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## OPERATIONAL EXCELLENCE AND SAFETY MANAGEMENT: REFLECTIONS FROM THE LONGEST SERVING ADMINISTRATOR OF THE US OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

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As the Assistant Secretary of Labor for the US Occupational Safety and Health Administration (OSHA) from 2009 to 2017, I received daily reports about occupational safety and health successes and failures, often involving workers being killed, at every sort of workplace across the country. We had the opportunity to engage many companies and meet with executives of firms of almost every type and size, from CEOs of the nation's largest corporations to owners of companies with a few dozen employees.

With my staff, we dissected the approaches different companies took to safety management, taking advantage of data from a large cross-section of firms. OSHA inspectors visit more than 30,000 workplaces each year, and its consultation program provides free no-penalty inspections and technical assistance to thousands more. The agency enrolls hundreds of companies that voluntarily embrace safety management in voluntary programs.

Based on this experience, it is apparent to me that many business leaders have an implicit but unfounded belief that, while it is necessary to reduce workplace injury risk, there is a trade-off between profits and expenditures necessary to keep workplaces safe. Presumably, these leaders try to find the right balance - trying to spend enough money to prevent most injuries, without sacrificing profits.

However, it is very clear that this belief represents a fundamental misunderstanding, and that **safety management and operational excellence are, in fact, intimately linked.**

Firms where the injury risk is high are firms where production is not being controlled tightly. Businesses that strive for operational excellence

are better, safer places to work, and the process of making them safer has made them more productive and more profitable. This relationship is recognized by the CEOs and top managers of some of the largest and most successful firms. It is also seen in the empirical literature. One recent study concluded that there is "plenty of evidence that worker health and safety are a foundation of managing manufacturing facilities that are globally competitive, even if they face a wage disadvantage." Furthermore, the authors reported there is no evidence that protecting the workforce harms competitiveness.<sup>1</sup>

When I ask corporate leaders why they are committed to preventing serious injuries and deaths among their workers, most say they care about their employees and don't want to see anyone hurt. They'll also assert that "safety pays" in reducing costs, or admit they fear reputational damage following a significant incident at their company.

While these are all important and valid reasons to prevent work injuries, it is my observation that the actions of most managers who advance these rationales are shaped by that misbegotten safety/productivity trade-off. Given this trade-off, managers believe, there will be times when safety must take the back seat to production.

This belief in this trade-off seems to have powerful face validity. It is almost never stated so boldly, both because it seems inherently true, but also because to assert it is to admit that perhaps the safety of a firm's employees might be at risk because of production pressures or inadequate investment in safety. In fact, there is no evidence that finds a trade-off between safety and profitability.

The true value of managing for safety goes beyond simply the reduction in direct and indirect cost of serious injuries or avoidance of catastrophic events. Firms that manage for safety are more successful and more sustainable because they are focused on operational excellence. Injuries and catastrophic events are signs of deviations in the management system, indications that production is not being managed correctly.

Of course, failure to manage for safety has tremendous risk, especially in high hazard industries. Those firms who fail to control risk may incur substantial costs, enormous reputational damage, and in some cases, sacrifice the very future of their firm to the goal of maximizing short term profits. Look at Union Carbide and Bhopal, or BP after the Deepwater Horizon explosion.

When a business is managed for safety, the firm experiences more efficient production, produces a higher quality product, and provides higher returns for investors. There are corporate executives who understand this, who recognize that working safely must be a core component of their firm's operational culture, and that managing for safety improves the bottom line.

Based on the thousands of death and serious injury cases I have reviewed, I am confident in my assertion that many work injuries are a sign of poor management. In situations of operational excellence, when operations are managed well, where well-trained employees follow the rules and equipment is well-maintained, there should be few or no injuries. When production is tightly controlled, there are fewer mistakes, there is less wastage of both materials and labor, and the firm produces a higher quality product.

Managing for safety is a process involving the implementation of a Safety and Health Management System (SHMS). The workings of a successful SHMS are not a secret, and there is no need to invent your own. There are currently several widely applied SHMS standards like the ISO 45001, ANSI Z10, and the OHSAS 18001. They all have similar components and are all based fundamentally in the plan-do-check-act model for continuous improvement. The most important components of SHMS are management commitment and worker participation; without these, no safety management program can succeed.

Many business executives will tell you about their safety culture, but I have seen too many examples when "safety culture" and "operations culture" clashed and, not surprisingly, "operations culture" won.

**From the CEO down, the message to all employees should be that "Doing it right means no one gets hurt."**

Take safety as seriously, if not more seriously, than anything else you do. To be truly excellent, safety must be not just a priority, but the principle at the core of everything the firm does.