

Governing Safely

Thoughts on integrating health and safety (HS) into the board process

There is increasing pressure on boards to meet societal expectations. The reports on good governance focus attention on accounting more effectively to different stakeholder interests, including employees. This note provides some thoughts on the how health safety (HS), issues can be transparently woven into the governance process. This is not an easy journey but it is too important to be left to health and safety professionals.

There are several 'models' of corporate governance. For the sake of clarity a four stage process is used: providing direction; delegating to management; oversight and monitoring; and review.

Direction

Policy

Used appropriately, the UK requirement for a health and safety policy remains a valid way of setting out the relationship of the board with management, employees, customers and the public on HS.

Policies set out the principles and guidelines for decision making. They establish the boundaries or limits within which decisions are to be made and within which judgment must be exercised. They therefore simplify decision making and promote efficiency by removing the need for repeated analysis of recurring problems. Policies permit boards to delegate to management more decisions than would otherwise be the case

A HS policy needs to genuinely represent the collective view of the 'controlling mind' of the board. HS policies will be unique to the organisation and based on board conversations addressing such things as:

- the purpose of the policy in context of company activity, business model and vision: why is a HS policy necessary and how will it benefit the company; how does it retain or add value or reputation?
- how the policy sits within the context of the values and ethos of the company and the reward systems. It is a core part of the company culture. An HS policy is part of the 'tone at the top' and 'licence to operate'.
- how the necessary freedom, empowerment and collaboration in the 'entrepreneurial leadership' of the organisation is balanced with the 'prudent control' of HS risk, needs to be understood to avoid conflict in the delegation of activities to management;
- the relative significance of HS risks within the range of business risks and how important HS is to the company.

The policy statement also needs to capture an outline of how a proportionate, (reasonably practicable), approach will be adopted to policy implementation by both the board and management, identifying the principles which will guide decisions and the parameters in which the board and management will operate; the latitude in which discretion will be exercised. For example this could include how the scale of hazard/risks influence such things as:

- how the board, (and management) spend time and attention in directing and overseeing implementation of HS policy and performance;
- the effort, resource and detail put into risk assessments;
- the resources, and detail of the controls for risk, including the scope and complexity of the HS management system;
- how the policy will impact on business activities, e.g.
 - how the financial resourcing of HS will form part of the business planning and budgetary control and matched to the hazard and risk profile;
 - how the human resource policies will be affected by the policy, including such things as recruitment, selection, placement, development, competence, involvement and consultation;
 - the sustainability of the enterprise?
 - operational activities and service and product design.

Strategy

Strategic choices are at the heart of providing direction and turning aspirations into reality. A key question for the board is where resources, (money, time, attention), will be allocated across the business. The board needs a big picture overview of HS hazards and risks. This is the starting point for reflecting on how the board and the organisation provide resource to the control of risk, ensuring that resource is allocated in proportion to the scale of the hazards and risks.

Strategic choices also need to be informed by an understanding of how HS risks may impact on achieving strategic objectives and plans. Conversely strategic business choices may impact negatively and the extent of the HS risks by introducing greater hazards or by relying more and more fragile methods of risk control.

Strategic objectives also need to acknowledge the nature of the HS challenge. There are many variables involved in the control of HS risks; the aim to eliminate all risk is unrealistic. The purpose of a HS strategy is to contain the negative impact of risk on both people and the business. The task is never finished; it requires ongoing learning and adaptation in the face of changing circumstances.

Risk

HS risks are part of the risks faced by a business but are distinct and a board needs to address how the risks to real 'persons' are balanced against the risks to the 'corporate body' of the company? What is the 'risk appetite' for harming people as

part of the business activity? The Covid crisis has also emphasised the need for boards to stay alert to those unlikely risks which have potentially serious (unacceptable) consequences.

Delegating to management

Culture

People are both the key strength and a key vulnerability in any organisation. Creativity, insight and tenacity are essential to business success; inconsistency, fatigue and excess risk taking are some of the things that cause businesses to fail. The tendency to misjudgement and error is not unique to those at the sharp end of the business. Misdirection and misalignment at the top can just as easily sow the seeds of failure as can mistakes at the bottom¹.

