

Governing Energy

So What's the Problem?

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Following the discussion in the previous edition of this blog, the publication *Beyond Compliance* makes the case that while some industry economic actors have developed strong Cultures of Safety, many other have not.ⁱ This begs the question, why haven't more organizations aggressively adopted a Culture of Safety? This should be a no brainer, right?

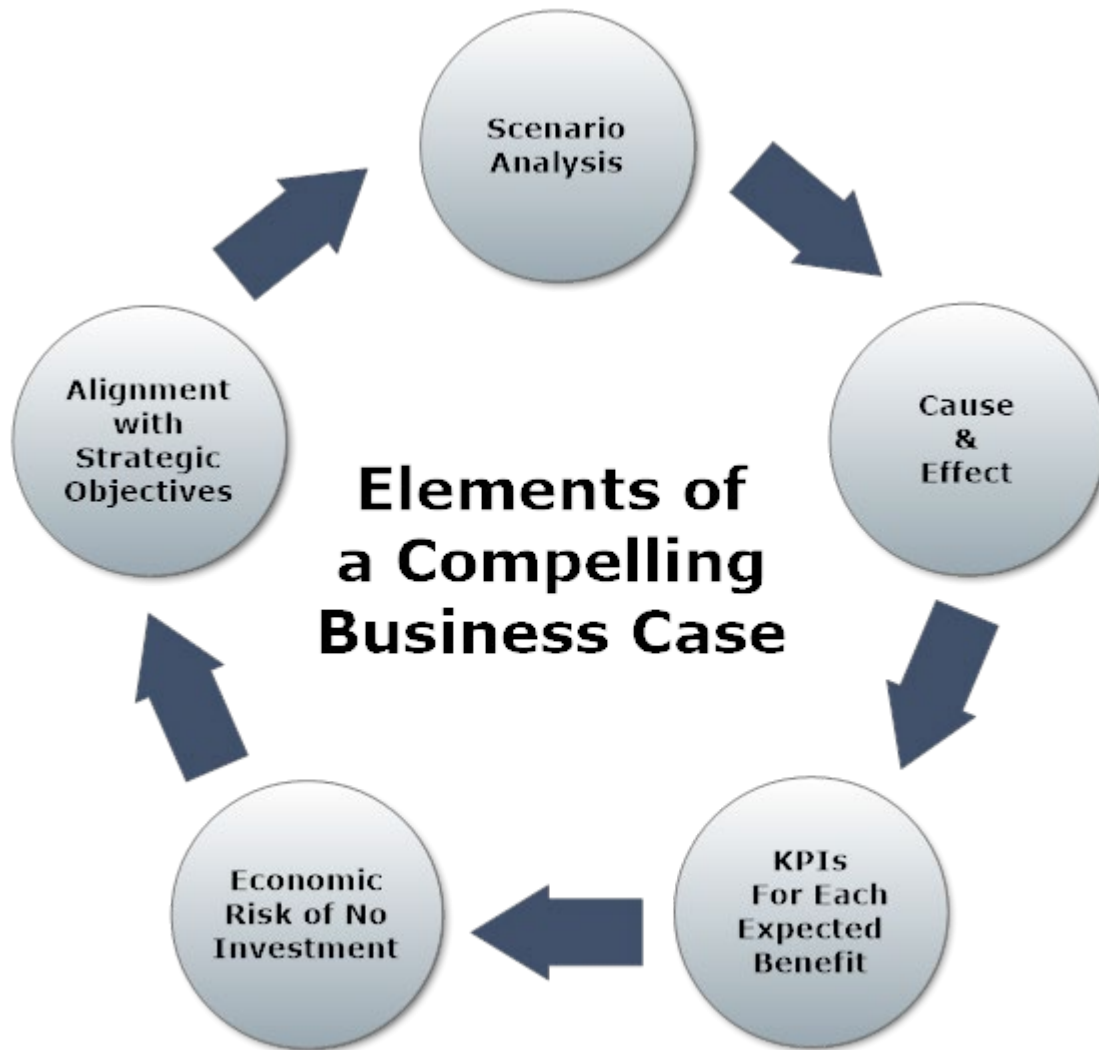
No one wants to work in an unsafe environment and no manager wants to have incidents on his or her watch. All have a vested interest in a strong Safety Culture.

