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Executive Edge 2009

National Safety Council Annual Congress & Expo
26-28 Oct 2009 - Orlando, Florida USA

The Executive Breakfast Operational Excellence - EHS as a Competitive Edge

ABOUT THE EXECUTIVE EDGE

Executive Edge leadership track brings together business executives and top leaders in environmental, health and safety (EHS) management at the National Safety Council's Annual Congress & Expo. Top decision-makers are increasingly discovering that well-integrated EHS management systems create world-class organizations with competitive advantage and business sustainability. The Executive Edge was developed to meaningfully and purposefully engage business leaders and advance EHS in businesses worldwide. With a variety of panel discussions, technical sessions, and hands-on workshops, the 2-1/2 day Executive Edge track provides leaders with tools to lead their company toward world-class performance. Dynamic dialogues, cross-sharing among leaders, and interactive workshops aim to sharpen leadership skills and capture leading evidence-based solutions for successfully integrating EHS into business operations.

EXECUTIVE EDGE RESOURCES 2009

Proceedings for each of the Executive Edge events and topic areas

Economic Resilience

The Executive Forum:
The Role of EHS in an Economic Downturn – How Do We Deal with the Conditions of the Economy Strategically?

Operational Excellence

The Executive Breakfast:
Operational Excellence -
EHS as a Competitive Edge

Paired technical sessions
and workshops:

Risk Reduction

Leading-Edge Management: Leading Indicators and Risk Management

Leadership

World-Class Leadership:
Lead with Safety

System Implementation

Driving EHS Performance:
Effective System Implementation

ABOUT THE EXECUTIVE BREAKFAST

As part of the Executive Edge track, the Executive Breakfast provides a platform for direct leadership dialogue and exchange of ideas among organizational leaders in various operations. This year's event focuses on achieving operational excellence and competitive advantage through EHS management. Panelists share why and how their organizations continue to invest resources in strengthening and integrating their EHS system as well as discussing key factors that are critical in achieving EHS excellence while sharpening an organization's competitive edge. Influencing other decision-makers to shift from a mindset of compliance to one of excellence is also addressed.

Note: EHS, SH&E, and HS&E are used as variant acronyms for "environmental, health and safety"

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OPENING REMARKS

OPENING REMARKS

Yanek: It is an absolute pleasure for Fluor Corporation to be the sponsor of today's breakfast. Janet [Froetscher, President & CEO, National Safety Council] and I were talking about today's activity and I hope that next year we continue with the Executive Track and that each one of us encourages our line managers to come to these sessions. Line ownership for safety, health, and environment is critical to continuing to improve safety performance. I also want to congratulate Amy [Huntington, COO and President, Schneider Electric North America] and Schneider Electric for being named the 2009 Winner of the Campbell Award.



Joseph Yanek
Executive Director,
HSE&Q
Fluor Government Group

I'd like to put a framework around Fluor's value and culture for HSE. I've been with Fluor for three and a half years. I'd like to put my experience into a "defining moment" perspective. I think that all of us have had a defining HS&E moment during our careers. I spent 10 years on active duty in the Air Force. After active duty, I went to work for DuPont at the Savannah River Site. It's a 325-square mile government reservation. At the time that I arrived there, there were four operating nuclear reactors and numerous other nuclear processing facilities. As a new guy on the block, I had to wait to do many things. The defining moment I'd like to focus on took place on the first day on the job. A supervisor took me around and complimented me on wearing a seatbelt in a government vehicle. This behavior was ingrained in me from my Air Force experiences. If you operate a government vehicle, you wear a seatbelt. The Savannah River team made a big point of that. Later, I went up front to our administrative area. This was the third day I was on the job. There was a glass-enclosed staircase on the side of the building. When I came out from the third floor I had walked about 30 feet out of the building and a gentleman came toward me at a very quick pace. He said, "Stop. Who are you? Who do you work for? Who's your supervisor?" I figured that I was in trouble. I was. I didn't use the handrail.

That's how ingrained safety was in our culture at Savannah River. People cared about their coworkers. That was a defining moment for me. As a new employee, that made a huge difference. As my career progressed at Savannah River, DuPont left the site in 1989. I watched a new company come in. Within 90 days, we lost a safety culture that had been built up over 35 years with DuPont. Granted, new and diverse employees were coming to the site from all over the country. Still, the culture was gone within 90 days because of the actions of management and a tolerance for doing things that weren't allowed previously by DuPont. It took almost 10 years to recover that safety culture. Not only is it hard to build a safety culture, but without the right leadership, you can lose it very quickly.

Leaving that site in 2006 and joining Fluor was another defining moment for me. During my third day on the job, I was on a business development phone call. This was the first call I had been on at Fluor. The Vice President for our group was on the call. He said, "I'd like to welcome Joe to the call. By the way Joe, you're doing the safety topic." At Fluor Corporation, we have four values: Safety, Integrity, Teamwork, and Excellence. Safety is absolutely paramount in everything we do throughout the globe, whether we're in Indonesia, Russia, the United States, or supporting the Department of Defense and the Army in Afghanistan. Safety never loses steam as one of the most important things. When I say safety, I'm talking about the full scope of Safety, Health, and Environmental stewardship. We go to difficult places, but we always try to leave the project and the community better than they were when we got there.

With that in mind, I think that this is a defining moment for everyone participating in the Executive Track. Thanks to Janet and the entire NSC team for this great activity. Amy, I'd like to again offer you not only congratulations, but warn you that next week you'll probably get your first phone call from Mei-Li [Lin, Program Director, Robert W. Campbell Award]. She'll want to know when you're going to have your Campbell Award

case study finished. Kidding aside, Mei-Li has done a great job. We committed to her that Fluor Hanford would finish our Campbell Award case study and present it here at the Congress. We have met this commitment and have about 20 or 30 copies of the case study DVD here of the case study, with another 400 on the way to the Council. Please use them, enjoy them, and learn from them. Again, make today a defining moment for yourselves. Thank you very much.

INTRODUCTION

Bozzo: Good morning everyone. I hope you've enjoyed the Executive Edge track thus far. This is day two of the track, which is a new program in 2009. So far, I think it's gone quite well. I'd like to welcome you to this second Executive Breakfast. I think that you've had the opportunity to do a little bit of networking and learned something from each other during breakfast. What we're going to do next is engage in a discussion with these two executives. We will be sharing information on operational excellence and EH&S that you will hopefully find interesting. I will introduce these two gentlemen in turn momentarily. They'll give brief synopses of their organizations. Then,

we'll go into a discussion session for about 20 minutes. I encourage you to listen, take notes, and write some comments to yourself so that in the discussion session you can ask these gentlemen questions that are pertinent to you. When you focus your questions, please think not just about what you hear up here onstage. Think about the rest of the Executive Edge Track. You know what's on the agenda and what workshops you're going to attend later, so there may be something that you can take away from this discussion and plug into those later sessions.

