

EQUIPPING THE NEXT GENERATION – RISK MANAGEMENT TRAINING

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INTRODUCTION

A very disturbing trend over the last number of years has been the number of ‘deja vu’ major incidents sometimes occurring in the same organisation only a few years after a major event e.g. BP Grangemouth & Texas City; Challenger & Columbia; rail track maintenance problems. A common contributor in all these events has been managers seemingly inadequate awareness of the potential risks of their decisions and actions linked to deficient overall safety & compliance management arrangements. So a key question for all hazardous industries is what are they doing to better equip the next generations of managers of plants to be aware of the range of risks and have the tools to manage them effectively? This is even more relevant when most young managers will not get the ‘learning by experience’ education of many current senior managers who experienced the building and commissioning of new plant and the development of more sophisticated safety management arrangements. Many younger managers will experience a world that appears well controlled and are likely to underestimate risks. So what needs to be done, and how do we do it? This paper describes an element of an education programme for a suite of high hazard companies that aims to equip young managers with an appropriate level of awareness of set of generic risk management tools that should serve them well – both now and in the future.

The overall ‘programme’ is the Supply Professionalism Programme (SPP), which has continuously evolved from the original manufacturing professionalism programme. This was developed over 10 years ago for the then Zeneca company, and is now open to employees from any company with challenging and complex supply processes wishing to gain real business benefit. Key current partner companies are currently; AstraZeneca, Avecia, PZ Cussons and Syngenta. SPP is a globally applicable education programme, enhancing integrated contributions from throughout the supply chain. It has been developed jointly by partner companies and the WMG group from Warwick University and is based on several fundamental pillars of Supply education. Figure 1 provides an overview of the SPP programme.

The specific element from SPP highlighted in this paper is the Compliance Management module. This module focuses on understanding a broad range of business risks and challenges; and how to manage them appropriately. Figure 2 is the route map of the Compliance Management module.

THE CHALLENGES & NATURE OF ‘COMPLIANCE’

At the outset it is important to define the scope of ‘compliance’ and determine what the challenges are for effective compliance management. Initially the focus for ‘compliance’, and the main driver for the course, was health and safety. Rapidly this scope was extended to cover the much wider range of compliance issues that face the average manager. Three broad areas are:

- **Regulator** – and the multiple challenges stemming from compliance with all relevant legislation. This obviously includes H&S, environment but also packaging, employee welfare. In the international arena for the participating countries this is a mine field at times.
- **Stakeholder** – the public, pressure groups, media and many other stakeholders (e.g. politicians and employees) can have considerable influence and effect on any business. It is essential that key stakeholders are identified, their issues and degree of influence understood and managed for a business to thrive. Stakeholders often act in advance of legislation and can set agendas well before a legal requirement comes into being.
- **Market** – the demands of the modern dynamic business world mean that companies often need to find a competitive edge and respond to changing market conditions and client demands. One question posed and explored in the module is ‘How can we manage compliance to support that competitive edge?’

Effective risk management needs to consider all the above elements of this ‘R-S-M’ model; some key considerations are:

- What ‘risks’ do we need to focus on – H&S, environment, business risk? Major accidents suggest that some elements of ‘H&S risk’ may have been overlooked or underestimated with too much attention on a narrow view of costs and remaining competitive.
- What tools have we got or need in order to provide a sufficient understanding of the overall ‘risk’ picture?
- What does ‘good’ compliance look like? It is highly unlikely that any business can fully comply with all the demands and expectations placed on it from the R-S-M drivers.

The Compliance Management module aims to address some very specific compliance challenges.

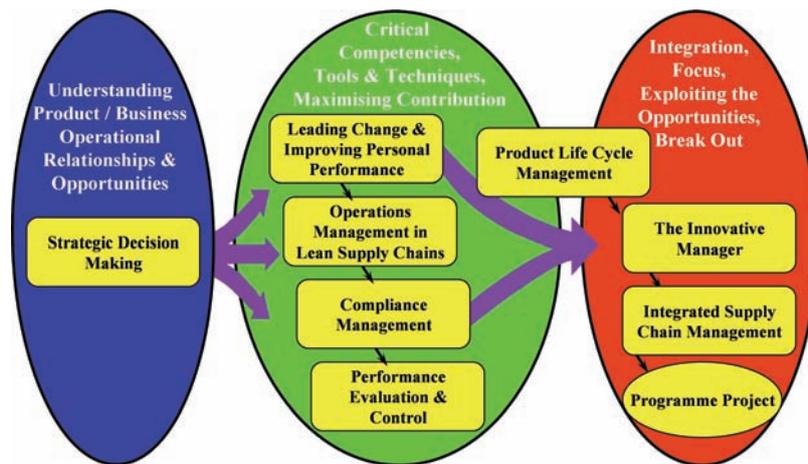


Figure 1. Overview of SPP programme

The first is that most managers are provided with technical education in science and engineering and become managers due to their level of technical competence. Few receive a good grounding in overall risk (and compliance) management; risk and risk assessment can be frequently most associated with HS&E issues but without consideration of the wider challenges that face a business.

