Gap Analysis: A Way to Improve Ergonomic and Safety Program Performance

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**Brief Description:** This paper will highlight tools and techniques to improve management and cost containment of safety and ergonomic programs in difficult economic times. These strategies include effective resource utilization (from vendors to employees to brokers/carriers), project management tips, and return-on-investment decision trees.

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INTRODUCTION

A difficult global economy has placed increasing emphasis on the importance of proactive, forward-thinking risk control to reduce rapidly changing exposures. Layoffs, downsizing, plant closures, mergers and acquisitions and Chapter 11 bankruptcy filings are placing new and challenging demands on risk control practitioners, forcing them to think in new ways in terms of resource utilization, exposure identification, and budget availability. Well-structured, proactive risk management programs enable busy risk control practitioners to weather the storm – without major loss producing gaps rearing their ugly heads.

KNOW THE MOVING PARTS

As you are likely well aware, safety programs have a lot of moving parts. Internal subject matter experts, designated safety leads, safety program owners, supervisors and employees all interact and function within the organization. Then, there are the external vendors that enter and exit the organization throughout the year. This can include brokers, carriers, adjusters, case managers, contractors, loss control representatives, and outside regulatory bodies (e.g. OSHA). Understanding the moving parts – and their various and multiple interdependencies – is critical to ensuring that everyone is moving in the same direction, especially when uniting to combine a well-functioning safety program.

Figure 1 illustrates some common interactions between internal and external customers. For example, senior management may be limited to interaction with the insurance broker, while the risk manager may have interactions with the broker, insurance carrier, claims administrator (e.g. Third Party Administrator), attorneys and others. Then there is the safety director, who may have ongoing communication with brokers, insurance carriers, vendors, contractors and claims administrators, in addition to attorneys and outside auditors. The structure of the overall safety program can also impact the internal/external dependencies. For example, there are some organizations where Human Resources (HR) is acting in both the employee, benefits and the safety disciplines. This dual role can greatly expand their inherent dependencies with external stakeholders due to the fact they need to rely on outside resources to support the program. On the flip side, there are some organizations where the safety director has little to no interaction with outside stakeholders and ineffective interactions with engineering and human resources.. This can dramatically reduce the effectiveness of the safety director’s role and tends to produce communication gaps. Gaps in communication are often internal where safety, production, and HR are operating without understanding their common goals and the linkages that could improve individual and collective performance.

Whatever the structure, Figure 1 demonstrates the need for organizations to understand these interdependencies, i.e., who is communicating with whom, what is being communicated, and what role the stakeholders (internal and external) have in being a positive contributor to the safety program. Unfortunately, in many cases, the left hand is unclear what the right hand is doing, leading to consequential miscommunication, multiple agendas – and missed opportunities.
Defining these linkages and understanding the best internal/external stakeholder lines of communication can pay huge dividends in improving your safety program. An effective and relatively inexpensive way to understand and continually improve the safety program is by conducting an annual gap analysis. A gap analysis is an instrumental tool during challenging economic times as mergers, acquisitions, plant closures, layoffs, early retirements and other business decisions rapidly affect the risk control landscape.

**Tip:** Internal and external linkages need to be understood in addition to clear messaging by the organizational representatives to external stakeholders. By understanding the linkages i.e., who is the right person to communicate to the respective external stakeholders (may change annually to create learning opportunities), and message consistency, the organization will be able to better control the dependencies.
Figure 1: Interdependencies between internal and external stakeholders in a common workers compensation safety program.

KNOW THE GAPS

Understanding the gaps in the existing safety/risk control program is an essential first step in the process. One commonly made mistake is to simply chug along without pausing to diagnose and understand why certain programs or locations are underperforming. Executing an annual gap analysis (Shown in Figure 2) will provide keys insights and allow the organization to make adjustments to close the gaps. In addition, an annual gap analysis keeps the safety program on the path of continuous improvement.
A gap analysis enables an organization to identify disconnections and bottlenecks that prevent the many parts within the safety program from performing at optimal levels, thereby limiting the effectiveness of the safety program itself. In many cases, the whole is only as great as the sum of its “connected” parts. A gap analysis will help address some of the following common questions that regularly confront safety managers.

Why is a site lagging in accident rate performance? Why do machine guarding hazards still exist? Why does clutter exist in certain areas? Why does it take an annual audit for a site to clean up? Why do accident investigation forms continue to produce weak corrective action? These and many more questions can be addressed with an annual gap analysis.

