



Briefing November 2008

From Commitment to Action

How CEOs Can Transform Health and Safety

At a Glance

- ◆ The transformation of health and safety starts at the top—with the chief executive officer (CEO) and other senior leaders.
- ◆ In taking action to transform an organization's health and safety practices, the CEO must gain the commitment of the board of directors, engage the support of the employees, and extend the transformation beyond the organization into the supply chain.
- ◆ Ultimately, health and safety must become an integral part of an organization's identity.

INTRODUCTION

Building commitment to health and safety transformation within an organization must begin with the CEO. But what exactly does a CEO have to do? What actions can a CEO take to transform health and safety within the organization?

The CEO must begin building the commitment to health and safety transformation within his or her organization.

To explore these questions in greater depth and to identify tangible opportunities for action, the Industrial Accident Prevention Association (IAPA) and The Conference Board of Canada (CBoC) invited business leaders to the 2008 Leadership Summit held during the IAPA's annual

conference in April. With the theme “From Commitment to Action,” the summit’s workshop focused on the actions CEOs and presidents should take to:

- ◆ gain the commitment of the board of directors to a transformation of health and safety practices;
- ◆ achieve operational excellence by engaging the organization more fully in health and safety; and
- ◆ extend health and safety transformation beyond the organization and into the supply chain.

The Leadership Summit was chaired by Elyse Allan, President and CEO of GE Canada, who focused the attention of the participants on the importance of turning their commitment to health and safety into action. Her comments set the tone for the day.

True transformation in any business process cannot be achieved without the CEO’s constant active involvement.

Like all CEO Health & Safety Leadership Charter events, the summit’s workshop was designed to provide CEOs, presidents, and other executives with pragmatic and focused insights to improve the health and safety conditions of their organization, supply chains, and communities.



The Chair, Elyse Allan, President and CEO of GE Canada, addresses the summit.

Senior leaders produced a wealth of clear and actionable recommendations that CEOs can use to turn their commitment to health and safety into action. All of this underscores the tenet that true transformation—in any business process—cannot be achieved without the constant active involvement of the CEO.

This executive briefing outlines several actions that CEOs need to consider in order to transform their organization’s health and safety culture.

[+ >] CEO HEALTH & SAFETY LEADERSHIP CHARTER

Several years ago, a group of CEOs came together at the encouragement of Duncan Hawthorne of Bruce Power and Maureen Shaw of the Industrial Accident Prevention Association to establish the CEO Health & Safety Leadership Charter. The charter is a series of seven commitments that signatories agree to support and take action toward applying in their organization. The commitments are to:

- ◆ subscribe to the principle that nothing is more important than the health, safety and well-being of employees, contractors, visitors and the surrounding community;
- ◆ integrate health and safety into business strategies, processes and performance measures, and to recognize that good health and safety performance supports good business results;
- ◆ effectively manage health and safety risks by eliminating, minimizing or controlling hazards;
- ◆ strive for continuous health and safety improvement and to provide the leadership and internal capacity to make this happen;

- ◆ provide an environment that enables all employees to participate and work collaboratively in developing, promoting, and improving health and safety at work;
- ◆ extend health and safety efforts beyond the workplace, recognizing and supporting related initiatives within the community; and
- ◆ participate within a CEO health and safety leadership learning community, by providing and receiving information and best practices, with the goal of continuously improving health and safety strategies, programming and performance.

The charter is embraced by over 300 leaders who believe deeply that if they are serious about the safety of their employees, they must demonstrate leadership from the top.

For more information about committing to the charter, contact the Director of National Security and Public Safety, The Conference Board of Canada, 613-526-3280.

MAKE HEALTH AND SAFETY A REFLECTION OF WHO YOU ARE

The workshop held during the Leadership Summit had three objectives, namely to:

- ◆ identify the benefits of building commitment from the board and the employees;
- ◆ provide strategies to overcome possible opposition from the board and the employees; and
- ◆ suggest actions to engage not only the board and the employees, but also external suppliers and contractors.

Organizations may find it necessary to maintain certain health and safety standards to keep their credit rating.

A key message that emerged from this working session was that health and safety practices must become a reflection of how an organization sees itself. If an organization is deeply committed to professionalism and excellence, it should exemplify health and safety with the same degree of professionalism and the same aspiration for excellence. Fundamentally, health and safety must become an integral part of an organization's identity.

GET PERSONALLY INVOLVED

It all starts with the CEO. If an organization is to genuinely build commitment to health and safety and put this commitment into practice, transformation must start at the top. The vast majority of recommendations made at the workshop called for (or presupposed) the active engagement of the CEO, for a number of reasons.