The next issue relates to the speed of change and breadth of compliance to be managed, stemming from the R-S-M areas. This means that managers need to remain vigilant and have the necessary tools to spot changes and alter their compliance situation. This is a challenge for both an organisation as a whole and for individual managers at a more local level.

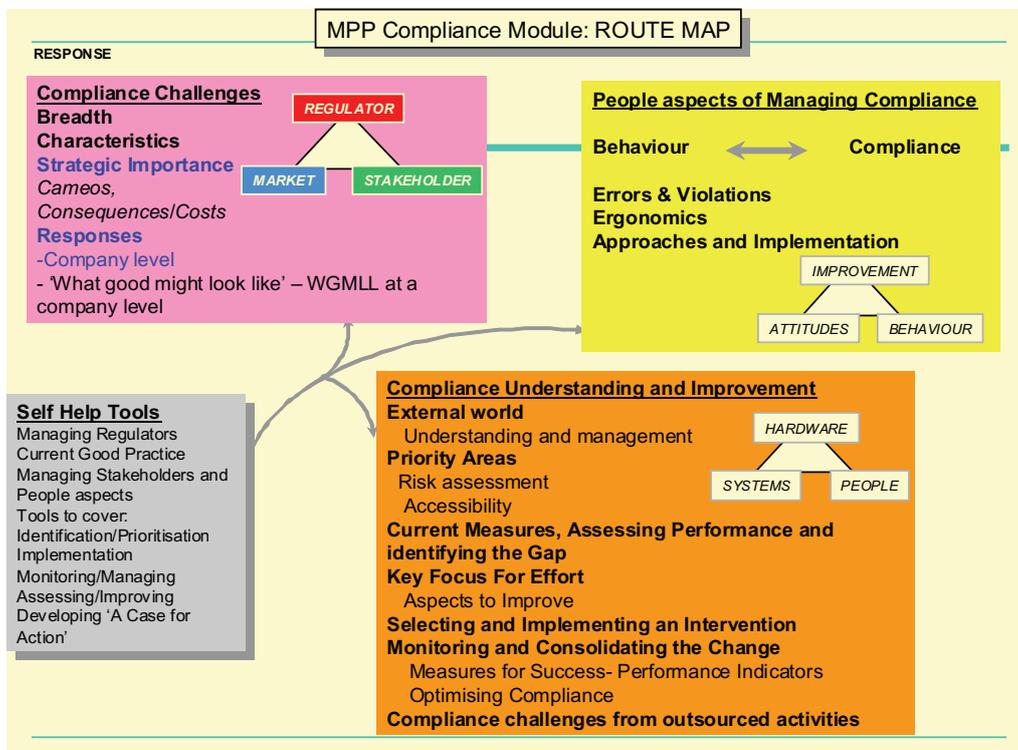


Figure 2. MPP compliance module

'To act un-commercially is to commit suicide; to act unsafely is to invoke the death penalty' – a profound statement from EdF¹ relating to the tension that exists at times between commercial performance and safety. It captures the essential that business must comply with a range of demands but most people in an organisation are given little real overview of the myriad demands and how differing elements contribute to effective compliance implementation. Consequently many people fail to understand their role in certain aspects of compliance, and are driven by their own parochial priorities that often do not align with the real needs of the business.

In most high hazard companies there are well developed safety management arrangements encompassing training, competence assessment, auditing, monitoring and indicators. It can be all too easy for any manager to perceive that everything is well controlled and addressed by the 'system'. Consequently there is a lack of understanding of the need for vigilance, constant 'self-challenge' and review to ensure that arrangements meet the needs of a changing world. Many major incidents have shown how organisations can insidiously become degraded (Ackroyd & Berman 2006). This recognition of the potential deficiencies of arrangements, especially due to time related changes is vital for effective risk and hence compliance management.

