



How To Demonstrate The Return On Safety To C-Level Executives



“We, as EHS leaders, must better understand the business value of effective EHS in the context of our organizations first.”

Environmental health and safety leaders know the substantial business value created from maintaining strong EHS 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, despite all the evidence that supports this, many safety leaders struggle to get executive support on new safety initiatives.

After speaking with over 1,300 EHS leaders, we’ve established that the biggest challenge to getting more budget for safety initiatives is communicating the return on safety in a language that C-level executives understand.

Thus, in order to achieve success and communicate across organizations, we, as EHS leaders, must be well versed in the business value of effective EHS or the return on safety.

Although we will provide some business tips on using the return on safety to justify new EHS 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.



Removing Initial Barriers To Success

Before delving into insights about the return on safety, 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 it 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. However, it's less obvious to look at ourselves as EHS leaders. 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 EHS leaders, we're not exempt from the cycle of continuous improvement.

These weaknesses hold us back. Combined with the organizational barriers (Figure 1), there can be a lot keeping us from achieving our goals.

Interestingly, these organizational barriers are related to the common barriers EHS leaders face.

To overcome this challenge we must first tackle the EHS leader barriers and then work on the company barriers accordingly. We can do that by firstly better understanding what the return on safety means to our company.

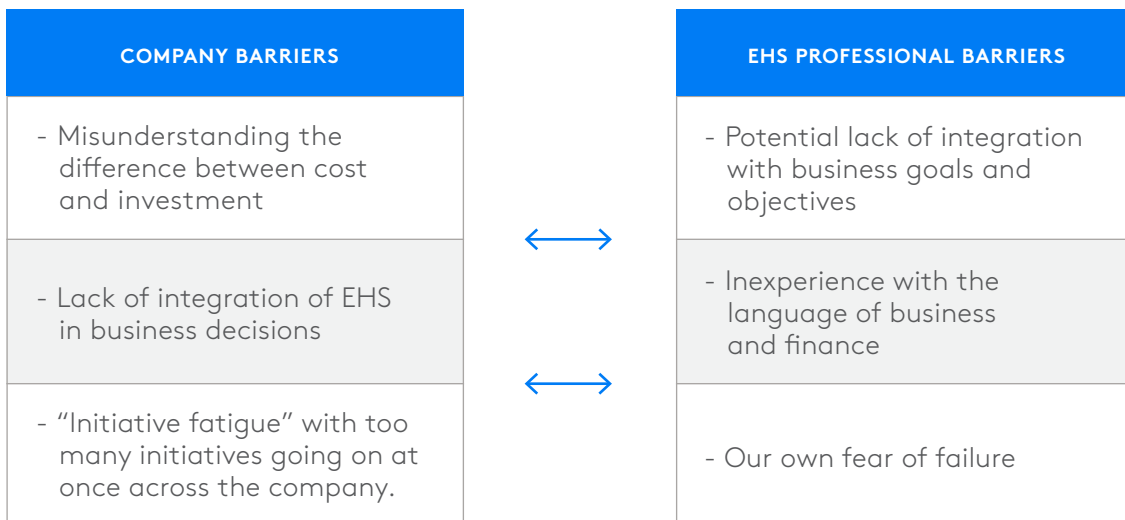


Figure 1: Organizational Barriers To EHS Initiatives

A Framework For Understanding The Return On Safety

The five main areas senior executives of any company will care about are:

- > Cost
- > Risk & Reputation
- > Time
- > Revenue
- > Quality

To understand the return on safety, we must take a moment to view the world through this prism (Figure 2).

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 executive 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 executive and board level of your company, EHS success still relies on executives' understanding the rest of the EHS 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 by these other business-blocks.

The question, then, is how we understand our EHS initiatives, goals and track records against these five business-blocks.

The key is to understand which two to three EHS goals overlap with your company's main two or three business goals.

