



**Lunch Box Safety Talks**  
***Safety Over Sandwiches***

***Building a Business  
Case For Safety***

***Presented by Joe Mlynek  
Progressive Safety Services LLC***

# Thought Question

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How do you justify  
(sell) safety  
investments today (cost  
savings, right thing to  
do, compliance)?

# Today's Discussion



Importance of a Business Case



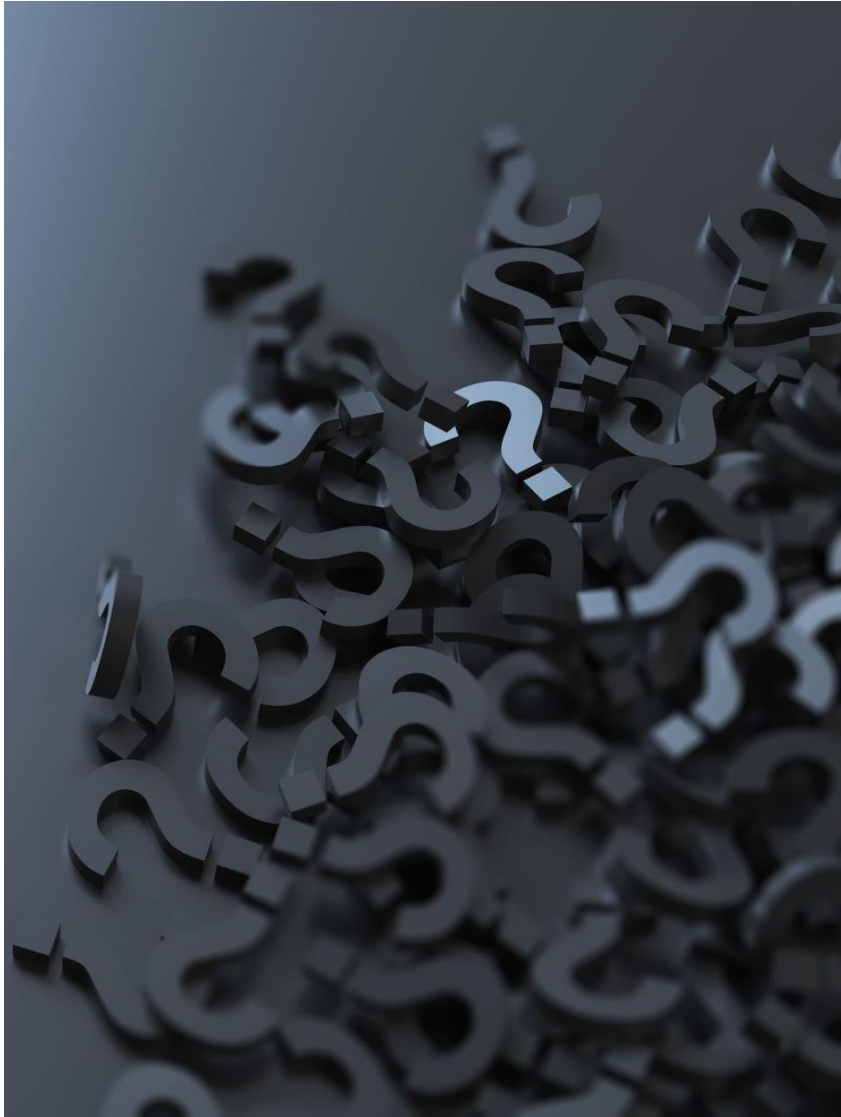
Potential Roadblocks



Strategies



Business Case Elements



# What is a Business Case?

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A business case captures the reasoning for initiating a project or task. Presented in:

Well-structured written document.

Short verbal agreement.

Presentation.

# The Right Approach

Focus on safety as an investment, not an expense.

Convince decision-makers that the investment will produce a positive return on investment.

Communicates the direct and indirect cost of risk (non-compliance, injuries, fatalities, etc.)

# Direct Costs

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Worker  
Compensation



Medical  
Expenses



Civil Liability



Property Loss

# Medical Expenses

Average cost per medically consulted workplace injury = \$42,000

Average cost of a work-related death = \$1,220,000

These figures include estimates on:

- Wage losses
- Medical expenses
- Administrative expenses

# Indirect Costs

National Safety Council (NSC) estimates indirect costs 2X direct costs:

Include:

- Workplace disruptions
- Loss of productivity
- Worker replacement
- Training of replacements
- Retraining existing workers
- Increased insurance premiums
- Attorney/consultant fees
- OSHA penalties
- Marketing and sales, human resources, and operations



