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Executive Edge 2009

National Safety Council Annual Congress & Expo
26-28 Oct 2009 - Orlando, Florida USA

Executive Edge Session B World-Class Leadership: Lead with Safety

ABOUT THE EXECUTIVE EDGE

Executive Edge leadership track brings together business executives and top leaders in environmental, health and safety (EHS) management at the National Safety Council's Annual Congress & Expo. Top decision-makers are increasingly discovering that well-integrated EHS management systems create world-class organizations with competitive advantage and business sustainability. The Executive Edge was developed to meaningfully and purposefully engage business leaders and advance EHS in businesses worldwide. With a variety of panel discussions, technical sessions, and hands-on workshops, the 2-1/2 day Executive Edge track provides leaders with tools to lead their company toward world-class performance. Dynamic dialogues, cross-sharing among leaders, and interactive workshops aim to sharpen leadership skills and capture leading evidence-based solutions for successfully integrating EHS into business operations.

EXECUTIVE EDGE RESOURCES 2009

Proceedings for each of the Executive Edge events and topic areas

Economic Resilience

The Executive Forum:
The Role of EHS in an Economic Downturn – How Do We Deal with the Conditions of the Economy Strategically?

Operational Excellence

The Executive Breakfast:
Operational Excellence - EHS as a Competitive Edge

Paired technical sessions and workshops:

Risk Reduction

Leading-Edge Management: Leading Indicators and Risk Management

Leadership

World-Class Leadership:
Lead with Safety

System Implementation

Driving EHS Performance:
Effective System Implementation

ABOUT THE EXECUTIVE EDGE SESSIONS & WORKSHOPS

As a groundbreaking new part of the Executive Edge track, the Executive Edge Technical Sessions & Workshops were developed to provide key insights into critical EHS topics: Risk reduction, leadership, and system implementation. Sessions feature practical and theoretical presentations followed by a Question & Answer session designed to allow leadership at all levels a chance to directly engage with speakers and their peers. Following these sessions, paired interactive Workshops drill deeper into crucial EHS leadership topics and seek to capture learning that participants can actively and effectively take back to their own organizations.

Note: EHS, SH&E, and HS&E are used as variant acronyms for "environmental, health and safety"

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INTRODUCTION



Mike White
 Director,
 Global Health & Safety
 General Motors
 Corporation



Tom Krause
 Chairman
 BST

Introduction

White: Good afternoon. My name is Mike White. I'm privileged to be a part of the Executive Edge program and to have helped work on the development of this Track. Today, we're going to talk about Leadership, leaders' personal engagement in building a safety culture, and how that's key to a successful safety program. We have two great individuals to talk about that, Tom Krause of BST and Bill Bozzo of DynMcDermott.

Let me start by introducing Tom Krause. Tom is the Chairman of the Board for BST, which is a consulting firm specializing in comprehensive safety solutions. Since its founding in 1979, Tom has helped thousands of companies worldwide prepare and implement successful change systems. He's authored several books and articles on safety and leadership. His most recent book, *Leading with Safety*, was published in November 2005. He's working on a second book right now. He has had articles, including "12 Questions Every Director Should Ask About Workplace Safety," published in *Directors & Boards*. He's a professional member of the ASSE, the American Psychological Association, and a member of the editorial board for the *Journal of Behavioral Analysis in Health, Sports, Fitness and Medicine*. He received a Masters of Arts in Liberal Arts from St. John's College in Santa Fe, New Mexico and a Ph.D. from the University of California at Irvine. Tom is also a licensed psychologist. On a personal note, my former partner with the United Auto Workers worked with BST. He's a great friend of mine, and, according to Tom, a great asset to their company. Please join me in welcoming Tom Krause.

Speaker Presentations

Krause: Thank you very much. It's a pleasure for me to be here. I have been looking forward to talking with you about leadership and culture. I have some prepared comments that want to share with you. In doing these kinds of talks and discussions over the years, I have learned that, often, the most productive part is when you have

a question and I have an opportunity to pursue that question with you. We'll have time at the end for that, but I welcome your questions as we're going along. Although I have 30 or so slides here, I don't feel any particular obligation to get through all of them. The content is available to you. It's in the books and articles that I have written. I'm really more interested in finding the themes that are of interest to you and pursuing them in a way that you would find most useful.

An Evolving View of Safety

Over the years, my way of looking at safety, and the way BST looks at safety, has gradually changed or evolved. I want to talk about how that happened. We began working at the site level with front-line employees. We were looking at how to get employees engaged in safety in a significant way, with the endpoint of behavior change in mind. We did a lot of that work over a period of years. There were several thousand projects. About ten years ago, we became interested in quantifying the results of those projects. Of course, we had a project here and a project there that we thought were really good ones. We had before and after numbers. However, we wanted to do a study with scientific basis that we could publish in a peer-reviewed journal that looked at the overall effects of a large population. We looked at 73 different organizations over a five-year period. We published that study in *Safety Science*. Our question was, "How much do these companies improve over a five-year period?" We had a baseline for each one. We had introduced a methodology that was pretty consistent across all 73. We tracked for five years to see what the results were. What we found was an improvement rate of about 55% across the 73 organizations over the five-year period. That's not a bad number. That was fine. What surprised us, in doing the analysis of that data, is that there was enormous variability across the 73. It was much more than we had expected. There were 8 organizations that had averaged 82% improvement in the first two years. There

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were some that had been level across several years and then had improvement. There were some that were level across the whole five years. There were also some that increased in incident frequency across that five-year period. You can say, and there is probably some validity in saying, that the increases were due to reporting, but who knows? The data says that the numbers went up. It really caught our attention. What accounts for this much variability? Why is it that some are doing really well and some are not doing so well at all, with an overall average of 55% improvement?

We designed an extreme groups study. We isolated a group of companies on one end of the continuum that were very good and another group on the other end of the continuum that had experienced difficulties. We studied them in depth. We had teams of people and a research protocol. We went to the sites and interviewed people. We looked at their data and analyzed it. We found a number of factors that were related to their success. The number one factor was the capability of the leadership of the organization in which this intervention was being done. These days, that isn't a surprise to anybody. We would all say, "Well, of course. This is leadership. We know that it's important." However, leadership is an area that has only come into focus in the last ten years or so in the safety community. The time that most of this work was being done, which goes back quite a few years, was the time of Demming. It was the time of employee involvement and engagement. It was the time when the idea was to "let leadership get out of the way," and to get to the front-line employee in such a way that they became engaged and took a sense of ownership about the overall safety process. It was a surprise to us to find that the number one predictor of success was leadership. This caused us to begin to study leadership.

What is this all about? It's easy enough to say leadership in a broad sense. Leadership is important. Yes, but how much do we know now

that we have said that? Leadership is important and culture is important. Again, how much do we know, now that we've identified this? Some of the questions that come up are questions like, "What does it mean to be a great safety leader?" "Is it the same or different from being a good leader generally?" "If I'm a good leader in a general sense, does that mean I'm a good safety leader?" "If I'm a good safety leader, does that mean I'm a good leader in a general sense?" "What's the relationship between those two?"

When we say culture, what are we talking about? We all have a sense of what culture means, and you've all heard lots of definitions. Then the phrase "safety culture" comes up. What is a safety culture, anyway? We began to dig into those concepts and develop models. What I want to do today is very briefly show you those models. When I say briefly, I do mean briefly. I'm not going to spend a lot of time on them, because many of you have seen them. They're out there in various publications. The topic that I'm going to spend the most time on is the concrete actions that can be taken to either improve or degrade the safety culture. I'm going to look at that from both sides, because I think there's something to be learned in asking, "What could we do to make it worse," or "What are we doing that makes it worse?" What I hope to show you is that you may be doing things that negatively impact culture without a full awareness of those actions and their power. In this day and time, when economics is a big factor and resources are scarce, one strategy is simply to find the negative things being done and stop doing them. That's not a big intervention. It doesn't cost a lot of money or take a lot of time, but it may have a very profound effect. That's the sequence of my talk. First, the models, then looking at things from the side of what can be done to make things better or worse.

Climate and Culture

I want to start by distinguishing culture from climate. This is an important distinction in one

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**- Tom Krause
BST**

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way, and it's just a word distinction in another, but I think that you might find it useful. Culture is, "the values that drive and the unstated assumptions in the organization." If you think about what that is, it isn't what most of us refer to when we say, "culture." We say, "Here is our safety culture," and we look at a list of things, all of which are stated and on the surface. "We want to have a culture where everybody values safety. We want a culture where we understand that we can prevent all possible injuries." That's what we want. That's not what we have. We're talking about an espoused culture. It's a culture that we would like to see. The first question is, "What have we got?" Not, "What do we want to have?" What do we have, right now? What are the unstated assumptions in our culture? Is an unstated assumption, "some number of injuries is inevitable?" That's culture. That's what our culture is now. "Some number of injuries is going to happen." If you got inside the heads of the people in the organization, that's what you'd find. That's not what they'll say, perhaps, but that's what they actually think. It's not an

unreasonable thing to think. It's actually a fairly strong, aggressive statement to say, "We're never going to have injuries. We're going to get to zero. We can do it. It's possible. We can prevent all of them." The first time you heard that, do you remember how you reacted? That's what we mean by culture. Unstated assumptions that are deep-down background ideas taken for granted. We don't write them down. If you write it down, it's not your culture, by definition. It's what you want your culture to be.