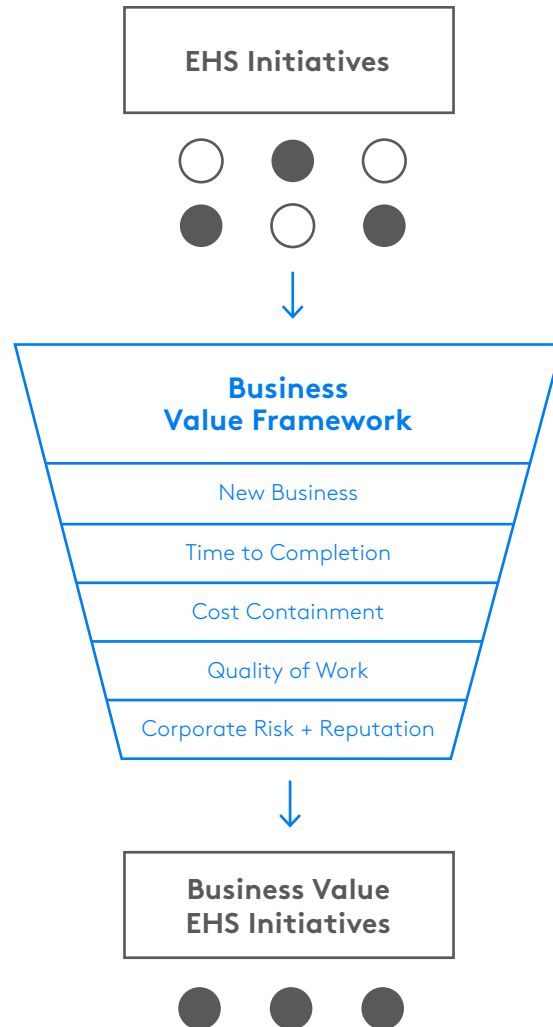


Figure 2: Organizational Framework Of Business Value

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.

You can pick and choose which key EHS initiatives overlap with the business goals. Here's where the real thinking comes into play: (Figure 3)

	DOES THE EHS GOAL OR INITIATIVE...	EXPECTED BUSINESS VALUE (EXAMPLE)
CURRENT/NEW BUSINESS	<ul style="list-style-type: none"> - Attract new clients? - Retain existing clients? 	<ul style="list-style-type: none"> - Add \$1M/year client - Keep \$5M in business over the next 3 years.
TIME TO COMPLETION	<ul style="list-style-type: none"> - Speed up existing processes? - Get projects done quicker? 	<ul style="list-style-type: none"> - 50-75% quicker supervisor decision making (1 week down from 2-4 weeks)
QUALITY OF WORK	<ul style="list-style-type: none"> - Deliver more (or improved) product or service than the existing process? - Better proof of quality of work to customers? 	<ul style="list-style-type: none"> - Reduce reported errors or stoppages to client by 20% - Ensure communication of job well done every time
COST CONTAINMENT	<ul style="list-style-type: none"> - Reduce costs? Direct or indirect? - Allow company to grow without adding a proportionate cost? 	<ul style="list-style-type: none"> - 5-10% of time freed up across suspensions - 25% lower incident rate - 15% lower insurance premiums
CORPORATE RISK + REPUTATION	<ul style="list-style-type: none"> - Reduce the probability of lawsuits, fines, reputational damage, or operational shut-downs? - Enhance company's reputation? 	<ul style="list-style-type: none"> - Avoidance of cost of 1 major incident over 5 years - Build brand around new competitive advantage

Figure 3: Expected Business Value of EHS Initiatives

The Return On Safety

To be able to explain the return of safety to C-Level executives, you will need to be knowledgeable about ROI. "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 (Figure 3). 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 savings per year for at least 3 years. This would be an ROI of 6x or 600% ($\$100,000 \times 3 \text{ years return} \div \$50,000 \text{ investment}$). 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 EHS 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 EHS 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 over 3 year period

Prioritizing EHS Initiatives

Let’s say that we have six EHS initiatives that we’re considering, but we only have enough relationship capital, or time with the executive team, to push on one or two of these initiatives (if you’re lucky).

