

Linking Safety Performance to Organizational Strategy

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Introduction

As a safety professional, you are a technical expert in your organization. As a leader, you need to make the move to becoming your organization's strategic partner. This requires speaking the same language as the senior leaders in your organization, aligning metrics and performance measures with your company's business goals, and moving safety away from the traditional focus on compliance and activities.

“Organizations don't execute unless the right people, individually and collectively, focus on the right details at the right time,” states Larry Bossidy and Ram Charan in *Execution: The Discipline of Getting Things Done*.

In order to be effective, safety professionals must discover their relevance and value proposition in the organization. "Getting a seat at the table" requires a unique set of skills, knowledge, business acumen and competencies to get the job done; and compels the health and safety professional to adopt a mind-set of performance management. There are specific skills and tools that you can use to align your safety and health strategy with your organization's goals to make your move from technical expert to strategic partner.

Changing the Paradigm

Webster's Dictionary defines paradigm as: a pattern, example or model. Paradigms can be thought of as the framework with unwritten rules but directing actions. Thomas Kuhn gave this concept a more contemporary meaning in the early 1960's in his book, “The Structure of Scientific Revolutions.” Kuhn's new scientific definition has become widely abused, but sheds a bit more light on the concept. He describes a paradigm as:

- What is to be observed and scrutinized
- The kind of questions that are supposed to be asked and probed for answers in relation to this subject
- How these questions are to be put
- How the results of scientific investigations should be interpreted.

So if paradigms are the windows through which we see the world, paradigms can also influence how the world sees us. Let's take the case of a health, safety and environmental (HSE) professional performing in the "traditional" safety role. For the sake of example, let's define the traditional role as being activity-based – audits, inspections, engineering, procedures, rules, training, safety meetings and other activities. What perceptions and assumptions do workers, supervisors, managers and executives have of this role or person? Today's HSE professional needs a new paradigm of a performance consultant, rather than "activity-meister."

In Peter Senge's book, "The Fifth Discipline," one of the key elements in developing a learning organization is to use *mental models*. Senge writes "... new insights fail to get put into practice because they conflict with deeply held internal images of how the world works, images that limit us to familiar ways of thinking and acting. That is why the discipline of managing mental models – surfacing, testing and improving our internal pictures of how the world works – promises to be a major breakthrough for learning organizations."

Mental models are like paradigms – they are so powerful because they affect what we *see*. And what we see influences what we *do*. And what we *do* determines the *results* we get. As an example, if a supervisor believes that her workers are incompetent or lazy, she will micromanage the team. This will result in decreased output and non-compliance because the team will deliver minimal effort, validating the original mental model of seeing them as incompetent.

This concept also takes place at an organizational level. As an example, most American automobile manufacturers are in the business of providing "shareholder value" or profit. For many years Detroit automakers believed that people bought cars based on style or new models. Meanwhile, most Japanese automobile manufacturers (Honda for example) exist to "delight the customer." Their underlying premise is to understand the *needs* of customers and build in quality, reliability and value. The troubles in Detroit over the last few months are self-evident, partly as a result of a gap between their mental models and reality (and certainly many other factors are involved, as well).

Not all mental models are *tacit*, however, and may lie below the "line of consciousness." So while consumers may have really never considered the difference between buying a car from a manufacturer who "exists to create shareholder value," as opposed to a manufacturer who "exists to delight the customer," the consumer does perceive differences in value, quality and benefits.

Because many mental models are tacit, not explicit, it becomes even more important for HSE professionals to work on creating new and different models. Making the transition from an activity-based cost center to valued performance partner is a big leap. HSE professionals need to create mental models of adding value, producing results and providing solutions that help organizations reach their goals. These models need to be created and adopted first internally, within the HSE department (or individual practitioner) before they will be perceived or adopted by others (externally).

Creating these new mental models and creating value within the organization calls for a new set of skills and competencies for the HSE professional.