I'd like to start off by introducing to my left Mr. Joseph Angello. Since 1995, Joseph has served as the Director of Readiness, Programming, and Assessment at the Office of the Undersecretary of Defense. Since 2003, he has served as the Executive Secretary to the Defense Safety Oversight Council. His responsibilities with DoD include Defense acquisition issues, force structure alternatives, peacetime readiness measures, management of DoD infrastructure, and cost-analysis improvement. Previously, he served on active duty with the Air Force.



INTRODUCTION

FLUOR.

“Not only is it hard to build a safety culture, but without the right leadership, you can lose it very quickly.”

**-Joe Yanek
Fluor Gov't. Group**

LEADERSHIP PRESENTATIONS



Moderator:
William Bozzo
 Vice President &
 Director, Environmental
 Safety and Health
 DynMcDermott
 Petroleum Operations



Joseph J. Angello
 Director, Readiness
 Programming and
 Assessment
 U.S. Department of Defense

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Angello: I'd like to thank the National Safety Council for this invitation. I truly appreciate talking to and learning from the professionals at this Conference. I'm the readiness guy at DoD, and was hired to oversee force readiness. My work centers on issues such as our preparedness for contingencies and appropriate force structure. We often tackle the tough questions such as: What does the Department need for security force assistance? Are we equipped? Are we trained? Can we meet the mission?

In terms of my background, I'm an US Air Force Academy graduate. I spent 10 years on active duty and then was hired into the office of the Secretary. My job is to ensure our forces are ready for the missions they face. About six years ago, I was given the opportunity to handle the safety portfolio for DoD. I will admit that the first thing I said when I got the safety portfolio was, "Why are you doing this to me for? How did I get safety, I'm the readiness guy!

Quite frankly, I was ignorant. I considered accidents a cost of doing business. I had all the excuses: The military is high risk, our missions are about self-sacrifice, etc. In this regard I was foolish, downright foolish. Safety is Readiness. Every asset we preserve and every person we bring home lives to fight another day. Our military commanders knew it. Safety is readiness.

It didn't take for me long to figure it out, and I am now very pleased that we put in the system, procedures, and mechanisms to address safety for the Department as a whole.

Let me paraphrase General George Patton. "No one ever won a war dying for his country." General Patton had it right. We need to keep our Soldiers, Sailors, Airmen, and Marines safe; we need to keep our aircraft flying.

As a matter of fact, decisions will be made today about inserting safety technology into our fighter aircraft to preclude an aircraft from Controlled Flight into Terrain, or in other words, a ground

collision. These are not just manual warnings to the pilot. The technology senses the conditions that will cause a crash and takes action to keep the aircraft and pilot safe. We're inserting that technology into our fixed wing fighter aircraft. For our rotary wing assets, we are considering adding obstacle and terrain warnings for the pilots. Those discussions are happening today, and we are all hopeful we will get the resources for these safety technologies.

Let me go into a little bit of background about my company, the Department of Defense. We have about 2.3 million people serving in a uniform and about 650,000 civilian federal employees. Our budget is public knowledge. Depending on the cost of the war, it's anywhere between \$550 and \$750 billion dollars a year. In short, DoD is big.

We have the many of the same concerns as any company, however, in executing our mission, meeting our goals, and creating an environment that optimizes safety while eliminating waste and maximizing efficiency. Our processes are diverse and specialized. We have academic institutions like the one I and Bill went to as undergraduates. We have higher educational institutions as well, and sophisticated research and development facilities. We have organizations in manufacturing and health care. There are organizations in supply chain and personnel management and many others. As everyone in this audience knows, we work around the globe and in extreme environments. If you haven't been to Afghanistan, I don't recommend that you go. It is an extreme environment, as are Iraq and other places we operate.

We estimate that our preventable accidents in 2008 cost DoD about \$3 billion. By almost any standard, \$3 billion in losses due to preventable accidents is enormous. That being said, 2008 was a good year for DoD, especially when compared to our earlier accident record. I can show you graphs that demonstrate an exponential decrease in accidents from the levels we experienced in the 1950s. One thing

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about DoD is that we keep data. That being said, we noted that from about 2000 onward our accident rates had plateaued. There were those who argued that, "Well, you're approaching the natural safety limit it, and you can't get any better than that." We rejected that notion. We said, "We can do better than \$3 billion per year." Indeed we have.

The Secretary of Defense at the time, Donald Rumsfeld, issued clear guidance, "World-class organizations do not tolerate preventable mishaps." Secretary Rumsfeld was right. This accident reduction effort has since been endorsed by Secretary Gates and the new administration, and we're very happy about that. Based on this guidance, our Defense Safety Oversight Council, or DSOC, was formed. I'm the Executive Secretary. The DSOC is one of our most senior management forums, and it is focused on accident reduction. We didn't have it before.

We have all heard those who claim that "safety is our number one priority." Indeed it may be, or it may be a core value. It's just too easy to say the words. In our experience, we have found that you must measure if you wish to effect

change. You must put your philosophy into numbers. If you do not measure, then I would argue that you don't know if you have safe behavior or not. We instituted a number of measures within DoD across the board. We set very high reduction targets. Secretary Rumsfeld said, "I want 50% reductions in accidents across the board." Secretary Gates said, "No, make that 75%." I am convinced there are areas where we can get far greater results than even these reductions within the DoD.

As a result of that, we instituted the Defense Safety Oversight Council. We engaged leadership. We created synergies and enabled communications throughout our very large organization. It enabled us to do safety data analysis and data-driven mitigation measures. This helped us to understand root causes and what mitigations we could make. It created a forum for providing resources for mitigation. Since 2002, we've sponsored over 100 initiatives to reduce mishaps. The idea was to let 1,000 flowers bloom and to start many small projects to see which are effective at reducing accidents. If they work, a "quick win," we promulgate these projects and look to extend them across the Department.



**"Safety is readiness.
Every asset we preserve and every person we bring home lives to fight another day."**

**-Joe Angello
U.S. Dep't. of Defense**

LEADERSHIP PRESENTATIONS



William R. Williams
Vice President, Health,
Safety & Environment
Maersk Inc.

This approach has been successful. Let me give you a few examples: We reduced our civilian workers' lost time claims by 41%. That adds up to 75,000 fewer days missed annually. Cost savings for this reduction have amounted to \$90 million dollars. We've also embraced OSHA's Voluntary Protection Program. In the DoD sense, these programs are no longer voluntary, and we are pushing VPP for all of our large installations.