Climate, on the other hand, is foreground. It refers to what we're paying attention to right now. It's what leadership is responding to right now. Climate changes very rapidly. Culture changes very slowly. At NASA, after the Columbia space shuttle tragedy, the climate for safety changed immediately. It changed the next day. There was an instant change in climate. The culture took some time to change, gradually. There really is no such thing as a safety culture. That's a misnomer. We all use the phrase, and we know what we mean by it,

"Climate changes very rapidly. Culture changes very slowly."

- Tom Krause

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Culture

Common values that drive organizational performance

Applies to many areas of functioning

"How we do things"

- Unstated
- Background
- Changes more slowly

Climate

Perceptions of what is expected, rewarded and supported

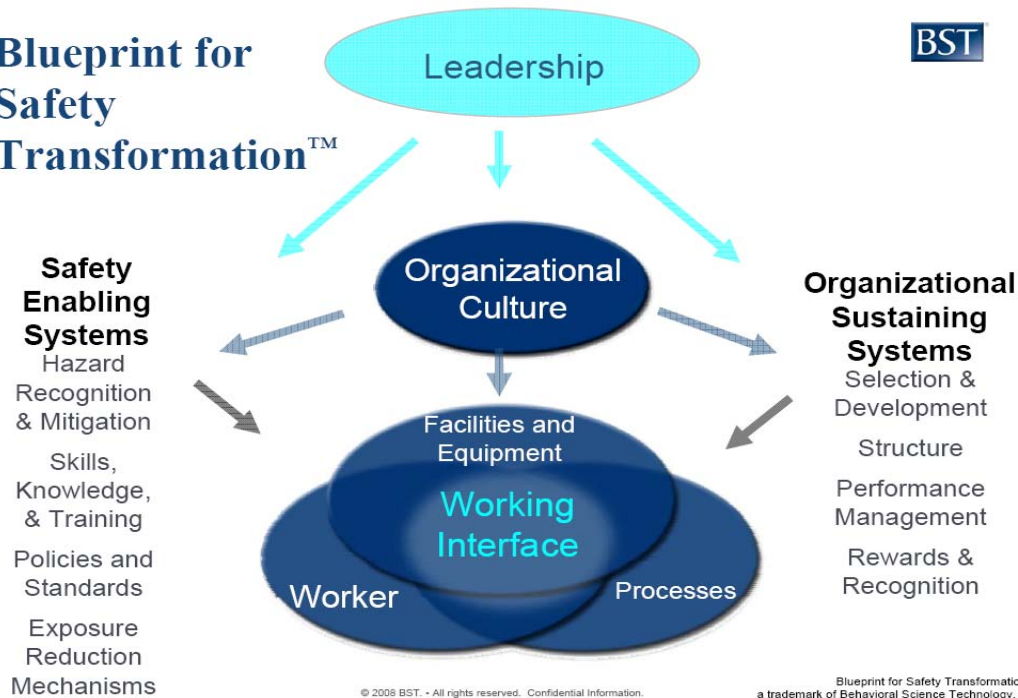
Applies to a specific area of functioning

"What we pay attention to"

- Stated
- Foreground
- Changes more rapidly

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Blueprint for Safety Transformation™



but there really isn't any such thing. There is something, but it's not really safety culture. There are group attitudes and ways we look at safety and things that we do. There is an organizational culture that you can identify and measure and there is a safety climate that you can identify and measure. A safety culture would mean that the culture is specific to one performance area. Culture, by definition, is broader and more general than that. Why do these things matter? They matter because if you recognize that climate can change rapidly, and if you recognize that if climate changes and stays changed for a period of time, then it will impact the culture, and you have a strategy. It's not a five-year strategy. It's a strategy for right now. In three months, you can see significant changes in the climate. If you sustain those changes, you will impact the culture. That's the whole idea. What we do, however, is go at something and change the climate and that causes the climate to get to a very high level. Some months or years go by, and what happens? It starts to fall off. We start to lose our focus. The things that we pay attention to, that we reward or respond to, that we're

interested in, tend to fall off. Then something happens, and it goes back up. A new CEO or a big incident might cause it to go back up, and you have a variable effect. What kind of culture does that give you? That's the difficulty. What that means in terms of practical planning is that you should be very conservative in what you plan. Don't do things that you're not certain that you can sustain. Look at sustainability. If you can sustain the climate, you will get the culture. The problem is, if you don't sustain the climate, you'll still get a culture, but it won't be the one you want. It'll be just the opposite.

Here's a very big picture view, just to put culture into perspective. In the middle, you see the working interface. By that, I mean the relationship between the individual worker and the technology. That's at the floor level. That's the front-line people, the technology, and the work configuration they're embedded in. We influence that by enabling and sustaining systems. We have a set of standard things that we do for enabling systems. We have training, protocols, and the other usual things that are included in safety incident investigation. Those

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“Leadership creates the culture, good or bad, positive or negative, knowingly or unknowingly.”

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BST

are things intended to get the hazards out of the working interface. Then we have sustaining systems. These are HR systems, management systems, or other broader, big systems that are intended to maintain the enabling systems. All of that is necessary, but it is not sufficient. You have to have it, but just having it doesn't do anything for you. The variation across a group of organizations in the same company or different companies is better predicted, statistically, by the culture than it is by the enabling or sustaining systems, or by both combined. Two organizations can have the same enabling and sustaining systems, but they can have radically different culture. One culture is a great place to work. People like each other. Supervision is well trained. Trust is high. Credibility of leadership is high. There's a sense of reciprocity between the employees and the leaders of the organization. It's a positive work environment. The way they view safety is that it's part and parcel of the role they do. Another organization is just the opposite of that. They don't trust each other. They don't communicate well. Their leadership doesn't have high credibility. They have low credibility. They have a high turnover of leaders. When a new leader comes in, no one thinks they're going to be there long. They have a difficult culture. The same enabling and sustaining systems produce radically different results because of the culture. The culture is the center point of that whole business.

How do we get the right culture? Leadership creates the culture, for better or for worse. Leadership creates the culture, good or bad, positive or negative, knowingly or unknowingly. Cultures don't just happen because someone says they want a good culture, they take some actions, and they get a good culture. Culture happens because people forget all about it, make some decisions, and the way those decisions are implemented causes the trust level in the organization to go down. Perhaps the message sent to the organization is that safety is only one of a number of priorities to be balanced. This makes the sense of value of safety go down.

The question is, “What does it take to be a great safety leader?” What does that look like? How do we get leadership to do that, send the right messages, and create the right kind of culture? What does that culture look like?

Leadership and Culture Models

Here are the factors that go into and make up the culture. There are nine of them: procedural justice, leader-member exchange, management credibility, perceived organizational support, teamwork, work group relations, safety climate, upward communications, and approaching others. They are all well-researched. What they have in common is reciprocity. What I mean by reciprocity is that if I am treated by the organization a certain way, I tend to respond in kind. That's not always true, but it's true most of the time for most people. Let's say I go to work in an organization that is new to me and people are friendly, supportive, helpful, go out of their way to make me feel welcome, and give me all of the things I need to do my job well. Then they ask me to be a member of a committee that works on safety. It's not something that I have to do. How likely am I to do that, under those conditions? Contrast that to starting at a new place in which the first things I find out are all the things I can be fired for. Then I find out that the support isn't very good. Then I find out that people say one thing but do another, so everything I hear I have to question. I'm not supported by people. I don't feel like I'm part of the team. People are in their own little cliques and are standoffish. Now I'm asked to participate on a safety committee that I don't have to. What am I likely to do? That's what I mean by reciprocity. Are we treated fairly? Is leadership credible? Do we have good teamwork? Do we have a high trust level? We've researched these and figured out ways to measure them. I'm going to stop there for the general notion of what we mean by the nine cultural attributes. I'm going to come back to this when I look at ways that you can create a negative culture, so try to keep this in the back of your mind.

Here's the really interesting thing, and where the concept of leading with safety comes in. Not only

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do cultures that are strong in the ways that I have just described predict better safety, but they also predict better performance in almost everything else. Intention to stay on the job is better if you have a high-performing culture. Absenteeism is lower. Productivity is higher. Job satisfaction is higher. Sense of organizational citizenship is higher. These are not just my opinions. This is all documented with studies. There are studies and literature to support each of these. Do you see the connection there to what I mean by “leading with safety?” It’s one thing to say, “Well, it’s good that we do safety, because when safety improves, everything else improves.” That’s true, and that’s a great thing to say, but here, there is documented evidence of that. There are studies that show that a culture that produces good safety produces many good things, all of them critical performance factors. The notion of leading with safety is that if you can get safety right, and if you can take leadership attention and focus it on safety in a positive way, through the right culture, you’re going to have all kinds of benefits in addition to safety.