The New Skill Set

According to Jac Fitz-enz and Jack Phillips, in their book “New Vision for Human Resources,” Human Resources (HR) professionals need three skill sets:

- HR Management (technical skills)
- Business Management (business acumen)
- Change Management

Playing a new role in safety requires the same set of skills; fortunately the concepts are totally interchangeable, and we just exchange technical HSE skills for technical HR skills.

If an HSE professional is regarded by the organization as a person who is “activity-based” rather than “results-based,” a very specific picture is created. Fitz-enz and Phillips declare, “Senior managers do not accept activities in place of value.” The challenge is to make the transition from activities to results in order to add value to the organization.

Let’s assume that most safety professionals already have the technical skills in place (or know how to develop them). Therefore we can focus on the remaining two skills – business acumen and change management.

Business Acumen

In their 2004 competency study, “Mapping the Future,” the American Society of Training and Development (ASTD) describes business acumen as a foundational competency required for those engaged in the work of improving performance. The study presented this definition of business acumen: "Understanding the organization's business model and financial goals; utilizing economic, financial, and organizational data to build and document the business case for investing in workplace learning and performance solutions; using business terminology when communicating with others."

Examples of this would include:

- Understanding of business processes, operations and systems
- Understanding the strategic and operational planning process
- Knowledge of products, customers and business cycles
- Reading, interpretation and application of financial data including annual report, balance sheets and budget
- Sufficient knowledge to prepare budgets, evaluate program impacts and calculate ROI
- Understanding and application of performance gap analysis process sufficiently to identify solutions that will deliver business results
- Knowledge of organizational power, politics and relationships

Jim Shanley, staffing, learning and leadership development executive for Bank of America asks, “At the end of the day, do [practitioners] have the ability to explain how their company goes to market, their value proposition, marketplace differentiators and competitors?”

HSE professionals need to carefully assess their level of business acumen and then create a personal development plan to address any knowledge gaps. The ability to understand and

communicate the language of business is fundamental to the success of any initiative proposed or suggested. Without business acumen, the paradigm or mental model of the senior management team regarding the HSE professional is not very heartening.

In their recent article in *Training and Development*, Barry Stern and Bob Walters create a very interesting mental model depicting how our stakeholders may view us. This continuum of “Trusted Advisor” is based upon perceived levels of assistance to the organization, as viewed by others.

Let’s see if we can recognize where many of your peers fall on the following scale (Exhibit 1):

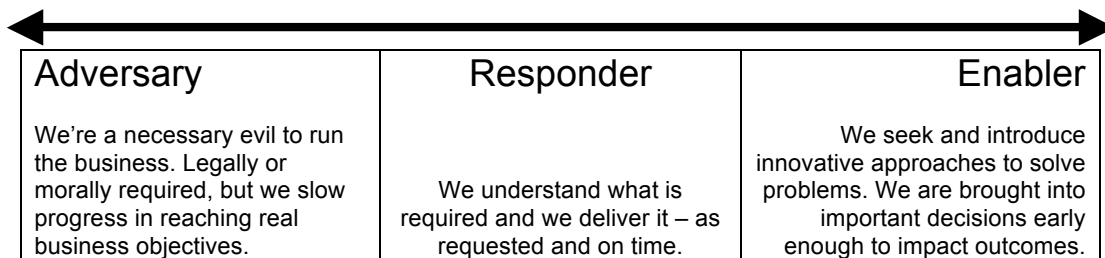


Exhibit 1. Trusted Advisor Continuum.

Alignment to the strategic plan begins with a clear understanding of the organization’s plan. Not-for-profit organizations typically seek to fulfill the objectives of the mission. For-profit organizations typically view profit as the over-arching goal. For simplicity, we’ll just use profit as the primary business driver.

Fitz-enz and Phillips created an alignment model (Exhibit 2) to help us align a staff/service function with the strategic business plan by creating a “value chain.”

