

Safety & Leadership

Introduction

How often do business leaders think about safety? Business academics and leadership gurus spend a lot of time talking about inspiring great performance, stimulating innovation, going for growth, while analysts expect leaders to focus on the financials and to keep shareholders happy. But surely the first responsibility – and thus a constant thought – of a leader is to keep their followers safe. Of course, in many industries and markets, there is little risk to physical safety: but in the energy business, and in particular in some of the hostile environments energy firms operate in, it's a big issue.

In this white paper, produced in partnership with [MANAGEMENT FORCE Group](#), a safety consulting firm, we look at the role of leaders in building a culture where safety is incorporated into everything they do.

Some suggest that there are two distinct “safety” roles for leaders: a governance one, driven by HSE regulations, and a cultural one, creating an environment where staff feel safe in being innovative and speaking out. In this paper we will argue that the two go hand-in-hand, and that excellence in safety will not be achieved by regulatory compliance alone.

About MANAGEMENT FORCE Group

MFG is a specialist Risk and EHSS Consultant, and a pioneer in HSSE Management and Culture Change.

Our Leadership Coaching program is built into day-to-day activities, bringing together middle management and front-line employees to take a holistic approach to H&S. Our ICSI approach to culture change has been successfully applied in a wide range of organisations.

Our annual [Safety Gala in Athens](#) will be on June 13th and will include sessions on Leadership.



About Warren Business Consulting

WBC is a specialist management training firm, serving the energy sector. We help individuals develop their careers in the industry by improving their understanding of the business and their leadership skills in running teams.

We will be running a Leadership in Energy course in London and Istanbul in June and August this year when some of the themes in this paper will be covered. We will also be speaking at the MFG Safety Gala in Athens.

Safety as a Function of Leadership

Safety is one of the five elements of our CREST model for creating Trust in Leadership:



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A 2016 Harvard Business Review study put creating a safe environment as one the most important attributes of successful leaders. This isn't just about physical safety: it's also about making people feel safe to ask questions, challenge decisions, point out mistakes and risks. The HBR report points out that this is rooted in neuroscience – in a safe environment staff can relax, invoking the brain's higher capacity for innovation and creativity rather than responding to perceived threats. Professor Kohlrieser of IMD, whose work on "Care to Dare" we have highlighted in previous leadership papers, reinforces the point, describing the "sweet spot" where leaders provide the perfect balance of safety with the encouragement of risk-taking.

The Business Drivers for Safety

Georgios Panopoulos, of **MANAGEMENT FORCE Group**, points out that there are three key drivers for businesses to follow safety principles:

- **Moral:** this is self-evident and no decent business would think of challenging it
- **Legal:** regulations back up the moral code with specific requirements, to make sure HSE is embedded throughout a process
- **Economic:** safe business is good business. Safety is fundamental to successful, sustainable business.

The key driver, according to Georgios, based on his 25 years' experience in the field, is economic. Modern safety management means that safety is not a separate function: the trend is for a holistic approach with safety integrated throughout the process from the design and planning stage right through to execution, completion and decommissioning. National and supranational regulations as well as industry associations provide the frameworks, guidelines and processes to make this happen. However, "Technical processes on their own are not enough," says Georgios. "Unless there is a very strong culture of safety

in the organisation, from the top down, there is always the risk that some processes will be ignored or poorly executed in pursuit of a different priority established by leadership— speed, profitability, innovation.” A key question he puts to clients is “what is the average number of mistakes, deviations or omissions per employee per day?” By framing it as an issue for all employees, this tends to focus clients on the importance of a strong safety culture as well as a strong safety function.

This is not a new idea – Georgios quotes the example of [Paul O’Neill of Alcoa](#) in 1987. In his maiden speech to shareholders, O’Neill was expected to focus on shareholder return for the struggling company – cost cutting, revenue generation, profitability. Instead he talked about safety, and aiming for zero accidents. By going for excellence in this crucial area, he was able to turn the company round, bringing the workforce with him, and ultimately rewarding shareholders with record profits a year later.

Research by Georgios Panopoulos, of **MANAGEMENT FORCE Group** ([InterConstruct 2003](#)) proves that safety need not be a cost. It will save money in management time, in dealing with accidents, and in ensuring the smooth operation of a project.