We also reduced our aviation mishaps by 39%, which equates to 171 aircraft or 8 fighter squadrons. Now somebody tell me safety isn't readiness. We've saved 121 lives in aviation, and 256 additional lives by reducing private motor vehicle accidents and motorcycle accidents. These are good numbers. In summary, our safety effort is critical to our readiness. We owe no less to the men and women who serve our nation. Thank you very much.

Bozzo: Thanks, Joe. To my right is William R. Williams. Since 2004, Bill has been Vice President of Health, Safety, and Environment for Maersk Line North America. In that capacity, he has been responsible for health, safety, and environment as well as regulatory affairs and issues within North America. Previously, he was a Director of Safety and Regulatory Affairs for AP Moeller North America. There, among his other duties, he had oversight responsibility for 13 container terminals. Interestingly, the background of these two gentlemen comes together at that point. Previously, Bill was a Director of Operations for the U.S. 2nd Fleet. He served as the operational planner with the Defense Intelligence Agency and the Joint Chiefs of Staff. He was a faculty member at the U.S. Naval Academy and has commanded two destroyers and a cruiser in his naval career. Captain Williams, would you like to offer a few words?

Williams: Good morning. I appreciate the opportunity to participate in this discussion this morning. As Bill mentioned, I did spend my first career in the U. S. Navy, and clearly that experience has helped me in my current position. As the commanding officer of a ship in the Navy,

your number one responsibility is to ensure your ship is always at the highest state of combat readiness, and you won't be combat-ready unless you have all of your people ready to go. You are responsible for leading and motivating your crew, ensuring they are trained and qualified and ready to meet any challenge. This requires you to take a personal interest in the health and welfare of your sailors, to be sensitive to issues of fatigue and stress, and even distractions in their personal lives which could affect their performance aboard ship. You are especially concerned with safe operations, because in peacetime and in combat, you need every one of them. Even on a ship of 400, which was the typical size of my destroyer and cruiser commands, every life was treated as sacred. If one of your sailors falls down a ladder in heavy seas and sustains a head injury, you might have to medevac that person off the ship. What if that sailor has a unique set of skills or responsibilities? For example, he could be your leading SPY radar technician, your most-experienced person in the repair of your main self-defense and offensive capability. If you lose that person due to an injury and your primary weapons system goes down, you could have a serious mission impact if you can't get it repaired right away.

Of course in the seagoing tradition, you are in a constant state of training and cross-training to be prepared for unexpected losses, but there is a practical limit to this. The best insurance is to keep your safety focus high and to keep everyone thinking and acting as a team. You are your brother's keeper. You watch out for each other. You have a great sense of mission and purpose. Everything you do is about the team and about going into harm's way with the confidence that you'll prevail and you'll be able to "live to fight another day." The safe operation of the ship is always priority number one. When discipline had to be administered aboard ship, violations of safety procedures always received maximum punishment. It was understood that safe operations were our highest priority and fortunately this was a rare occurrence -- it was culturally unacceptable to violate operating procedures that could risk the lives of others or the mission.

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Globally, AP Moeller-Maersk has about 110,000 employees worldwide. We have operations in shipping, oil and gas exploration, shipbuilding, and retail, but the group we focus on most in North America is the container business. Maersk Line is the world's largest container shipping company. We have over 500 container ships of all sizes plying the trade routes of the world. You know what has happened with the global economy, and you can imagine what happens in the shipping sector when U. S. and global consumers stop buying, and all of the big retailers cut their orders and stop shipping as much product. The 25-30% reduction in consumption has hit all shipping lines very hard. In Singapore, and elsewhere, there are hundreds of ships lying at anchor because there isn't enough cargo available to run them profitably. North American has been especially hard hit, and our marine terminals, warehouse and trucking operations have all taken a beating. The challenge in these times is to retain and attract as much business as possible, and from my perspective, not losing our good focus on safety.

When I joined the Maersk organization, there were some obvious cultural differences. Generally the shipping line had a good safety culture and performance, but marine terminals, warehouses, and trucking operations were lagging behind. This has changed now, but the process does take time and we've been very fortunate that all of our leadership is engaged and on the same page.

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Bozzo: Thanks, Bill. We're going to proceed now with our discussion phase. We'll start off by talking about leadership responsibility and accountability. I've got a few questions centered on that. Joe, I'll throw the first question out to you. I'd like to focus around what you see as key attributes of a leader and why they might play into operational excellence, which is of course our theme today.

Angello: I think the leader, and leadership at all levels, is key. Often, we look to the top managers and executives and say, "He must set

the tone." That's true, but it must go from the top to the bottom. In the military, we do things at the duct-tape level. You want your first line supervisors actively engaged. As a senior leader, you can sit and coach and encourage, but by your personal actions you're not going to affect 17 levels below. You need to have the chain understand. Put your money where your mouth is. Don't just talk it. You must fund it. You must walk it. Be the personal example. Be persistent. In DoD, there is a lot of personnel turnover, and that's good. It's refreshing and it's an all-volunteer force. You must have that persistence. You must have a consistency of voice. You must provide the resources and live the example, and, by doing so, must set the incentives correctly. If your incentives are wrong, then you will have behavior that you did not expect or want. You must align the incentives to gain the behaviors you wish.

Bozzo: Can you see those people on the deck emulating that behavior?

Angello: In DoD, you want to make it the carrot and the stick. You want to make it so that by doing the right thing, employees are being recognized and incentivized to do the right thing. That's how you gain cultural change. In DoD, we are not there yet. It will continue to be a continuous process of improvement. I think that is vital for the leadership. You must live it.

Bozzo: Bill, with regard to commercial operations, we talk about executive leadership and we talk about the roles and responsibilities of executives. We also have roles and responsibilities for safety and health professionals and people on down through the organization. Do you see differences in how processes are implemented across the organization and why those differences might occur?

Williams: Our executives are being tested under the current economic environment. The global container business and its work force have been streamlined because of the drop in trade, and we've made similar reductions in our work force and reorganized so we will be more competitive



"...What [do] you see as key attributes of a leader and [how] they play into operational excellence?"

-Bill Bozzo

DynMcDermott

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MAERSK

“...The safety professionals’ focus has to stay on the long-term; they understand that major safety improvement results from cultural change, and cultural change takes time.”

-Bill Williams
Maersk, Inc.

when the economy recovers. Our leaders have had to make hard decisions regarding people and priorities. This same process is being repeated in many companies all over the world.