The process of performing an annual gap analysis can vary but the essential elements are found in Figure 2. One of the most important aspects of a current and future-state assessment is to interview stakeholders to elicit candid feedback on the safety program. Stakeholders from all levels of the organization, from senior management (yes, this includes the CEO!) to line employees from various shifts and operations. By including representatives from across the organization, you can keep an accurate pulse on their involvement while creating an environment for open dialogue and program-enhancing feedback.

To ensure a comprehensive review, be sure to pay close attention to all aspects of the safety program. Look at policies, procedures, vendors, facilities management, budgeting or the safety spend, training, etc. Don’t be afraid to eliminate things that are not working (e.g. a particular regular meeting) and replace them with more effective approaches (lessons-learned announcements, scorecards, dashboards, etc.). This will go a long way in demonstrating to management that safety is under the microscope with the ultimate goal of eliminating waste and continuous improvement.

**Tip:** An annual gap analysis is an inexpensive and effective way of thoughtfully improving the safety program each year and allows parties from across the organization to provide input toward improving the program.
Figure 2: Basic elements of an annual gap analysis

KNOW THE PLAN

Many safety programs operate without a formal charter or plan, instead functioning from a compliance mentality (e.g. how many employees received what training programs, how many safety meetings were held, etc.). Developing a formal plan – and refining the plan each year – is a cost effective way to ensure that the safety program is following a prescribed path, that stakeholders understand the path, that the sponsor is in place and supports the plan, and that compliance and other elements of the program are moving in a positive, meaningful direction. Setting an annual ritual of reviewing or creating a blueprint for the year will demonstrate to management that the safety program is sound, on a path of continuous improvement and is embraced and supported by the organization.

Figure 3 illustrates the basic components of the annual plan. As gaps are defined, a plan should be put in place to close these gaps. Keep in mind that the organizational landscape is ever-changing, sometimes rapidly in our current difficult economy. From regulatory changes and new operational initiatives, to changes in resources, the safety program needs to be on sure footing at the beginning of each year. It is also critical that the safety program's executive sponsor is clearly identified, with acknowledgement across the organization. A program that lacks a clearly identified executive sponsor is ultimately rudderless and ineffectual to address roadblocks and change.
It is important to document the scope of the safety program and any residual projects that result as an outcome of the gap analysis. Then, define the available resources and project team members who will implement the plan. Be realistic about the time commitments; in this global economic downturn, it is important to recognize that many workers are stressed, overworked, fearful of losing their job and wearing many hats. Being realistic about the resources and time commitments will ensure that the plan is effecting and stays on target. In addition, sharing the plan and publicizing the success ensure the efforts are recognized and the organization benefits from the positive outcomes.

**Tip:** Select a qualified executive sponsor to approve and sponsor your plan. This is a cost effective way to deliver highly impactful, timely results that are supported by the organization.

![Figure 3: Basic elements of annual planning and yearly influences to consider.](image)

**KNOW THE RETURN ON INVESTMENT**

Measuring the value of the company’s investment is an intrinsic part of any safety program. Return on investment (ROI) is an important metric when balanced with intangible benefits like accident prevention and exposure elimination. Going beyond traditional measures of accident frequency, severity, loss ratio and incident rates can improve the overall projections for each element of the plan. Determine the decision framework that will be implemented. The first level of the decision tree should include a statement on the value the project will bring to internal and external customers. In addition, stating the strategic value and financial value will help weigh and match the alignment with organizational vision and fiscal objectives.

The second level delves deeper into the story and prepares you for an analysis of cost estimates for the project, a “do nothing” cost and any operational or production impacts. For example, the risk of doing nothing can include a review of loss data to develop cost projections in a situation with no formal plans in place. This would encompass adding a loss development factor for each
year of the loss data (e.g. the previous five years of total net incurred) in order to predict what the next five years may look like if no action is taken or if the gaps remain.

The third and final “level” is the final analysis of financial consequences, which include ROI development. Be sure an include Net Present Value because it recognizes the time value of money. This will also help the program to focus on projects that fulfill the greatest need and have the greatest return on investment for the organization. Using an actuary to assist with this will help develop solid financial numbers and projections.

**Tip:** Developing a decision framework for return on investment modeling is an effective way to seek project approval from management. Actuaries are an excellent resource for forecasting and financial modeling.

**Figure 4:** Basic elements of annual planning and yearly influences to consider.

**CONCLUSIONS**

The ideas presented in the article do not involve a significant financial investment. However, they do require stakeholders to pause and implement a structured, thoughtful approach when improving the loss control efforts within the organization. By pausing, addressing the gaps, developing a sound project plan and presenting the return on investment, the program will be on a path of continuous improvement.
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