We developed a model for leadership itself, which we divided into categories: best practices, seven of them that we’ve identified, which predict cultural outcomes. There are the variables that we just looked at for culture. There is a leadership style that works better than others, called transformational leadership. You’ve probably read about it in various places. It’s not our invention. It’s been around a long time. Then there is something that we call personal safety ethic, which is that intangible thing felt in the heart and soul of the leader about the significance of safety, independent of anything else. Personal safety ethic is my sense as a leader that this matters. This matters in a different way than making a productivity goal. This is something significant to me as a human being, independently of everything else. It’s the right thing to do and I feel that deeply inside myself. That’s what we mean by personal safety ethic. In order to be a great safety leader, you’ve

got to do those three things. You have to have the ethic, the right leadership style, and you have to engage in best practices and behaviors. If you do those three things, you’ll create the right culture. The culture then gives you the benefits we’ve been talking about. These are all connected statistically. The style of leadership and the percentage of the time that you engage in best practices are nicely correlated. The best practices and the kind of culture attributes that you have are nicely correlated. The more best practices, the better the culture. The culture predicts the incident frequency rate. A better culture leads to a lower incident rate. That holds at relatively high incident frequency rates. It also holds at relatively low incident frequency rates. The model is nicely validated. You have confidence that if you actually do that stuff right you’ll see endpoint results.

Focusing for a moment on leadership best practices, they’re nothing that you wouldn’t think of as important. They’re things that are right there: vision, credibility, action orientation, safety communication, collaboration, feedback and recognition, and accountability. We could go into the details of what those look like, but you get the general idea of that as a safety leader. We measure those by 360s. We interview people around the leader. We have them fill out a data sheet about how this person does with respect to safety vision. There are several questions for each one. We compare that to a database and we get a percentile score. This is the leadership team of a global chemical company. It’s 10 or 12 people, the CEO and direct reports. This is their average percentile score as a group. You see they’re right around 60th percentile as a group. How much variation are we going to see if we look at their individual scores? Is there going to be a lot or a little? There they are. There is a great deal of variation. The triangles are the individual people. One of those is the CEO. We did the same analysis with the group right below the CEO and team. There are 58 people in that group. Are their average scores higher or lower, and is their variability more or less? Here they

“In order to be a great safety leader, you...have to have the ethic, the right leadership style, and you have to engage in best practices and behaviors.”

**- Tom Krause
BST**

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are. That's the group of 58. There they are as individuals. These are percentile scores. Percentile scores exaggerate the variation. It's a forced ranking. You're forcing them in. You're going to get some variation, but this is huge. This is from the first percentile to the 99th, across the group of 58.

There's an enormously positive way to look at this. That is, "What if we could upgrade the safety leadership skills of the first group, and then the second group? What would that do to our overall culture and overall safety performance?" It's not hard to see that's a very nice opportunity. We did a study with 25 or so CEOs and this is their data [see following page]. These are different companies, all large and global. I've color-coded them so that you can see how consistent they are as individuals. The green dot, who is a very strong safety leader, is very strong on all of those scales. That's a common pattern that you see.

Ways to Create a Broken "Safety Culture"

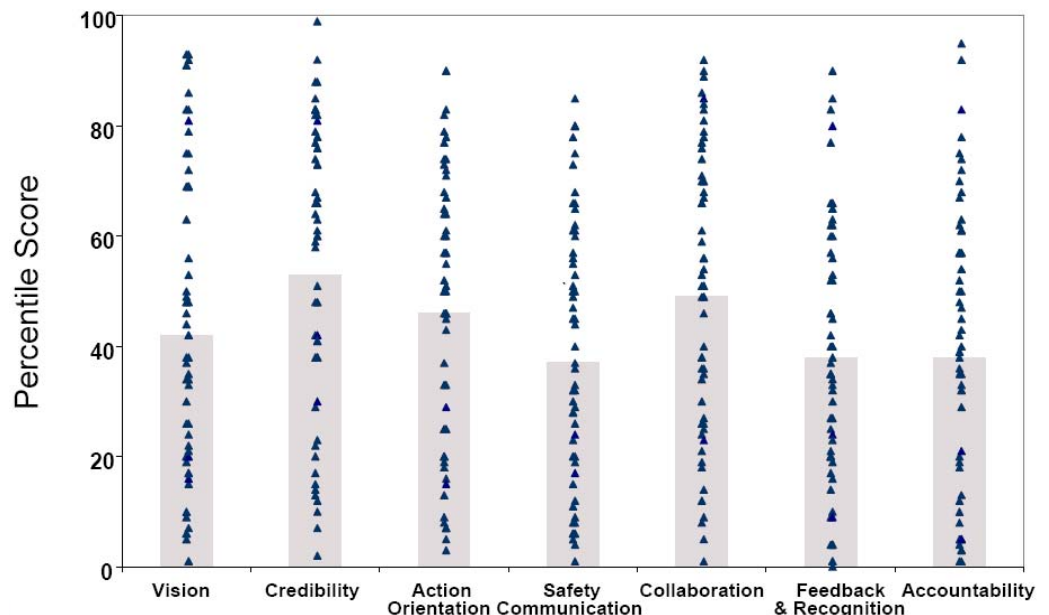
Let's look at the negative side. Some of these are controversial. My intent isn't to create controversy. Some of the things might even seem irreverent. That's not my intention either. My intention is to share with you the things that I have learned over the years. Say you wanted to create a broken "safety culture." What would you do? Here are some of the things that you could do.

Focus on injuries while ignoring exposure. Is that obvious? No, none of us do that. If you did that, it would mean you don't focus on anything until someone gets hurt, and then all hell breaks loose. The exposure is there the whole time. Everybody sees it. We had exposures! We got new equipment. We've not done such-and-such. We had a failed equipment process. We've not done such-and-such. We have a workgroup that is dysfunctional. We've not done such-and-such. These are hazards that are in the workplace that we know about but didn't do anything about. We don't pay attention to them. We don't say much. Things just go along and they're fine until there's

"Say you wanted to create a broken safety culture. What would you do?"

- Tom Krause
BST

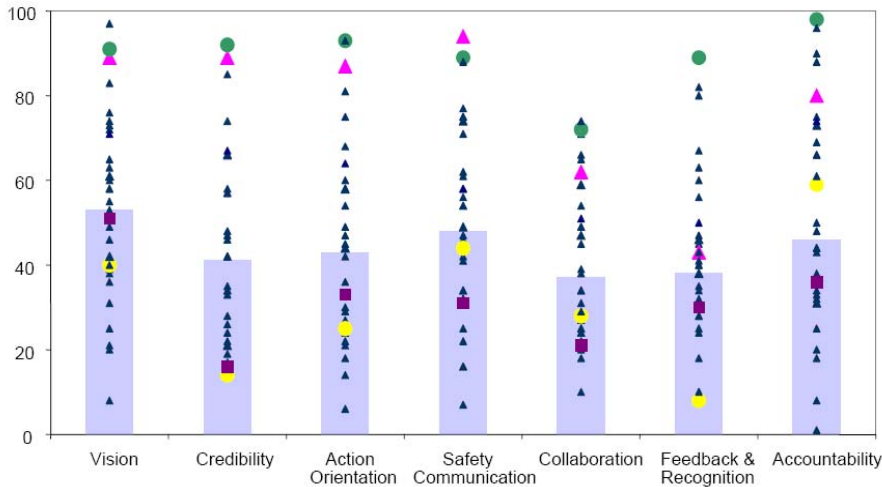
Fifty Eight Other Leaders: Safety Leadership Best Practices Percentile Scores



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Health and Safety Best Practice Percentile Scores Chief Executive Officers



an injury. Then there's a big hullabaloo. What will that do to the culture, specifically? What would it impact? Credibility, safety climate, perceived support, and teamwork. Do you see what I'm saying?

Here's another one. Encourage leaders to say things they know are either contradictory or impossible to achieve. Talk about zero injuries a lot. Talk about it as if we're right on the edge of doing it, when in fact we've got major hazards that are going to cause us injuries. That's the real situation, and we know it, but we talk about zero injuries as if it were a reality. You can see how that will have a negative effect.

This next one may be an extreme example. Get a lot of data, spend a lot of time, talk about it, take up everybody's time, and then put that stuff on the shelf and don't ever look at it. That's a guaranteed way to create a broken safety culture.

Here's another one. Have some people right below the level of leadership who make decisions that keep incident information out of the leader's hands. A front-line employee turns

in an incident report. It'll go up a level and up a level but it won't get to the site manager. Somebody will contain that information before it gets to the site manager. The site manager doesn't want to hear that. Then, when the incident happens, and the hazard was previously described, the site manager says, "Wait a minute, I didn't know we had that exposure. What are you talking about?" Well, no, you didn't know we had that exposure. We had mechanisms in place whereby information doesn't get to you.

