How fast is SMS Maturing?
Results from the
2012 SMS Maturity Index Survey
3rd European Safety Management Symposium

A Baines Simmons Thought Leadership Document by
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How fast is SMS Maturing? – 2012 Results from our SMS Maturity Index Survey

Ronnie Smith, our Senior Consultant and SMS Subject Matter Leader, discusses the output from the SMS Maturity Index survey completed by delegates attending our recent 3rd European Safety Management Symposium May 2012. He identifies two common hurdles to development.

Background

With an extensive background in air traffic control and safety management Ronnie is the co-author of the Baines Simmons SMS Maturity Index - a FREE and simple, performance-based tool designed to help organisations measure the performance and progress of their Safety Management Systems. The tool measures levels of successful SMS maturity, not compliance.

Created against a backdrop of change caused by the worlds of aviation regulation, oversight and auditing shifting focus from compliance to performance, our SMS Maturity Index is a simple assessment tool that is uniquely able to track progress in this new direction. It provides organisations with real-time insights to their SMS performance and strong forward thinking indicators and priorities for future development areas.

The SMS-MI, as it is known, is a simple self-administered assessment tool which can be used prior to more detailed Safety Management Diagnostic assessments to measure and track SMS performance through outcomes rather than measures of regulatory compliance. Unlike other gap analysis tools, it is designed to be quick and easy to use and is based on a simple question set which uniquely focuses on tracking SMS performance. It is available to our clients to download free of charge from our website.

Key Findings

Since the initial 2010 European Safety Symposium survey benchmark, the 2012 survey shows there has been a little progress in levels of reporting, proactiveness, safety culture behaviour and organisational commitment, but stagnation in the reported level of senior management support for SMS and very weak scores for the ability to measure Return on Investment.
Benchmarking – where do you stand?

One of the common reasons for business and safety managers to commission audits, surveys and diagnostics is to know how they position against best practice and how they compare amongst their peer organisations and competitors. This survey* benefited from input from a number of major aviation organisations spanning the world’s civilian and military aviation communities. Organisations from aircraft design, manufacture, maintenance and operation as well as commercial airlines, business jet companies, offshore helicopter operators, military fast jet, helicopter and training operations actively participated in the survey.

Looking at the results, the average total score was 55% (54% in 2010) - but this reflected a broad score range of 22% to 82% illustrating the scale of the issues being addressed. We can also see that most of the scores are in the ‘Operationally Sound’ region with ‘Level of Safety Culture Behaviour’ self-assessment perceptions just crossing the ‘Leading Edge’ category.

However, notably and worryingly, the ‘Level of Return on Investment’ score is particularly low and at 33% failed to cross the ‘Operationally Sound’ boundary.

Baines Simmons has carried out a considerable number of client safety management diagnostics and it is not uncommon to get varying levels of responses from different management levels within an organisation; senior management has a tendency to be more optimistic about the status of their safety systems whilst the middle management level downwards has a tendency to be more pessimistic.

As the vast majority of the delegates at the 3rd European Safety Management Symposium were senior and middle safety and business managers, the scores perhaps should be taken as upper markers of ‘real’ organisational performance.

Of particular concern is that although the scores for ‘Level of Safety Culture Behaviour’ have been steadily improving as organisations have striven to better understand their own culture and safety behaviours, the scores for ‘Level of Management Support’ have remained largely static. Could it be that our failure to develop our capability to demonstrate Return on Investment has led to a failure to win the support of senior management? If our Safety Management Systems are to be fully integrated into the way we do business, rather than being left as a bolt-on system to satisfy the regulatory bodies, it is essential that we win the support of the board room executive management and build safety strategy as we do other elements of our business strategies.

In order to gain traction at board level it is essential that safety professionals communicate in conventional business vocabulary and terms and are able to demonstrate both the financial and the safety benefits of their Safety Management Systems; only then can we support the case for resources and take safety forward as a truly effective business tool.

Understanding and demonstrating Return on Investment is the key to winning board level support, and therefore resources for future safety activity.

Understanding Return on Investment (ROI) – why make friends with finance?

If you consider that businesses have been measuring, understanding, forecasting and managing financial performance with increasing levels of sophistication for years, and compare this with how relatively little time we have been measuring and predicting safety performance, it is perhaps understandable that we struggle to achieve the same level of sophistication when looking at ROI figures for SMS.