First, the CEO is in a unique position to influence the board's agenda and to shape the board members' views on health and safety. CEOs are the interface between the staff and the board and regularly report on operating and financial results. As a result, CEOs are well placed to promote effective health and safety practices at the governance level and to explain how these practices are relevant to an organization's success.

Second, the CEO can establish the health and safety culture of an organization by demonstrating behaviour that is consistent with the desired culture. When CEOs

personally follow their organization's health and safety practices, they underscore the sincerity of the organization's commitment, and employees are then more likely to adopt the same behaviour.

Third, the CEO (and by extension, the senior management team) frames and drives the organization's strategic and operational thinking and action. The CEO ensures the implementation of the strategic goals and objectives of the organization and provides the required direction and leadership. This typically means setting operational priorities that guide the entire staff in their daily activities and, to be successful, requires that appropriate critical enablers be in place. CEOs can use their influence to ensure that health and safety initiatives directly contribute to the strategic and operational priorities of the organization.

BUILD THE VALUE PROPOSITION

To build a solid business case, CEOs must first have a clear understanding of the importance of health and safety and its potential impact on the organization. Workshop participants identified several immediate financial benefits that could result from a strengthened health and safety culture, including:

- ◆ a reduction in the number of insurance claims and legal suits;
- ◆ the absence of time-consuming inquiries and investigations into health and safety incidents; and
- ◆ the uninterrupted availability of the organization's most productive staff.

Some organizations may find it necessary to maintain certain health and safety standards in order to keep their credit rating. The rating agency, Standard and Poor's, recently included risk management culture and strategic risk management in their interviews for the scoring of non-financial organizations. In the view of Standard and Poor's, one indicator of an organization's future ability to meet its financial commitments is its management of employee health and safety.¹

¹ Standard and Poor's, *Request for Comment: Enterprise Risk Management Analysis for Credit Ratings of Non-Financial Companies* [online]. (New York: Author, 2007), [cited Oct. 2008], p. 6. www.standardandpoors.com.

“Safety is another factor to assess when analyzing the credit risk of [...] companies. Firms that do not have robust standards for workplace safety can be subject to legal action arising out of the injuries or deaths of workers on the job site.”²

There are clearly negative implications to poor health and safety performance—and these contribute to the organization’s costs. For example, an organization runs an increased risk of becoming legally liable for employee injuries and for damages to third parties if those injuries and damages are the result of inadequate health and safety practices.

As public and private sector organizations become increasingly health and safety conscious, some are more insistent that subcontractors adhere to specific health and safety standards. Organizations that rely on winning contracts in competitive bidding processes simply cannot afford to neglect health and safety.

While executives agreed that the business case is ultimately demonstrated through financials, they also noted that other important factors may not be as easily quantifiable.

Recruitment and retention was one area where participants saw a significant benefit. The imminent retirement wave and resulting labour shortages in many sectors allow prospective employees to be more selective. Many believe that an organization’s health and safety record could be a deciding factor given the intensifying competition for talent.

2 Standard and Poor’s, *Ratings Direct: Designing and Building Success in the North American Engineering and Construction Sector* [online]. (New York: Author, 2006), [cited Oct. 2008]. www.standardandpoors.com.

This view was supported by recent discussions that the Conference Board held with young workers. Generation Y employees (i.e., employees born between 1981 and 2000) have indicated that seeing an organization prioritize health and safety suggests to them that the organization is deeply committed to its staff.³

Moreover, a lack of commitment to health and safety can negatively reflect on an organization’s public image. In some organizations, poor health and safety practices affect both the employees and the customers they interact with. Workshop participants suggested that when customers feel that their health and safety is not respected, they develop a negative view of the organization as a whole and may take their business elsewhere.

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Not only does health and safety play an important role in an organization’s (financial) risk management, it is also an essential component of the organization’s corporate social responsibility.



Kevin Auty, Director of Asset Protection at Home Depot Canada and Asia, analyzes the economic impact of health and safety.

3 See The Conference Board of Canada, *Workforce Renewal—New Opportunities to Transform Health and Safety Culture* (Ottawa: Author, 2008).



CEOs and other senior executives engage in a workshop discussion at the 2008 Leadership Summit.

EMBODY YOUR VALUES

Employees take health and safety seriously if and when the organization they work for does—and no-one embodies the values of an organization more prominently than the CEO.