The role of the Leader

What, then, is the role of the leader in all this? In a large organisation the leader at the top cannot be expected to be in charge of every detail regarding safety. But they can make sure that safety becomes a priority throughout the business, and is embedded in every plan and every action. It’s their responsibility to create a culture that allows safety initiatives to thrive. They must communicate, through words and behaviour, that safety matters above all else.

This is where there can be a clash with a culture of get-up-and-go, of dashing for growth and maverick rule-breaking in pursuit of competitive advantage. Bosses who encourage such a culture by saying “I don’t want to hear problems” or “Don’t tell me we can’t meet this deadline” may think they are instilling a culture of entrepreneurialism and innovation –

Safety as a Corporate Value

Many energy firms list safety as a corporate value, alongside attributes such as Integrity, Respect, Professionalism, Collaboration and Innovation. It’s easy to be cynical - there are plenty of examples in all industries where, in pursuit of profit, actions conflict with stated values. Nonetheless it is a good starting point: if a company has publicly stated a commitment to excellence in safety, it is easier to hold them to account.

A brief review of company websites shows that most major oil firms list safety as a core value or a core part of their strategy or operations.

For example, Chevron, Saudi Aramco, Kuwait Petroleum, BP, Exxon Mobil, Total and Conoco Phillips all include safety as a corporate value. Conoco Phillips begins with safety: *“As our first SPIRIT Value, safety is the cornerstone of all our operations. Our philosophy – “Our work is never so urgent or important that we cannot take the time to do it safely and in an environmentally responsible manner” – was adopted in the late 1930s and has served a constant reminder of the importance of protecting the health and well-being of our people, our partners and the communities where we work each day”*

Among others, Gulf Keystone list it as a #1 strategic priority, TechnipFMC put it as the first of their 5 Core Beliefs; Equinor don’t list it as a value, but it’s the first item of their strategy – “Always safe”.

both very desirable attributes in an organisation. But they must also realise they risk creating an environment where staff do not feel safe in challenging decisions or highlighting risks. Problems then emerge only when they can no longer be hidden from the boss and it is too late to do anything about them.

This also applies to the supply chain: contractors may cut safety costs in their desire to win a contract, or have an attitude towards safety that is at odds with the client company values. If the safety culture is not explicitly passed on through the supply chain, leaders have failed to protect their organisation and more importantly the people employed – directly or indirectly.

Practical Measures

It's easy enough for companies and their leaders to refer to safety in their speeches and put it in the values on the website (see box on previous page): but what practical measures, beyond the usual risk assessments, can leaders at all levels do to make sure it is embedded throughout the organisation?

"Don't tolerate unsafe behaviours"

First, don't tolerate behaviours that allow an unsafe environment. At one global organisation, which, in public, prided itself on risk management and respect for individuals, mid-level executives were promoted with little regard to how they treated their teams. Competitive, aggressive, energetic attitudes were encouraged. At one meeting, after a team member had spoken out about some technical failures that were slowing progress, the leader barked out "Right, anyone else want to waste my time like John with his complaints?" Not surprisingly no one spoke out. When the downturn came, this organisation was one of the worst hit, as problems emerged. Its share price lost 75% of value; criminal prosecutions followed in more than one jurisdiction, significant fines were levied and executives jailed.

Contrast that with a global oil exploration company, quoted in a [McKinsey paper](#), who made

Mergers and Joint Ventures

Although almost all firms regard safety as a core value, problems can arise in mergers and joint ventures when different corporate cultures collide. One firm may regard basic compliance as enough, and beyond that, "anything goes" in the search for fast commercial success; the partner firm might make a similar claims about safety but make it a priority well beyond any basic compliance levels. Some commentators argue that this type of clash lies behind many recent safety incidents.

it everyone's responsibility to flag potential issues. At this firm, every meeting began with a discussion about safety and all participants were expected to be ready to make a comment or observation – which meant they were always on the look-out for safety issues. Even though most of the issues were minor and easily addressed, it meant the topic was always front of mind and everyone felt confident raising even the most trivial of issues.