Boards may not give close enough attention to how management set about implementing controls to safeguard their people from injury and promoting a positive culture of health and safety. There is a tendency to rely on the 'safety management system' without examining how this aligns with the way the business really runs. Aligning leadership style, management structures, human resource policies, and accountability and reward systems with the management of people risks is a key to success.

Business relies on the competence and flair of its people. However the necessary entrepreneurial risk taking at times may conflict with the need for caution over personal safety. How the necessary freedom, empowerment and collaboration in the 'entrepreneurial leadership' of the organisation is balanced with the 'prudent control' of personal risk, needs to be understood to avoid conflict in the delegation of activities to management. When it comes to safety the boundaries of discretion need to be clearly drawn. In many cases learning from trial and error and experience is too costly for those involved.

Boards need to guard against focusing too much on front line and immediate supervision when it comes to behavioural safety and culture building. Boards need to focus equally on the behaviour of themselves and those who report directly to them. Their influence is significant and often overlooked in the safety management process. Positively reinforcing behaviours which promote a positive safety culture is key but very difficult. A positive safety culture relies on a community of common purpose and practice, based on a common understanding of how to respond to HS risks. How the board motivates its senior managers and how they motivate their teams is a key issue for delegating. Boards need to be aware the organisation's culture, structure or processes could be source of error and inappropriate risk taking.

¹ 'Roads to Ruin – The Analysis' http://www.reputability.co.uk/files/press/Roads_to_Ruin_The_Analysis.pdf

Oversight and monitoring

Boards are always short of time, so two key questions for boards about HS are where do we best spend our time and what do we do to achieve best benefit?

Organisations survive so a long as they adapt at least as fast as the pace of change. Oversight and monitoring of HS is much about learning to cope with change.

Accidents and incidents provide significant opportunities for learning but boards often get diverted into a purely reactive mode. Using accident and injury data alone to monitor performance is like driving by only looking in the rear view mirror. You divert your attention away from what is ahead. And an absence of accidents is not evidence of an absence of risk or good risk control. Good health and safety is about repeating good performance, drawing both on success and failure.

Good board conversations about HS challenge management understanding of the adequacy and implementation of controls; their understanding of vulnerabilities and how they are solving them. The hazard profile of the business is a good indicator of where to give attention; whatever the controls in place significant hazards these will always present the potential for a serious event and injury.

A board needs a proportionate approach to the hazards/risk of the business looking at both successes and failures, and giving attention to:

- the greatest hazards and the critical systems designed to prevent serious outcomes;
- vulnerabilities – those areas where degradation in precautions can be expected, such as those which rely heavily on procedures and people; and those where from inspections and audits there is evidence of failing implementation;
- cultural development with views from stakeholders around the business.

Review

Drawing a range of sources annual reviews examine the effectiveness of management and board performance. Assessments from the ‘three lines of defence’ can usefully include:

- views and assessments of management (the ‘first line’ – who ‘own’ the risks), of the perceived successes, failures, strengths and weaknesses of the HS performance;
- views and assessments from the ‘second line’ – HS advisers and others who assist and advise on the design of risk controls and facilitate implementation of effective HS management practices, who can provide an independent perspective;
- evidence from the ‘third line’ – audit activity, (internal or external) which can cover how effectively the organisation assesses and manages its HS risks and will

include assurance on the effectiveness of the first and second lines of defence. This could also include learning opportunities from external sources through benchmarking, reviews of significant HS incidents in other firms both in similar and other industries.

Good practice for corporate governance also expects a board to conduct an annual evaluation of its own performance and its committees....' Applying this to HS some of the issues which can be addressed are:

- What time and attention has been given to HS issues in board, other director and committee meetings?
- Have the board HS discussions been reactive or based a structured examination of the HS risks and the adequacy of the HS risk management arrangements in a proportionate manner?
- What has been the content and 'quality' of the conversations and has this involved meaningful challenge and dialogue with management on HS?
- How does the time, attention and quality of conversations align with the hazard/risk profile and the vulnerabilities on HS?

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