Perhaps what is missing is the Business Case for a Safety Culture? A Business Case will turn recommendations and generalities into Actionable Procedures with associated Risk Mitigation strategies against a Portfolio of Options.

With a well-developed Business Case supported by senior leadership, this transformational process is on firm ground. Moreover, since the team developing the Business Case is a cross section of the organization, "Buy In" is one of the byproducts.

There are generally considered to be five elements of a great or compelling business case.ⁱⁱ These are originally taken from the book, *Good to Great*.ⁱⁱⁱ

However, as depicted in the following figure, we believe that in the context of cultural transformation, there must be *continual feedback* and *sustained leadership energy* to assure long term viability of the organizational Safety Culture. In this situation, the Business Case is a living document.



Source: Industry Week

Briefly, each of the five elements are defined as:

Scenario Analysis—A number of well-defined Safety Cultural assumptions and possible benefits must be developed. This may include the most likely scenario as well as best and worst case states. It is important that a suite of scenarios (not just three) be developed for a more robust look at options. This is a Portfolio of Options available to management.

Cause & Effect—Clearly link and explain how each feature or function of the transformation to a Safety Culture contributes to the overall end game. If this linkage cannot be identified, perhaps it does not contribute to a Safety Culture.

KPIs For Each Expected Benefit—“If you cannot measure it, it cannot be managed” is dogma but does have its critics.^{iv} However, we have argued repeatedly, that the impact of soft variables such as *culture* can be assessed.^v How success is defined must developed as a set of metrics.

Economic Risk of No Investment—What is the impact on the organization if the transformation to one of a Safety Culture is not undertaken? For example, in some cases contractors will not be allowed to bid on projects if they do not demonstrate a high level of safe performance. The impact may not only be revenue and/or profit, but stock price as well.

Alignment with Strategic Objectives—As with any initiative the Safety Culture must be aligned with the overall organizational objectives and its governance model. If this is not the case, it will fail!

All five elements are interrelated with feedback loops. In some cases, the feedback is direct, i.e., Alignment with Strategic Objectives is a function of the other four elements. Others are indirect, i.e., Cause and Effect may demonstrate a latent relationship with Economic Risk of No Investment.

Building a compelling Business Case for organizational Safety Culture is the missing link between the recommendations of studies and regulatory compliance requirements. Recommendations are useful and compliance is a reporting function. The Business Case is the actionable and is something the organization and management can identify with.

A key tool to develop a business case is our Economic Value Proposition Matrix® (EVPM).^{vi} Using this collaborative model, the team tasked with transformation to a Safety Culture can *quantitatively* and *qualitatively* address all five of the elements described herein.

The resulting Business Case is robust and can withstand challenges from naysayers and others. It mitigates the transformational risk and is aligned with organizational governance.

Why Isn't Your Safety Culture as Successful as it Could Be?

About the Author

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End Notes

ⁱ <http://www.trb.org/Publications/Blurbs/175037.aspx>

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<http://www.industryweek.com/articles/five-elements-to-include-in-a-compelling-business-case-15594.aspx?page=1>

ⁱⁱⁱ <https://www.harpercollins.com/9780066620992/good-to-great>

^{iv} <http://www.forbes.com/sites/lizryan/2014/02/10/if-you-cant-measure-it-you-cant-manage-it-is-bs/#3bddd2583fae>

^v <http://www.therrinstitute.com/economic-value-proposition-matrix-%c2%ae.html>

vi https://dl.dropboxusercontent.com/spa/frzo4r0gxll6qri/EVPM_f_%20v2.0/EVPM_f_%20v2.0.htm