Here's a good one, guaranteed to create a broken safety culture. Manage the numbers, not the results. That's guaranteed to have negative effect.

Another one would be to adopt the idea that safety is important enough to be number one on your agenda, but be sure that you never talk about anything serious. Talk about the need to have lids on your coffee cups when you're walking down the hall. I'm not saying you shouldn't have a lid on your coffee cup when you're walking down the hall. I'm saying that if that's the level of issue that you're addressing in

"I'm not saying you shouldn't have a lid on your coffee cup when you're walking down the hall. I'm saying that if that's the level of issue that you're addressing in a leadership meeting...you're sending a message to the culture. It won't be a positive one."

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BST**

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“...What we want to get in peoples' heads when we talk about vision is what it's going to 'look like' in an organization five years from now when it's on its way to injury-free.”

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BST

a leadership meeting about safety, in which you've put safety as the number one item on the agenda in order to convey how important it is to you, you're sending a message to the culture. It won't be a positive one.

What Can We Do to Make a Difference?

Having looked at that for some perspective, let's look at it from the other side. What kinds of things can we do to actually make a difference? In our experience, the first and most important starting thing is to get leadership together. Gather a cross-section of people to help them from the organization, and develop a vision. Zero injuries is not what I mean by a vision. Zero injuries is a fine thing. It's a good idea. It's a good long-term goal. I have nothing against it. I do, however, want to point out that it's not very specific. What we want to get in peoples' heads when we talk about vision is what it's going to “look like” in an organization five years from now when it's on its way to injury-free. How is it going to look different than it does today? That's what we want people to have in their heads. How are we going to do things differently? Will we be injury-free, but everything is just the same? Will safety meetings still stink? Will they be no fun? Will nobody go to them? Will we watch video tapes? Are we going to have zero injuries and have safety meetings that are run like that? Probably not. Maybe in the vision statement, we ought to say, “Safety meetings are going to be exciting, fun, interesting events that are well-led.” People will get the idea that in order to get an injury-free environment, they're going to have to do some things differently than they're doing them now. Leadership would have to participate in incident investigation meetings. Incident investigations would do high-quality root cause analyses. Actions would come out of those root cause analyses that weren't just reactionary and knee-jerk. They would actually identify systems issues and address them. That's what I mean by a vision. Creating that vision in concrete behavioral terms at every level, whether it's on every level of the corporation, from the chair and the board on down, or whether it's at the site

level, from the plant manager on down, is a very positive first step.

Then, assess the attributes of culture. I don't care if they're my nine attributes or someone else's. There are many different ways of looking at culture. Get some understanding of what your organization is with respect to the primary attributes of culture that you're trying to encourage in a positive way. Get some data on that. Next, assess the leadership skill level. Again, there are various ways to do that. Get some data on the variation and the raw and percentile scores of your leadership capability. Assess your leadership capability. Then, contrast the vision that you just created with the data on leadership capability and cultural attributes that you have just gathered. That will put you in a position to design intervention efforts. In a way, it's a simple model. Assess what you've got, assess where you're going, see the gap, and design an intervention to go after the gap. In a way, it's not so simple, because organizations don't always do it. We don't always gather that information. We don't always design interventions as carefully as that. In our experience, it really is worthwhile to do that.

I apologize for being nine minutes into your time, Bill, my good friend and colleague. I look forward to your questions.

Audience Member: I have a quick question. **From the standpoint of this entire presentation, would you define front-line supervision as plant leadership?**

Krause: I would.

Audience Member: There seems to be a raging controversy about whether front-line supervisors, who work with their hands and less with their minds, are the same leaders as plant managers, who work more with their minds and less with their hands.

Krause: When you say “the same leader,” it adds a little something, but when you say “leader,” I would actually define it more broadly than that. I would say that anyone that has

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influence on safety in the organization is a safety leader. That would include front-line people. You have front-line people in an organization who are very influential, right?

Audience Member: We have laborers who are very influential.

Krause: That's what I mean, yes. They've been there a long time. They are very respected. You have union officials who are very influential. Everybody that has an influence.

White: Thanks, Tom. I appreciate your presentation. Next, we're going to hear from Bill Bozzo. Bill is the Vice President and Director of Environmental, Safety, and Health at DynMcDermott Petroleum Operations. I didn't really know what DynMcDermott was until I started working on the Executive Edge program about a year ago. They are the management and operating contractor for the U.S. Strategic Petroleum Reserve. They've been doing that since 1993. Under Bill's leadership, the ES&H directorate provides overall programmatic direction and expertise in implementation of all facets of ES&H across the Strategic Petroleum Reserve. Within the ES&H technical community, Mr. Bozzo served as past president and chair of the U.S. EPA Performance Track Program Participants' Association. He's also the current chair of the U.S. ANSI ASQ National Accreditation Board, Registrar Accreditation Council for U.S. ISO and Industry-Based Management Systems Standards. He's a member of the Executive Council for the Energy Facilities Contractors Group, with the mission of promoting excellence in Department of Energy operations. Please join me in welcoming Bill Bozzo.

Bozzo: Thanks, Mike. There are many opinions on what makes a good leader and what actions a leader ought to take to effectively lead an organization. Some say that a good leader can lead any organization, while others argue that effective leaders must understand the technical aspects of their business. How many times have we witnessed effective leaders not live up to expectations when taking on a role in a new

organization, or previously unremarkable leaders shining when given the "right" chance?

Is there a single secret formula to effective leadership? I think not. But there are principles of leadership that work. Some are better for certain situations and individuals than others. I'm going to present a leadership model that has proven effective in instilling a culture of Environmental Safety and Health excellence in our organization in a manner that is self-sustaining. We're going to talk about leadership and implementation of leadership in the field. I'll start off with is some background about DynMcDermott and what we do, so you can get a feel for the context that I'll be speaking from. Next I'll talk about our strategic planning processes and how that relates to environmental, safety, and health. Then I'll close by talking about how leadership really showed up in the end in a crisis situation.

Introduction

DynMcDermott Petroleum Operations Company was formed in the early 1990s to manage and operate the U.S. Department of Energy's Strategic Petroleum Reserve (SPR). We are privately held by 4 large companies. Computer Sciences Corporation (CSC) holds 60% of us, and acquired their share of DynMcDermott when DynCorp, a founding owner, sold their Advanced Technologies division to CSC. Babcock and Wilcox, which is a McDermott company, holds 30%. Jacobs Engineering, an engineering firm, and International-Matex Tank Terminals (IMTT), which is a tank terminal operation, hold the other 10% combined. DynMcDermott provides the human capital and expertise for the day-to-day management, operations, and maintenance of the reserves. The Department of Energy owns the assets that DynMcDermott manages and operates. The SPR is the largest reserve in the world with 727 million barrels of capacity in storage. To put that into context you'd have to fill the Super Dome in New Orleans all the way to the top 35 times to get to that quantity. That's a lot of oil.



Bill Bozzo
Vice President &
Director, Environmental
Health and Safety
DynMcDermott
Petroleum Operations

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Our contract with the Department of Energy is a performance-based contract, which means we're paid on the basis of our performance, with about a third of the fee determined by ES&H metrics. It bodes well for the Department of Energy that they place that kind of importance on ES&H performance. We have two storage sites in Texas and two in Louisiana, with headquarters in New Orleans, and a warehousing operation in Mississippi. In order to succeed, DynMcDermott must bring talented people to the job and seek the most effective utilization of those talents in achieving its mission. Effective and appropriate leadership of the organization is key to its successful and sustained performance.

Leadership Culture

Let me start by talking about leadership culture. An effective leader sets the tone for the organization, driving the pace and direction and engaging individuals throughout the organization in achieving goals. Consistency in setting the tone, when combined with the leader's attributes, helps define the leadership culture of the organization. In my view, a successful

leader needs to engage and encourage the workers to exhibit their leadership capacities within at least their sphere of responsibility. At its best, the leadership culture will not just produce or create, but will inspire results and outcomes that may go beyond the originally intended goal and add unanticipated value to the organization.

Trust is the starting point for a leadership culture. Trust is something that you must both work to build and work to maintain. Early on, DynMcDermott used behavioral safety and environmental initiatives from workers "on the floor" to build that foundation of trust. Over time we nurtured that trust, growing it into our leadership culture.

Leadership in Strategic Planning

While a leadership culture can inspire action and creativity, it is the channeling of that energy efficiently that achieves desired outcomes. This is the direction set at the top, often through the strategic planning process. DynMcDermott views its strategic planning process as collaborative. We engage employees from across the organization and gather their input.