The safety and health professional must understand what is going on, have a good business sense, and respect the challenges faced by the operational leaders. Operational leaders have to be decisive and act fast in these market conditions, but the safety professionals’ focus has to stay on the long-term. When it comes to safety improvement, there is no instant gratification. The challenge for the safety professional – from the leadership perspective – is to keep the business and operational leaders focused on the things they need to do to make long-term cultural change, at the same time they are focused on doing what it takes to have their businesses survive or regain profitability in a bad market. Fortunately, we started our safety improvement journey several years ago, and the involvement of our business leaders has been the key element in our improvement. Every one of our business unit presidents “gets it.” The

business leaders “own Safety” and each is committed to “Driving to Zero,” our program to eliminate all personal injuries and environmental mishaps.

Bozzo: Bill, one issue you’re talking about is accountability for ES&H. That’s probably viewed a little differently at different levels up and down the organization. Could you speak a little bit about that?

Williams: Several years ago, when I first came into the company, we had a lot of injuries, and our share of fatalities and very serious injuries. Back in the early days I would frequently hear excuses from some of our facility managers and regional operations managers. I would be told that among the reasons our safety performance was below average was because some of our safety people were sub-par. Several of these people were also of the opinion that safety was the safety person’s responsibility. I was simply dumbfounded by this explanation, and it dawned on me at the time -- just how far we needed to go. Changing that perception took a little time. I could see that a few of our safety people weren’t



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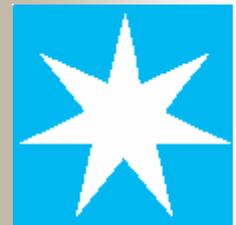


the best, but that was because this small group had not performed well as operators, and they basically defaulted into safety positions without any training or champion for their positions. One of the first things we did was to improve that perception, by establishing a Safety Professional Certification Program to raise their level of training and their ability to influence change.

But still it bothered me: How could a safety person could be blamed for a facility's poor safety performance, when that safety person didn't have operational authority over anyone? Why would some people have the opinion that a safety person should be held accountable for the failings of line operators who had direct control over operations, and the supervision of employees who do the work? When we started the Maersk Health, Safety & Environment department, we knew we had to get peoples' attention and get the dialogue focused on standards and the need for change. I had the ability to bring in some very talented people, people who were process and procedure oriented from the chemical and nuclear power industries, and some with military officer operational backgrounds. All of these people had significant operational experiences,

technical competence, a passion for people, and the strong belief that safety was a line responsibility. This was a great group – many of them have been hired away from me for more senior positions in the business units -- but all of us had the same belief that safety was really nothing more than “operations performed correctly,” and therefore a line operator's responsibility.

Our greatest champion was our CEO, Russ Bruner. Russ was a business unit safety director in the Maersk organization in the past, and he is a CEO who really “gets it,” and he actively promoted accountability at the operational level. After we had a couple of years of significant improvement in accident reductions, we capitalized on that momentum by announcing our “Drive to Zero” campaign – to eliminate all injuries and environmental mishaps. We benchmarked with other companies in developing our strategy, and shortly after that the CEO announced that we were Driving to Zero at our annual President's Safety Council meeting. Each business unit president developed a roadmap for Driving to Zero, and briefed their plans to the CEO and myself. The presentations were professional and the business leaders took ownership for the



MAERSK

“How could a safety person be blamed for a facility's poor safety performance, when that safety person didn't have operational authority over anyone?”

**-Bill Williams
Maersk, Inc.**

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“We had a “Top 40” list. This listed the 40 least-safe installations within DoD.... All of a sudden, no one wanted to be on the “Top 40” list.”

**-Joe Angello
U.S. Dep’t. of Defense**

initiative. If there was any doubt remaining at the facility level as to whom had the responsibility for safety, this process helped to end those discussions.

That was a watershed event for us, and like anything else that becomes a CEO priority, our business leaders responded strongly, accepted the responsibility, and are running with it. There’s a lot of pride in Maersk about our dramatic improvement, and in some cases our business unit presidents openly speak about how their safety improvements have given them a competitive advantage in attracting and retaining business.

Bozzo: Thank you Bill. Now let’s shift from accountability to something key to the military, results. Joe, you talked about how things have changed since the 50s. Perhaps there were some breakthrough points that occurred. My assumption is that they weren’t the same for the military as whole. Were there any key breakthrough points for leadership and improvement that set the stage within the Department of Defense?

Angello: Leadership and accountability are the key to the breakthroughs. Getting our military commanders involved was crucial. We created a forum. We had slide sheets, which showed metrics for our departments and defense agencies. We showed the progress they were making in various areas. This progress was incumbent upon them. They explained why they were meeting targets and what they were doing. We shared initiatives. We shared ideas. That kind of accountability grows change. It doesn’t have to be complex. We had a “Top 40” list. This listed the 40 least-safe installations within DoD, sites with more accidents than normal. All of a sudden, no one wanted to be on the “Top 40” list. I was visiting the US Air Force Pararescue Unit in Texas, which is a special operations unit. I got called in to visit the base commander. He said, “I’m on the Top 40 List. I got a call from my Four-Star General asking why.” He proceeded to tell me all the steps they were taking to get off the list. That was the right

incentive. It was clear that no one wanted to be one of the worst. It was surprising how creating that simple accountability and sense of ownership by the commanders (which we would call business unit presidents in civilian parlance) made a difference. We always need to continue to move forward. I like the idea of out-of-the-box creativity. In DoD, we have often seen situations in which people say, “this is how we have done it for years.” It’s difficult. The good thing is that we are big. I can always find someone who wants to try something different. You celebrate that and take a chance. Thinking outside the box in large institutions is always difficult. However, that’s the key to achieving results that drive toward zero.

Bozzo: That’s a great point Joe. Bill, from Maersk’s standpoint, let’s talk about the bottom line. You commented on where the industry is. People are looking at the various I bulk shipping indices as leading indicators hoping that they may be pointing to some economic improvement. We’re all continuing to struggle with the economy, though, some saying we’re at a plateau. Are we going back down or are we going to continue up? In this climate, EHS can be difficult to sell. How do you sell it to those concerned with the bottom line of your organization, and what kind of leadership approach do you take in that regard?

Williams: I would agree that in this economy, when many businesses are just fighting for survival, it is difficult to get people to focus on EHS issues. It isn’t a big issue for us at the moment, but I will tell you that my staff and the EHS staffs in the business units are scrutinized just as hard as any other head count, and we’ve taken our fair share of staff reductions. No one likes to see staff resources cut, particularly when your people are adding value, but everything is on the table these days.

