



Make the case for safety

How to get executive support for your safety initiatives

Safety and business performance are directly related.

If you're a safety professional, how do you sell safety to an executive team that is purely focused on sales numbers and operational costs?

Speak their language

Present the benefits with their priorities in mind. Show how your plan addresses cost savings, industry benchmarks, company reputation, past negative experiences or productivity.

Organize your business case showing how return on investment will be measured:

- Productivity improvement
- Direct/indirect cost savings
- Financial risk reduction
- Compliance improvement
- Alignment with corporate values

Use terms that will resonate. Frame your data in terms of:

- Shareholder return
- Profits, growth
- Product penetration
- Market share

Provide relevant data

Communicate the size and scope of the problem effectively. When you discuss the cost of illness and injury, frame it in ways that hit home with leadership.

- **Percentage of payroll:** The poorer the safety performance a company has, the more it costs to make the product. For example, "our injury costs represent 15% of the payroll."
- **Production terms:** The poorer the safety performance a company has, the more production has to fill the gap. For example, "Our facility has to operate the first five days of the month just to pay for injury losses."
- **Product cost terms:** The poorer the safety performance a company has, the harder the sales team needs to work. An argument could be, "Out of our losses this month, we have to sell 1000 more units than last month to pay for them."
- **Per employee:** You can also divide cost by number of employees. For example, "This cost equates to \$300 per employee per year."



Your most effective resource is a smart, factual and convincing business case. Begin to build your specific case using the guide below.

Build your case

Customize your program for presentation

- **Begin by identifying the exposure or risk:**
 - Who is exposed (department, number of employees)
 - Nature of the exposure and the degree of their exposure (frequency of exposure, hours per day exposed).
 - Write it into a statement: *“Sixty nurses caring for physically-dependent patients are exposed to back, neck and shoulder injuries from lifting, transferring and moving patients manually. Nurses, on average, do these tasks 30 times per day.”*
- **Calculate the cost of the exposure or risk**
 - Include direct costs (actual or industry averages) including medical, indemnity, claims administration fees and legal costs.
 - Include workers compensation premiums expressed as dollars per hour worked, using a percentage similar to the percentage of overall cost represented by the target exposure. If you are using actual costs, use median (midpoint) costs versus average costs. Averages can be wildly biased toward large claims and will inflate your estimate, giving management a reason to question your whole analysis. You’ll also want to factor in an indirect cost multiplier, using a range. To be conservative, a range of 2-4 would work well.

In our nurse example, “The median cost of a back, neck, or shoulder injury has a direct cost of \$18,000 (industry average for nursing is \$25,000) and an indirect cost of between \$36,000 and \$100,000 (achieved by multiplying the low estimate \$18,000 by the low indirect cost multiplier of 2 and the high estimate of \$25,000 by the high indirect cost multiplier of 4). Our organization has averaged 12 incidents per year for the past 5 years. This equates to a per injury estimate of between \$54,000 and \$125,000 for a total of \$648,000 (\$10,800 per nurse exposed) and \$1,500,000 (\$25,000 per nurse exposed) per year cost.”

- **Calculate the present value of the programs costs.**
 - Determine the direct and indirect costs of the program, including labor, external expenses and other factors such as production downtime.
 - Determine the time period of the program.
 - Sum the costs over the implementation timeframe and then apply a high and low estimate for the discount rate to arrive at the present value of the annualized costs of a multi-year program. One study suggests using the risk-free rate on U.S. T-bills as one discount rate and having your management recommend the second rate based on actual cost of capital to the organization.

In our example, “Cost for training a dedicated lift team, and purchase, installation and maintenance of lift equipment is between \$200,000 and \$300,000.”

- **Project anticipated reductions in exposure or risk**
 - Each benefit should have an associated dollar value. Include:
 - Reduction in exposure (either number of employees or frequency of exposure, for example)
 - Decreases in workers compensation claim costs
 - Decreased experience modification rate,
 - Reduction in number of injuries or cost of those injuries or reduction in lost days.
 - Estimates of indirect benefits, such as decreased absenteeism, increased satisfaction (employee or customer) or enhanced company image.

In our example, “Similar interventions at hospitals across the country have reported between 35-65% reduction in number of claims, 60-80% reduction in lost work days, and 70-85% reduction in medical costs. By training a lift team, we are reducing our exposure from 60 nurses to 14 who are now doing no manual lifting, transferring or moving. This equates to a reduction of 4-8 injuries per year.”

- **Calculate the present value of each benefit**
 - Determine when the benefit will be realized, discounting future savings to equate to today's dollars.
 - Use present value, represented as "PV," determining what one dollar invested today will be worth tomorrow, how long the benefit will take to be realized, as well as what the return will be worth when it is realized. (It should be noted that in safety, the "return" is often "injuries that didn't occur" and putting a dollar value on these must be done using historical injury costs or industry averages for the types of injuries your plan is targeting.)

The formula for PV is the following:

$$PV = \$X / \sum (1+d)^n.$$

Where PV is the present value of some dollar amount X in any given year, d is the discount rate raised to the power of each year of the program.

For example, let's say a company spends \$9,000 on safety equipment today, and that equipment will save \$3,000 in injury costs per year for the next three years. The return is not equal to the investment because the money saved in the future is worth less than the money spent today. If inflation is expected to be three percent in each of those years, then the net present value of the \$9,000 to be saved needs to be discounted.

- *The first year's \$3,000 is discounted by 3% ($\$3,000 / (1 + .03)^1 = \$2,913$).*
- *The second year's \$3,000 is discounted twice for a net present value of \$2,828 ($\$3,000 / (1 + .03)^2$).*
- *The third year's \$3,000 is discounted three times for a value of \$2,745*
- *This brings the three-year savings total to \$8,486 – less than the original \$9,000 invested.*



When you identify and monetize the benefits of an intervention program and the costs of its implementation, the ratio of the present value of the benefits to the present value of the costs is referred to as the cost-benefit ratio of the program. In this scenario, the ratio is \$1 to \$.94, perhaps not the most favorable result.

In our example, "This reduction in number of injuries will equate to saving between \$216,000 (four fewer injuries at \$54,000 each) and \$1,000,000 (eight fewer injuries at \$120,000 each) per year." Using our formula for present value, using two years for length of the program and a discount rate of 5%, our present value is between \$401,632 and \$1,785,033. You would do the same calculation with an alternative discount rate. Using a 10% rate, our present value numbers drop to between \$374,875 and \$1,666,115.

- **Calculate the cost-benefit ratios**
 - Dividing the high benefit by the low cost and dividing the low benefit by the high cost.

In our scenario, "The range of cost-benefit ratio is \$1 to \$1.34 up to \$1 to \$8.93, using the 5% discount rate, and \$1 to \$1.25 up to \$1 to \$8.33 using the 10% discount rate."