<b>Type of Violation</b>	<b>Penalty</b>
Serious Other-Than-Serious Posting Requirements	\$13,653 per violation
Failure to Abate	\$13,653 per day beyond the abatement date
Willful or Repeated	\$136,532 per violation

ANTICIPATE AND  
ADDRESS

# Roadblocks and Barriers

# Safety Leader Motivation

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“Doing the right thing”



Logic “Safety is good for business”



Effect on business reputation



Compliance

# View of Decision Makers

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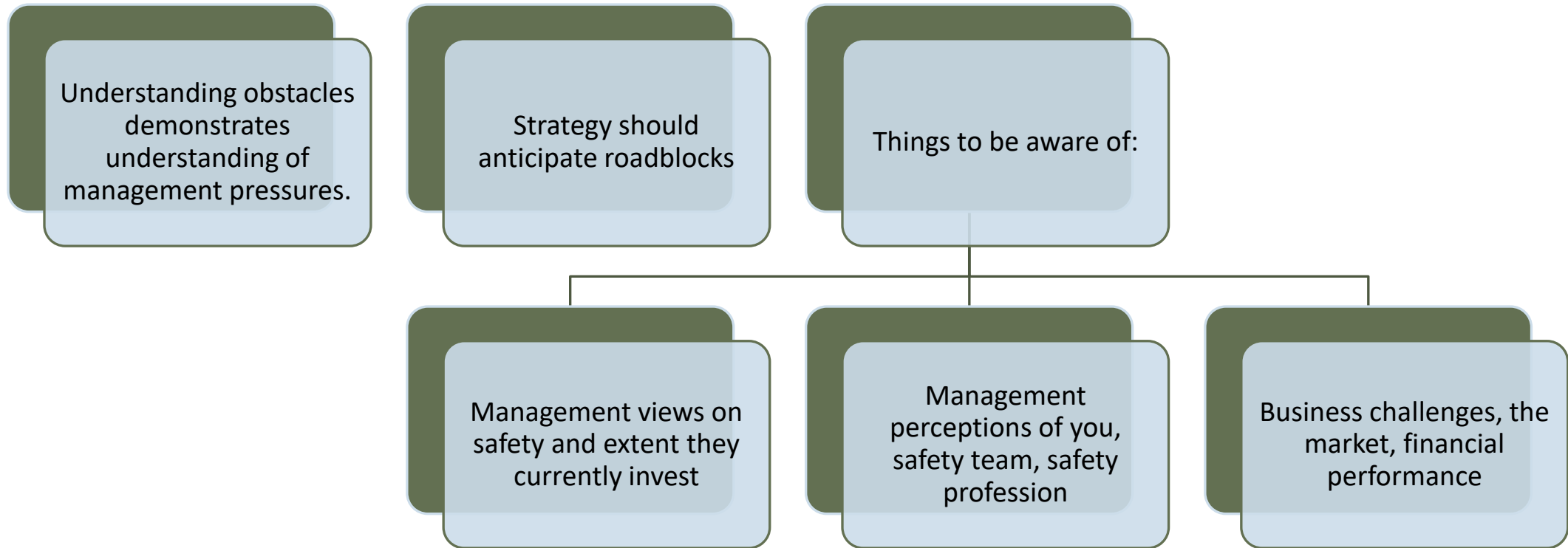
Safety is an expense

Underscores the importance of convincing decision-makers that safety is an investment

The investment will pay future dividends

# Business Case Roadblocks

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## Things to Consider

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ATTITUDES THAT HEALTH AND SAFETY IS NOT A BUSINESS ISSUE.

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VIEW OF SAFETY PROFESSION AS BEING TOO IDEALISTIC AND RIGID IN DOING THINGS “RIGHT” VERSUS CONSIDERING VIABLE ALTERNATIVES (BY THE BOOK).

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# Addressing Roadblocks



Be prepared



Use solid business judgement



Support logical arguments with factual information



Be collaborative! Someone to assist in development or presentation (i.e., CFO, COO, HRD, Director of Ops, etc.)

# Balanced Focus

Negative Outcomes – fatalities, OSHA injury/illness rates, worker compensation claims, regulatory penalties, etc.

Positive Outcomes – Employee morale, increased productivity, employee retention, recruiting, customer perception.

Blended Approach – Both negative and positive outcomes.



# Focus on Management Priorities

Cost Savings/Return on Investment

Peer Pressure – Competitors are doing it!

Industry Benchmarks – How does organization stack up against competitors

Company reputation – Good for attracting employees, business, etc.

## Focus on Management Priorities (Continued)



Productivity – focus on problem you are trying to solve and how it will drive down workplace absenteeism.



Community Relations – how the plan benefits corporate standing in the community.