About 8 years ago we started with the idea of a yearly progress meeting – we call it the President’s Safety Council. It’s an annual conference chaired by the Maersk Inc. President CEO, and attended by all of our business unit

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presidents, vice presidents, directors of operations, facility managers, and business unit and corporate safety professionals. At the peak we had over 200 people attending for a two-day focus on safety. With reorganization initiatives and the need to reduce business travel costs, attendance was roughly half of that last year – but even in a very tough year for shipping and with reduced travel attendance was very good. By holding the conference the CEO was making a statement that safe operations and protecting our people was a commitment that would not go away. It also gave us an opportunity in an otherwise bleak year, to recognize team and individual accomplishments, and celebrate success. We were celebrating an 81% reduction in recordable injuries over a 5 year period, an improvement which saved the company millions and millions of dollars in medical costs and worker's compensation claims, and much more when you figured in the indirect costs avoided through operational disruptions which didn't happen. The President's Safety Council helps us focus on where we are, and where we need to go. In addition to work shops and top-notch speakers, each business unit president gives a 20 minute presentation which covers their safety

performance, time table for achieving zero injuries, their operational and business development goals, future challenges and how safety and environmental excellence factor into business success.

We develop a theme for each year's President's Safety Council. We've had an overall drive to zero campaign since 2006. Our theme for our 2009 meeting was "Driving to Zero: Imagine the Possibilities." For example, if you had no injuries, equipment damage and losses due to accidents, imagine how you could compete in any market condition. Last year we focused on how deeply HSE excellence was integrated into each of the businesses ... using the same approach taken in the Campbell Award criteria. We had breakout sessions facilitated by MIT professors which explored the role of HSE excellence in three future business scenarios: the 2009 business environment, a further degradation in the economy and global markets, and a major improvement scenario where global trade accelerated rapidly.

I think the thing that most impressed me and told me that we were on the right track was when the business leaders talked about the



"In this climate, EHS can be difficult to sell. How do you sell it to those concerned with the bottom line of your organization?"

**-Bill Bozzo
DynMcDermott**



LEADERSHIP INTERVIEWS



“...We have not just made a moral or readiness calculation for our safety initiatives. We’ve made a business case for every one of our initiatives.”

**-Joe Angello
U.S. Dep’t. of Defense**

competitive advantage they now had because of their HSE performance. They talked about HSE performance as a source of pride with customers, and in some cases they explained how reducing accidents allowed them to compete for and win new business.

You asked me how do we “sell it” in an especially bad market environment. I think the business owners are doing a pretty good job of selling it, and I think it is an easy sell today because we have clear evidence linking safety performance and competitiveness. I guess to sum this up, the bottom line is that the HSE professional has to recognize today’s critical business environment, understand the business challenges faced by the line leaders, and needs to be able to articulate how HSE excellence is interrelated to business excellence. It’s important to be able to talk about how we should focus on safety because it is morally the right thing to do. But today’s HSE leader also needs to take it up a notch, and be able to speak in business terms. The HSE leader needs to be able to clearly articulate how saving lives and preventing injuries saves money, prevents operational disruptions, helps to keep the customer service and customer relationships on track, keeps your corporate reputation strong, and makes you more competitive.

Bozzo: It’s an opportunity to show a real sense of value for this profession. DoD, of course, is a different environment. I believe you’re under a continuing budget resolution at this point. At the same time you have a readiness issue that you’re dealing with. You have a number of critical activities going on overseas. How does that square up in terms of safety? Do you see safety potentially taking a hit in terms of priorities, or are you able to keep that on the forefront?

Angello: We suffer the same pressures as any business. In this economic downturn, we have to squeeze more programs. In looking at our safety statistics, you have to keep in mind that we are in the midst of two wars during this accident reduction. Our tempo of operations has been greater than in recent history. We

have extraordinary top-line pressure. Paying for a war and your baseline programs under the looming fiscal crisis in this country creates pressure. To that end, we have not just made a moral or readiness calculation for our safety initiatives. We’ve made a business case for every one of our initiatives. We’ve told the leadership, “Pay now. This will pay off twelve-fold later.” We felt compelled to make that business case. There have been too many good ideas and too many nice initiatives. We wanted to show leadership that not only does safety pay off through preserved assets. It pays off in additional ships and new-generation fighters that can now be purchased. We have been very diligent in making the business case. Most recently, we did it for aviation safety technologies. We explained it. You save one airplane, and you can put a whole lot of airplanes into combat. We made a business case for our Voluntary Protection Programs. We made a business case for every initiative. That’s how we’ve been able to sell safety with reasonable success in a constrained environment.

Bozzo: Let me follow up and transition to metrics. Obviously, when you make a business case, data comes in to play. Do you have a system in place to gather those sorts of metrics?

Angello: We do. When we started, we didn’t have a single, department-wide system. We now do. It tracks every individual deployable unit, all the way down to the O5 level of command, across the department. We call it our Defense Safety Enterprise System. It’s been very useful. Each military department has their own systems, as well, which feed into it and give it meaning. We learned the lesson from industry on data-driven analysis. We could not have made the business case or had a compelling argument for safety if not for data-driven analysis. This analysis said, “Here are the root causes. Here are the types of accidents you are suffering. Here are the technological and procedural trainings you need to do to preclude these.” That information is key, as it is in any decision.

Bozzo: Let’s talk about risk and opportunity.

LEADERSHIP INTERVIEWS



Within the shipping industry there are certainly a lot of risks. These are personal risks as well as property risks. Bill, I believe you will speak tomorrow about some of the risks on the high seas. What you can you share with us about how integrated EHS management and operational excellence can address some of those risks?

Williams: Fortunately shipping lines generally have a very good safety culture. Our U. S. - flagged shipping company, Maersk Line, Limited - has an integrated management system that combines the safety, environment and quality standards of OHSAS 18001, ISO 14001, and ISO 9001 and they achieve annual certification. Other business units have elements of these management systems in place and they are in various phases of implementation. I like the structured management systems approach - especially for environment and safety, because the systems require you to look at your environmental aspects and impacts, and your safety risks, and rank them in terms of frequency of exposure and severity. Risk Assessment and Management of Change are two of the key building blocks of management systems, and it follows that most responsible leaders, after they

recognize problems and figure out what the most serious exposures are -- will do something about it. And they do. Managing change is a critical leadership requirement. Most businesses are dynamic and in the shipping and transportation business, change is a way of life. I think we've learned some valuable lessons and are taking management of change more seriously than we used to. If you have major new customers on marine terminals or in warehouses, you have to reconfigure those facilities to accommodate the additional business. You need to consider the impact of that business on congestion, traffic flow and operational efficiency, and the training and qualifications of the new people needed to make it happen. If you suddenly bring on 100 new drivers in a trucking company to support new business, you have to immerse yourself in an extensive set of background checks and indoctrination interviews to ensure you hire the right drivers who have safe trucks and drive them safely.