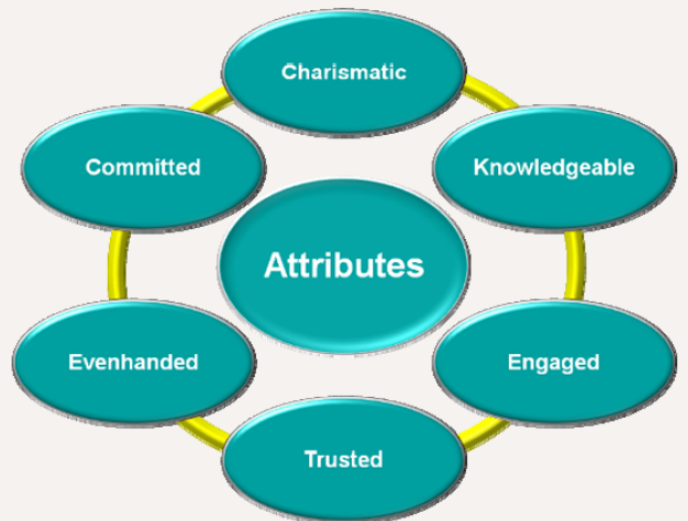
"At its best, the leadership culture will not just produce or create, but will inspire results and outcomes that may go beyond the originally intended goal..."

**- Bill Bozzo
DynMcDermott**

Leadership Culture

- **Leader**
 - Sets the tone
 - Drives the pace
 - Engages participants

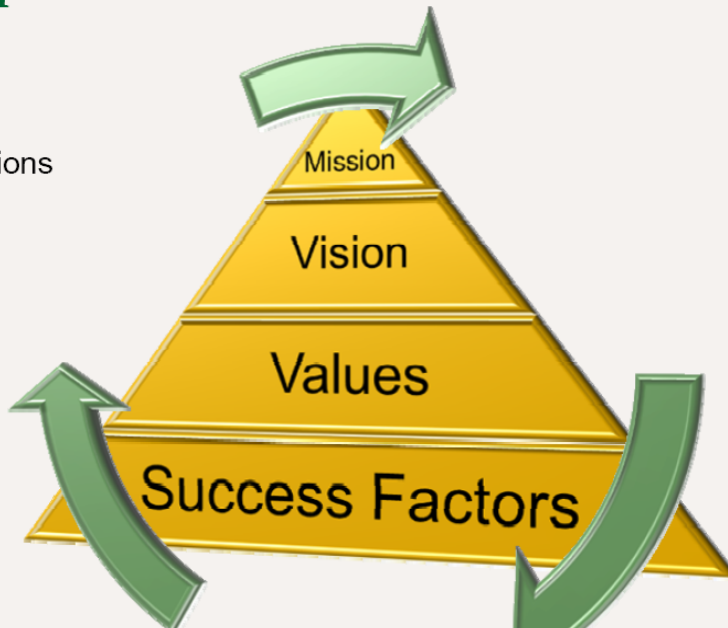
- **Results**
 - Produce
 - Create
 - Inspire



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Approach

- Leadership
 - Communications
 - Commitment
 - Partnership
- Flows throughout organization



That collaborative process is structured, with DynMcDermott's leadership setting direction and shaping bounds within the context of what it learns from these employees.

The point of the spear for an organization's direction is its "mission." This is its purpose for existing or the overarching goal it intends to achieve. The path to achieving the mission is the organization's "vision," which is a view of how the organization operates and achieves its outcomes. The "values" of an organization define the important characteristics of that organization and act as a foundation for following its vision towards achieving the mission. It is an envelope that defines the organization within its operating philosophy. "Success factors" are the activities that apply values across the organization, defining the lower level day-to-day activities that mesh together in getting the job done within the operating envelope. Key to this model is organizational involvement which leads to organizational understanding and organizational commitment. It involves everybody within the

organization communicating openly. Communication creates a transparency not just of information but of purpose. Commitment and partnership of management and employees working together is crucial, and premised on a foundation of trust.

The Role of Teams in a Leadership Culture

So how does an organization like DynMcDermott create broad involvement in its strategic planning? We seek and use cross-organizational teams in many aspects of our business, including strategic planning. We always seek to push the responsibility for leading these teams to the lowest level within the organization where the accountability for the issue resides. We include representation in these teams from all stakeholders, both vertically and horizontally from across the organization. Broad engagement is important to bringing appropriate roles and resources to bear on an initiative at the appropriate times, and to creating a commitment to solutions and their implementation.

An initiative often begins with a management

"Commitment and partnership of management and employees working together is crucial."

**- Bill Bozzo
DynMcDermott**

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“Let me tell you, the view across the organization is often different from what it is at the executive level...”

**- Bill Bozzo
DynMcDermott**

commitment to support it with resources, which is top down leadership. Workers implementing the initiative are involved in the details of creating the processes and taking the actions to achieving results: bottom up leadership. Along the path to outcomes, progressive results begin occurring and management becomes involved in acting on those intermediate results, for example by adjusting resources applied or replicating some or all of the initiative elsewhere. At the same time, the worker's involvement grows into a commitment as their hard work bears positive results, creating a belief in the process and outcome. Where management and workers often begin an initiative in distinct but different leadership roles, moving from the initiative to the outcome blurs these distinctions or may even reverse those roles. Such a convergence of leadership can prove powerful, not just for the initiative, but in shaping a credible leadership culture across the organization.

When we move from initiatives to outcomes, we bring something new online. DynMcDermott put Dr. Krause's behavioral safety program in place quite a few years ago. When it came online, management made a commitment to behavioral safety, including the resources and time required of employees. It was a worker-based program with workers getting involved in implementation, but as it progressed, we saw a kind of reversal, where the employee became very committed to perpetuating that program. At the same time management became involved in supporting the initiative for its useful outcomes, It's a good model that illustrates how different types of leadership among these different groups can merge over time.

We strive to be secure, safe, and environmentally responsible. It's built into our mission statement. Our vision is that of leadership within our industry. When we talk about strategic planning, we talk about vision and mission, but how is it reflected within the organization? DynMcDermott uses teams broadly to empower employees in activities

ranging from continuous improvement initiatives to SWOT (strengths, weaknesses, opportunities, and threats) analyses. For example, we engage workers, staff, managers, and executives in identifying and collating issues as viewed from all segments of the organization, and use that basis in developing paths for action for our SWOT analysis providing a deeper understanding of issues and a more comprehensive pool from which to draw robust plans of action. We gather a lot of data this way, roll it up, compile it, analyze it, and wind up with a deeper understanding of the issues. While the view derived from across the organization is often different from what it is at the executive level, it's a much richer and more powerful view that allows for more robust plans of action. In this leadership culture leaders act at multiple organizational levels and on varying scales, being guided by an open strategic planning process, to the overall benefit of the organization.

Environmental Safety and Health Values

From the strategic planning process, we relate mission, vision, and culture, which affect each other over time. The SWOT analysis affects what Tom would call the climate, both defining and influencing it, which relates to building of core values. Some outcomes of these core values are exhibited through our success factors. In red, you see the success factors that relate to ES&H. Note that they cut across all core values. When broadly engaging our organization, DynMcDermott has seen the recurring values of Mission Readiness, Responsible Stewardship, Partnership, Customer Satisfaction, Social Responsibility, and Human Capital Optimization, expressed over and over. You can see how the involving a broader group gives you a broad set of cultural values that readily relate to a broader set of success factors.

It's worth noting that these are not the traditional stovepipe values of the quality, environmental, legal, and safety departments, but rather cultural values of the organization that are integrated throughout and incorporated into day-to-day

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activities. In this way, the organizational culture of DynMcDermott merges with the leadership culture. By merging environmental safety and health with the leadership and organizational culture, the ES&H function transitions from the traditional view as a necessary cost and requirement of running the business, to a seamless element of the business envelope used in designing strategies that are both effective and efficient. Organization-wide leadership in ES&H performance is indicative of a well-managed business that is intent on creating, sustaining, and leading in business excellence.

Of course, there are goals. We have three sets of goals that relate to achieving the targets and metrics that we want to achieve. We have the goals of a safe and healthy workplace, goals of community responsibility, and goals of environmental stewardship. Who can argue with those? They link back to our core values, and by measuring them we commit to achieving them. How do we get there? We invest in continuous

improvement process tools such as Six Sigma to achieve targets and metrics. We use Project Management Institute (PMI) certified individuals to apply a structured process approach to the. To visibly monitor our progress we use Red, Yellow, Green, Blue, (blue being above the target) dashboard that is available to everyone in the organization.

The key of our organizational culture is responsibility. We push responsibility down to the lowest level of the organization that controls the job so that accountability, responsibility, and authority are connected. The values that you get out of that, such as ethical behavior, responsible stewardship, and the safety and health of the employee, are things that are expected and that no one can argue with. As a result people are working in a safe and healthy climate and working to keep it that way.

Leadership Benchmarks

Thus far the discussion has focused on internal aspects of leadership. However, it is critical that

“...Involving a broader group gives you a broad set of cultural values.”

- Bill Bozzo
DynMcDermott



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Our Organizational Culture...

- Is characterized by:
 - Spirit of cooperation
 - Initiative
 - Innovation
 - Responsibility
- Values and rewards:
 - Continuous improvement
 - Responsible stewardship
 - Ethical behavior
 - Employee health and safety
 - Workforce diversity



“The key of our organizational culture is responsibility. We try to push responsibility down to the lowest level of the organization...We don't want things to be disconnected.”

