

RISK AVERSION OR RISK MANAGEMENT – AVOIDING ‘CHOCOLATE FIREWALLS’ THAT MELT AWAY JUST WHEN YOU MOST NEED THEM

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Faced by the barrage of criticism, which invariably follows reported accidents, many organisations have become very risk averse and try to design out what they consider as credible accidents. This leads to the popular misconception that safety professionals try to block normal activities rather than make informed judgements on risks, as highlighted in the 2005 IOSH conference, which had as its theme ‘Safety – Red Tape or Green Light?’

Risk averse organisations tend to focus on legal compliance. This preoccupation can lead organisations to overlook the wide range of risks to which they are exposed, installing systems which provide a high degree of protection against a narrow range of risks, but which fail to protect against the wider range of risks. We refer to such systems as ‘chocolate firewalls’ because they look impressive but when a ‘fire’ occurs then they just melt away and provide no protection. There have been many examples in the process industry, not least at Bhopal where the hazard of water contamination was well recognised but the measures in place totally failed to protect against the contamination that actually occurred.

By contrast, risk managing organisations focus on their organisation, people and business/operational processes. We outline a comprehensive strategic risk management process to identify and manage the wide range of hazards that can affect an enterprise – including process safety, occupational safety, security breaches, fraud and financial failure of partner organisations.

But what if, despite your best efforts, there were a major incident ‘on your watch’ and you found yourself in front of an interviewer from radio, TV or the press? Would you know how to present your organisation in the best light and avoid being manipulated into making statements that you might later regret? To help you, we conclude with a short tutorial covering well-proven tips for dealing with the media.

KEYWORDS: risk aversion, risk management, business risk, process safety

“THIS MUST NEVER HAPPEN AGAIN”

Each organisation has to make a choice about how it deals with risks. Faced with increasing regulations and with adverse media coverage after incidents, the top managers

in many organisations become risk averse. They focus on legal compliance and instruct their management teams to ensure that accidents cannot occur.

This is not a new issue. A number of minor chlorine escapes in the early 1970s from an ICI chemical plant in North West England led to a realisation that the continued manufacture of chlorine required a rational target for the maximum frequency of emissions. On the one hand, a target of zero would require the manufacture of chlorine to cease; on the other hand, no target at all would lead to increasingly bad relations with the public and irrational spending of large sums of money so that a particular incident “must never happen again”. The intent of the targets was to ensure that chlorine emissions “must hardly ever happen again” (Sellers, 1976). Although well established criteria now exist for the acceptability of individual and societal risk, using the principle that risks should be ‘as low as reasonably practicable’ (Health & Safety Executive, 2001), there was no such guidance in 1970. So the embryonic risk assessment team had the challenge of:

- Establishing socially acceptable levels of risk associated with chlorine emissions, for use as criteria against which to judge plant operation (setting targets for ‘hardly ever’).
- Studying all the chlorine production and handling plant, to identify areas where unacceptable escapes could take place. For this they used a combination of the Hazard & Operability study techniques which had recently been introduced in another ICI division (Lawley, 1974), along with risk assessment techniques adapted from those developed in the nuclear industry (Gibson, 1976).
- Proposing and costing practicable solutions which, when implemented, would meet the criteria of acceptability.

Thus the company successfully moved from its initial reaction, which was *risk averse*, to a process of proactive *risk management*.

Over the next few years, ICI’s original HAZOP and risk assessment processes were refined and adopted very widely by the process industries and by its regulators. But top managers are facing increasing pressures because. . . .

SOCIETY IS BECOMING MUCH MORE RISK AVERSE

In recent years there have been increasing numbers of media reports of ‘health and safety gone mad’, including children being forbidden by their school to play ‘conkers’ unless wearing protective goggles; and swimmers who had to take to the High Court their battle with their local authority over the right to take early-morning dips in an outdoor pool without lifeguard supervision (Safety & Health Practitioner, 2005a).

A prominent motoring journalist and TV presenter frequently complains about the health and safety specialists who ‘take all the fun’ out of testing new cars. However, despite his repeated attacks on the health & safety profession, he did not accept an invitation to debate the subject at the 2005 conference of the Institution of Occupational Safety and Health, which was entitled ‘Health and safety: red tape or green light?’ and IOSH president, Lawrence Waterman, has frequently emphasised, “Manage risk, don’t

avoid it". He commented on the public perception that, "On the one hand we are well-respected [health & safety] professionals. . . , but on the other we are mean-minded bureaucrats, wrapping everyone up in tape and making society risk averse" (Waterman, 2005).

CBI director-general Sir Digby Jones warned the National Association of Head Teachers in May 2005 that "We are all teaching the next generation that risk doesn't exist, we are saying to them that you can have rights until they are coming out of your pores. But responsibilities . . . we don't seem to have got it" (Safety & Health Practitioner, 2005b).