Executives can't be everywhere and involved in all things, but if they put their attention anywhere I'd have them focus on understanding their operational risks - and managing change. The



MAERSK

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Maersk, Inc.**

QUESTION & ANSWER SESSION



MAERSK

“We used to hear the excuse, ‘that’s not our guy.’ We don’t hear that anymore.”

**-Bill Williams
Maersk, Inc.**

executive can really drive this by asking the right questions at the right time to determine if the leadership team has thought things through. All of our senior executives take part in our Executive Safety Leadership Program, or ESLP. I’ll talk about that during the closing session tomorrow. It’s a year long program with safety theory training, 360 degree surveys, individual coaching sessions on safety leadership effectiveness, presentations on management systems, root cause analysis and metrics. We aren’t trying to make them HSE professionals, we just want to provide them enough content so they can ask the right questions and stay engaged in the safety improvement process. Part of the program requires reviewing (and answering questions on) safety-oriented case studies, such as those written by Campbell Award winners, or from the Harvard Business Review. And finally the program includes a visit to a high-performing organization where safety is a cultural value from the CEO down to the most junior employee. The ESLP program has paid tremendous benefits for us.

During our very first President’s Safety Council in 2002, I asked Alcoa to speak about the company’s legendary safety journey. At the time of their presentation their global recordable incident rate was 0.06. At the same time, our lost time accident rate across North America was 6.6, and our recordable injury rate approached 20. So basically, Alcoa’s recordable rate was 100 times better than our lost time rate. When we showed those statistics to our senior leadership and the rest of the team – eyes glazed over. That level of performance was beyond comprehension. Now – thanks to the leadership or our executive team – and how they’ve engaged the rest of the organization, our recordable injury rate is down to 1.6 and our LTA rate is 0.36. Last year we had 50 facilities that were incident-free. We aren’t world class yet, but we are heading with purpose in the right direction and we’re respectable in our industry segments. That’s typical of the transition we’ve been through. And I would say 90% of our improvement is because the CEO and our business leaders put safety at the top of the

agenda and take it seriously. And there clearly is a correlation between the depth of management systems implementation and operational excellence.

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Bozzo: We’ll open the floor now to Q&A. Does anyone have a question for one of these two gentlemen?

Audience Member: Maritime-area companies are usually large and middle-sized companies. Nationally, almost 70% of companies are small vendors or suppliers or sub-contractors. When Maersk, or Newport News, or another large company adopts a program, it trickles down pretty heavily. **Are you conscious of that? What have you done to get your subcontractors, vendors, and suppliers to come along with you?**

Williams: I would say that several years ago, we weren’t doing a very good job at engaging our business partners in our efforts to improve safety. But that had to change, simply because you can’t improve safety without everyone contributing. One of the very first things we did was to work on getting rid of the “us versus them” mindset that existed in some locations. Our marine terminals employ union longshoremen, our over-the-road truck drivers are independent owner-operators, our warehouse labor is largely provided by staffing firms, and we use a variety of contract services, just like most businesses. Let’s use warehousing as an example. In the old days, an injury to a temporary employee who was often times supervised by a supervisor from the same staffing company was simply written off as an incident belonging to the material handler’s legal employer. We changed that several years ago. If an incident takes place on any of our facilities, we count that injury in the facility’s statistics and it is rolled-up to the business unit. It doesn’t matter who has the legal responsibility for entering the injury on the OSHA 300 log. Naturally this process makes our facility managers focus on the collective contributions for safety – the same focus they have to take on making their operations efficient. We use to

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inquire about injuries, and hear the response, “that’s not our guy,” but we don’t hear that excuse or any excuses anymore.

We’ve done other things as well. We review our vendor and supplier contracts so that they include a “safety clause,” requiring full disclosure of incident rates and injuries. We work closely with the leadership of staffing companies to investigate accidents, improve supervision and training and work in a more collaborative manner. And one of the positive things we do each year is to recognize the contributions of vendors and contractors to our safety improvement. Each year at our Annual Safety Awards Dinner, we present a “Partners in Safety” award to both the customer – and vendor – whose efforts and focus on safety have helped us improve our own safety performance. It’s one of my favorite awards – it’s all about working together with your business partners.

Bozzo: Flowdown of requirements to suppliers is key. Joe, you have a big supply chain in the military. Are there any insights that you can offer to us along those lines?

Angello: Vendors are very important. A vendor working on a renovation might have a fatality. The cause of this fatality will then ripple to the management of that renovation and others. We’re subject to federal acquisition and federal acquisition regulation. I believe that we’ve addressed that in recent years. It doesn’t take much. We’ve had unfortunate incidents, such as an electrocution in Iraq. We live and die by the vendors who support us in theatres of combat and in peacetime. Because of an increase in incidents, there has been activity in that area.

Audience Member: Bill, I wanted to follow up on what you were talking about in relation to the cost per recordable incident. You said that your cost per recordable was about \$36,000. At my company, that cost ended up being about \$40,000 last year. It’s a very similar metric. One of the things we’ve struggled with is that as the recordable injury rate frequency has improved, Workers’ Compensation costs have not. **In an effort to justify the need to be safer from a**

financial perspective, are there any other steps you have taken in order to reduce Workers’ Compensation costs as the recordable rate has dropped?

Williams: Early on, and I’m talking about 2001-2002, in our marine terminal business, when you factored in the very expensive serious injuries along with the most minor recordable injuries, our direct costs for medical treatment and worker’s comp was around \$36,000 per incident. The only thing you can do to get these costs down is to drive down the number and severity of your injuries. Your insurance providers typically require a three year “look back” on performance, so if you have one really good year, that performance will be noted, but you generally won’t see lower rates unless that performance is sustained over two-three years. One of the things we did was to educate our facility managers and safety professionals on the costs associated with accidents. One year I remember showing a graphic to our marine terminal managers on the cost of medical treatment, which at the time was increasing at 8% annually. With increasing medical costs – just to keep our insurance rates even – we had to reduce injuries 11% each year. That was a challenge we laid in front of them, and fortunately they are all very competitive people and our terminal managers rose to the challenge. First they succeeded in getting premiums held steady – and then they achieved actual rate reductions based on sustained improved performance.

In bad economic times leaders have a laser-like focus on controlling costs. We knew we were avoiding a lot of accidents but we always focused on safety because it is the right thing to do. So while we knew we were saving money we never really tallied it up. A couple of years ago, the new CEO of A. P. Moller-Maersk was visiting North America and asked us that question. And that question was, with the stand-up of my group, a few more safety professionals in the business units, and the costs of some of our programs and outside consultants – what was the Return on



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U.S. Dep’t. of Defense

QUESTION & ANSWER SESSION



“We’ve approached [reducing Workers’ Compensation costs] in a number of ways...We said, ‘If we have this corpus, the easiest way to reduce it is to not injure people.’”