- Bill Bozzo
DynMcDermott

any successful organization reach out, sharing with and learning from others. Good leaders listen to not just those within the organization, but seek to hear those outside of the organization. Therefore, we've enlisted the customers and the community, engaging those outside our immediate sphere through peer organizations, community outreach groups, boards and councils, and industry standards. Mike spoke in my introduction of organizations that I'm involved in. There is a general philosophy at DynMcDermott to be involved in community and peer activities because we view these as benchmarking opportunities and a path to continuous improvement.

Peer organizations provide an excellent venue to both present and learn of best practices. Leadership is an on-going and iterative process that must make use of such data when and wherever available. Community outreach organizations often bring a fresh perspective to the goals and activities of an organization. Citizen members bring a wide array of expertise with diverse perspectives that, when

productively channeled, strengthen the organization as a corporate citizen cognizant of its responsibility within the community. Adversarial relationships with the community do not contribute to a sustained and profitable presence. Through leadership roles on boards and councils, an organization can broaden its knowledge of key environmental safety and health issues and perhaps see new ways of leveraging its organization's business performance. Industry standards, such as the management system standards for ES&H, provide an excellent benchmark for assuring that the necessary elements of the business at large are maintained and sustained. Certainty in knowledge of structure and expectations is efficient, and recognized management system standards provide this structure. To the degree that independent validation of management systems is applied, the organization gains confidence that the key business elements are and will remain crisp and continue to be sustained.

Our philosophy is to “design it in, and design it

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right.” We integrate ES&H into the project management organization when developing and designing new systems. As early as the conceptual design and management of change processes, ES&H actively participated, contributing to safe and environmentally sound solutions. If you design a system and “bolt on” ES&H at the end, ES&H becomes a cost of business, as opposed to designing with ES&H and reaping immediate and long term benefits.

Behavior-Based Safety and Defining Culture

I found Tom’s comment about how behavioral safety affects a culture very interesting. Our behavioral-based safety program has been in place since the mid-1990s. Our CEO, Bob McGough, has publically commented to large groups that when we put that behavioral safety program in place, it changed the way we do business; it was a philosophical change that changed the culture. It brought the front-line worker into the process and set expectations of them for their own safety and well-being, as well as providing them authority to maintain a safe and healthful workplace. It broke a barrier. Behavioral information flowed, there were no reprisals, and management simply reacted to the data supporting improvements, many of which were visible.

This safety culture has broadened and been and been reflected across our business, with every employee sharing in our success. Every DynMcDermott employee shares in performance based profit not just based on safety and health, but based on our overall corporate performance, a large portion of which is affected by ES&H.

Let’s take this beyond worker safety and health. We are responsible to not compromise safety and health of the surrounding community where many of our employees live. It is about their families, their friends, and their neighbors. I like to say that our employees are our “windows to the community.” That’s the environmental side. We take many actions, as I’m sure you do, in reaching out through advisory committees, getting involved with community organizations,

and simply being good citizens and stewards of the community. That builds trust and that pays back when you get into difficult times as I will discuss later.

Environmental stewardship is another big part of DynMcDermott. Again, this is our backyard where many of our employees live. It’s about public safety. We spent a lot of effort on emissions management initiatives and addressing ozone precursors, going beyond what the regulations required, because that issue affects the public health in and around our facilities. We not only addressed this at our facilities. We also made a rather substantial investment to mitigate the potential for the oil that we shipped to produce ozone precursors at our customers’ facilities. This is because our mission is to operate in emergency situations, distributing large quantities of oil, and did not want high emission rates to be reflected at a downstream distribution point. It’s a matter of going beyond what’s required and doing what’s right for public health and safety.

The Results of Culture

DynMcDermott has managed and operated the Strategic Petroleum Reserve since 1993. In the 13 years prior to DynMcDermott’s tenure, the Strategic Petroleum Reserve had been operated by four different contractors, none of which were successful in winning follow-on contracts. Since 1993, DynMcDermott has succeeded in maintaining its continuous management and operating responsibility winning all contract extensions and a competitive re-bid.

When DynMcDermott took over the management and operating contract in 1993, the prior contractor had averaged 74 ES&H incidents per year over the previous 3 years, at all facilities combined. While 74 incidents per year over that period was a substantial improvement over the previous 10 years of performance, it was certainly not an acceptable record. So what did DynMcDermott do differently?

DynMcDermott leadership instilled the essential importance of environment, safety, and health

“If you take a system and address ES&H at the end, after you’ve already set the plan in motion, you’re going to cost somebody money and time.”

**- Bill Bozzo
DynMcDermott**

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into the organization beginning on Day One. The first logo sported a leaf and an oil droplet encircled with the words “safe and secure energy,” symbolizing & environmental safety and health stewardship. These features of the DynMcDermott logo continue today. ES&H principles were similarly incorporated into the mission statement at that time and remain prominent in the core values and success factors even today. These are words and symbols. What of results?

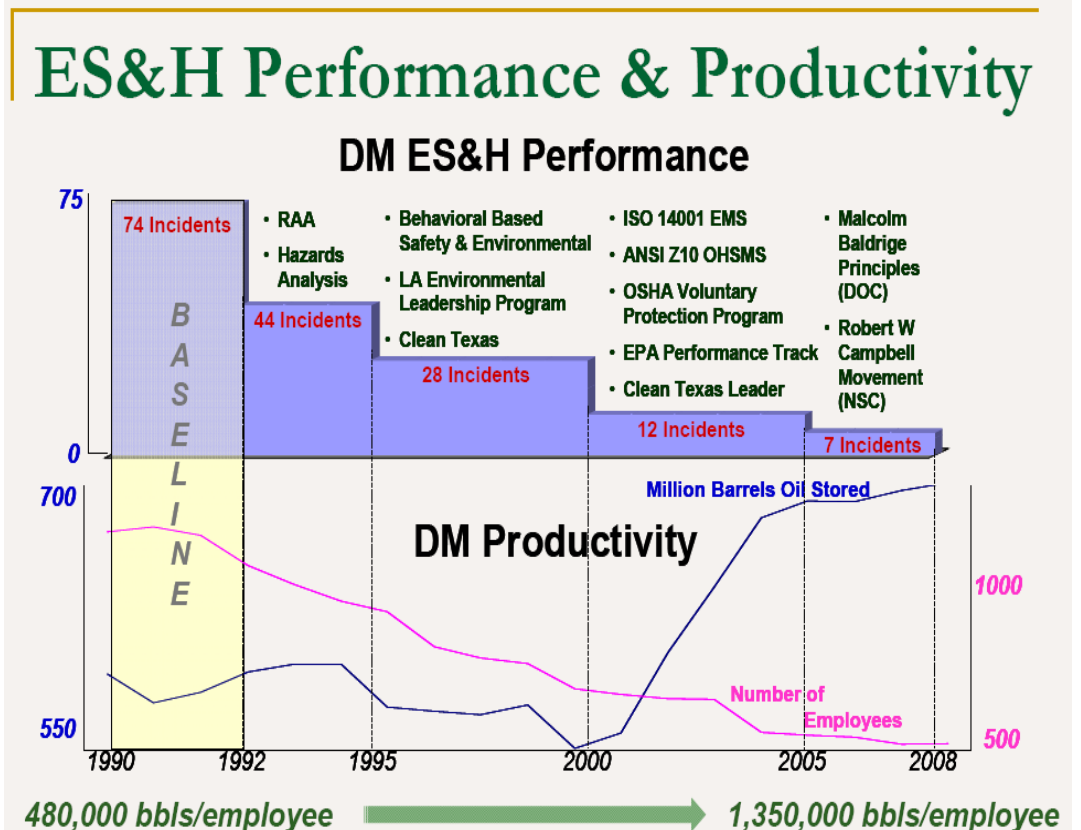
Have you ever heard the phrase, “cheaper, better, faster... pick two.” In other words, you can’t do all three at once. Our performance over time debunks that. In the figure the left column is three year average (baseline) of the prior contract operator’s performance immediately preceding us. There are 74 incidents per year consisting of recordable accidents, reportable spills, non-compliance with permits, and notices and violations lumped together. That, in retrospect, is not very good..

DynMcDermott came on board in 1993. From 1993 to 1995 we averaged 44 incidents per year. That’s a little bit better than one third in terms of improvement. What did we do there? We created a culture of leadership that began by empowering employees throughout the organization with the responsibility, accountability, and authority (RAA) for their work areas, including a disciplined hazard analysis. To the extent that you were doing a job, you had the responsibility, accountability, and authority for doing it right, safely, without a spill, and following all other business measures. If you needed budget or resources, you had the responsibility to ask for those. We expanded and added granularity to the hazard analysis process to reach down into a lot of lower-level activities. That’s what brought our internal success.

