

Life savings



Cash back: a basic 'how to' guide to developing the business case for a health and safety initiative



Building the business case

We know that good health and safety management isn't just about stopping people getting killed, injured or made ill at work. Businesses up and down the country have already found that it's also about saving millions of pounds.

IOSH's Life Savings campaign is working to help businesses get the most out of their health and safety management, and make sure that as well as keeping people healthy and safe, they're seeing significant cash savings too.

In this brief guide, we reflect the experience and expertise of some of the many IOSH members who are already making the connection between a healthy, safe workforce and a healthy business balance sheet.

www.iosh.co.uk/lifesavings

Step 1

Your business can save money, raise productivity, increase motivation and improve its reputation. And this is all possible because of innovative, effective health and safety management.

You already make a difference to how health and safety is managed in your organisation. Now's the time to make direct links to the heart of the business and make sure that senior managers see that health and safety is integral to success, not an add-on or a burden.

Making the links

Look at where your main health and safety issues are and see whether there is a connection with your organisation's bottom line. Review the data you already have – from accidents to absence figures. Benchmark the data to see how you're doing in your sector.

See what other information is available in other parts of the business. Sit down with your senior finance, HR and operational managers to find out where the problems (and opportunities) are across the business – pinpoint where there are significant losses, in terms of straight financial costs or business inefficiencies. Talk to all the teams about the work they do on the ground and the problems they face – it may be worth 'shadowing' some operations. Try to focus on where improving health and safety will add value – where it's not just about savings but where change will mean increased productivity and profitability.

You'll then be ready to start work on developing the business case for a brand new project or putting a figure on the savings made by an existing health and safety initiative – the principles are broadly the same.



tip

You'll find sickness absence benchmarks for your sector in the CBI and CIPD annual surveys. For other benchmarks, it may be useful to get in touch with the trade association for your industry or subscribe to a benchmarking service

Employers could save up to **£7.8 billion** a year

Step 2

Coming up with the solutions

Evaluate your risks and look at all the options. Breaking down your data is critical here. Use a statistical technique such as Pareto analysis* to stimulate your thinking and work out where best to focus your efforts, in other words, where the greatest impacts and benefits are – in terms of both health and safety and financial savings. When you come to build your business case, you'll find that covering all the options for action could form a powerful part of your final project proposal.

Of course, what you do will depend on your business. You could plan anything from a small no or low cost project, to a larger, longer term programme with a more significant investment.

The case studies on the LiFe Savings webpage, and the many others you'll find in our resource file at www.iosh.co.uk/lifesavings, will give you ideas and help to inspire you to put your own plan into action.

For example, you could consider a:

- new absence management strategy
- road risk programme
- wellbeing project
- behavioural safety system
- rehabilitation programme
- new ergonomics strategy
- stress management system
- health promotion programme
- musculoskeletal management project



tip

Keep up with industry news in the trade media and network and use your contacts to find out what others are doing. Talk to or visit organisations that have successfully introduced a new health and safety programme with proven financial benefits

If you're new to developing the business case for a health and safety initiative, consider proposing a pilot project, or selecting a quick hit or easy win – a project that is no or low cost to implement, and that delivers clear health and safety *and* financial benefits. With a success under your belt, you can then move on to a more ambitious project

*Pareto analysis is based on the 80/20 principle, suggesting that 80 per cent of the events come from 20 per cent of the causes, so if you focus on that 20 per cent you can make rapid improvements.

Step 3

Putting a price on it

Get together the figures you need for developing your cost-benefit case, and calculating the return on investment. First look at what your potential savings (the benefits) could be. For example, cutting:

- staff cover costs (original salaries plus overtime or agency staff, new training)
- recruitment costs
- lost revenue
- downtime and production losses (including contract penalties)
- sick pay
- property and equipment damage
- site clearance costs after an accident
- insurance premiums
- excess payouts on compensation claims
- fines
- legal costs

Put these figures into a spreadsheet to calculate savings over the timeframe you've agreed. Make sure you include all costs not covered by your insurer – uninsured losses are estimated at roughly 10 times the cost of insurance premiums paid, depending on your sector.

If possible, take your organisation's profit margin, and then calculate the volume of sales needed to cover the losses you've already identified. For example, if your profit margin is 10 per cent, you'd need to create sales 10 times the value of the loss to cover it. If you work in the public sector, try to equate the loss to a potential service outcome that could have been achieved. This can deliver a very strong message to senior executives.

