



ENTERPRISE RISK MANAGEMENT AND THE SAFETY PLANNING PROCESS

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RISK IS PART OF OUR LIVES EVERY DAY.

Consciously or not, we make daily decisions about the benefits and consequences of our choices, particularly those related to safety and security. Should I take that new job? Am I driving too fast for conditions? Can we truly afford to acquire this company or launch a new service? If we don't, how much opportunity will we miss? These are the types of questions that both safety and risk management professionals are charged with addressing.

ENTERPRISE RISK MANAGEMENT

Simply put, a company is comprised of a complex web of systems and processes. The duty of safety and risk management is to keep these systems operating safely and efficiently. Enterprise Risk Management (ERM) is a process or tool that enables organizations to centralize risk management functions across all departments and company operations.

To begin understanding the link between ERM and safety, let's begin by exploring basic risk management. Risk by definition is a vulnerability that, when triggered, may cause an undesired event or outcome. A first order risk is easily identified as immediate property damage or bodily injury. A second order risk consists of consequential losses such as production or profits. Third and fourth order risks consist of indirect losses such as reduced market share or public outrage, both of which are typically not insurable.

Risk management and safety professionals alike often utilize the basic project lifecycle of define, measure, analyze, control and monitor. In 2009, the International Organization for Standardization (ISO)

published ISO 31000: Risk Management Principles and Guidelines. This document was designed to help companies improve the identification, documentation and mitigation of risks throughout organizations. At a high level, the guideline summarizes four groups or categories of risk:

STRATEGIC RISKS are the choices your company makes to enter new markets, produce new products or services, merge with or acquire other companies and protect your intellectual property or brand reputation.

OPERATIONAL RISKS relate to your day-to-day activities producing goods and services. This would include the impact related to your people, machines, materials and methods such the cost of accidents or business interruptions.

LEGAL AND COMPLIANCE RISKS are simply the exposures your company has to lawsuits, fines and penalties from private, public or governmental agencies.

FINANCIAL RISKS include any adverse effects to your stock price, liquidity, balance sheet or insurance, or currency/commodity price fluctuations.

But where should you spend your time? We tend to focus most on operational risk because it's tangible and quantifiable. However, as shown in the following chart, reports suggest that companies are not spending enough time on strategic risks, even though these risks can pose the biggest negative financial impact on the organization.

POTENTIAL FOR MARKET DECLINE VS. TIME SPENT

Risk category	% of risk failure leading to significant market decline	Time spent on risk
Strategic	86%	6%
Operational	9%	42%
Legal & compliance	3%	13%
Financial reporting	2%	39%

Source: CEB, "Reducing Risk Management's Organizational Drag"

SAFETY PLANNING

What is the role of safety within ERM? The Safety Department should strive to reduce the total cost of risk for the company beginning at the enterprise level. This means you will be contributing not only to operational and compliance risk management, but more importantly, addressing strategic risks. As previously stated, this includes any undesirable event that will negatively affect the organization such as motor vehicle collisions, injuries to people and threats to the company's reputation. If safety operates in a vacuum and is not aligned with other departments, its efforts are destined to fail.

Keep in mind that everything you do with regard to safety should directly correlate to an overall objective or goal. If you are measuring success by counting activities rather than results, you are likely wasting your time.

Consider the following three key components for success as a safety director:

1 DEVELOP A SAFETY PLAN

Your safety plan should directly support the corporate strategic plan. If you don't have a copy of the plan, ask your President or CEO for the company's mission statement and corporate objectives. The Safety Department should be mindful of how its activities

will support goals such as overall company growth, profitability, expense control, market share, customer service and efficiency, to name a few.

What are your largest areas of opportunity and where should you be focusing your time? Remember, your safety goals should be Specific, Measurable, Achievable, Relevant and Timely (SMART). Select three to five high level improvement goals. An example of a safety goal might be:

SAFETY GOAL #1: Reduce DOT collisions per million miles by 10% in the next 12 months.

ACTIVITIES TO ACHIEVE: Focus on the majority of collisions, which involve distracted driving during rush hour. Implement and enforce a distracted driving policy, reroute vehicles during peak traffic hours if possible and provide training on safe following distance and speed.

MEASURED BY:

- Primary = Percent reduction in collisions
- Secondary = Number of policy violations, number of trainings completed, number of training attendees, customer service scores, etc.

CONTRIBUTES TO: Profitability, expense control, customer service and brand image

2 CREATE A SAFETY DASHBOARD

After your safety plan is drafted and you have agreement on your goals, create a safety dashboard that sets baseline measurements and allows for at-a-glance performance views. You may have heard the phrase "what gets measured gets done." This couldn't be truer in safety. If you feel buried in a pile of paperwork and repetitive tasks, ask yourself, "What is the ultimate goal here?" and, "What will this activity really accomplish?" Efficiency and effectiveness are more important than ever. Don't get caught up in thinking that your program is a success simply because you trained your staff to

100% of your goal. It's about the results, not the activity. Your desired results need to be attainable yet challenging.

3 DEVELOP A SAFETY COMMUNICATION PROCESS

Don't forget that you can have the best plans and measurement systems in place, but if you don't execute and communicate effectively, you will not meet goals. The safety message should come from the top. Ask your President or CEO to ensure that safety is specifically mentioned in all corporate mission statements and materials. Have an annual message delivered that outlines the company's commitment to safety.

Issue regular safety communications that are relevant and timely. Consider monthly or quarterly newsletters, payroll stuffers or posters at each terminal, supporting your various campaigns. Focus on the activity that will produce results and share your progress with the team. Employees want to know how they're doing individually and collectively. Sometimes the best way to motivate people is simply making them aware of performance.

Involve and empower employees in decision-making. This might include establishing a safety committee, surveying drivers on training content, or even asking veteran employees to present safety training. The best ideas come from those closest to the tasks.

In conclusion, we are faced with risk in some form or fashion each and every day. Effective safety leadership is not just about conducting safety training or making sure employees are simply being "safe;" it is supporting the organization and helping to obtain management and corporate goals. This means shifting focus away from operational risk and refocusing on strategic risk to ensure positive company growth. This does not mean an operational risk cannot be addressed to support a strategic goal, but safety and risk management professionals must ensure that the initiatives support the cause. If your organization wants to improve its bottom line by decreasing loss costs, then ask yourself, "How can safety support this goal, and what actions will safety take to ensure the goal is achieved?" ■

A SAFETY DASHBOARD COULD LOOK SOMETHING LIKE THIS:

CSA Basics	Baseline (prior year)	Target (10% reduction from baseline, current year)	Goal (15% reduction from current year target, years 2 & 3)
Unsafe driving	45%	41%	35%
Hours of service	59%	53%	45%
Driver fitness	71%	64%	54%
Vehicle maintenance	94%	85%	72%
Hazardous materials	68%	61%	52%
Motor Vehicle Collisions	Baseline	Target	Goal
DOT accidents per million miles	3.58	3.22	2.73
Crash severity per unit	\$1,976	\$1,778	\$1,511
Worker Injuries	Baseline	Target	Goal
Claims frequency per worker (or payroll)	0.16	0.14	0.12
Claims severity per worker (or payroll)	\$3,000	\$2,700	\$2,295
OSHA total case rate (recordable/hours)	6.9	6.2	5.3
OSHA DART rate (days away & restricted/hours)	1.9	2.1	2.4

PLUG IN YOUR OWN VALUES AND GOALS TO CREATE A CUSTOM DASHBOARD FOR YOUR COMPANY.