The Organizational Scorecard & Performance Management

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The realities of globalization and risk management have taken center-stage and innovative firms have to address this to stay competitive. One way to achieve this is through an integrated operational risk management system which is a methodology of identifying and eliminating or reducing the risk to an organizationally acceptable level. The key to its success is it's embedment into the operations of the organization, as well as the project/product delivery process. Safety is a key element of the risk management process.

Safety traditionally focuses on the elimination of hazards that exist in the physical environment. Most of the incidents that may cause employee injury do not come from the physical environment, but from the actions of the employees. A research study of thousands of accidents completed in Heinrich's time (1920s) found that they could not identify the cause of 2% of the accidents. 10% of the accidents were traced to causes from the physical environment and 88% resulted from actions by the employees. So the traditional safety program's emphasis on conditions does not address the behaviors of the employees and therefore has limited impact on controlling injury causing incidents.

So subsequently there was a drive to manage the worker's behaviors and thereby control incidents. Though this does work to some extent it does not look at risks that reside outside of the physical environment and the workers behaviors thereby having limitations in creating a truly injury free workplace.

As stated before risks not only reside in the systems, practices and procedures of the organization, but also in the behaviors of all of its employees. So before we go any further let's discuss risk. Risk is the combination of the likelihood of an occurrence of a hazardous event or exposure and the severity of the injury that may be caused by the event or exposure. The risk management process includes the following steps.

Risk assessment procedure
1. Establish acceptability levels
2. Exposure determination
3. Vulnerability assessment
4. Risk analysis
5. Mitigation and countermeasure determination
6. Selection of best solution
7. Implementation
8. Monitoring, assessing and improving

Before any risk can be evaluated it has to be recognized. It is important that the person evaluating the risk and the person exposed to it have a common language with which to communicate. We know that this is not the case. To understand risk one has to understand probability.

Both the probability of harm and the severity of the outcome are uncertain. So, two issues come into play. One is the perception of risk (does one recognize the probability and the severity of harm when engaging in an activity) and to what level is one tolerant of the risk if and when one recognizes it. So as an organization we have to establish what levels of risk are and are not acceptable as well as educating our employees to recognize risk and its constituents so as to be able to assess it and make informed decisions.

To effectively manage risk one needs to be able to control the hazards.
    Hazard control hierarchy
        1. Elimination of risk though planning
        2. Reduction of risk by substitution
        3. Controlling the risk by separation or segregation (safety devices)
        4. Providing warning
        5. Providing personal protective equipment

Risk must first be identified this is followed by analysis of the organizational systems that drive the risk. Once this is done then integrated solution may be created to effectively eliminate, or reduce their adverse effects.

System risk is created by processes or procedures that do not function in harmony with each other. Organizational interventions sometimes are created to address specific issues without thinking through all the ramifications and side-effects. These "friction points" create occasions where employees have to make decisions on how to overcome the barriers in order to accomplish their tasks. So decisions have to be made and they are made based on the "best" information the employee possess at that point in time. The outcomes may not be what the organization wants!

Central to management is the question of what are we trying to accomplish, what is our vision, our picture of a future state. Once we have stated that, the next step is what differentiating activities do we have to engage in to turn that future state into reality? That is our strategy. The next step is to establish objectives for how we are going to get there. And of course we will need measures and targets to tell us how we are doing.

So even though the organizations understands the need to create an injury free work environment, and the employees wholeheartedly agree that this is a "good thing," the systems and practices of the organization may create situation where choices have to be made that may not necessarily support an injury free workplace. So to achieve this vision the organization must make a concerted effort to seamlessly align safety with their operational processes and integrate the internal systems and their business procedures, as well as clearly communicated their values and vision to all the employees.