In July 2005, Lord Hunt of Kings Heath, Parliamentary Under Secretary of State for Work and Pensions, commented in a speech at the House of Lords, "I want to see significant risks well managed. I want to know that those who are seriously harmed because an employer has not taken sensible precautions will get compensation. What I do not want is health and safety becoming a bureaucratic paper chase that is more about back-covering than protecting people from real harm. . . Excessive risk aversion does damage. It hits organisational efficiency and competitiveness, it restricts personal freedoms and it damages the cause of protecting people from real harm" (Hunt, 2005).

We have a major objection to risk aversion in that it leads to illogical decisions and suboptimal allocation of resources. We saw an example of this in the House of Commons in May 2004 when members of a protest group threw a condom filled with harmless purple-dyed flour at the Prime Minister. A £600,000 temporary glass screen had been erected in front of the main public gallery only the previous month because of the perceived risks of an attack. But the protesters were sitting in a special visitors' gallery outside the security screen, rendering it useless. Furthermore the emergency plans for a biological attack failed to work. Peter Hain, the Leader of the Commons, had said only a month earlier that, if there were a biological attack, MPs would be locked in the chamber and decontaminated before being allowed to leave; however they quickly went out and began to disperse around Westminster before it had been ascertained whether the projectiles contained harmful material (Jones, 2004). Whatever risk assessment had been conducted, it was obviously incomplete; and the emergency plan was not implemented.

The process industry is not immune to risk assessments which identify a type of hazard but then fail to recognise its potential magnitude and later to manage it adequately. Probably the best known example is Bhopal, where the hazard of water ingress into methyl isocyanate had been identified during the design, which included control measures such as high temperature alarms to warn of developing problems, along with a gas scrubber and a flare system to neutralise any toxic vapours prior to release to atmosphere. However the water ingress which actually occurred was much greater than had been considered in designing the control measures, which would therefore have been insufficient to control the hazard; and, at the time of the accident, most of the control measures were out of service. So again we have an example of an inadequate risk assessment at the design stage, coupled with inefficient implementation in operation.

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Should risk aversion concern the process industry, with its well-developed process risk management systems? We believe that it should, because many boards of directors are predominantly non-technical and their daily dealings are with financiers and journalists who are likely to promote risk aversion if their engineers do not offer a more attractive alternative.

THE WAY FORWARD – INTEGRATED STRATEGIC RISK MANAGEMENT

The fundamental need for risk management in public limited companies (PLCs) quoted on the London Stock Exchange has been recognised in the Turnbull Report (ICA, 1999). Its recommendations include:

- Risk management is the collective responsibility of the whole board
- PLCs should have a sound system of internal control in order to safeguard shareholders' investment and company assets
- Management needs to review these controls at least once a year
- Risks should be regularly assessed
- The assessment should include risk management, operation and compliance, as well as financial controls.

“A company’s objectives, its internal organisation and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which it is exposed. Since profits are the reward for successful risk taking in business, the purpose of the internal control is to help manage and control risk appropriately rather than to eliminate it,” says the report.

Turnbull’s key message is that *“...a company board (should use) a risk based approach for internal control ...incorporated within normal management & governance processes ... not a separate exercise ...internal control should help manage & control risk (includes H&S)”*.

We agree with Turnbull that health, safety and environmental risk management should be part of an organisation’s overall risk management system – whether a quoted company, a private company or a public body. We do not accept the common argument that process safety, occupational health and safety, security vulnerability, and insurance/business risk have to be managed separately because they are the responsibility of different internal departments; that is just an organisational challenge to be overcome.

Start with a fundamental understanding of your business and its vulnerabilities (Stevens, 2005). What sort of major incidents might give rise to the vulnerabilities? For example:

- Fraud by staff members or senior executives (Barings Bank, Enron, WorldCom, ...)
- Failure to recognise and report major problems in an organisation being advised or audited (most of the major financial auditing companies, but we have also seen occasions where individual safety consultants have been prosecuted)

- Collapse of a major supplier or customer
- Significant change in regulatory or tax regime
- Arrival in the market of aggressive low-cost competitors
- Major project delivered late and over budget, or failing to meet operational requirements
- Major process accident
- Delayed adverse health impact on numerous employees or customers, from hazardous substances or working practices
- Terrorist attack on a key installation

If there were a major incident in any part of the business, how important would be the consequences? For example:

- Loss of investment from financial institutions
- Potential decrease in share value
- Loss of production or sales
- Damage to organisational goals such as 'to be the best' or 'continuous improvement'
- Reduced employee morale, leading to decreased productivity and higher staff turnover
- Prosecution and fines
- Loss of the organisation's 'licence to operate'
- Significant loss of reputation

The strategic risk management process will then lead to business, operational and organisational mitigation measures being applied consistently across the whole business. The benefits include:

- Understanding operational and business process risks, and establishing effective controls
- Regaining and retaining control of the organisation
- Reducing the potential for loss, injury, disruption and business failure
- Motivating employees and improving their performance
- Improving business effectiveness and financial performance
- Gaining competitive advantage

BUT WHAT IF THE NIGHTMARE HAPPENS – AND YOU HAVE TO FACE THE MEDIA

Risk management does not eliminate risks, it controls them to 'acceptable' levels. Therefore major incidents CAN still occur. Your risk management system will include a comprehensive emergency plan, with clear roles and responsibilities for controlling the incident, rescuing casualties, liaising with public emergency services, notifying head office, communicating with the media, and so on. Regular emergency drills will be conducted to identify problems and to ensure that everyone knows just what to do. As an engineer, operations manager or safety professional you will doubtless feel comfortable with your role in the emergency plan.