Executives will not buy in to all these initiatives at once, but over time they may. In our hypothetical example, our executive 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 EHS initiatives through our filters for establishing business value (Figure 4) 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 executive support and have a higher likelihood of the initiatives succeeding (which positively impacts both business and safety).

	CURRENT COMPANY PRIORITIES	OVERLAP OF EHS 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	- No Overlap
QUALITY OF WORK	- Our company culture emphasizes quality as the reason our clients choose us	- New safety and quality reporting program for all clients
COST CONTAINMENT	- Not very cost sensitive as clients pay a premium as long as quality is sustained	- No Overlap
CORPORATE RISK + REPUTATION	- New CFO & Counsel working on ways to reduce risks across contractor base at all sites.	- Creation of real time corrective action dashboard for all sites and managers

Figure 4: Example Of EHS Initiatives In The Business Value Framework

However, we can still only pitch one or two options and only have ten minutes to make the case during the monthly executive meeting. As shown in the chart (Figure 5), we can further prioritize 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 executives the next time we pitch to them.

One important thing to keep in mind is that ultimately it may be the company's CEO that decides to accept (or discount) the price the uncontrolled risk you estimate is resulting from the safety gaps that you're looking to close.

Similarly, the CEO will also decide to accept (or discount) your proposed initiative as a solution to address those risks. If they had no decision in the matter, 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 EHS initiatives.