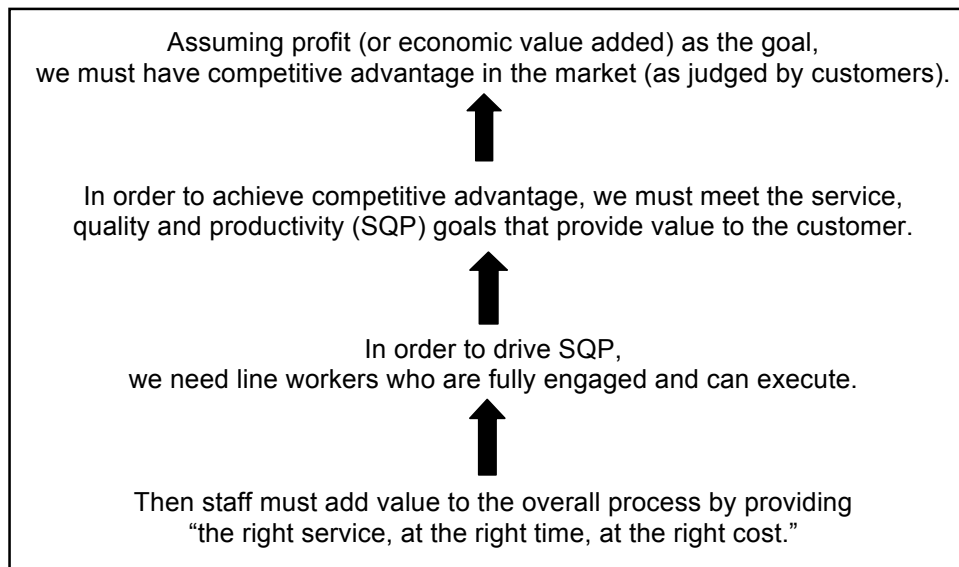


Exhibit 2. Value chain alignment model.

The challenge for the HSE department is to seek methods that add value to the organization, and become “trusted advisors,” not “adversaries.” This could be challenging in a common corporate environment where many companies see their employees as expenses, and their property and equipment as assets.

Change Management Skills

“The definition of insanity is doing the same thing over and over and expecting different results.”
Often quoted, various attributions

All HSE professionals need to be extremely proficient in change management. After all, what we are seeking is change – in behaviors, in attitudes, in procedures, and in results. Creating and fostering organizational change is no easy task. There are numerous forces in play that must be carefully evaluated and managed.

From *Execution*: “Most efforts at cultural change fail because they are not linked to improving the business’s outcomes. The ideas and tools of cultural change are fuzzy and disconnected from strategic and organizational realities.”

There are a few key elements that HSE professionals should master in order to become effective change agents within the organization.

- **The ability and experience in using diagnostic tools and processes.** The old adage, “prescription without diagnosis is malpractice,” is the operative concept. Professionals must have a repertoire of methods that will yield performance gaps and root causes. Examples of these methods would include models like Human Performance Improvement/ Technology (HPI/HPT) or Mager and Pipe's Performance Analysis Model.
- **The ability to influence, persuade and sell.** Most organizational initiatives are successful when employees see the value and benefit of the change. Even if HSE professionals *had* positional power, and most do not, force is not always the best way to effect change. Adults have to see the WIFM (what’s in it for me), internalize the benefit and value, and then make a conscious decision to make a choice. If the reasons for change are not clearly evident (or clearly stated), compliance with the change is rarely successful.
- **Leadership skills** are often neglected by HSE professionals who are expected to “manage, not lead.” Many HSE professionals are very technically proficient, but have neglected a key portion of their effectiveness in not developing core leadership competencies. Areas such as communication, strategic visioning, valuing differences, motivating and measuring performance, servant-leadership and employee engagement are critical to success.
- **Change management skills.** Finally there is a need for HSE professionals to understand the methods and barriers to change. Kurt Lewin’s force field analysis provides a framework for looking at the factors (forces) that influence a situation, holding it in balance or equilibrium. It looks at forces that are either driving movement toward a goal (helping forces) or blocking movement toward a goal (hindering forces). But beyond the theories of change are the skills in enabling organizational change. HSE professionals should not only recognize the need for change and be personally open to change, but enable staff and peers to re-evaluate roles and procedures, use organizational performance assessments to guide change and understand and apply strategies for handling negative responses to change.

