



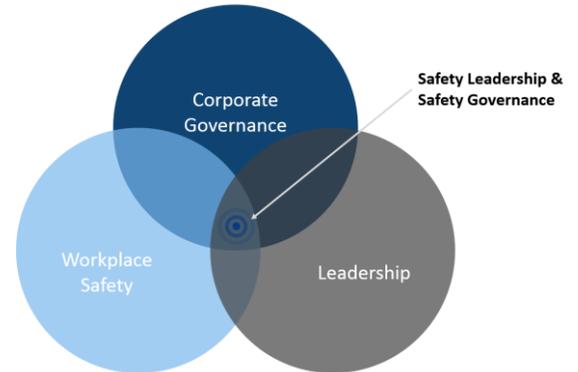
**Safety governance  
and safety leadership  
for board members  
and senior executives**

**Dr Kirstin Ferguson**

# Overview

Ensuring the safety of employees remains an elusive challenge for many companies. The imperative to operate safely, efficiently and profitably can often create competing objectives for senior leaders and requires constant focus and commitment from every level of the organisation.

Traditionally the role of board members and senior executives has not been considered in the context of workplace safety beyond ensuring compliance with legislation. Recent research<sup>1</sup> draws upon leadership theory and corporate governance to explore the role of board members and senior executives in safety leadership and safety governance.



## Safety leadership



Over the past two decades, considerable research has been undertaken as to the leadership behaviours that contribute to being an effective safety leader in the field. However, there has been little to no research conducted on the safety leadership behaviours of board members and senior executives who are often removed from day-to-day operations of an organisation yet remain vitally important in the safety decisions, and ultimately safety outcomes, of a company.

Regrettably, the important safety leadership role of this group of senior leaders has been highlighted after recent high profile disasters such as the Pike River mine explosion and the BP Texas City oil refinery fire.

New research has identified four criteria of safety leadership relevant for board members and senior executives:



**Vision**



**Personal commitment**



**Decision-making**



**Transparency**

<sup>1</sup> Ferguson, K. (2015). A study of safety leadership and safety governance for board members and senior executives. PhD thesis. QUT.

## Vision



When considering a senior leader having vision regarding workplace safety, this criterion refers to their ability to publicly articulate shared safety goals that resonate across all levels of an organisation. Senior leaders demonstrating vision will inspire others, set high standards for safety behaviours, establish safety expectations and solicit commitments to safety from others.

### *Practical examples:*

- CEO and Chair regularly reinforce the existing company safety vision;
- the board authentically engages with employees in safety issues while on site visits; and
- the board understands the importance of, and actively supports, the CEO and senior executive team in their day-to-day safety leadership activities.

## Personal commitment



Senior leaders exhibiting a personal commitment to workplace safety have a sincere, visible and genuine dedication to safety that demonstrates care for the welfare of others. Senior leaders with a personal commitment to safety exemplify a positive attitude to safety in the workplace, role model safe behaviours and help solve safety issues on behalf of employees.

### *Practical examples:*

- commitment to safety included in board charter;
- company safety vision is communicated regularly and widely; and
- the concept of 'safe production' is confirmed by the board and communicated widely with board decisions made which are consistent with that message.

## Decision making



With respect to board, safety decision-making involves promoting sound assessment of safety issues while also providing an opportunity for open communication between all levels of an organisation. Senior leaders promoting decision-making ensure safety concerns are heard and employees are included in the safety planning process.

### *Practical examples:*

- a board committee is established focused on safety;
- there is regular, robust and meaningful safety reporting to the board; and
- senior executives are encouraged by the board to think strategically about safety and not just as a source of statistical analysis.

## Transparency



In the context of the board, transparency involves being open to scrutiny of safety performance through monitoring and communicating the effectiveness of safety initiatives. Senior leaders demonstrate transparency through formal and informal communications which celebrate safety successes, as well as openly communicate safety challenges as they emerge.

### *Practical examples:*

- ensure consistent and comparable range of lead and lag indicators are reported and disclosed to stakeholders;
- develop open communications with other companies to develop best practices in safety; and
- include team safety performance with an executive remuneration system.