Brand image

# Effectively Communicate Cost/Savings

**Percentage of payroll** (injury costs represent 10% of payroll)

**Production terms** (need to produce x number of units per month to cover injury costs)

**Product sales terms** (need to sell x amount of additional bushels/tons to cover injury costs)

**Per employee terms** – (injuries cost \$250 per employee per year)

What if we don't have much or any injury data? Use Projections.

# OSHA Safety Pays Program

## Direct Costs

1. Select an injury type from the drop-down menu OR enter the total workers' compensation costs.
2. Enter the profit margin (leave blank to use default of 3%).
3. Enter the number of injuries (leave blank to use default of one).
4. Select "Add/Calculate" to compute the total direct and indirect costs.
5. Repeat the step to add additional injuries to the list.

### Injury Type

or

**Workers' Compensation Costs** *(annual sum of costs)*

**Enter Profit Margin (%)** *(leave blank to use default of 3%)*

**Enter Number of Injuries** *(leave blank to use default of one)*

Amputation

OR

1

Add/Calculate

Clear

# OSHA Safety Pays Program

## Estimated Total Cost

The extent to which the employer pays the direct costs depends on the nature of the employer's workers' compensation insurance policy. The employer always pays the indirect costs.

Injury Type	Instances	Direct Cost	Indirect Cost	Total Cost	Additional Sale (Indirect)	Additional Sale (Total)	
Amputation	1	\$ 96,003	\$ 105,603	\$ 201,606	\$ 3,520,110	\$ 6,720,200	<a href="#">Remove</a>

# OSHA Safety Pays Program

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Totals	
<b>Estimated Direct Costs:</b>	\$ 96,003
<b>Estimated Indirect Costs:</b>	\$ 105,603
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<b>Combined Total (Direct and Indirect Costs):</b>	\$ 201,606
<b>Sales To Cover Indirect Costs:</b>	\$ 3,520,110
<b>Sales To Cover Total Costs:</b>	\$ 6,720,200



# Insurance/Worker Compensation

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Understand insurance premiums, claim experience, experience modification rate (EMR)

Premiums can be incorporated into business case (i.e., higher than 1, include plan to reduce)

Work with broker/insurer to on projected savings

# Benchmarking

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Communicate how organization compares to industry competition

Use EMR, DART rate, TRIR, etc.

Data available from Department of Labor

Trade organization benchmarking efforts (NGFA)



# Building the Business Case

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# Use Financial Language

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Return on Investment (ROI) – cash flow or savings resulting from an action divided by total cost.

- 1,000 investment, \$4,000 savings
- $\$4,000 - \$1,000 = \$3,000 / \$1,000 = 3 \times 100\% = 300\%$
- Always know minimum acceptable rate of return required by Company

Present Value (PV) – what a dollar invested today will be worth tomorrow.

- Money saved in the future is worth less than the money spent today
- Inflation 3%

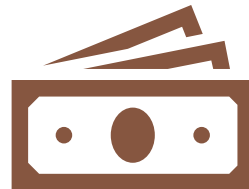
*Note: Safety Paradox “The better your safety and health performance, the more difficulty you’ll have justifying additional safety and health investments” Thomas Cecich – ASSE President*

# Timing

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Consider business planning cycle



Start the effort at least 120 days prior to budgeting cycle



Time is needed for fact-finding, research, collaboration.

# Define the Problem and Solution

Define	Clearly Define
Provide	Provide details (OSHA top 10, Injury statistics, etc.)
Include	Include compliance, indirect benefits (morale, productivity, retention/hiring)
Use Financial Language	ROI, PV, etc.

# Business Case Components

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## **Definition of problem and desired outcome**

What do you want to solve

Evidence that that the problem exists

What it is costing or could cost the business



## **The direct costs, indirect costs, and benefits of the project**



## **Implementation plan**

# Components (Continued)

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Budget – start-up investment, ongoing maintenance, etc.



Program elements – estimated time, resources needed.



Consequences of non-action/non-compliance



Discussions of alternative solutions - why they are not preferred solution

# Make it Happen



“The finest environmental, health, and safety program in creation does nobody any good if it stays on a wish list’



Being a safety leader requires more than knowledge of compliance and best practices, you have to sell it.



Preparation is everything.



Define the problem, decide on solution, develop justification, and present your case.



Don't give up!



# Thought Question

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Are there any elements or strategies that you would include in your next business case based on today's webinar?



[www.osha.gov](http://www.osha.gov) – Safety Pays Program

[www.nsc.org](http://www.nsc.org) - “Preparing the Business Case for Investment in Safety”

[www.ehstoday.com](http://www.ehstoday.com) – “Making the Business Case for Safety”

# Acknowledgements



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