But the most basic and effective framework for organizational change, according to Bossidy and Charan, is really quite simple:

1. Tell people what results you are looking for.
2. Provide the skills, knowledge and resources for them to accomplish the change.
3. Reward desired performance.
4. Provide coaching and feedback when performance is achieved, then reassign or terminate if individuals are unable to comply.

The Four Phases of Planning

The first step to begin planning is to obtain a copy of the strategic plan and performance objectives for the organization; if your organization is using a performance management system such as *Balanced Scorecard*, so much the better.

In some organizations, however, these documents can be difficult to obtain, or are non-existent. This will require a bit more digging, interviewing key senior executives, and painting a picture of the strategy rather than just obtaining a picture. Even with the absence of a strategic plan, however, there are key business drivers and objectives that top management has in mind, and it is your mission to discover the things that are most important to the leaders.

Now that you have a copy of the strategic plan (or understand the big picture), have developed your business acumen, honed your change-management skills, and understand the key business drivers, you are ready to start aligning your HSE department with the business.

The four phases of planning are:

1. Align the HSE culture to the rest of the organization.
2. Develop a plan.
3. Implement the plan.
4. Evaluate and adjust, as required.

1. Aligning the HSE Culture

Just as the organization has a vision, mission and values, so should the HSE department. A vision is the unity of purpose, the standard of reference, the motivator and the graphic picture of what you do and why you exist.

The vision of a staff function, like HSE, can be a little tricky – for several reasons.

One reason is that staff functions traditionally focus on activities, not results. “We deliver the best safety and health services” is not a results-oriented statement. And most senior managers view activities as expenses that can be trimmed or reduced when economic times are tight. So if there is not an emphasis on value, contribution and alignment to business strategy, it can seem as if the department is disconnected or out of touch with reality.

Another reason is that many safety vision statements are evangelical in nature. “Safety is everyone’s responsibility!” Or “safety is our highest value” are great examples of a compelling picture for safety, but how do these statements explain how the HSE department will help the organization reach its goals? Where do these explicitly state that they add value? What are the *results*?

The vision of the HSE department must add value to the organization and help the organization to reach its goals.

Dr. John Sullivan, referring to HR strategic alignment, but with clear applicability to HSE alignment posits that senior managers, not departments, determine what is or is not strategic. “What is or is not strategic is determined by senior managers outside of HR. They judge strategic actions or programs not by the words that describe them but instead by their actual impact on business results, which incidentally, are always measured in dollars!”

2. Develop Your Plan

Plan development begins with an assessment of current business environment. This benchmarking exercise should include both the internal and external environment. In the HPI model, this is part of the *Business Analysis* phase. This gives you the baseline information you need to evaluate current performance.

Building a culture of execution, in order for an organization to realize a competitive advantage, requires that the services, quality and productivity are fully functioning. So the first step is to benchmark your internal HSE department products and services. Survey your users (and other stakeholders) to determine:

- Which products and services are most important?
- Which add value?
- How well do you deliver/perform (quality and performance)?
- Are there any products or services that are missing?

The more traditional SWOT (strengths, weaknesses, opportunities and threats) environmental analysis views both internal and external indicators. Companies using a Balanced Scorecard approach will conduct their SWOT analysis in each of the key sectors – Internal Processes, Financial, Customer Perspective and Employee Learning/Growth.

The SWOT analysis typically addresses current issues such as:

- Government influence and regulation
- Economic conditions
- Business competition
- Workforce demographics

With the internal and external analysis in hand, the next step is to determine performance gaps. The HPI/HPT model provides a systematic approach for performance gap analysis represented by inquiries into areas where performance is an issue. Your analysis should determine:

- Is there a problem? What are the manifestations?
- What is the problem?
- How important is the problem?
- Who is the customer, or who is affected?

“If you want to understand the way work gets done, to improve the way work gets done, and to manage the way work gets done, processes should be the focus of your attention and actions.”

- Geary Rummler and
Alan Brache

- What is the actual performance level? What is the desired performance level?
- How important is the identified gap?
- How often does the gap occur?
- How costly will it be to resolve the gap?
- What are the root causes?
- How does fixing this result in value to the organization?

