

# Driving safety improvement

*Improving business performance through strengthened road driver management*



As businesses improve safety performance in their core operations, risks relating to road transport are stepping into the limelight, and concerns are being raised at board level as threats to business performance are becoming clear. Road traffic accidents are the 8th leading cause of death worldwide, the 1st cause of death among 15-29 year olds and cost more than 500 billion USD per year. It is time for businesses to launch a strategic approach to reducing driving related risk.

## Driving: A key business issue?

Driving is one of the highest risk work-related activities and poses a significant threat to business performance. Work-related driving is undertaken by millions of people every day, whether it is for commuting, travelling, selling, transporting or distributing materials or products. The sheer volume of driving activity across these activities means that risk exposure is high, and companies are finding that the number one cause of fatality is driving related. Driving risk manifests itself not only as potential fatalities, but also as increased insurance costs, employee lost-time and reputational damage.

*“55% of our fleet is involved in road accidents each year – a cost of 60 million USD if third party and consequential losses are included. This is namely one-tenth of the global fleet value” – Global Safety Director, Major Multinational in Pharmaceutical and Biotechnology.*

## Driving improvement

In the past, corporations have focused on core risks, such as those affecting workers within site boundaries, as they are more tangible and impacts are felt more directly. The strategic focus on driving activities has usually been efficiency: moving both

goods and people as swiftly and reliably as possible. One CEO of a British rail company recently reported that their highest risk priority is now staff car accidents rather than their core business of operating trains, signalling a remarkable shift of focus.

Our multi-sector experience has highlighted three key strategic ambitions underpinning the need for a more proactive approach:

- Corporate reputation
- Cost saving
- Legal exposure

## Corporate reputation

Media coverage and social networking activity have transformed how information is communicated and disseminated, to the point where it has become tough to prove authenticity or exculpate the parties involved in road accidents.

Imagine a distribution truck emblazoned with the company logo, which is involved in a major pileup, making the headlines on the evening TV news. Will the public be concerned about whether the truck driver was responsible for the accident or not, or if it was a company employee or a contractor driving the vehicle, when they are forming their opinion of the company from the accident?

## Cost saving

It is clear that effective road driving management supports good business performance, like any key contributor to the risk profile. Installation of a driver monitoring process and equipment across a company's fleet can produce demonstrable improvements in all aspects of performance whether it is to prevent fraud and loss of goods, to decrease fuel consumption or to promote sustainable driving, in addition to reducing accident rates attributable to a company's drivers.

*“Telematics monitoring rapid acceleration and heavy braking often show a good return on investment from the savings from increased fuel efficiency and vehicle life” – Group Risk Director, Major Consumer Goods Company.*

Reducing rates of road accidents saves a plethora of costs, ranging from a few hundred to several million pounds, many of which may not necessarily be (or cannot be) insured against. These can be human costs (staff turnover, hospital expenses, compensation, family pension, funeral costs, etc.), operational losses, losses of goods, vehicle repairs or replacements, court and lawyer's fees, insurance costs and future increases in insurance premiums. All of these generate tremendous costs to the business, have a direct impact on the profit margin, and can be very challenging for a company to recover.

We have recently assessed, for an international road transport operator, that costs arising from road accidents amount to approximately \$30million/year across the Group and more than one-third of profits are held in reserve in anticipation of insurance payments. In one case, a single accident has lost several million USD in legal fees alone.

## Legal exposure

Whilst companies' liabilities vary by geographic region there is a clear trend in the tightening of laws and expected corporate responsibility in proportion to the stage of economic development.

A crane hire company in the UK was recently charged with corporate manslaughter after a fatal accident due to an alleged brake failure.

Many driving activities across the supply chain are outsourced and historically it may have been acceptable to transfer all associated risks and responsibility to contractors. Now, it is clear that companies have a duty to select competent contractors and monitor them to ensure that they satisfy safety requirements. We have observed resistance among businesses to accept this duty, meaning that this risk is often inadequately managed.

When operating in developing countries, multinationals have been obliged to expose their risk portfolio to higher road accident and fatality rates, which are often accepted as inevitable. Indeed, our recent analysis of accident investigation reports for a major multinational consumer goods company showed that, in most cases, the 'underlying cause' of road accidents was attributed simply to driving conditions and culture rather than anything which would provide a basis for future prevention of a similar accident (such as driver competence). Analysis of the same company's fatality data shows that the focus has previously been on site security and manufacturing operations, although road related accidents now account for 85% of fatalities reported. The board has now accepted a shift of focus is required.

## Elements of a safe driving programme

Whilst many companies have the rudiments of driver training in place, strategic approaches for safe driving programmes are less common. A strategic approach is required as cost-effective and sustained success requires tackling the underlying causes of current accidents, alignment of driver programmes with broader company culture, and the need to influence not only the directly controlled workforce but also contractual/supplier relationships.

Our experience shows that a successful driving programme should be constructed around three core pillars:

- Are all **drivers** competent and fit for the task, and driving according to standards?
- Are all **vehicles** safe for service?
- Is the **driving environment** safe, including controls for driving related activity at either end of the journey e.g. loading/unloading?

