



ALCOA: LEADERSHIP AND ITS RELATIONSHIP TO SAFETY

The most compelling part of the Alcoa risk management story is how the company changed – not the business – but the changes in the employees themselves and the way they felt about their employer.

When he became CEO of Alcoa in 1987, O'Neill didn't know anything about aluminum. He also believed that if Alcoa was going to improve its processes and deliver greater value to customers, it would take all of Alcoa's employees working together to make that happen. To O'Neill, the greatest risk was not the standard CEO discussion points of profits or taxes etc., it was whether the company was harnessing the power of its greatest resource: Alcoa's 145,000 employees.

If people are your company's greatest resource and their unrealized potential is your company's greatest risk, what do you do? In O'Neill's case, he was determined to show that Alcoa's management truly cared about the employees as people. The only way to do that was to *actually care* about them and to prove it, he declared that Alcoa's most important priority was the elimination of all job-related injuries. At his Wall Street introduction as CEO, O'Neill said:

I want to talk to you about worker safety. Every year, numerous Alcoa employees are injured so badly that they miss a day of work. Our safety record is better than the general American workforce, especially considering that our employees work with metals that are 1500 degrees and machines that can rip a man's arm off. But's it not good enough, I intend to make Alcoa the safest company in America. I intend to go for zero injuries.

O'Neill delivered the same message at each Alcoa plant he visited and, as a point of emphasis, he shared his home telephone number with the employees, telling them to call him personally if they had unmet concerns about safety.

Within two years, Alcoa's injury rate (which was already an industry best, had declined to 1.8 per 200,000 manhours, making it more likely that someone would get injured working as an accountant or software designer than handling molten metal at Alcoa. O'Neill didn't dwell on the numbers. Instead, he brought the statistics back to his central point – that Alcoa's people and their wellbeing was his most important priority. In a memo distributed to the entire company, O'Neill wrote: I want to congratulate everyone for bringing down the number of accidents. We shouldn't celebrate because we followed the rules, or brought down a number. We should celebrate because we are saving lives.

O'Neill's ultimate objective was habitual excellence, a behavioral pattern that would lead to the desired business outcomes. The focus on safety naturally stimulated a much broader discussion about processes in general because you can't tackle safety without understanding the inherent processes that comprise the job. More importantly, the company had unlocked the potential of the workforce to work together on improving processes. No matter the issue, the workforce knew how to work together to problem-solve.

SandRun Risk 1/16/2018

It might be worth noting that the annual revenue for ALCOA was up 5 times from when Paul became CEO to when he retired 13 years later.