**-Joe Angello
U.S. Dep’t. of Defense**

Investment in North America? It took some time to gather the data, but when we did we found we spent roughly \$10 Million over a four year period, and during those four years we avoided roughly \$40 Million in direct costs for medical treatment and worker’s comp – saving \$4 for every \$1 we spent on safety programs and resources. And the indirect cost savings would make the overall savings much higher, because we were avoiding costs of business disruptions and customer service failures due to accidents, and legal fees that weren’t required to defend ourselves because of accidents. Those costs can add up to some pretty big numbers on their own, not to mention reputation risk and loss of customer confidence.

I think it is important for safety professionals to be able to speak in business terms and understand the cost relationship. You have to look at yourself as a key member of the business team. Yes, when you meet with success there are a lot of intrinsic rewards as a safety leader in what you do — but you also need to be able to communicate in financial terms in today’s economy.

Bozzo: The moral versus economic argument is certainly a line that has to be walked. Joe, I suppose you’re self-insured. Since you’re of that stature, do you address the moral and economic arguments differently?

Angello: We spend about \$600 million a year on Workers’ Compensation. It is adjudicated and administrated by the Department of Labor. Afterwards, the bill goes back to DoD. It’s lagged. These bills were “off the books.” They came back as just another bill to DoD. We didn’t have the accountability for that. We’ve approached this in a number of ways. The first was to segregate the long-term injuries from newer injuries. We said, “If we have this corpus, the easiest way to reduce it is to not injure people.” If you do that, you don’t have the claim or the compensation. The second approach was to re-craft jobs for those who were injured. These were jobs that they could perform despite the limitations of their injuries. This was our

Return-to-Work program. We created temporary billets for people. We said, “Can we bring these people back, retrain them, and give them job-appropriate work considering their injuries?” We were able to successfully do that. Once it was deemed that people could do these jobs within their limitations, they were offered the chance to come back to work. If they refused, they were taken off the rolls. The incentives were right. We were giving people productive employment. We wanted people to be productively employed. We took people off of injury compensation and reduced the flow to it. There was also accountability measures put into place for driving down payments, as well as other measures. In general, what we do in terms of lost time or voluntary protection is geared to address that pool.

Audience Member: What are the top three leadership values you’re looking for from safety professionals?

Williams: I look for leaders who value people, have a passion for excellence, and have a large reservoir of emotional resiliency – I’d put those attributes at the top of the list. As the captain of a ship or in an operational command, I felt I could control or strongly influence almost everything. It was almost the perfect system for having a high degree of safety performance because there was a common culture which valued safety and lives, there was accountability, high standards of training and certification, and a team-oriented climate where people looked out for one another. This set of advantages isn’t present in much of the business world. If safety performance was never a priority in the past, or there was not an organizational culture in place which would make safety improvement easy, the safety professional will be facing an uphill battle.

In a poor performing company you will encounter a lot of resistance. Technical competency in operational safety is required, but you need safety leaders who are credible on their own, and understand that denial and rejection are part of the process. We use the term “push back” as the polite term for strong resistance to change.

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Many times we would put forth a beneficial new initiative, only to have people come up with 100 reasons why they couldn't do it. That is discouraging to say the least, so when you come into a less-than-ideal situation you need safety professionals who can handle the initial rejection and persevere and never give up.

Sometimes in sharing lessons with other safety professionals I show a couple of slides to demonstrate the resistance they might face. One slide speaks to active resistance. It's a scene from the movie *Frankenstein*, in which an angry mob is winding its way up a hill carrying torches – intent on finding and killing the monster. The other slide has a famous photo of Ghandi, engaged in a sit-down strike on the streets of Calcutta – illustrating passive resistance. The point of this is that the safety professional – especially in a turnaround situation – will likely encounter heavy resistance of all forms. I personally prefer active resistance – because at least that way you have a dialogue going.

Perseverance, tenacity, moral courage – call it anything you want – but safety leaders need to have it. The safety leader also has to have strong influencing skills. I have found it much easier and faster to have direct operational control of people in making change. But as a member of a corporate safety function it is primarily about influencing change, and you need to hire people who have good influencing skills. I expect my senior people to be able to sit down with business unit presidents and their senior managers and be able to be persuasive, to give good advice, and also to listen and be responsive to the business needs.

One final thought on this, you need a mix of subject matter expertise, technical, influencing and leadership skills. HSE staffs will always be as small as possible, and so knowing that almost every person you hire has to be a rock star. Operational leaders understand how critical the right people are in running a good business; it's the same for EHS organizations – talent is king.

Audience Member: Good morning. In the United

Kingdom, a survey recently identified that directors and chief executives are failing to show positive leadership in health and safety.

Therefore, there is a drive to make corporate responsibility a corporate requirement. **Do you think the United States should have a voluntary approach to leadership or a statutory requirement?**

Williams: While we may be a little better off here, I find the trends that I see disturbing. Particularly, I'm referring to the current push to have visible Sustainability, Corporate Social Responsibility, and environmental initiatives at center stage. While many of the global environmental concerns are real, I think many corporate leaders and EHS professionals have lost their way. It seems today that we are more concerned about greenhouse gas emissions and measuring your carbon footprint than we are about taking care of the people who make the business run. I try to keep things in balance. I used to spend 80% of my time on safety and 20% on environment and sustainability issues. The reality is that you have to focus on the legislative and regulatory agenda concerning the environment and I've had to adjust as well, but safety improvement still takes the majority of my time, effort and interest. It has to be that way. Unfortunately I see a trend of businesses which put more emphasis on having an attractive (naturally green-covered) sustainability report, than putting time and effort into their fatality and serious injury prevention programs. Businesses seem to be focused on anything labeled "Sustainability" or "CSR" now. Perhaps this is because their Boards of Directors are asking them to, or because they simply don't want to be out-of-step with what is going on elsewhere.

Bozzo: Of course, part of the question is about whether a law should go in place.

Williams: I don't see a statutory requirement as the solution to focusing the Chief Executive's attention on safety. However, in the current trend, by failing to talk about the company's safety and health priorities and their value and respect for the people who run the business,



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QUESTION & ANSWER SESSION



“We’ve done a ‘soup-to-nuts’ look at a our process to ensure that safety has been inserted at all stages.”

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U.S. Dep’t. of Defense**

senior leaders are losing an opportunity. As I see it, when you take care of your people, everything else seems to fall in place. When companies achieve zero injuries – or at least world class safety performance – that is the time they should focus on being the “greenest company on the planet.” Of course there are many good companies who do it all and do it well. In terms of Corporate Social Responsibility, the most socially responsible thing a company can do is to protect it’s people on the job, show an active interest and influence behavior to prevent off-the-job injuries, and then share those lessons and successes freely with other companies, and the public, to further promote safety improvement.

