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Valuing Safety is Good for Companies' Bottom Line

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In recent weeks, we have had two striking examples of why a "safety culture" is critical in reducing the dangerous risks posed by business operations.

One, the death of 29 workers in an explosion at Massey Energy Company's Upper Big Branch Mine, illustrates the catastrophic impact when such a culture is missing. The second, the halting of air transport due to the ash cloud from an Icelandic volcano, shows the power of a robust safety culture in learning from past incidents to avoid catastrophic events in the future.

The contrast is, if you will pardon the phrase, no accident. Underground mining is hidden from public view and, although coal as an energy source affects hundreds of millions, an accident in a mine does not put fear in households around the world receiving electricity from coal-burning plants. Air transport, of course, is one of the world's most visible businesses, and a fatal accident is front of mind for the hundreds of millions globally who fly during the course of a year.

It is no accident, too, because although I am no expert, it appears that the Mine Safety and Health Administration is not a strong regulatory agency. It has relatively weak tools (no subpoena power), weak sanctions (misdemeanors for serious safety violations) and a spotty enforcement record. By contrast, the Federal Aviation Administration and its global counterparts, are very tough on safety issues and have, among other things, the power to suspend or stop air operations at great commercial and reputational risk to industry members.

A safety culture is essential to public protection. Broadly defined, culture consists of the shared principles (the policies, values, and attitudes) and shared practices (the norms, systems, and processes) which influence how people in organizations -- in this case in businesses -- feel, think, and behave.

A safety culture has a strong credo which puts this value first and which backs it up with strong internal and operational commitment to safety resources, to safety processes, to safety checks and balances, to safety audits, to continuous risk assessment and safety improvements, and to safety performance across

all these dimensions as a critical component in employee retention, promotion, and compensation. This culture must flow from both the aspirations and the actions of top leadership.

In most industries, strong safety regulation is a necessary condition to a culture of safety inside a business, but it is not sufficient. Without the deep commitment of top leadership to performance with safety, the essential safety culture will not exist.

The exemplary safety conduct of the air transport industry during the past week (however great the resulting travel and economic disruption) has its origins more than 25 years ago when engines on two 747s were severely damaged in Indonesian airspace from an eruption of volcanic ash clouds from Java Island. Over the next decade, other incidents of engine damage from volcanic ash were reported. The industry learned that ash particles, which may not be visible to the naked eye or to radar, sticks to an engine's hot parts, form a dangerous coating, and thus restricts air flow through the engine which can cause in-flight shut-downs.

The industry -- regulators, airlines, plane, and engine manufacturers -- developed protocols to avoid such ash clouds whatever the commercial cost. (With traffic still stalled, a factual debate is beginning, however, as to whether the ash cloud conditions still exist over parts of Europe.) This was consistent with fundamental industry practice of rigorous analysis of all safety incidents, detailed root cause analyses, and continuously revised safety practices.

By contrast, when 29 miners die in a mine -- a man-made structure which has been used for decades -- it seems inescapable that a safety culture was absent at Massey's Upper Big Branch facility (and perhaps across the company). Although investigations into the precise causes are just beginning, the mine was cited 515 times in 2009 for safety violations by the Mine Safety and Health Administration -- with commentators noting that 48 of those citations were for issues that could cause serious health and safety problems. And this follows two deaths at another Massey mine in 2006 and a December 2007 letter from MSHA warning of a potential pattern of violations because Upper Big Branch had received 204 serious and significant notice violations in the prior two years, well above the national average.

The commercial and C-suite pressures to cut corners and failures to create a safety culture occur not just at companies out of the public eye (few outside the coal industry had heard of Massey until the Big Branch accident). Toyota's recent travails with safety-related parts will be studied in depth in the future to understand how a company so devoted to quality could have gone so far astray in design, manufacturing, quality control, and crisis management and had a safety culture so seriously eroded.

Another major company -- British Petroleum (BP) -- has already had a major safety failure analyzed in depth. After an explosion at BP's Texas City refinery in 2005 killed 15 and injured 170, an internal BP inquiry and an independent panel appointed by the BP board and chaired by Jim Baker and the U.S. Chemical Safety and Hazard Investigation Board all made extensive findings which concluded that BP had serious deficiencies in safety management systems and processes and poor corporate safety culture. These findings included a lack of: leadership consistency, systematic risk assessment, effective early warning systems, adequate risk abatement, and appropriate education and training. BP agreed to pay tens of millions in criminal and civil proceedings, both governmental and private. The retirement of its iconic CEO, John Brown, was hastened by the safety failure. (In October 2009, the Occupational Safety and Health Administration announced it was levying an \$87 million fine against BP for failing to correct problems which caused the 2005 explosion; BP is contesting those charges.)

There will always be debates what precise safety rules should apply. For example, we are about to witness another round in the recurring fight over strengthening mine safety laws.

But responsible companies will have a strong commitment to obeying the spirit and letter of existing safety law. They will also establish their own internal rules, beyond what the laws may require, if an additional margin of safety is required to protect employees, consumers, and communities. In my view, such voluntary action avoids catastrophic impact on the company and has benefits for a corporation inside the company, in the marketplace, and in global society.

In light of these legal and ethical rules, they will adopt the following safety culture credo:

--Our company is built on the foundation of high performance with high integrity, and safety is an essential element of integrity.

--Each senior leader will be held personally accountable.

--There will be no cutting of corners for commercial reasons. Integrity and safety must never be compromised to make the numbers.

--One strike and you're out. You can miss the numbers and survive. You cannot miss on integrity and safety.

This credo can create culture through investigation and discipline of company leaders. But, more importantly, an affirmative culture, where employees up and down the line want to do what is right, must be created by leadership aspiration and by leadership action in embedding the key safety principles and practices -- risk assessment, risk abatement, continuous improvement, safety auditing, early warning systems, proper education, and training -- deep into business operations.

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