THE COMPLIANCE MANAGEMENT MODULE

In essence the module aims to equip participants with an increased awareness of the potential hazards, threats and risks for compliance for their business, and a set of essential tools to manage compliance effectively. The module is followed by an assessed assignment whereby the participants are required to demonstrate the achievement of specific learning outcomes. This requires the participants to apply the knowledge and techniques acquired during the module to their own workplace, considering all aspects of compliance, assessing and prioritising them to develop a strategically aligned improvement plan for their area and then to demonstrate how they will address one of the priority issues they have identified. This post-module assignment is key part of the module both to embed the learning in a practical manner, and to bring immediate benefits to the business from the module.

The module has now been running successfully for over ten years, and has progressively evolved to meet the changing needs and make up of the participating companies. The module now has truly global participation with participants from UK, US, Sweden and many European countries, China and the Asia-Pacific regions. This diversity is used to help participants recognise that differing traditions and cultures can have a significant effect on compliance; and there is much to learn between participants. The module is

highly interactive with a strong emphasis on exercises and discussion to allow participants to explore the tools and issues raised.

The module evolves continually to meet changing business needs & take account of industry learning. The initial focus on H&S at the outset; driven by a 'zero incident – zero tolerance' approach in Zeneca at the time evolved quickly to encompass a much greater range of business 'compliance' issues. The business models of the participating companies are continually changing e.g. from primarily being in-house manufacturers to now using a significant level of outsourcing and contract manufacture. This changes some of the approaches for effective compliance management, especially as the 'parent' organisation needs to consider the requirements and expectations for compliance from all its suppliers, contractors and partner organisations. The evolution of the course is greatly assisted by the module steering group comprising senior managers from each participating organisation and the lead module tutors. The steering group considers the changing demands and nature of the businesses and reviews how well the module meets the current and future needs of participating companies.

The module covers main areas:

- Understanding the nature and challenges of compliance
- Understanding the people issues of compliance and how to manage them
- Understanding how to manage compliance effectively and the tools available to do this.

THE MODULE – OUTLINE CONTENT

The module starts by examining the nature of compliance – its breadth, complexity and the number of stakeholders that are involved. Pre-course work is used for participants to build on the simple three element compliance model: Regulator – Stakeholder – Market. The dynamic nature of compliance is discussed. For most participants this is seminal session – it is the first time that they have recognised the full nature of 'compliance' for them and their businesses. Cases studies are then used to highlight the 'costs' of non-compliance. These range from fines, compensation and damage costs from traditional H&S accidents; through plant closures forced by pressure groups inciting public & regulator action; to customer boycotts of products.

The next main element is developing an overall framework for effective compliance management. This includes the essential first step of identifying all the differing compliance challenges stemming from the R-S-M model – the diverse nature of legal requirements across many areas; stakeholders and their expectations; the market demands and competition. Participants are then faced with the reality that 'total' compliance is impossible and choices have to be made based on careful consideration of the risks and opportunities to the business. Some areas of compliance – especially health, safety and environment are fundamentals; without an appropriately high level of

¹EdF = Electricite de France; the quote was at an international conference on safety culture in the nuclear industry hosted by the INPO at Atlanta, Georgia in 1997.

compliance the business will be 'denied permission to operate'. The concepts of gap analysis; winners, losers and qualifiers; optimising the costs of compliance are introduced into this overall framework as essential elements in determining the company's overall strategy for compliance management.

The participants are then introduced to a range of key tools with a variety of group exercises to allow participants to understand and use the tools. Some of the main tools are:

- i. **Risk matrices** – an essential tool to help make judgements about the range of compliance risks and help in prioritising where to focus effort for maximum benefit. Developments of qualitative (word based) as well as more numeric matrices are considered. Participants use risk matrices to assess their own overall compliance position.
- ii. **Lead and lag indicators** – to monitor the effectiveness of processes and the key outputs required for compliance. Participants consider the range of processes and outcomes they consider important for key compliance issues, then determine potential lead and lag indicators that could be used. The challenge of establishing effective lead indicators is explored.
- iii. **Traffic light indicators** – building on the indicators theme is the development of a set of headline or traffic light indicators to help provide an effective overview of compliance. Selection of an appropriate set of indicators is essential, but also is the need to remain vigilant to other information (e.g. from staff or regulators) that compliance is on track and the existing framework remains valid.