## Competent drivers

It is often said that human error and deliberate acts contribute to 99% of accidents. It is fundamental to ensure that all drivers, whether they are employees, contractors or third party suppliers are competent for their role and are always fit to drive. Three stages are critical to securing high levels of driver competence:

- Profiling, recruitment and selection
- Training
- Performance monitoring and development

Rail companies have developed rigorous driver selection systems over the years, which leading companies are now learning from for road drivers. These include specifying minimum requirements for driver background checks including their driving record, experience, medical checks, and psychometric profiling to better match candidates with the driving role. The importance

of one-on-one interaction with candidates is recognized, and senior managers themselves are participating in interviews with prospective drivers or at the least investing in high-quality recruitment teams. Candidates who already hold a licence are given a behind-the-wheel test with competent examiners to determine whether they demonstrate the right skills, potential and driving style. All of this requires the bar to be set on what the minimum requirements are for skills and attitude, so that a good foundation can be built to improve overall safety performance.

Drivers then need to be brought up to defined competence levels required for their role, with pass/fail criteria clearly defined and an acceptance that not all candidates will make the grade. The key is to provide a good mix of theory and practical behind-the-wheel training with high quality instructors. A recent benchmarking study shows that the quality of driver trainers is as important, if not more so, than the content itself. An engaging style using practical examples and delivery to small groups of trainees is likely more effective than relying solely on videos or lecture style training. In our experience, defensive driving practical training generates a substantial benefit to driving performance and associated reduction in costs. For example, one international road transport operator incurs an annual loss of £10 million due to defensive driving failures, representing half of their total road accident costs. Their focus is now clear, and the budget for increased defensive driver training has been approved by the corporate centre.

It is often assumed that once drivers have passed initial training that they are competent to drive, but companies with proactive driver management programmes have learned that ongoing monitoring and periodic refresher training is critical to securing a sustained improvement in performance.

*“The problem with direct observations of drivers is that they don’t tell us how they really drive during operation every day. We need a mix of overt and covert monitoring” Lead Driver Trainer, Bus Company.*

Monitoring can encompass a wide range of methods from roadside observations, use of on-board telematics, to behind-the-wheel covert and overt evaluations. Effective programmes select an appropriate mix of methods that are feasible given the realities of the operation. For example, one African bus operator significantly increased its level of ‘on-street’ monitoring of drivers compliance with safety rules in cities. Combined with a clear reward/sanction scheme this has sustained a significant reduction in accident rate. Smart companies are aware that new drivers tend to have higher accident rates, and so deploy additional monitoring activity in the first 6 months.

## Safe vehicles

A safe vehicle has high operational reliability and is checked for faults or defects that could lead to it function in any way other than that expected each time it enters service.

A vehicle becomes part of an employee’s place of work and should be treated as such. The manager in charge of engineering should set a minimum specification for procurement of new vehicles, and define the equipment that must be working and in good condition before vehicles enter service. Leading companies are taking a more proactive approach to the competence of mechanics rather than relying solely on experience. Metrics indicating the effectiveness of preventative maintenance are being measured to set improvement objectives for safer vehicles.

## Safe driving environment

The driving environment is the factor that is arguably the hardest to control of the three discussed in this paper. Road conditions in some countries are poor and the base level accident rate is high. Nevertheless, we have seen success in securing a safer driving environment even in challenging locations. We have worked with one bus operator who has leveraged their route risk assessments in discussions with the city council (their customer) to avoid hazard hotspots on routes. The result shows a clear reduction in collisions with street furniture.

Route risk assessment pinpoints locations on the route where particular hazards exist, or specific times when hazards may be more likely to arise. This is then used as part of the route planning and to provide specific training so that drivers are aware of these hazards. Route risk assessment is an opportunity to take some control over the external risk, and to better engage drivers in the safety programme, by asking them for their hotspots

Where loading and unloading operations are part of the routine activity of the drivers, these will introduce additional risks requiring focused attention during the safe driving programme. These specific operations should be controlled by requirements and procedures ensuring that the vehicles and equipment, the selected location, the environment and people’s qualifications are all fit for purpose and that loading and unloading operations can occur in safe conditions.

## Summing up – Insights for the Executive

Road driving management is of the highest strategic importance for the executive, to reduce risk exposure and improve business performance. Corporate reputation, cost saving and legal exposure are the three strategic ambitions to be considered and converted into strong opportunities to secure business growth while governing safely driving activities.

An executive-led strategic approach for safe driving programmes is required as cost-effective and sustained success requires tackling the underlying causes of current accidents, alignment of driver programmes with broader company culture, and the need to influence not only the directly controlled workforce but also contractual/supplier relationships. The crucial key success factor is not limited to simply looking at driver behavior, but rather to engage in a systematic approach embracing the driver selection, development and monitoring, the vehicle (including best use of new technologies), considering routes selected, and the road environment itself.

## Success stories

With one of our clients, we helped to develop a safe driving programme as part of a wider safety programme at group level. The programme started with defining minimum requirements for all aspects of driver competence, safe vehicles and route risk assessment. Recently, for the same client we have reviewed the best practices across their diverse operations and the Group have used this to drive further improvements in specific aspects of training content and delivery, and improvements to monitoring arrangements.

A remarkable 60% reduction in harm from driving related accidents has been achieved across the group, which operates in three continents.

Over a five-year period, we worked with the English Highways Agency to review the safety of the M42 highway, when active traffic management was being implemented. We developed an approach that analyzed the effect of many driver behaviors on highway safety, considering the different types of driver that use the highway. We then worked with the project team to see how the road environment (markings, layout, signs and signals) could be used to influence driver behavior and thus improve the safety of the highway. Using this approach, the project was able to understand and significantly change driver behavior. Using data from the three years after the project went live, it was possible to identify a significant change in driver behavior and an 85% reduction in the number of serious accidents.

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Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

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