In *Improving Performance*, Rummler & Brache propose nine performance variables within the three levels of performance that need to be considered for any intervention to be successful.

Considering all areas of the organization is critical in this process. Many HSE professionals are pre-disposed toward a training solution, as are most supervisors. While a performance gap could certainly be a lack of training, there can be other causes, such as:

- Lack of resources
- A problem with the structure or work process
- A need for more information (masked as a training need)
- Motives and expectations
- Inadequate feedback, incentives or rewards (not monetary)
- Hiring or selection issues

Developing strategies and action plans that align with the business plan also call for additional questions to be asked:

- Is it legally required?
- Can we eliminate programs not aligned or needed?
- Would dropping it be contrary to organizational values
- What are the performance indicators (leading and lagging)?
- Does it add reasonable value (and how will you measure it)?
- Does this plan realign HSE program and policies not currently aligned with business plan or strategy?

3. Implement the Plan

Now that all of the plans are formed and aligned with business goals that create real value for the organization, it's time to put them into place. It would seem that all of the difficult work has been completed, but it is at this stage that most organizations fail miserably.

“Execution is the great unaddressed issue in the business world today. Its absence is the single biggest obstacle to success and the cause of most of the disappointments that are mistakenly attributed to other causes.”

- Ram Charan

Study after study shows the American work force is disengaged, unfocused and does not understand their contributions to the organization. In a poll conducted by Franklin Covey, Ram Charan and Harris Interactive (15,000 participants), only 15 percent of the workers could state *any* of the top three goals of the organization, and only 12 percent of *those* could tell you how the organization was doing on those goals.

Every employee, supervisor, manager and senior leader must have performance goals and objectives aligned with the strategic priorities of the organization, with resources, motivation and consequences in place to perform. The discipline of execution needs to be firmly embedded into how the organization lives and breathes.

Ensuring that action plans are realized will require several elements to be in place:

- The plans are aligned with business objectives
- Plans are clearly stated and supported by senior leadership
- Resources are provided (time, money, knowledge, motivation)
- WIFM clear to all participants
- Consequences (positive and negative) are stated and enforced
- Change management is planned and addressed

4. Evaluate and Adjust

The final stage of the process is often overlooked, and provides some of the best opportunities for organizational improvement. If action plans are not measured and monitored, there is really no way to determine if they are effective or not. The evaluation phase should show the results of the interventions, compare these results to the performance gaps, and gain support and cooperation for future efforts.

The evaluation phase also provides an opportunity to communicate results to everyone in the organization – and that can be nearly as important as actually achieving the results.

This phase also offers opportunities to reaffirm best practices and begin the process of “double-loop learning” In single-loop learning, organizations fix the problem at hand, but do not significantly improve organizational problem-solving capacity. Single-loop learning typifies organizations where activities and problems add information to the firm's knowledge base without altering fundamental processes.

In double-loop learning, the organization may question the values, assumptions and policies that led to the actions in the first place; if they are able to view and modify those, double-loop learning has taken place. Double-loop learning is really about increasing the capacity to learn and problem solve. Within these organizations, employees are empowered to change the routines and processes that govern their duties. They re-frame problems, contribute to changing policies and procedures, and build capacity in the organization.

The mechanics of program or performance evaluation should be designed during the developmental stage. When performance measures are designed on the front-end, they are far easier to measure and monitor.

Kirkpatrick's four levels of evaluation give us a much-used model for program (originally designed for training) evaluation. Then Phillips expanded the model to include a component for capturing the financial impact of interventions. The following blended model (Exhibit 3) offers a starting point for a good evaluation process:

Levels of Evaluation

Level 5	Return on Investment
Level 4	Organizational Impact
Level 3	Application of Skill (back on the job)
Level 2	Transfer of Learning (skill learned in class)
Level 1	Reaction

Exhibit 3. Five levels of evaluation.