Try to quantify other factors, for example:

- staff retention
- staff relations, loyalty, commitment and motivation
- productivity
- operational efficiencies
- management time saved (accident investigation, HR, business continuity)
- quality assurance
- reputation protection and enhancement



tip

Cover direct and indirect costs and direct and indirect benefits – make sure you give the 'big picture'

Remember to factor in any 'green' savings too. For example, a programme to cut down travel and driving speeds across the company fleet should not only mean fewer accidents, lower accident costs and lower fuel bills – it will also cut emissions

Some benefits will peak at the start of the project while others will build over its life.

Then you'll need to calculate your investment pot using a spreadsheet (the costs). You'll have to consider both start-up and ongoing costs. Depending on what you plan to do, this could involve one or more of these examples:

- training
- new equipment or plant
- building up an in-house team, for example occupational health
- investing in rehabilitation initiatives such as fast track physiotherapy
- installing a hazard hotline
- running an in-house promotional campaign
- creating a new intranet resource
- commissioning a specialist to support your project

Putting your costs and savings (benefits) together will demonstrate the value of the proposed project. Have a look at our basic example of a cost-benefit case for a health and safety project on the next page. Business Link offers a simple online step-by-step tool to help you develop a financial business case or evaluate a project (www.businesslink.gov.uk/bdotg/action/detail?itemId=1084516235&type=PIP&furlname=wwt&furlparam=wwt). This tool also helps you to plot progress as you go along. The HSE's leaflet 'Making health and safety pay' includes basic guidance (www.hse.gov.uk/betterbusiness/large/hsebooklet.pdf).

You'll need to look at project risks too – there will no doubt be challenges and obstacles. Even low cost initiatives will need careful risk assessment – remember to factor in extra staff time, for example. You'll need to make sure you cover critical success factors in your planning too.



tip

In a bigger business, you're more likely to be able to calculate generous returns on investment. In a smaller business, the financial returns may be more modest, but focusing on other impacts will be persuasive, for example temporary loss of key staff in a small scale operation can put the successful completion of a contract in jeopardy

Simple cost–benefit analysis of basic fleet driving safety initiative

		Notes
Number of vehicles in fleet	738	Cover all vehicles, including company cars
Percentage of fleet involved in incidents per year	60%	Available in-house or from insurance company
Accident costs per year	£535,326	Look at both insured and uninsured costs. For insured costs, you should consider areas including premium rises and increasing excesses (in extreme cases, there could even be the threat of cover withdrawal). For uninsured costs, you should consider claims that fall outside your policy (including cases where your business has chosen to foot the bill for own vehicle and third party vehicle damage in order to cap insurance costs) – remember this applies to property damage too. You'll also need to take into account the history of personal injury liability at the business, and the cost implications. You should factor in direct absence costs of staff following an accident, or lost opportunity costs if you're looking at a sales team and people are 'off the road' as a result of an accident
Additional revenue needed to fund loss (assuming 5% profit margin)	£10,706,520	Calculate by multiplying the accident costs by 100 and dividing by the profit margin
Benchmark data typical accident rate of fleet post training	32%	Individual company data from publicly available sources, for example case studies at www.drivingforbetterbusiness.com/casestudies/default.aspx , or sector benchmark data from a commercial subscription service
Savings per year if pro rata saving is achieved	£249,819	Calculate by applying a ratio reduction
Savings over 3 year period	£749,456	
Cost of training if top 25% of driver risk profile* are trained	£20,664	Multiply the cost of training by the number to be trained
Annual return on investment if top 25% of driver risk profile* are trained	12.09:1	Savings divided by costs expressed as a ratio

*We've selected 25% of driver risk profile in this example on the basis that it's just above the 20% suggested by Pareto's 80/20 rule

Health and safety failures cost the UK economy up to **£20 billion** a year

Step 4

Building the business case document

Briefly, your business case proposal should:

- set out the problem (or opportunity)
- describe the solution (and any alternatives)
- set out how much it will cost to implement the solution (and over what period)
- set out the return on investment that can be achieved if the solution is implemented successfully (and over what period)

Typically, your document will include:

- an executive summary
- an overview of the current situation and its impact – cover potential future risks if the problem isn't tackled
- the proposal (your recommended solution)
- the figures – either the potential return on investment or cost avoidance
- conclusion
- any supporting materials

Your document should set the scene for what you're trying to achieve – what happens now, and what will happen once the project is up and running. Sometimes, simply stating what has happened historically, and what it costs the organisation, can be enough to demonstrate where the opportunities are.