From 1995-2000, we put our behavioral-based safety and environmental programs in place. Notice that we expanded behavioral based safety to include environmental, so it’s a

“DynMcDermott leadership instilled the essential importance of environmental, safety, and health into the organization beginning on Day One.”

- Bill Bozzo
DynMcDermott



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broader more integrated approach. Employees began engaging in the ES&H program through ownership of leading behavior-based initiatives, building internal trust, and participation with peer organizations such as state leadership programs which provide external benchmarks of performance, all of this empowering employees at the ground level to affect their own destinies. We also did benchmarking initiatives with the Louisiana Environmental Leadership Program, and the Clean Texas Program. We knocked our incident rate to 28 per year, down two-thirds from the baseline.

From 2000-2005, we implemented Environmental, Occupational Health and Safety, and quality management system; the Voluntary Protection Program and the Performance Track Program; and analogous state programs. We got on board with all of those, making and carrying out commitments to further improve. These are things that I'm sure most of you in this room do, but what's their significance? They all provide structure that is readily integrated into business processes and in most cases applicable across the business. They are a roadmap to sustaining your processes going forward and monitoring the performance of those processes ensuring continuity. For our organization this translated to improving still further to just 12 incidents per year for all facilities combined.

From 2005-2008, we embraced holistic business enterprise excellence models such as the Baldrige criteria and Campbell Award principles. These were implemented across the organization and provide an integrated approach, not just from a business excellence standpoint but from the integrated ES&H standpoint. As a result, employees receive training and gain outside expertise bringing back lessons learned and a depth of understanding that has continued to drive improvement. We continue to look for opportunities to validate and learn whenever possible, particularly through third-party validation of our different systems, which provided us the greatest payback. We're now

down to 7 incidents per year for all of our facilities combined. That's a 90%-plus reduction over the life of our contract, and we're continuing to push for 100% reduction to zero. That's the "better" part of "better, faster, cheaper."

When DynMcDermott came on board, we were managing about 480,000 barrels of oil per employee. Today, we manage nearly 1.4 million barrels of oil per employee. This measurement of productivity has nearly tripled, an obvious and sustained increase in efficiency of operations. And that increase in velocity of oil handled per employee is the "faster" part of "better, faster, cheaper." On top of that, we have held our costs as the volume of oil stored has increased, reducing overall budgeted costs per barrel of oil. We've got more work going on and more oil being stored under the same budget. And that's the "cheaper" part of "better, faster, cheaper." So next time someone tells you that an ES&H program is going to be too costly, or decrease efficiency, challenge them – it does not have to be that way. Clearly, DynMcDermott has experienced just the opposite, improving efficiency and ES&H performance while concurrently creating a level of excellence characteristic of a well-run business. We can't afford to not invest in ES&H.

What's the bottom line? Our productivity is up 180% since 1993. Accident costs are down almost 80%. Return on Investment for environmental is up 183% per year since 2000, when we put the environmental management system in place. We went after the low-hanging fruit initially in terms of reducing waste and risks, and then continued reaching further up into the tree, finding more ES&H, and indeed, business opportunities. Over the past 15 years about \$32 million in profits can be attributed to ES&H results. In addition those visible results created a lot of goodwill among employees and the community alike. We thought we were doing very well. Then, the unthinkable happened.

The Unthinkable

We have discussed how strategic planning

"What's the significance of [ISOs, EMS, VPP, and others]? All of those are structures...They provide structure to your management... Once those structures are in place, there are processes to check them and ensure continuity."

- Bill Bozzo

DynMcDermott

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“Visible results create goodwill.”

**- Bill Bozzo
DynMcDermott**

provides a path and tools for leading to or beyond a planned outcome and achieving ES&H and business excellence. But is there value in a strategic planning model when the wholly unexpected occurs? DynMcDermott’s answer and experience is yes.

In 2005, within a span of 26 days, two of the most powerful hurricanes ever to strike the U.S., Hurricanes Katrina and then Rita, impacted five of DynMcDermott’s six facilities in Texas, Louisiana, and Mississippi along the coast of the Gulf of Mexico. Then, in 2008, Gustav and Ike did the same thing. Most of the workforce evacuated ahead of one or all of these storms, expecting to return quickly. However, many were unable to return to even inspect their homes, some for up to 6 weeks, due to the resulting devastation and inaccessibility. Many employees lost everything overnight. In addition, cell phones for entire area codes were rendered useless due to infrastructure destruction, further isolating the dispersed workforce. Despite this disruption, adversity, and personal tragedy, all of DynMcDermott’s employees survived, and all but one (of the over 500 employees) found the means to contact DynMcDermott’s emergency operations center, reporting their location and contact information, and many offering their services towards helping the organization recover.

However, not only DynMcDermott and the Strategic Petroleum Reserve, but much of the oil production infrastructure in the Gulf of Mexico was also severely damaged, creating a national energy emergency. We were dealing not only with personal emergencies and our own facility emergencies; we were dealing with a national energy infrastructure emergency. In response the President of the United States ordered the sale of a portion of the Strategic Petroleum Reserve, DynMcDermott’s employees stepped up to the plate. With much of the organization operating out of temporary facilities while making necessary immediate repairs and taking appropriate interim actions, they achieved the mission flawlessly.

Why did this success occur? Not merely because of leadership, but rather because of a culture of leadership. Not only did senior leaders and managers exercise their emergency plans, but when circumstances proved different and more severe than could be imagined, they adjusted, they improvised, they communicated, and they kept their eye on the mission. Most importantly, each and every employee exercised personal leadership, recognizing the implications of the situation, taking innovative steps during the shutdown which paid dividends in recovery, finding ways after the storms to re-connect with the organization, offering their services despite severe personal losses, and doing what it took to achieve the mission safely. DynMcDermott as an organization responded to the employees and kept every one on the payroll regardless of personnel circumstances or immediate availability. Remarkably, success in achieving the mission in this case meant getting it done with zero injuries and zero environmental incidents occurring. From the time the shutdown was ordered, through the period of dealing with hazards including wildlife such as displaced alligators and poisonous snakes,, to the rebuilding process, the only ES&H issue was release of 200 gallons of diesel fuel when during Ike , an 18-foot surge fro tore a tank from its foundation dumping We attribute our ability to That is a culture of leadership. That is a culture of environmental safety and health leadership, driving operational and business excellence. That is something metrics can’t measure.

Conclusion

You’ve got to integrate ES&H with all the facets of your business, so that it becomes second nature. If you integrate it, it becomes part of your business climate, and eventually part of your business culture. It becomes built-in to what you do every day. Expect to perform beyond baseline requirements such as regulations. Home run hitters don’t swing for the outfield, they swing for the bleachers, well beyond that minimum wall that defines a home

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run.

Highly successful leaders recognize that environmental safety and health performance is essential to sustained business excellence. Moreover, they empower their employees, thereby creating a culture of leadership that continually evolves and provides innovation across all facets of the business and at a much more granular level than any single leader could. They integrate ES&H with all the facets of their businesses, so that it becomes second nature. It becomes part of the business climate, eventually part of the business culture, and built-in to what is done every day. Like a home run hitter they perform beyond minimum requirements such as regulations, swinging for the bleachers. Sustained business excellence also requires a structure to lend continuity. ESH management systems can and do provide structure and, to the degree these management systems are validated independently or by third parties, provide rigor in maintaining and improving the integrity of the business structure going forward. A leadership culture with an expectation of environmental, safety, and health performance, rather than mere compliance, goes hand-in-hand with creating and sustaining operational and business excellence. Thank you.

Question & Answer Session

White: Thank you, Bill and Tom. I think we've got time for about 20 minutes worth of questions.

Audience Member: How would you generally define world-class safety?

Bozzo: That's a good question. What is the definition? We use the term as part of this Executive Edge initiative, but I tend not to use it to specifically describe my company because I'm not really sure when you achieve it. Those of us that are reaching and trying to improve have a particular mindset. I heard someone say yesterday that those who say they do have a great safety program probably are not there yet, and those that continue to improve and innovate are probably well on their way to a great safety program. That's part of it. It's also about having

employees involved and having employees own their safety program. World class safety is in the heart of everyone who is part of the safety program. That's where it comes from. You've got to embrace it at every level and function within the organization, and continue to do so because safety is a moving target. You can then use it to take yourself forward, but it's pretty hard to define a specific point or metric as a threshold for having achieved world class safety.

Krause: I would agree with everything Bill said. I don't think there's a real definition that exists. At least, I've never seen one, if there is. I wouldn't hesitate to develop your own and get very clear about what your organization means by world-class safety performance. In a general sense, I think you'd want to say something about having the right mechanisms in place to limit exposure. You'd want to say something about the effectiveness of those mechanisms and how you're going to measure that. I would caution you on the measurement part, because there are a lot of ways to measure that are counterproductive. In terms of measures, you would want some pure outcome measures, like incident rate. You'd want these looked at statistically, meaning investigating if they're varying in ways that are significant or not. You'd also want some process measures. Is the system with mechanisms for improvement working as well as it should be? You'd want something about culture. You'd want something about leadership. I think it would be a good exercise for the organization to develop a nice statement about what they mean by world-class safety.