The module examines some generic key issues for compliance. The first is dealing with regulators. The aims and perspective of regulators is considered in order to provide a better understanding of the pressures, challenges and needs of regulators. Participant experiences, as well as those from senior managers, are used to help raise awareness of the range of regulator behaviours and appropriate ways of interacting with them. Another similar topic is understanding and dealing with stakeholders, particularly pressure groups. This provides a better understanding as to how stakeholders can set agendas and impact business but also explains the importance for businesses to engage constructively with a wide range of stakeholders (e.g. local community; politicians; pressure groups; employees) on a continual basis. Building relationships and trust over the long term both ensures that the business keeps faith with its local communities and enables it to better deal with alarmist campaigns on specific topics.

Along with consideration of regulators and stakeholders is consideration of the individual's own role. For a business, compliance is broad and complex; individuals need to understand their own role, priorities and areas of control and influence. Figures 3 & 4 show some key models used to help participants determine their own role for compliance management.

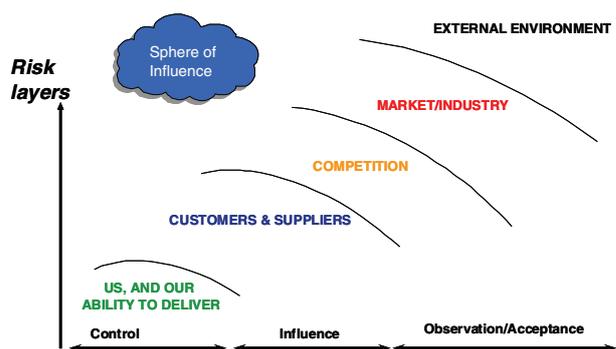


Figure 3. Span of control & influence

The final key 'people' element for compliance is the employees within the organisation. From the outset of the module understanding people & behaviours – at all levels within the organisation – has been an essential part. The module provides a basic grounding in key aspects of attitudes and behaviours that impact on compliance. It covers how and why people make errors and commit 'violations', knowing 'non-compliance' with notional standards or expectations e.g. knowingly speeding when driving. The module shows that much behaviour stems from the overall environment (physical; work process; culture) created by an organisation – knowingly or unwittingly. Participants are introduced to a generic set of compliance 'solutions' for improving compliance behaviours depending on the nature of non-compliance being presented along with industry examples of how the approaches are used. Included in this consideration is recognition that differing situations and workforces may require differing approaches. The course allows participants to discover differing approaches to effectively managing 'people compliance'. This area is, and continues to be, for all new participants, the one where most opportunities exist and where they have least capability.

The module allows participants to discuss and learn from their individual experiences during the sessions. Additionally there is an evening session with a senior manager from one of the companies that allows participants to hear thoughts and lessons learned over many years. Participants (as part of their pre-course work) also present a poster on a compliance related initiative/area of good practice from their own site or part of the business. This sharing adds real value, in providing cross-business learning and establishing networking amongst participants. The residential nature of the five day module also helps build relationships and real networking.

A recent example of a new element introduced to meet the changing needs of the companies, is the explicit inclusion of consideration of the compliance challenges from outsourcing manufacture. Participants explore what needs to be managed and how to meet the company's compliance needs. This raises both business and ethical considerations which need to be considered when sourcing.