Make sure you avoid jargon where you can and present your proposal in a way that the decision-makers you're talking to will understand. Make your proposal relevant, clear and precise. Try not to exaggerate the savings and benefits the project will generate – you could not only waste time and resources, but also damage the chances of success for future proposals.

The more work you put into this stage of your work, the better the outcome should be. If you can make a compelling business case, with well thought out numbers, a simple analysis tool such as SWOT (strengths, weaknesses, opportunities and threats), a clear timeline and key performance indicators, you're more likely to get buy-in for your project.



tip

Angle your document to suit the audience. If you're aiming it at managers with an eye on decreasing costs and increasing revenue, then focus on how much the problem you're tackling costs the business, not just the problem itself (eg not just 'we need to sort out our manual handling issue' but 'our manual handling issue is costing the business £500,000 a year'). Remember that your own priorities may not be matched by the people you're trying to win over with your business case

Present your data visually where you can, using graphs and charts – this will bring it to life in a way raw spreadsheet data rarely can

Refer to other successes in your sector – case studies from competitor organisations can be very persuasive

Step 5

Making it happen

Talk to the professionals who have introduced successful health and safety initiatives with a good return on investment and you'll hear the same principles come up again and again:

- get senior management buy-in and commitment – making a sound business case is invaluable
- make sure line managers are genuinely on board, involved and accountable – train them and give them the support they need to see the initiative through
- get staff engaged in the process – make sure they see that what you're doing is for their benefit as well as for the good of the business

Remember that introducing a new policy may be all it takes to make a real change at your organisation – and it can be a low cost option. But if people are just paying 'lip service' and the commitment isn't there across the teams, it's likely to fail.

You should also consider how to keep momentum up on your project, so that the quick wins are followed by steady, consistent improvements. Make sure you keep your business case under review, to make sure you can reflect any changes as they emerge.

Staying within the budget set, and hitting your schedule deadlines, will help maintain confidence in your project as it rolls out.



Find and work with an ally – the department head, part of the senior management team or a board member. They can act as an advocate or ambassador for your proposals, as well as helping you understand key decision-makers' perspectives

Talk to key senior people before any important meeting to make sure that they're up to speed on what's happening and supportive of what you're doing. This also gives you the chance to modify your project with their suggestions so that they continue to feel a sense of ownership

Adjust the balance of your argument depending on your audience. For example, if you're looking for buy-in from directors, they will be ready to listen to financial benefits, but may also be persuaded by moral arguments, especially if there is an active corporate social responsibility agenda at the business. Union representatives, on the other hand, may be more receptive to the legal arguments for what you're trying to achieve

Step 6

Reporting back

Telling senior managers how a project is going – and what savings and benefits are being secured – is vital. This will help them see how health and safety is an integral part of the business, and how it links into productivity, operational efficiencies and motivation, as well as black and white cost savings. It will also pave the way for future initiatives to help improve health and safety, as well as save money and support business sustainability and growth.

Want to know more?

- The Carbon Trust’s management guide ‘Making the business case for a carbon reduction project’ gives useful tips and advice on putting a proposal forward on a topic senior decision-makers may be reluctant to green-light. Download it at www.carbontrust.co.uk/Publications/pages/publication_detail.aspx?id=CTV039
- There are plenty of generic business case development guides available – free and priced. For example, have a look at the Office of Government Commerce’s free guide and templates at www.ogc.gov.uk/documentation_and_templates_business_case.asp
- Look in IOSH’s resources file at www.iosh.co.uk/lifesavings for ideas and free tools



Make sure your project is promoted internally, and that successes are well known and understood. Making people feel part of the project’s success is critical. You can’t over-communicate on how things are going, but if you fail to communicate enough you’ll reduce your chances of success

Feed back anecdotal evidence of what’s happening on the ground as the project rolls out. Used alongside improved figures, this can help create a picture of how things have worked out in reality

Make your project part of ‘business as usual’, rather than a one-off project, before moving on to your next programme

IOSH

The Grange
Highfield Drive
Wigston
Leicestershire
LE18 1NN
UK

t +44 (0)116 257 3100

f +44 (0)116 257 3101

www.iosh.co.uk

IOSH is the Chartered body for health and safety professionals. With more than 39,000 members in 85 countries, we're the world's largest professional health and safety organisation.

We set standards, and support, develop and connect our members with resources, guidance, events and training. We're the voice of the profession, and campaign on issues that affect millions of working people.

IOSH was founded in 1945 and is a registered charity with international NGO status.