their stated OHS and business goals. We've earned *kudos* from management while continuing to improve the safety performance of our company. Now what?

Now you have a terrific opportunity to integrate safety metrics into the "management dashboard" (i.e. what is discussed at the regular meetings). You've established that your safety initiatives have business value, which means you can ensure that the measurements that lead to business value-creation can be tracked.

Pick two measurements related to your chosen initiatives. Track them and report them to the rest of the management team (monthly, quarterly, etc.) By demonstrating that you have the numbers to back up your progress, you'll be building the credibility to roll-out future OHS initiatives with less push back.

Measurement examples will vary depending on the type of initiative you roll-out, but they can include:

Key Performance Indicators (KPI's)

- The number of required corrective actions *identified* by supervisors and communicated to staff or clients

- The number of hours of administrative work taken off the shoulders of the site supervisors multiplied by the standard hourly rate

- The reduction in the number of customer or stakeholder safety complaints

- The percentage of training requirements (certificates, courses, etc.) linked to the employee training matrix that are valid and in good standing versus not

Ultimate Performance

- The number of corrective actions *completed* by supervisors or staff
- Change in actual injury rates (i.e. Total Recordable Injury Frequency)
- Number of new clients

Key Performance *Indicators* (KPI's) are metrics that drive the desired performance level but also serve to indicate as reasons for why the performance is at the level it is at. Performance is what you define as your ultimate safety and business goals. Don't confuse the two!

Many organizations have already started to incorporate a combination of *lagging* and *leading* safety indicators into management reporting processes (i.e. incident rates and hazard ID's completed, respectively). The emphasis on ultimate performance can be strong and sometimes driven by your clients, as is commonly the case with TRIF rate calculations.   However, *performance indicators* to why the performance is the way it is can help gear your attention to prevention rather than reporting on the past.

It may seem small, but trying to get relevant safety metrics for your company incorporated into regular reporting processes is remarkably useful. It will benefit both you and the company in many ways. It ensures:

- *You get a seat at the table* for management, reporting, and decision-making purposes
- *You can prove your performance* because it's being quantitatively measured, instead of being anecdotal evidence
- *The company invests in supporting systems* and resources that ensure information can be appropriately gathered

- *You can make better safety decisions* because you'll have a better understanding of where your company is and which direction it is going

These are just a few of the benefits you can obtain. Once your initiatives can be framed within the business value context and prioritized effectively, they'll be set up for the greatest chance for success. Further, if you track and regularly report your OHS and business value metrics, you're

holding yourself and your team accountable, enabling more buy-in from the rest of your senior management team for the next initiative.

Communication Tips for Management

It's easy to forget that the way we communicate across our company is not often the most effective way to communicate with senior decision-makers.

We only have a few chances to make strong impressions on our senior colleagues. Effective communication is the key to maintaining credibility, establishing the influence, and the leadership attributes we need to truly affect change in our company.

Through our interviews with OHS professionals and non-OHS executives we compiled a list of effective communication "Do's and Don'ts". Keep in mind that these are guidelines and may not be appropriate for every situation. However, you'll be sure to find a few tips that you can use.

<u>Do</u>

- **Keep it short and sweet**
  Most VP's, presidents, and owners are trying to understand *if* there is a decision, and if there is, *who* needs to make it and by *when*.

  Keep your case short and sweet or you'll likely lose their attention or drown them in irrelevant details. Remember, the simpler the decision is to make, the quicker it'll be made.

- **Be action oriented**
  Be specific with the next steps: the *who*, *what*, and *when*. Executives don't necessarily need to know all the *why* details or the *how*. You've already stated your business value case for the initiative; what they need to know is that you're on top of it, and will make it happen. You're taking charge, so give them the confidence that you've thought this through. Get them equally excited to reach their mutual goals of success.

- **Tell them where you need help**
  Most important, spell out *what you need from them* in order for this to be a success *for the company*.

  If you sense reluctance, remind them of the initiative's business value; reiterate that this is a "no brainer". Remember – it's not about you, but about the company's success. You

might need to explain what's in it for the senior leader you're communicating to. If your initiative is tightly linked to quantifiable business outcomes and your plan is sound, they should want to help.

- **Stick to the OHS and business value measurements you choose**
  by choosing measurements or metrics that are related to OHS *and* business value you're communicating your own accountability.   Senior managers love to see *accountability* and *transparency* in action, and when you measure your initiative in a way they understand, you'll hold their attention. Your communication success will be directly related to the initiative and less attributed to personalities or office politics.

<u>Don't</u>

- **Take on more than the organization (or you) can handle**
  most initiatives fail not because of poor design, but because of poor execution. Getting the whole organization on board is difficult and probably impossible in the first pass. Therefore, define the *scope* of any initiative roll-out and limit the number of people involved to those that you're 80%+ sure will make it successful. For example, rolling out the initiative in Department A with 2-3 change agents on your side will demonstrate some *quick wins*, which you can communicate to management in order to build the momentum you'll need to roll it out to the rest of the organization. Senior leaders will likely have more buy-in too, as there's less risk of failure or negative operational impact.

- **Succumb to organizational delays**
  A common tactic when someone is uncertain about your plan is to delay the decision. They may say, "Wait until next quarter or until we have everyone in the room". Unless your organization is management-by-committee, this isn't going to lead to a straight-forward decision. Here are two tactics for addressing potential stalls in your process:

  - **Create a sense of urgency**
    Give them a reason why we must act now or not act at all. For example, "We can wait to roll-out this initiative, BUT waiting until next quarter *continues* to put our staff at risk, and compromises the quality of the project with Client ABC. Are *you* prepared to deal with the fallout?"

  - **Create Momentum**
    Demonstrate that you're already moving in this direction and that any stalling would jeopardize progress *already made*. For example, "We've already proven that this initiative is showing early signs of success. Stopping it now will likely mean

we'll miss our window of opportunity before the busy season, pushing out success by 12-18 months. Realistically, it's easier to continue on our current path."

Conclusion

Effectively communicating your OHS initiative and achieving safety success for your organization rests heavily on the business implications of your recommendations. You can use the business value of OHS as a tool to better execute, influence, and lead throughout your company.

1. Acknowledge and address any of company and personal barriers that may block effective communication.

2. Frame and prioritize your OHS initiatives in a way that's understood by the largest part of the organization, namely the "business".

3. Track metrics associated with your OHS initiatives on a recurring basis. This helps to build stronger credibility for future initiatives.

Integrating business and OHS metrics and establishing strong cause-and-effect relationships can help garner more resources. It can also engage management attention while supporting a stronger, performance-focused culture based on continuous improvement. When successful, it can help ensure performance is measured not only in terms of dollars, but also in terms of *total relative risk* to the company and the workforce.

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About the Author

Adrian Bartha is the CEO of eCompliance, which he joined in 2012 after experiencing first-hand how a workplace incident affected a power and utilities company which he led as a member of the Board of Directors. Previously, Adrian was an investment professional for a $5 billion dollar private equity firm investing in energy, construction, and transportation infrastructure companies across North America. Adrian started his career working for McKinsey & Company, a global management consulting firm serving Fortune 500 companies and leading government

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Use tools that keep you organized so you can calculate the business value of safety

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