Careful program evaluation will rely on both hard and soft data. Examples of hard data include:

- Output (tasks completed)
- Quality (product defects or rejects)
- Time (time to complete projects)
- Costs

Soft data might include:

- Work Habits (safety-rule violations)
- Work Climate (employee turnover or job satisfaction)
- Attitudes (employees' perceptions or perceived changes in performance)
- New Skills (frequency in using new skill)
- Development and Advancement (number of promotions or pay increases)
- Initiatives (number of employee suggestions)

The metrics of safety performance should actually be established during the design phase. This allows precise alignment with desired outcomes, other uses of metrics can be somewhat misleading if not applied correctly. The age-old example is using a measurement of recordable and lost-time injuries to illustrate the success (or failure) of a safety system. Using only these two pieces of data we actually don't know anything about the process – were they safe? Or were they lucky?

Many organizations are using a *Balanced Scorecard* (BS) approach to safety measurement, which actually goes way beyond metrics, and really has far more to do with linking people,

strategy and performance. In a “traditional” Balanced Scorecard a strategy map is developed with performance objectives, measures and targets developed in four key areas:

- Customer focus
- Internal processes
- Employee learning and growth
- Financial

The Balanced Scorecard looks simplistic, but in reality is a very involved process. One concept that is readily borrowed, however, is the concept of leading and lagging indicators. Performance measures that represent the consequences of actions previously taken are referred to as lagging indicators. They frequently focus on results at the end of a time period and represent past performance. An example is injury rates or Experience Modification Rate. Traditional safety metrics has been very biased towards lagging indicators, for several reasons:

- They are easy to identify
- “Anyone” can interpret them
- “Industry” recognizes them

There is certainly value in using some of these data in program evaluation. You certainly do need to measure output, cost, value, actual return-on-investment and many other important data. But they do not tell you how you are doing, or what you should do to adjust the course. That’s where leading indicators come into play. These measures are considered the “drivers” of lagging indicators. The assumption is that improved performance in a leading indicator will drive better performance in the lagging indicator. For example, reducing percentage of at-risk behaviors (a leading indicator) would theoretically drive reductions in worker injuries (a lagging indicator). But leading indicators can also be very misleading! In the previous example you could reduce at-risk behaviors, but fail to mitigate physical hazards (extremely icy work surface) that could still result in an injury.

So if true performance improvement is desired, the metrics must be designed into process, as the intervention is designed. This requires careful examination of the performance gaps and their true causes. Once that is done, many leading indicators may help to measure objectives along the way to closing performance gaps.

Just some examples of leading indicators could include:

- Adherence by the workforce to safety rules
- Climate/perception surveys
- Consistency and clarity of messages and communication
- Job satisfaction
- Quality metrics
- Employee turnover
- Extent of cross-functional teamwork
- Individual skills, knowledge and ability
- Organizational knowledge and learning
- Extent to which workers are clear on goals and objectives (self, team, organization)
- Extent to which workers have access to resources, tools, knowledge

- Use of motivation and rewards
- Consistency of coaching and reinforcement
- Housekeeping
- Results of supervisory accountability programs
- Safety inspection and audit results
- Systematic program/process evaluation criteria
- Near miss reports
- At-risk or safe behaviors

Many factors can influence business performance measures, so it is important to isolate effects of HSE initiatives from other influences. Phillips provides us with several proven methods for isolating these factors:

- Be sure to identify all factors
- Use control groups
- Trend line analysis
- Forecasting
- Customer input
- Estimates of impact (worker/participant and managers)
- Expert estimations

Once the evaluation process is completed, the results need to be communicated to all stakeholders in the best format and in a timely fashion.

Finally the process should be carefully reviewed, adjusted and the cycle begins again – the familiar cycle of continuous improvement.

Conclusion

Making the transition to trusted advisor and performance partner requires planning and execution, but the prize is worthwhile – alignment with the organization and the senior management team. Consider changing your mental models first, in order to have others view you in a new light. Then integrate business acumen and performance/systems skills to your professional development plan. Finally, utilize the four-step planning process to align your department to create organizational value.

In the end, however, safety effectiveness is really all about building and sustaining relationships – relationships built upon personal trust and credibility, alignment and leadership skills.

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