Leaders can also demonstrate that no one is too senior to ignore basic safety issues: at one firm, a non-executive board director was being taken on a tour of a new production plant. As well as being impressed by and interested in the innovative new technology being installed, he noticed a hazardous configuration of cables that posed a potential risk, and brought it to the

attention of the local management. No one was blamed or criticised, and the problem was relatively easy, though costly, to solve, but it sent a clear message to the workforce that senior management from the other side of the world took their safety seriously – it wasn't just a soundbite on the website.

Incentives matter too. It's not enough to apply penalties and disciplinary action to "unsafe" behaviours. Companies should also look at how they can reward behaviour that puts safety first, even at the expense of other business priorities. This might be the sales manager who turns down a lucrative contract because the client's requirements mean shortcuts to safety, or the drilling manager who delays progress in order to doublecheck the presence of shallow gas.

[McKinsey's Quarterly](#) also points out the importance of involving employees in the identification of problems and design of solutions – the closer they are to this, the more aware they will be of potential risks and the ways to mitigate them.

Who is responsible?

Then there is the question of functional responsibility. Does it all rest with HSE teams? Some argue that "safety is too important to be left to HSE teams" : this is not to denigrate the work or importance of such teams but to emphasise that everyone has a responsibility.

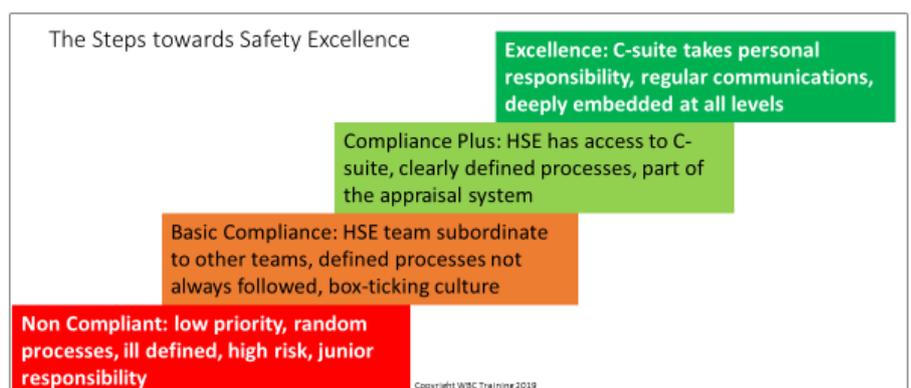
Is the top safety position a C-suite role, sitting alongside the CEO and CFO, or does seniority stop further down the line? It's important to make sure HSE teams are fully embedded in the business and they have access to the C-suite so there is a clear mutual understanding of both safety and business priorities. Without this, HSE teams might be seen as risk averse barriers to innovation and growth.

As Georgios Panopoulos says, "the solution is not just a strong HSE function, but a strong HSE culture – and this depends on the close involvement of, and leadership from, top management."

From compliance to excellence

There's a difference between safety compliance and safety excellence. Is it enough to be compliant or should firms strive for excellence beyond mere compliance? Compliance with regulations assumes that regulators have identified all possible risks, and if anything goes wrong, the fact that the firm was compliant with rules and regulations is enough.

Companies need to identify where they are on the road to safety excellence and where they want to be. Of course they should at least aim for basic compliance. But those in high-risk environments or with high risk processes, need to go



for excellence, where safety is embedded in every discussion and decision. This is the goal of MFG's ICSI method – "Involvement for Continuous Safety Improvement".

Conclusion

So in conclusion, it's clear that safety needs to be embedded in leaders' thinking at all times, whether it's ensuring staff can get home safely after working late or reviewing plans for a new drilling platform or development site.

In a competitive world companies must innovate and take risks to grow and succeed. Safety and innovation are not incompatible but they can be uncomfortable companions: it's the leader's role to make them function together to find that "sweet spot" of safe risk-taking.

Of course there will be risk assessment checklists to follow, but leaders – at all levels - should also ask themselves:

- Do I make time for my team to discuss safety concerns?
- Have I prioritised anything over safety?
- Do I actively support and endorse the work of my HSE colleagues?
- Do I regularly review the operation in terms of safety concerns?
- Do I record and share discussions about safety issues?

If you'd like to discuss any of the safety and leadership issues raised in this paper with us, we'd be delighted to hear from you.

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