Audience Member: I have a question for Bill. **From a global perspective, do you follow OSHA record-keeping and reporting in international operations? How do you deal with cultures that you might find in locations outside of the U.S., where there might not be the same values relative to work safety or health?**

Williams: In our operations in the U. S. and Canada, we track recordable injuries, lost work day accidents, and near-misses, and some locations track first-aid cases. We use the U. S. OSHA reporting standards. However, I believe we get the most value from a program not required by OSHA, our Near Miss Reporting program. Actual injuries are important but tracking and closely reading your near-miss reports will give you the most insight into your likelihood of having a “big one,” and what programs need to be emphasized.

We frequently benchmark with a number of big-name global companies with exceptionally low injury rates. I find that in all cases, the very best companies require the same reporting metrics whether their operations are in the U. S., Europe or in developing countries which do not have OSHA organizations or mandatory reporting. In some cases these companies become the *de facto* authority on safety in those countries. They use the same operating procedures, implement the same PPE requirements, use a common global reporting system based on U. S.

OSHA reporting standards (or better) and then they add their own additional metrics to the reporting requirements. They accept no excuses for poor performance in developing parts of the world, they investigate accidents in developing companies using the same protocols they use in the U. S. or Europe, and they include the performance of their most isolated and remote operations in their global safety statistics. That is what leading-edge companies do, and we can learn a lot from them.

Angello: We are at the point where the Army now has its own VPP flag for overseas operations, since OSHA doesn’t do that. We operate that way at DoD worldwide. Wherever we operate, we want to operate safely.

Audience Member: Joe, you mentioned technology insertion briefly. One of the things that we find in the process of building new ships and weapons systems is that designers are rather loathe to change the design once a safety problem is discovered. **What are you doing about inserting technology at the appropriate time in the development of new ships and weapons systems?**

Angello: We actually had a large effort to change our acquisitions structure, going all the way back to the requirements phase. This is a process we call our Joint Capabilities Identification System, or JCIS. We are inserting safety as part of the capabilities and requirements document process. We have safety professionals looking at design alternatives when these programs are reviewed at major acquisition milestones. We’ve even gone to our Defense Systems Management Colleges and changed our course curricula so that safety is emphasized to the students who will become our future program managers. We’ve done a “soup-to-nuts” look at our process to ensure safety has been inserted at all stages. Let me address your actual question with regard to the overall design. This is near and dear to my heart. We have a large inventory of existing aircraft, ground, and other systems. There is the issue of inserting safety technology into these existing platforms. This has been more difficult for us to grapple with. Designs have been fixed.

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We're opening up panels. This becomes contractually and operationally difficult. We are decided today to what extent we wish to insert commercial or custom technologies into existing platforms to cover human errors. Human error that cannot be trained out or fixed via procedure is what we are really covering with technology. This way, we can cover a person when they are hurt, disoriented, or target-fixated. That's the push we've been making.

Audience Member: I've heard is that when the military does technology insertions or interventions, there can be programs designed for one ship that become too costly to implement across a whole line of different platforms. I sometimes hear people say that if we could design the ship, then think about the safety system afterward, it would be cheaper. What are you doing to avoid that?

Angello: We have had our fair share of horror stories in the past in that department. We're trying to rectify the mistakes of the past. That's why these initiatives have been made over the past five years. We want to preclude that type of thinking. We have found, in the past, that when budgets got tight and a system wasn't working, the first things that we would defer would be a trainer or a simulator. We would defer what were called the "nice-to-haves," not the "needs."

Unfortunately, some of the safety technology was considered as "nice-to-have." That attitude has changed within the department.

Williams: In the marine cargo handling business, marine terminal design and construction is a significant issue. Terminals are where a lot of injuries take place, and the industry has begun to realize this and has embraced several "design-for-safety" initiatives. Our newest terminal – APM Terminals facility in Portsmouth, Virginia, has a fully-automated terminal yard. Containers are taken from the ship to the edge of the container yard by shuttle carriers. They are dropped off at the seaward side of the yard, and then an automated rail-mounted gantry crane picks up containers and stores them in the container yard which has no routine access by vehicles or pedestrians. Containers are sorted by computers and are then picked from the stacks in the yard by the cranes which deliver them to over-the-road truck drivers on the land side. This technological development has eliminated an entire segment of typical terminal injuries, and has made the delivery of containers to the truck drivers safer as well. It's the safest container terminal yard in the Americas because there are no people in it, similar to the bays in a fully-automated warehouse. Safety design on our merchant ships hasn't been an issue as far as I know. All of our ships are built to the safety



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U.S. Dep't. of Defense**



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standards of classification societies and have to meet international standards for the protection of seafarers.

Bozzo: I'd like to follow up with both of you briefly on that question. When you identify a change that needs to be made to an existing system, how do you address replicating that across the organization? Within DoD, I'm sure you have a lot of similar types of vessels, but each has their own characteristics. Bill, I'm sure you have a similar situation with regard to your terminals and shipping facilities. Joe?

Angello: We have a number of forms in our program budget review process. We queue these decisions up to the senior leadership. We can get definitive decisions such as, "This change will affect these platforms, using this amount of resources, on this implementation schedule." The nice thing about DoD is that you can get top-level decisions that everyone follows immediately. It sounds easier than it is. You try to reach a consensus. Even if you can't reach a consensus, you will still get a decision.

Williams: As part of our corporate HSE obligations, we have regulatory compliance and program management oversight responsibilities. In a few cases we can put a policy or program in place which will have beneficial affects in all of our businesses. But we also have a responsibility for identifying best practices and spreading them through the organization. We look at incident reports and ensure the appropriate lessons-learned are disseminated elsewhere in the organization. We use our HSE Leadership Team meetings and President's Safety Council to exchange best practice and talk about what works. We strive to be a "Learning Organization," focused on continual improvement, and a good part of that improvement comes from exchanging ideas and best practices identified within Maersk Inc., or innovative ideas identified elsewhere which can be applied to our own operations. We can always do better in this area, but it's a serious part of our responsibilities and we are always on

the lookout for ideas or practices which challenge our thinking and can be applied in our own industry segments.

Bozzo: This concludes our discussion this morning. I'd like to thank Joe Angello and Bill Williams for sharing their experiences and insights with us. I hope that you've learned things and considered ideas today that you'll be able take forward through the rest of the Executive Track as well as to your positions back home. Thank you for participating in this Executive Breakfast and the Executive Edge Track.



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Maersk, Inc.



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