



Key Risk Indicators – Are Yours Leading or Lagging?

Data can reveal a lot more than just profits and losses

Data is everywhere. There aren't too many day-to-day experiences any more that aren't somehow linked to data. With the explosion of available data, and the inherent responsibility of using it wisely, how can businesses be sure they focus on the right pieces of data and develop meaningful metrics to use it to measure results? Where do you even start?

First, Obtain Data

First, know what your risks are—the *key risk indicators*. Assemble data and information collected from your loss history, recorded near misses, observed unsafe acts or unsafe conditions, self risk assessments, workplace inspections, corporate audits, employee training, and perception surveys. This data can help you see the “big picture” of the effectiveness of your current risk management programs and help you anticipate future loss exposures to proactively work to prevent them.

Second, Measure the Overall Risk

Now the fun begins! Put the data to work for you to help predict the possibility of future incidents. Your goal is to classify the data based on its overall risk frequency and severity, and use it to determine how your business could be affected in the event of an incident. Once you analyze how specific risks could impact your operational efficiency and profitability, you will have a clearer picture of what needs attention.

Third, Identify Areas Needing Improvement

These areas will hurt you the most in the event of an incident. Focus both on physical and personnel assets. This may be a policy or process, a building, a machine or tool, or a driver, mechanic, or your best salesperson. Your results here should be prioritized: put the most severe risks first based on their potential impact.

Fourth, Take Action – Implement!

Use the information revealed in the previous three steps to take action. Correct areas identified as needing improvement. Implement new policies and/or procedures. Communicate with your employees, both on the positives discovered through your data collection, and on areas necessitating changes. Follow up with training to ensure they understand the risks and fix unsafe behaviors. Empower your employees to take control whenever they recognize hazards. Your actions should be consistent with other management processes and procedures to ensure you are sending a clear and consistent message to employees.

The Risk Management Conundrum

The hardest part of risk management is tying a metric to incidents that *don't* happen because of good, consistent risk management practices. Focusing on leading indicators is a strong start. Your overall culture will drive your practices. Your practices will drive your results. Your results will speak for themselves. Using leading indicators to identify and control problem areas before they control you is central to a strong risk management culture.

Start Today to Improve Your Tomorrows

Ask yourself this simple question: “Is my risk management program leading or lagging?” If it's lagging, data analysis can help your business make up ground. Using risk management indicators to take the lead on operational efficiency and improved profitability is a great place to start. Where will the data take you?

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