# Safety governance



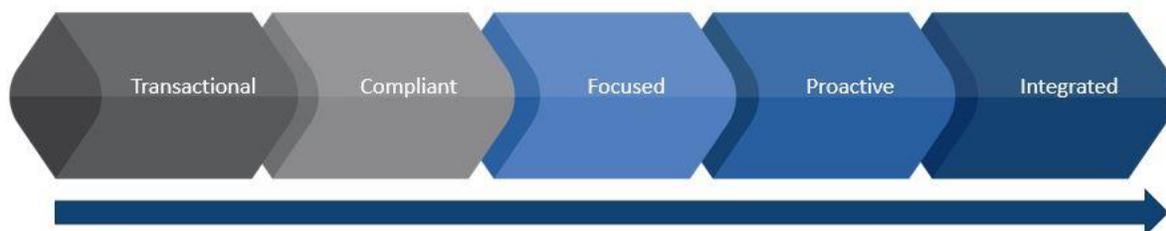
When considering the role of board members and senior executives it is necessary to consider the corporate governance framework in which they operate. The concept of safety governance is designed to ensure that boards and senior executive teams have the tools, knowledge and structures in place to maximise the safety performance of the organisations they lead and govern beyond merely ensuring compliance with safety legislation.

Safety governance is the relationship between board members and senior executives in the safety leadership of an organisation and provides:

- the **structure** through which the vision and commitment to safety is set;
- agreement on how **safety objectives** are to be attained;
- the framework for how **monitoring performance** is to be established; and
- a means for ensuring **compliance** with relevant safety legislation.

## Safety governance pathway

Every organisation moves along a continuum as they develop a safety governance framework and it is essential to recognise where your organisation may sit in terms of safety governance maturity in order to influence change progressively and effectively. To help identify the maturity of a safety governance framework, a five-stage safety governance pathway has been developed.



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**Safety governance pathway**

## Transactional stage



The least effective boards with respect to safety outcomes appear to take a transactional approach with a minimal emphasis on workplace safety in the organisation. These boards and senior executive teams may view safety as a management responsibility, with the board generally only engaged after an incident has occurred. These organisations do not tend to make any disclosures about safety performance in their annual reports.

## Compliant stage



New safety legislation in many countries has seen a large number of boards become compliance focused whereby the board is aware of their responsibilities in a legal sense and will seek to ensure basic safety reporting is in place, often focused on lag indicators. A brief reference to safety may be made in an annual report such as reporting the existence of a safety policy. Overall, compliance with legislation is the main driver rather than seeking to go 'beyond compliance' to understand the importance of safety leadership by the executive team and the resulting impact on safety culture.

## Focused stage



Once a compliance framework for safety has been achieved, boards often become more focused on safety beyond mere compliance with legislation. Safety may be included in the board charter at this point, a vision for safety and safety targets may be set, and lead indicators introduced. Often safety systems and processes are now disclosed in annual reports.

## Pro-active stage



During this stage boards might become more pro-active in safety and are comfortable with their role in safety leadership. Boards may seek even greater safety performance from their executive team and establish a sub-committee of the board to ensure safety receives the focus it requires. Often in this stage the Chairman makes a personal commitment to safety in their annual report and public disclosures may also include both lag and lead indicators.

## Integrated stage



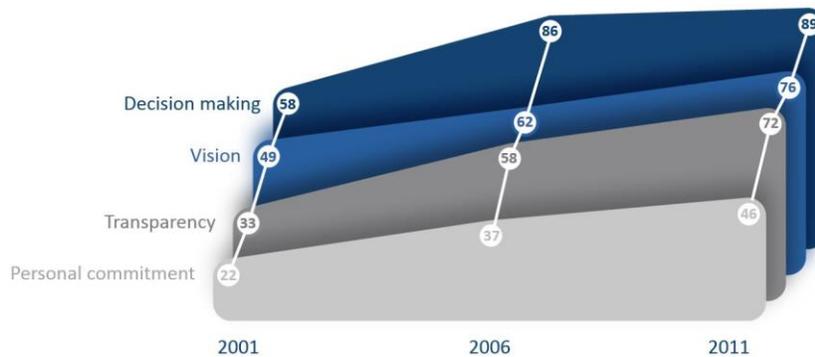
The most effective safety governance frameworks are those boards which ensure that safety is completely integrated with the operations of the organisation. The link between high safety performance and business excellence (or safe production) is understood and accepted by the board and senior executive team. Clear statements about the role of the board in safety are disclosed in annual reports and safety-related disclosures are honest and transparent sharing both the good news and the bad.