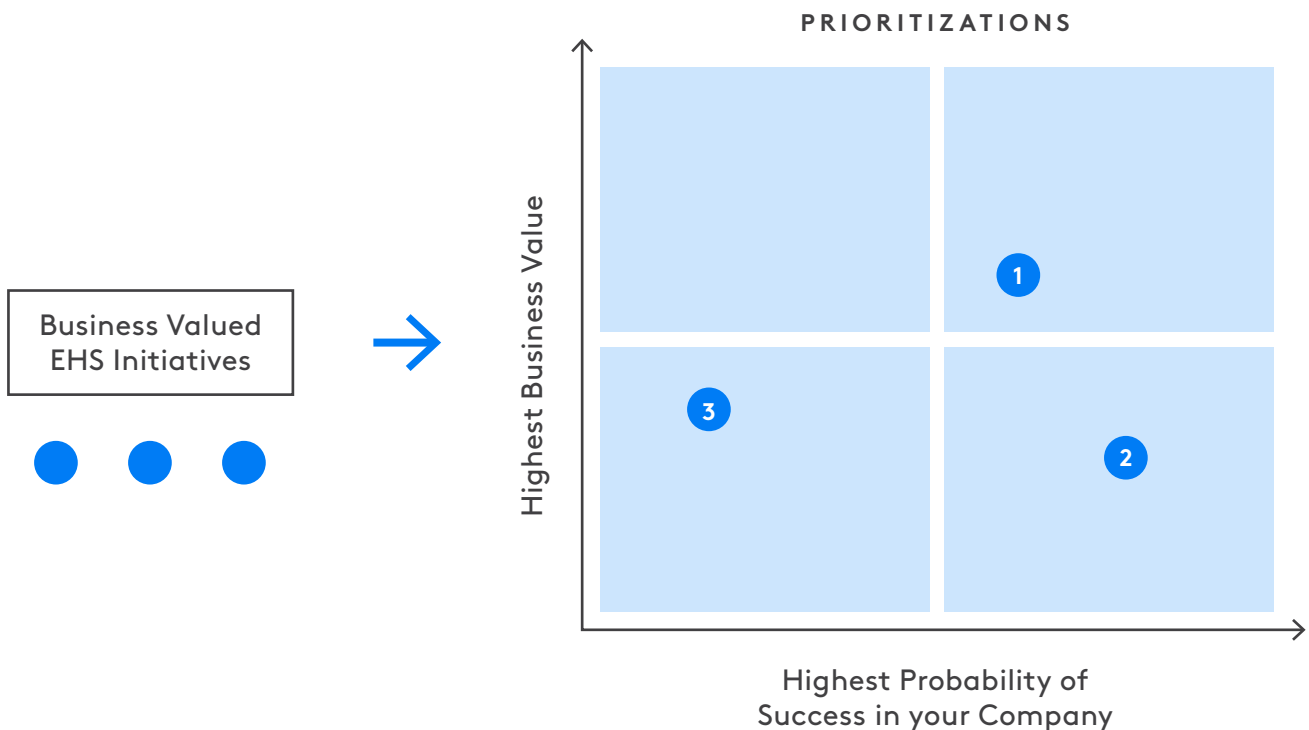


Figure 5: Prioritizing EHS Initiatives By Business Value & Success Rate

Tracking The Return On Safety

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

Now you have a terrific opportunity to integrate safety metrics into the "executive 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 executive 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 EHS 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 tracking the return on safety

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 executive 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.

**"If you cannot measure it,
you cannot improve it."**

- Lord Kelvin

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 executives, 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.

Furthermore, if you track and regularly report your EHS and business value metrics, you're holding yourself and your team accountable, enabling more buy-in from the rest of your executive team for the next initiative.

How to Accomplish Your EHS Initiatives

Now, that you've proven safety has value, it's time to prove how you'll be able to accomplish your EHS initiatives. Companies have many ways of managing their health and safety program from relying on paper-based systems to robust digital platforms.

After speaking with a multitude of safety professionals, the way to truly strengthen safety is by going digital.

Here's why we would choose a sophisticated safety system over pen and paper any day.

	PAPER-BASED SYSTEM	DIGITAL SAFETY SYSTEM
CURRENT/NEW BUSINESS	- With gaps in paperwork and no insight into safety because of poor management and organization, bids may be lost due to a poor safety record.	- Greater bidding opportunities due to higher safety performance and stronger safety record.
TIME TO COMPLETION	- Staff gets bogged down by administrative tasks and takes hours to complete a task that could be accomplished in minutes with the help of a digital system.	- With all documents digitized and centralized in one location, safety professionals will be able to find what they're looking for and complete tasks much faster.
QUALITY OF WORK	- Relying on paper means that there is more room for human error, affecting the quality of work.	- Provides complete transparency into your safety and reporting program, with less room for human error. Identifying trends will now be easier, allowing for quicker, data-driven decisions
COST CONTAINMENT	- Since there is no insight into the safety program, leading indicators cannot be tracked thus, employees are more prone to injuries on-site, resulting in higher injury rates and insurance premiums.	- With greater insight into your safety program, you can focus on leading indicators. This will help to reduce your injury and incident rate, decreasing the cost of insurance premiums.
CORPORATE RISK + REPUTATION	- Because injury rates are so high, employees will not want to sign on, projects will be delayed, and your reputation will be affected within your industry.	- A digital safety record will function as a repository for all records and information. With a strong safety program, you'll protect your employees and boost your standing in the market.



Conclusion

Effectively communicating your EHS initiative and achieving safety success for your organization rests heavily on the business implications of your recommendations.

You can use the return on safety as a tool to better execute, influence, and lead throughout your company.

- 1.** Acknowledge and address any company and personal barriers that may block effective communication.
- 2.** Frame and prioritize your EHS initiatives in a way that's understood by the largest part of the organization, namely the "business".

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

Integrating business and EHS metrics and establishing strong cause-and-effect relationships can help garner more resources. It can also engage executive 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.

About eCompliance

eCompliance Safety Software is the leader for improving worker participation in safety. The eCompliance mobile app connects workers with head office, creating a two-way conversation so safety leaders can make faster, fact based decisions, and executives gain an unrivaled view of safety risks across their company.

With the mission to eliminate 1 Million incidents, eCompliance is the fastest growing safety software company in the world with hundreds of client success stories.

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