If employees observe the CEO or other senior leaders behaving in a way that is inconsistent with the organization's health and safety culture, they will view these leaders as insincere and will be reluctant to demonstrate the appropriate behaviour. This is consistent with other research conducted by The Conference Board of Canada, which found that “when it comes to health and safety, employees are looking for genuine, active involvement from their CEOs.”⁴

According to one workshop participant, post-incident reviews give CEOs an opportunity to provide inspiring health and safety leadership if they are conducted openly and honestly. CEOs who take the lead in identifying problems and remedying the factors that led to or exacerbated the health and safety incident are seen as being genuinely concerned about their employees' health and safety.

COMMUNICATE CLEARLY AND CONSISTENTLY

A central point made by all workshop participants concerned the importance of clear and consistent communication. Messages about health and safety must be constant and unambiguous, and they must come from

multiple sources in exactly the same way. Ambiguity and inconsistency will render an organization's health and safety message ineffective, and employees will be unsure of the priorities and expectations.

CEOs can ensure that health and safety messages are continuously shared by making them a fixed agenda item at key meetings held at all levels of the organization. This practice will increase exposure, ensure continuity, contribute to organizational buy-in, and reinforce the key health and safety messages.

Equally important is that CEOs make a point of giving employees the opportunity to personally contribute to organizational health and safety initiatives and debates. Front-line staff have first-hand knowledge of the risks they face every day, and they notice when things go wrong. By asking for and enabling their contribution, CEOs send a strong message that the organization is serious about everyone making it home safely at the end of the day.



2008 Leadership Summit

The CEO Health & Safety Leadership Charter held the 2008 Leadership Summit at the Industrial Accident Prevention Association's annual conference in Toronto, Ontario, on April 21–23. The summit brings together CEOs, presidents, and other leaders to work together to identify how they can improve their abilities in transforming the health and safety cultures and practices in their organizations.

This year, the summit focused on how to successfully engage boards of directors, staff, and supply chain partners in the development of a renewed emphasis on and prioritizing of health and safety. Participants heard from experts in the field, shared their own experiences, and identified specific actions that CEOs can take to transform their health and safety cultures.

The 2009 Leadership Summit will focus on the DNA of a winning culture. It will be hosted by IAPA on April 21, 2009.

4 Ibid., p. 6.

Over the course of the workshop, participants identified a number of other actions that CEOs can take to communicate clearly and consistently. CEOs can:

- ◆ reserve time to discuss health and safety issues at all-staff meetings;
- ◆ demonstrate a constructive approach to changing health and safety practices when needed, with an emphasis on pragmatic action rather than on blame; and
- ◆ implement reliable follow-up processes to show that employee input is taken seriously.

EDUCATE YOURSELF AND OTHERS

The CEO must develop a clear understanding of the organization's risk environment, its effect on employee health and safety, and the potential consequences for the business.

Employees more easily accept the necessity of training and internalize health and safety messages if the message is delivered in an engaging and personal way.

Workshop participants identified the need to put senior leadership back in touch with the risks on the front line as a priority. Participants also felt it was necessary to remind leaders that job-related accidents and illnesses can have serious effects on employees' families and communities—which in turn can have a negative impact on the organization's reputation. Participants believe that it is incumbent on the CEO to help the board of directors understand that preventable accidents or illnesses should be thought of not only as a legal and financial liability, but also as a liability to the organization's brand.

It was suggested that CEOs can make health and safety issues more tangible for board members by keeping them informed of current health and safety issues and consequences. Information sessions could become more engaging by showing pictures of worksites and videos of training exercises or events, and by having employees who have been directly affected by health and safety incidents speak about their personal experiences.

The same methods can be used for staff training and education. Employees more easily accept the necessity

of training and internalize health and safety messages if their work contexts are taken into account and the message is delivered in an engaging and personal way.

At a recent CEO Health & Safety Leadership Charter event, the Conference Board asked a panel of Generation Y employees what messages resonate strongly with them. The unanimous preference was messages that address the employee's particular circumstances and workplaces, rather than generalized advice that does not have an immediately obvious application. The panel felt that such targeted messages should be reinforced by examples or accounts of personal experiences given by employees or others who are in situations similar to theirs.

Health and safety must not be allowed to exist separately from other business processes—health and safety must become embedded in all business processes.

According to workshop participants, a further effective multiplier of health and safety messages is peer-to-peer training and education. It was noted that some employees tend to resent being advised about their jobs by individuals who do not share their experience. They more easily accept advice from trusted peers, and organizations should take this into account when designing their training programs and health and safety communications.