# Safety disclosures



There has been much discussion in recent years about the need for improved quality of workplace safety disclosures annual reports and corporate social responsibility (CSR) reports. To develop best practice safety disclosures, four criteria of safety leadership have been analysed against ten-years of ASX200 company annual reports and CSR reports to understand their applicability to the written word. This research did not seek to address issues of safety reporting in terms of inconsistent lead and lag indicators, varying measures of safety performance between industry sectors or the emphasis of frequency rather than severity of injury, as examples. This research focused on understanding how safety leadership and safety governance frameworks can be reflected in safety disclosures of any safety-related activities.

## ASX200 Annual Report Safety Disclosures (%)



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## Vision disclosures



An essential element of any successful safety culture is having the ability to publicly articulate shared safety goals that resonate across all levels of an organisation. In ASX200 companies, by 2011 76% of all companies made a disclosure about a safety vision, an increase from 49% in 2001.

### Categories of disclosure:

- direct statement that safety is a company value;
- disclosures linking the company safety vision with ongoing business excellence;
- statement regarding the importance of leadership and culture in achieving the safety vision;
- specific goal of Zero Harm;
- details of the role of employees in achieving the safety vision; and
- disclosures making a link between the reputation of the company and safety performance.

## Personal commitment disclosures



In annual reports, such a personal commitment can be reflected in the Chairman and/or CEO letters to shareholders. In 2001, only 22% of Chairman and/or CEO letters made mention of safety. By 2011, this had increased to 46% of companies but remained the least disclosed criterion providing a significant opportunity for Chairman and CEO's to demonstrate safety leadership through their letters in the future.

### *Categories of disclosure (Chairman & CEO letters):*

- fatalities, statistical performance outcomes, or general safety successes or challenges;
- links between good safety performance and ongoing business excellence;
- referencing safety as a company value;
- making link between leadership and safety culture;
- highlighting the role of the board in safety; and
- discussing the important role of employees in safety outcomes.

## Decision-making disclosures



Where decision-making processes for safety is disclosed in annual reports it reflects the fundamental role of senior executives and board members in the safety governance of an organisation. Of the four safety leadership criteria, disclosures relating to safety decision-making were the most disclosed criterion with 58% of companies making such a disclosure in 2001 increasing to 89% by 2011.

### *Categories of disclosure:*

- existence of safety documents and systems;
- information on the role of the board in safety;
- role of employees in safety decision-making;
- existence of a board committee focused on safety;
- role of senior executives in safety decision-making; and
- existence of employee safety committees.

## Transparency disclosures



The final criterion of safety leadership focuses on the need for senior executives and board members to ensure open, transparent communications regarding safety performance to encourage a culture of continuous improvement. In 2001, only 33% of companies were making a disclosure that could be classified under this criterion. However this rate increased significantly over a ten-year period with 72% of companies doing so in 2011.

### *Categories of disclosure:*

- statistical safety performance;
- details of link between safety outcomes and remuneration;
- safety recognition through internal/external awards;
- disclosures about any fatalities that may have occurred;
- information on safety initiatives that may have reduced workers compensation premiums; and
- information on legal action that may have been commenced against the company relating to a safety incident.

## Further reading

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Ferguson, K. (2015). A study of safety leadership and safety governance for board members and senior executives. PhD thesis. QUT. A copy can be accessed online [here](#).

Additional Orbitas Group white papers can be downloaded from [www.orbitasgroup.com](http://www.orbitasgroup.com) :

- Going beyond compliance : Safety leadership in the boardroom
- Practical actions for safety leadership : Safety governance frameworks for boards
- Going public on safety leadership : Best practice safety disclosures for annual reports & CSR reports

## About the author - Dr Kirstin Ferguson

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Dr Kirstin Ferguson is a professional company director sitting on ASX publicly listed, private company and government boards. Kirstin was previously the global CEO of a safety consulting organisation operating in the mining and resources industry. In 2014, the Australian Financial Review named Kirstin as one of Australia's 100 Women of Influence.

Kirstin has a PhD in Business focused on safety leadership and safety governance for board members and senior executives, and was awarded the QUT Colin Brain Corporate Governance Fellowship for her research contributions. Kirstin sits on the Editorial Board of *OHS Professional*, the journal of the Safety Institute of Australia, and was previously an independent expert member of the Queensland Workplace Health and Safety Board. Kirstin is an Adjunct Professor at the QUT Business School.

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