If you view safety as an investment rather than cost then it goes that it should be measured like other projects on its Return on Investment. ROI is a very commonly used and understood financial term and, as the name implies, involves a comparison of the costs and benefits achieved or forecast. There are other conventionally used concepts that provide similar ways of comparing costs and benefits such as Return on Capital Employed (ROCE) and even newer concepts such as Return on Expectation, though less well specified and understood. Return on Investment gives a simple ratio to compare the costs of a project with the expected or actual financial benefits and can be calculated as follows:

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\text{(Benefits – Costs) / Costs (expressed as a %)}
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Payback is another popular measurement technique that expresses the number of months or years taken
before the initial investment is recovered. For long-term projects the effects of predicted inflation and costs of obtaining capital can be incorporated using Net Present Value (NPV) techniques of investment analysis. All these techniques are key to demonstrating the full value behind safety investments. Understanding and practising them makes it easier for business professionals to support you. They allow your investment proposal to be much more objectively ranked against other competing projects and this can help you to secure appropriate levels of resource to make safety happen. Unless we can learn to measure safety outcomes and demonstrate the Return on Investment, how can we hope to continue to win investment beyond the minimum required by the regulations? In fact there is a safety dichotomy in that if we fail to prove the returns on safety investment then we make it less likely that further investment will be forthcoming and more likely that our minimal safety investment will produce little return and minimal safety benefits.

So why have safety professionals been so reluctant to engage in the financial side of safety management? One reason is the lack of financial data connected with safety. The vast majority of organisations that approach Baines Simmons have no mechanism to capture the costs associated with safety escapes. Is the problem that we are afraid to accept that safety cannot always come first and that for safety investment to take place, profits must be generated? If we can increase the level of management buy-in and senior leadership for Safety Management Systems then we can make real improvements in both safety and business performance. In turn, this helps to achieve greater organisational commitment and engages support for a growing safety culture.

**Make a better business case for safety**

As safety professionals we need to mature our business thinking. Ask yourself if you know how much safety events cost. If not, then it’s time to sit down with your financial specialists and calculate the metrics that are useful to you. Make sure you know important measures such as the average cost of a maintenance man-hour; the cost per hour of aircraft delay; the cost to the operators of a minute of air traffic control delay and the average cost of a safety investigation. Having this information will equip you and pay significant dividends in the long-term. The cost of re-work, parts and fuel should be relatively easy to obtain and, combined with your other metrics, should allow you to be able to calculate a reasonably accurate cost of safety failure for events. Importantly, you can also demonstrate savings to be made by your safety interventions as well as spot relationships between financial and safety issues, such as increased maintenance or labour costs relating to quality escapes causing re-work. You can then work closely with your finance department to alert you to some otherwise hidden safety issues.

**Is it time to strategically lead SMS to and from the board room?**

The results from the 2012 SMS Maturity Index survey show stagnation in the reported level of senior management support for Safety Management Systems and a very weak score for the ability to measure Return on Investment – two key factors which we would suggest are intrinsically connected. Effective SMS is a board level strategic issue. In order for today’s safety professionals to engage and achieve greater support at the strategic levels of our businesses we need to improve our capability to talk and communicate safety in business language. We need to grow the capability of our systems to measure and demonstrate safety and risk with similar levels of fidelity and maturity to those we are familiar with in our financial systems. What’s more, proving a negative (like safety effectiveness) requires empirical evidence of past spends on output failures so that we can demonstrate improvements. Even in mature Error Management Systems it is rare to see financially based KPIs [key performance indicators]. Today’s safety manager must get him/herself competent to develop such metrics if we are to drive safety and its management into our executive teams. Equipping ourselves to demonstrate returns on our safety investment and make sound business cases for safety investment will raise the leadership of safety to a strategic level within our organisations where high performing SMS can be a powerful strategic advantage and business differentiator.

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Appendix:
Baines Simmons Safety Philosophy

Well-created safety management strategies stimulate situational awareness of current safety performance and go on to generate safety visions, safety objectives, safety implementation roadmaps and safety KPIs that enhance future safety performance/maturity.

Effective safety management systems support significantly better decision-making – through understanding trends, predicting events and managing hazards – that enable safety professionals to deliver real strategic business advantage to their organisations.

An effective Safety Management System is one strategically powered by a proactive and integrated approach to:

Safety Leadership
Safety Culture
Safety Capability
Safety Competence
Safety Compliance

These will enable leaders to make better quality strategic and operational risk-based business decisions built on safety ‘intelligence’ from their own ‘risk-derived safety data’.

We believe these are measurable performance and maturity levels that organisations should strategically and operationally plan to achieve.

The Baines Simmons SMARRT® Safety Model illustrates the key elements and enablers required for a sustainable high-performing Safety Management System.

It is based on three levels:

‘Active’ Safety Leadership
‘Intelligent’ Regulatory Adoption
‘Positive’ Safety Culture

We believe that safety management has to be an integrated and people-centric undertaking because safety performance comes from your people – not policy and procedures alone. It is about generating positive safety cultures and organisation-wide engagement. In other words, it is people and their behaviour that comprise a safety culture and that is the key to unlocking ‘risk-derived safety knowledge’ – the bedrock of a sustainable world class SMS.

Safety performance matures with time and investment and our approach and tools recognise evolving levels of strategic and operational level safety maturity.

SMS-MI Survey results based on inputs from 31 organisations & 55 individuals, May 2012
i Nellis & Parker, 2002, Principles of Business Economics, Pearson Education Ltd
ii Philips & Philips, 2011, The Myths of Return on Expectation, Published in Talent Management