Table 1. Media Tips for Crisis Management

GENERAL TIPS:

- #Don't be rushed into giving an interview. Find out what's required and always prepare. Media have tight deadlines, but not so tight as to prevent you from working out a sensible and informed approach before you dive in.
- #In a crisis appeal to people's hearts before you appeal to their heads. If there has been injury or death then express your sympathy and spell out what you are doing to help before going on to make other points.
- #Develop a core statement and up to three key points you wish to convey.
- #Use easy-to-understand language – not jargon.
- #Never say anything other than exact truths. After an accident involving your team then (assuming it's true) you can pledge to do everything reasonable to ensure that a similar accident doesn't occur again. But you can't give a blanket promise that such an accident won't happen again because – despite all your efforts – it might.
- #Don't be a slave to the question – say what you think needs to be said.
- #Don't feel obliged to answer questions that are outside your area of knowledge – where appropriate refer the interviewer to someone better able to answer.

RADIO INTERVIEWS:

- #Be natural, friendly and enthusiastic about your subject, even though it may involve bad news.
- #Be animated. Ensure that your tone reflects the content of what you're saying.
- #Use colourful examples and illustrations with real people to paint pictures in people's minds.
- #Talk as if you are communicating with just one listener.
- #If you need notes, make bullet points. Don't read from them verbatim – it shows if you do.

TV INTERVIEWS:

- #Dress in a way that reinforces your key messages. If addressing a media conference on behalf of your organisation then a suit might be appropriate. If inspecting the wreckage after an accident something less formal might be required.
- #Accept make-up if offered.
- #Assume you are always in vision and always being recorded.
- #Ensure your body language doesn't detract from your message.
- #Keep eye contact with the interviewer.
- #The only time to look at the camera is if you are being interviewed by a reporter who is in a remote studio and you are in a different location.

**INTERVIEWS FOR THE WRITTEN WORD IN NEWSPAPERS,
MAGAZINES AND WEBSITES**

- #Find out the "angle" the journalist is pursuing.
 - #Ensure as best you can that the reporter fully understands your points.
 - #Generally avoid going "off the record".
 - #When appropriate offer to take a call from the reporter later if they want to double-check facts.
 - #Beware of agreeing automatically to reporter's suggestions. Say what you want to say in your words.
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Key members of the site management team will have been trained, typically for a day, on how to respond to media request for interviews. But what if you were the most senior person available immediately after an incident occurred, and your media training course wasn't due for another month? Would you know how to behave if you were suddenly called upon to be your organisation's spokesman, faced with a probing reporter from a local or national newspaper, radio station or television station?

Imagine you are a senior member of an organization on a day when a crisis hits. It could be that one of your company's trucks has had an accident which spills toxic chemicals. To make matters worse the accident has occurred outside a school – during school hours. Not surprisingly the media want to talk to you. What do you say?

Situations like this are never easy to deal with – but if you train for them beforehand you and your organization can emerge with credit. Media crisis training aims to get the appropriate people in organizations prepared in advance, so they know what to expect from journalists when a crisis hits, and they know how to remain cool and respond in a way that's helpful to the public, the media and members of their own organization.

Preparation is the key. You need general preparation before any crisis hits so the right people know what to do and say. And if and when the crisis has happened, you then need to undertake specific preparation before you step into the media spotlight so you are armed with the right facts, arguments and examples. You don't want to rely on hoping that the media ask the right helpful questions – they usually don't. And if it seems as if your company has contributed to the crisis then reporters will feel duty-bound on behalf of their audiences to ask the tough questions that worried readers, listeners and viewers will want answered.

Crisis media training involves explaining how the media react during a crisis and how best to deal with its representatives. Crucially it involves mock interviews with reporters from TV, radio, newspapers, magazines and websites so that key personnel are tested out in advance and get the opportunity to hone their media skills.

In Table 1 are tried and tested tips to give you an idea of how to deal with the media in tough times. Print them out and keep them in your desk drawer as a checklist in case you are ever called upon to be the spokesman. Even better, use one of your safety meetings to practice in front of your colleagues; they might not give you an easy ride, but it will be a much safer environment than doing it for real without ever practicing.

CONCLUSIONS

Modern society's increasing trend to risk aversion can lead to ill thought out 'chocolate firewalls' which look impressive but which fail to provide any protection if a serious incident occurs. The process industry should resist this trend and instead move towards strategic risk management which offers an integrated and coherent approach to all the risks faced by an organisation, whether those risks arise in process safety, occupational health and safety, security vulnerability, or business risk.

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