Audience Member: I've often heard the question posed, "If you can't manage safety, how can you expect to manage the organization?" **In your presentation, you briefly discussed how good safety leadership characteristics are indicative of general leadership and vice versa. Could you go into a bit more detail about that?**

Krause: Sure. I think it's the case that excellent leaders are not always excellent safety leaders.

"A leadership culture with an expectation of environmental, safety, and health performance, rather than mere compliance, goes hand-in-hand with creating and sustaining operational and business excellence."

**- Bill Bozzo
DynMcDermott**

QUESTION & ANSWER SESSION

“I wouldn’t hesitate to develop your own [definition of world-class safety] and get very clear about what your organization means.”

**- Tom Krause
BST**

We all have probably seen people who are good leaders generally but who don’t really have a strong personal safety ethic. So, it seems to me that it’s possible to be a good leader, but not a good safety leader. It’s rare, however, to see someone who is a good safety leader but not a good leader generally. It seems to go in that direction.

Bozzo: I would add that you may have someone who is a good leader but not a good safety leader. You may, however, be able to convert them to a good safety leader and that’s probably worth trying. With the right data and right context, you may be able to succeed – it’s worth the effort. In terms of a good leader who’s not a good safety leader, I would also be concerned because safety is so entwined with good leadership. It’s pretty tough to be a good leader in a facility involved in hazardous operations, and not recognize the value of “leading with safety,” (if I can borrow the title of your book, Tom). You do need to “lead with safety,” because your people are your assets, and if you don’t have their trust, you’re not going to get the job done, let alone get it done safely.

Krause: Let me clarify. When I say “a good leader, generally,” I mean someone with leadership skill. You could define someone as a good leader who is good at safety. That would be a reasonable definition and a reasonable way for the organization to look at it.

Audience Member: Tom, in your presentation, you showed that tremendous variation. There are differing schools of thought. Some people believe that leaders are born, not made. **What can be done to help individuals to transform into leaders regardless of their level in an organization?**

Krause: Do you mean leadership generally or with respect to safety?

Audience Member: Both, but safety would be more important.

Krause: First, I would say that it is doable. That’s important to recognize. Lots of people

think that it’s not doable. The evidence that it is doable is that there are people, who we all know, who were transformed. If you talk to great safety leaders, the guys represented by the green dot and pink triangle in the slide to which you were referring, you’ll find that they were not always great safety leaders. If you ask them what happened to them, they’ll tell you a story about an incident that happened, generally a fatality or very serious injury, which had an impact on them and transformed the way they look at the whole thing. By itself, that suggests that they weren’t born that way. They became that way.

The next thing is that we don’t want everyone to be transformed by a fatality or a serious injury. How can we move those people in a significant way, short of that kind of experience? My sense is that you can also do that. There are a number of different ways that it gets done. I did a lot of work for Paul O’Neal at Alcoa, and even before he was at Alcoa, and I saw the effect that he had on the people that reported to him. Even the people that were some layers down felt this. People just “got it” from him. If you went to work for him and you weren’t a great safety leader, it didn’t take you very long to get interested in safety. Why was that? Was it because he put your pay at risk, which he was very capable of doing? Was it that he just emphasized it a lot? Was it because he was so enthused about it and thought that it was important for all the right reasons that people sort of got it like you catch something? I think it’s all of those things.

I also think you can do one-to-one to coaching with individuals. You can use your own internal coaches, or you can use external coaches, but either way we have seen those kinds of examples where a person comes up. If you’re a sales or marketing person, please don’t take this the wrong way, but when a person comes up through sales or marketing, they’ve not been in operations. They haven’t seen the kinds of things that can happen in operations. They just don’t have a place for a strong personal safety ethic. That doesn’t mean they can’t have one. Coaching can be a mechanism by which you

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develop that.

Bozzo: In many regards, leaders are actually developed, but they have to be willing to be effective. There are people born with the attributes of a leader, but that do not want to lead, so wanting to lead is a key factor. Leading in safety would just be an extension of leading. Having said that, it's a matter of people wanting to lead within the scheme or sphere in which they have influence, and providing them the tools, knowledge, and understanding for them to do that well.

Audience Member: Speaking of effectiveness measurements, what do you think are some leading indicators of leadership effectiveness in an organization?

Krause: I would say personal safety ethic. I believe it is the strongest individual predictor. It's hard to assess in one way, and easy in another. Think about the leaders that you know in your own organization. Do you know which ones have a strong personal safety ethic? I think you do. I think you can just tell. I don't think it takes you 10 years to figure that out. I think you can tell more quickly.

I did a consulting project once for a large organization that was merging. I was hired by the organization that was the larger of the two, which effectively took over this other company. The CEO of the merged organization was going to come from the smaller organization. The larger organization was faced with the question of how they could preserve all the good done in safety in the face of this merger. The new CEO came in, and on the way to his first board meeting, the person riding with him noticed that he didn't wear his seatbelt in the car. Further, he talked about not wearing a seatbelt. He felt that seatbelts were overrated. He wore them when it was convenient. He joked about it. He hadn't even been around for a couple of days, and that information got spread throughout that whole organization. His personal safety ethic was absolutely clear to everyone in that organization.

It usually doesn't happen that fast, but it does happen quite rapidly. You get a sense quite rapidly of whether or not a person is serious about safety in a personal way.

I think that's the strongest single predictor. If they have that, and they're smart, which you have to assume if they're a leader, they're going to get all the other stuff. They're going to be receptive. When you train them, they're going to listen. When you give them tools, they're going to use them, and so on.

Bozzo: From my perspective, I would say that caring for people and recognizing the value of people is something that you see as an indicator of effectiveness. It's life-wide, and it's something that might be intangible, but it's apparent when you look at how leaders interact and lead.

Audience Member: I just have a comment about creating leaders. I think the challenge that we all have is that most of our front-line supervisors didn't get there because they had interpersonal skills or visionary views of leadership. They got there because they worked hard and they got the job done. As we go through downturns and difficult times, I try to look on the upside. You have an amazing opportunity to assess who you want to be from a leadership and interaction perspective. In trying to get the decision-makers' time to look at any of those things, it's extremely challenging. You've got to work with what's there. We can't just get rid of everybody because they don't know how to talk to people. It's an interesting challenge and a great opportunity to look at what you want to do.

Audience Member: Recognizing the importance of the CEO in culture and the entire program, what advice would you have for a safety and health professional whose CEO is one of those "red dots" who doesn't get it?

Krause: I don't want to give you an answer that isn't real. I could make something up, but I'm being very straightforward about it. When you're in that situation, it's a very tough issue. I can point out some examples of where this has been

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**- Bill Bozzo
DynMcDermott**

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“Leaders’ personal engagement in creating a safety culture is key to a successful, sustainable safety program”

- Mike White
GM

dealt with effectively, and some principles for how to approach it.

The first thing is to build your credibility with this individual. I can’t tell you how many times I’ve been told, as a consultant, that someone doesn’t care about safety. What was actually the case is that the person just didn’t like a particular person’s capability, didn’t give them a lot of time, take their advice, or think they were effective. That was what was really going on. The last thing I want to do as a CEO is have someone give me a recommendation into which I put a bunch of time, attention, and organizational resources, only to find out that it was ill-thought out. It wasn’t good science or technology. It wasn’t really the top layer of what is available. Now I’m embarrassed. The number one thing is to build credibility with that person in a person-to-person way. Be squeaky clean. Don’t tell them anything that you can’t absolutely support. Don’t suggest anything that you can’t stand behind.

Then, talk to them about safety on their terms rather than your terms. Your terms are the things that are going on in safety these days, things you hear about when you come to conferences like this. There are topics like the injury-free workplace, behavior-based safety, and other things. Those aren’t his or her terms. Have the conversation on their basis. Figure out what it is that actually motivates them as an individual with respect to the safety issue. It’s possible that there isn’t anything and that they just don’t care about it. That’s not likely. It’s likely that they think people don’t do it very well or overstate the case. Perhaps they haven’t been in a situation where there are exposures and people get hurt in serious ways. It’s not likely that they have reached the level of CEO and are utterly uncompassionate about human beings. It’s likely that there is some compassion there. It just isn’t fully awake and functioning.

Your task, then, is to figure out how to connect

with them. Surprisingly to many people, some great safety leaders start out with financial gain as their objectives. I’ve seen that a number of times. I’ve seen times where people have said, “The financial loss is just too big, and we can’t have it. I’m going after it as a financial matter.” Then they get drawn in to the other side. Start with wherever they are and figure out what it is that they want. Then help them get there. It’s an ongoing process.

Bozzo: I don’t have a lot to add to that other than that the financial argument is definitely a starting point for someone who gets it in no other way. CEOs are always going to get the financial aspect.

White: That’s about all the time we have for questions. I want to thank all of you for attending. Thanks again to Tom and Bill.



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