

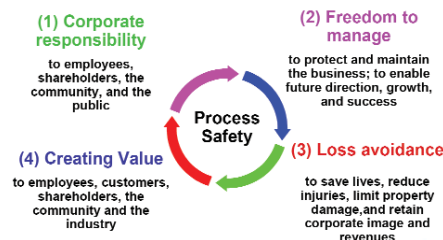
Ken Bingham



The Business Case for process safety management

The good news is that many firms in the Western Canadian chemical and process industry have active Process Safety Management (PSM) programs. The Canadian Society for Chemical Engineering defines PSM as "the application of management principles and systems to the identification, understanding and control of process hazards to prevent process-related injuries and accidents".

Managing Process Safety Is Good Business!



But, unless your organization is one of the 70 companies with over 200 chemical manufacturing sites who are members of the Canadian Chemical Producers Association (CCPA) Responsible Care® initiative, there may be confusion over the costs and benefits of practicing PSM.

As I have written about before, it is because of proactive and voluntary initiatives such as Responsible Care® that Canada has not had prescriptive types of regulation such as OSHA 1910.119 Process safety management of highly hazardous chemicals imposed on us.

For those firms who are not clear on the

costs and benefits of such a program, and to promote the practice of PSM, the AIChE's Center for Chemical Process Safety (CCPS) developed a "business case". Refer to <http://www.aiche.org/CCPS/Corporate/BusinessCase.aspx> for the full presentation.

In most organizations, the "business case" is used to obtain management commitment and approval for investment in business change. It documents the costs and benefits, the rationale for the investment. Some may suggest that a business case is the concept of having a non-technical reason for a project or task. Regardless of the formal definition, many firms today are wrestling with the issue of justifying PSM.

While accountants and financial wizards are extremely capable of identifying and quantifying costs in dollar terms, perhaps the biggest challenge for us is clearly outlining the benefits. A benchmark study of CCPS member companies provided evidence that PSM produces significant business benefits (both qualitative and quantitative) for the corporation, in terms of safety performance, environmental responsibility and product quality. **PW**

Readers can contact the author, Ken Bingham of ACM Facility Safety a division of ACM Automation Inc. for more information by email: ken.bingham@acm.ab.ca and by phone 403-264-9637



Quantitative benefits have measurable impact in terms of the bottom line and company performance.

QUANTITATIVE BENEFITS

Loss Avoidance / Risk Reduction
 Save lives / reduce injuries & business interruptions
 Reduce property damage / cost of major incidents
 Protect market share and share price
 Reduce fines / litigation / regulatory penalties
 Reduce senior management distractions
 Improve industry image / positive ripple effect
 Reduce potential liability of senior officers

Creating / Sustaining Value
 Improved reliability of supply and customer loyalty
 Reducing risk during restructuring / M & A
 Up to 5% increase in productivity
 Up to 3% reduction in production costs
 Up to 5% reduction in maintenance costs
 Up to 1% reduction in capital budget
 Up to 20% reduction in insurance costs

While it is natural to focus on the tangible benefits (those we are able to be perceive and therefore measure) above, it is perhaps the identification of less tangible or "soft" benefits that deserve more attention. Qualitative benefits are realized in the way the public, shareholders, government bodies, and customers relate to the company.

QUALITATIVE BENEFITS

Corporate Responsibility
 Protects reputation and shareholder value
 Lower risk profile in investment community
 Enhanced corporate image and brand
 Lower concerns within local community
 Positive for employee morale / attraction / retention
 Potential for better insurance / banking terms

Business Flexibility
 Keeps your license of operate
 Accidents reduce ability to choose
 Investors like firms who keep growth options open
 Helps attract and keep top performers
 Keep on good terms with regulators
 Promotes prompt regulatory approvals / permitting

For firms who choose to embark on a Process Safety Management program, they can expect significant returns on their investment. Using the "business case" approach, you have a way to state your position with all the key benefits identified.