INCORPORATE HEALTH AND SAFETY COMPLETELY

Workshop participants emphasized that health and safety issues pervade all areas and every level of an organization. The response, they suggested, must be to "ingrain health and safety in the company's DNA." In other words, health and safety must not be allowed to exist separately from other business processes—on the contrary, health and safety must become embedded in all business processes.

One way to accomplish this is to introduce health and safety metrics, to add health and safety to individual and organizational goals, and to include health and safety indicators in existing performance assessment processes.

At the top level of the organization, health and safety should become one of the many performance indicators that are reported to the board. At the shop floor level, health and safety should become part of individual job descriptions and remain a criterion for both performance and advancement.

Completely embracing health and safety also means extending good health and safety practices beyond the boundaries of the organization. We live in an increasingly interdependent world, and most organizations depend on a multitude of suppliers, contractors, joint venture partners, and others to deliver their services or manufacture their products. As a result, organizations have become increasingly vulnerable to disruptions that occur outside their sphere of direct influence. For example, an organization's business can be adversely affected if a supplier has to shut down because of an explosion caused by negligent safety rules or if harmful bacteria are discovered in its food products. One effective way of elevating health and safety standards on the supplier side from the beginning of the relationship is to include health and safety requirements in requests for proposal (RFPs). Bidders should be asked to present their health and safety philosophy and program, and to demonstrate their commitment.

It is in the organization's best interest to encourage its employees to be as concerned about health and safety away from work as they are at work.

Marc Neeb, Executive Vice-President, Global Human Resources, at Magna International, shared his views on integrating supply chain partners in health and safety transformations. He concluded with the message that "it is not what you expect but what you inspect that will bring results in the end."

In other words, while it is important for organizations to clearly state their expectations, it is even more important to implement a supplier audit and certification program. The program should be complemented by regular meetings and reciprocal visits to share information, promote understanding, and exchange best practices.



Marc Neeb, Executive Vice-President, Global Human Resources, at Magna International, presented practical strategies on how to engage supply chain partners in health and safety.

Organizations may also be negatively affected by injuries that their employees sustain outside of work through unsafe behaviour. As many organizations do not have the capacity to replace critical employees at a moment's notice, it is in the organization's best interest to encourage its employees to be as concerned about health and safety away from work as they are at work. Workshop participants agreed that employees should be reminded that they have a responsibility to be safe. This applies to the work environment, but it is important for everyone to realize that the concern for health and safety must not stop at the organization's front door.

An effective way to promote this principle is to:

- ♦ participate in related community activities;
- ♦ invite family members to organization events; and
- ♦ demonstrate—as part of the organization's internal health and safety training—how the organization's health and safety practices can be applied outside of work.

BE ACCOUNTABLE—HOLD OTHERS TO ACCOUNT

Workshop participants were unanimous in their view that one of the most effective ways to underscore the commitment of the organization to health and safety is to add accountability to the equation. Not only do metrics help to measure performance and to establish a business case for health and safety, but they also enable organizations to build an accountability framework inclusive of everyone, from the CEO's office to the shop floor. Metrics allow the CEO to assess the status

quo, chart developments over time, identify where progress is being made, and determine where the organization falls short of expectations. This information can then be included in performance reports to the board of directors, and represents another opportunity to embed health and safety in existing business processes.

CEOs must adapt their approaches to the culture and business environment of their organizations.

Health and safety should also be included as a criterion in individual employee performance reviews. This will not only unify the organization's effort but also provide a tool to assess the behavioural changes that a true transformation of health and safety requires.

MOVING FROM COMMITMENT TO ACTION

The 2008 Leadership Summit generated a number of actions that CEOs can take to move their organizations "From Commitment to Action."

As workshop participants pointed out, not every action will be suitable in every case—CEOs must adapt their approaches to the culture and business environment of their organization.



Maureen Shaw, President and CEO of IAPA, raises a question with one of the speakers.

However, the following opportunities for action identified at the summit exist in every organization:

- ◆ make health and safety a reflection of who you are;
- ◆ get personally involved;
- ◆ build the value proposition;
- ◆ embody health and safety in your values;
- ◆ communicate clearly and consistently;
- ◆ educate yourself and others; and
- ◆ be accountable—hold others to account.

CEOs and other senior leaders participating in the 2008 Leadership Summit recommended that their peers look closely at these opportunities and examine where their organizations can do more to transform health and safety culture and practices.



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by *Trefor Munn-Venn* and *Bjorn Rutten*

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