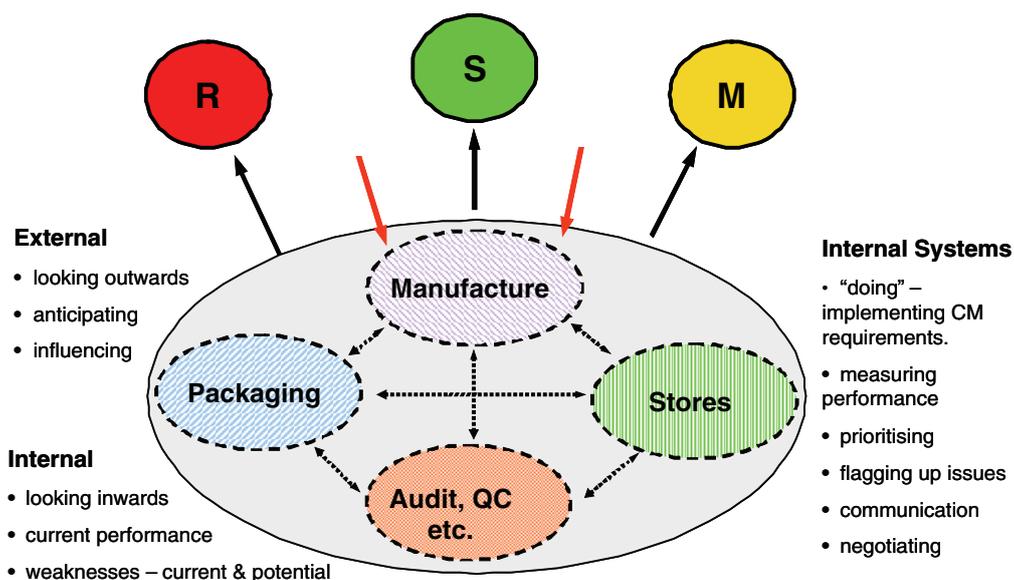


Figure 4. External challenges & organisational response

During the week participants work in groups to develop strategically aligned improvement plans for presentation to a senior manager from one of the businesses on the Friday morning. These improvement plans incorporate learning from the week and demonstrate understanding from the participants. They are able to get balanced feedback on their efforts and see first hand the importance to their companies from the senior manager present.

The final main element of the overall module is the post-module assignment (PMA). This is an essential element to allow the participants to fully take on board all the topics and tools covered during the ‘course’ part of the module. It also maximises the value to the business of the module, helping to drive real improvements across the business. Participants consider suitable projects during the main course and develop an outline business case for undertaking the project. The PMA is submitted and assessed which ensures that it is given proper attention. The assessment allows the lead tutor to check on the level of understanding of each participant which then allows any additional mentoring or training to be provided.

BENEFITS AND ILLUSTRATIONS

The module has been running for over ten years with over 380 participants. Many participants have moved up to more senior positions in their organisation and the feedback is that the module has been very useful in giving them a better overall perspective of compliance, their roles as senior managers along with a better appreciation of the framework and tools needed to ensure effective compliance.

Additionally the improvement projects have given immediate benefits at a more local level; each one enhancing some aspect of compliance. These projects have

covered a wide range of issues with some particularly beneficial ones relating to:

- Managing Compliance Challenges for a flexible plant
- Compliance issues significant to Tolling Operations in Asia Pacific
- Addressing incorrect/incomplete completion of procedures
- Green strategy development and focus on Energy Management
- Reduction of levels of contamination
- Stimulating behavioural change at the point of work; ‘Stop, Think, Execute’
- Compliance opportunities in the business
- Influencing the regulators through compliance.

PARTICIPANTS’ AND SENIOR MANAGER FEEDBACK

The feedback from participants has been consistently extremely positive since the course first started. Two notable areas of success are:

- Providing individuals with more confidence in themselves and awareness of their own role
- Enhancing their understanding of managing and influencing people.

Additionally the module and overall SPP programme is very useful in building networks within the businesses which are likely to provide useful benefits in the future.

Some interesting thoughts from senior managers include:

- *Has unlocked potential in people we never envisaged (average performers with little education) who have moved on to deliver way over what we thought they could – ‘an unexpected awakening’*

- *Keeping up a pace of change that allows the business to thrive in a harsh business environment*
- *A new generation of managers, equipped to take the lead*
- *More than just applying best-practice, it's about aspiration, stretch, continuous input – awareness that things can be done differently and awareness of the possibilities*
- *Out of own environment, rubbing shoulders with people from other companies and other parts of the world*
- *Putting all operations into the context of a supply chain*
- *Professional skills permanently embedded in a targeted population – previously wasted effort in unfocused education*
- *Projects done more quickly and with better outcomes.*

A final thought is recognition that educating future managers takes time and commitment with the real benefits seen in the future

- *Developing a cadre of managers across the Supply Chain, skilled, competent and equipped to make a higher contribution – and it takes time and commitment, seeing the real benefit after 4–5 years.*

SUMMARY

The modern world provides businesses with a constantly changing set of demands and challenges. It is essential that managers are aware of the dynamic nature of risks

and challenges facing their businesses – both in health, safety and environment; and in the wider commercial challenges that they must respond to. The lessons from a wide range of significant incidents over recent years have shown how easily risks can be overlooked or given insufficient attention when navigating through the challenges stemming from regulators, stakeholders and markets. A vital element in preventing future accidents and incidents is education of future managers in both an overall awareness of risk and its dynamic nature; and in equipping them with generic tools for managing 'compliance' effectively.

This paper has described one education step being taken by a suite of high hazard companies to equip its future managers. It has been very successful over a 10 year period – providing the participants with the necessary awareness and skills; the businesses with immediate local compliance improvement initiatives.

REFERENCE

Ackroyd, P and Berman J Berman, 2006, Organisational Drift – a challenge for enduring safety performance, *Proceedings of Hazards XIX Process Safety & Environment Protection*: 138–151.