

## FLEET RISK MANAGEMENT – THE PROFESSIONAL APPROACH

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### THE CHALLENGE

Fleet accidents cost money, harm lives, damage morale and efficiency and have massive hidden costs. These facts are undisputed. In addition, accident levels in most fleets are unnecessarily high and could well be a barometer of something more serious within the organisation.

Every fleet has its own unique risk profiles that are affected not only by job and vehicle types but by management styles and employee perceptions. Depending on the way that the organisation is structured and run, these profiles may vary between operations or departments or be uniform throughout the organisation. Reducing accidents by correctly diagnosing and responding to those profiles requires specialised knowledge and experience... and yet most organisations attempt a “do it yourself approach” which at best is not cost effective and at worst will cause a significant escalation of the problem.

There are many factors that affect the fleet’s accident record. They range from those that are entirely within the control of the organisation employing the fleet drivers - for example corporate loyalty (“why should I care?”) and safety culture (“does it really matter?”) to driver-specific aspects such as driving skills and experience and the use of alcohol and drugs. All of the factors are, to some extent, within the control of the fleet operator – although those relating to motivation and commitment may only be

capable of being solved at board or senior management level.

**Case study 1:** Our discussions with HGV drivers in one fleet revealed a dominant feeling that they were pariahs on the outside of the organisation – only the transport manager ever communicated with them, and usually in a negative way. Correcting this – and nothing else – not only reduced accidents but increased productivity. It is unlikely that the drivers would have been as open with someone from within the company as they were to an outsider with no perceived political agenda... and equally unlikely that anyone within the organisation would have had the courage to place the solution to the problem where it belonged – in the lap of the CEO.

The key influence on accidents is what takes place in the mind of the driver. At the back of the mind at a subconscious level there are:

- Driving skills
- Experience
- Attitude.

Attitude is at least as great an influence as driving skills and experience combined – and is typically the dominant cause of over 50% of fleet accidents.

All three things are closely related:

- **Experience** is strongly influenced by attitude - it is not what you experience, it is what you do with it.

- The wrong **attitude** will waste all of that experience by preventing you from learning from mistakes. With the right attitude, experience builds on and refines basic driving skills.
- **Driving skills** can be ignored, or sublimated, by the wrong attitude, the most damaging of which is the very common inability to accept that your driving skills are less than perfect – despite evidence to the contrary.

Equally importantly is what takes place at the front of the mind - the thoughts that dominate the attention of the driver minute by minute as he or she drives the vehicle. An excellent driver's thoughts are dominated by the road ahead, the hazards and potential hazards. However for most drivers there are many distractions. These can vary from the physical - a mobile phone, a cigarette, manipulating the vehicle's radio, reading a map or directions - to a distortion of concentration caused by drugs, alcohol or sleep deprivation. The driver's concentration can also be diverted because they are lost, stressed or worried.

**Case study 2:** In a major electronics company that was in serious and well known financial difficulties the number of its fleet accidents doubled during its period of acute uncertainty. The reason was simply that the drivers were completely distracted by the resulting stress, personal worry and insecurity against which the possibility of having an accident paled almost into insignificance.

Many of these factors are strongly influenced by the fleet operator. Consciously or unconsciously organisations can massively influence the way that their drivers behave whilst behind the wheel. This can vary from the very obvious steps and procedures that make drivers aware that accidents of any sort are unwelcome and are taken seriously to making sure that other messages given to drivers are not misinterpreted:

**Case study 3:** The sales force of an office supplies company was addressed by the sales director and told that if they could fit an extra two sales calls each day then turnover and profits would increase significantly. This message was not qualified by saying "and you can achieve this by better diary or route planning" and most of the (naturally macho) sales force interpreted this as an encouragement to cut down on driving time between calls by driving faster. The result was a 30% increase in accidents that was reversed once we had diagnosed the cause and had the sales director restate his message with the correct caveats.

The first three case studies are examples of single causes. It is more common for there to be multiple interrelated causes and some factors are linked to issues that are way beyond the pure management of the fleet itself – such as the isolation of the drivers in case study 1 or the issues that emerged in the following case study:

**Case study 4:** In one fleet, lack of job flexibility amongst sales drivers was leading to boredom, lack of commitment, high labour turnover and reduced effectiveness. In the fleet risk context the boredom had led to lack of concentration and, in the macho drivers, increased risk taking.

It took our fleet risk exercise to uncover this – despite existing HR processes such as employee satisfaction surveys and exit interviews. It was one of six factors that were deemed to have a significant influence on accidents. The possible need for greater driving skill or experience was ranked as only a minor contributor (so driver training would not have achieved a great deal) so was not one of the six factors, all of which were in the HR arena.

Clearly every fleet has its own risk profile and each fleet must be tackled individually and be based upon an understanding of that profile. However for most organisations fleet risk

management is conducted by someone within the organisation who does not have the necessary specialist skills and whose solution reflects their own amateur prejudices - for example to punish or reward the drivers (either courses of action has considerable pitfalls), to buy unnecessary driver training or to record and act on irrelevant data.

## THE PROFESSIONAL APPROACH

DBRC's professional approach has eight stages:

1. **Establishing whether there a problem** and if so, it's extent. Where in the fleet are the accident peaks? - Without proper benchmarks (see below) it is impossible to judge. There have been instances where high accidents have merely correlated to correspondingly high mileage and yet an accidents-per-vehicle calculation has produced a totally misleading picture as to where the problem lies or even if there is a problem.
2. **Investigating the causes of the problem** – This stage is discussed below.
3. **Deciding the strategy** to address the problem, drawing on the knowledge gained in stages 1 and 2.
4. **Implementing the strategy** – possibly including management action in areas unconnected with the management of the fleet. A vital component is getting buy-in from all concerned. This will be far easier if the strategy is soundly based on reliable research and experience and the likely results can therefore be robustly demonstrated.

Occasionally there is a need for focussed driver training – for example, low speed manoeuvring or winter driving. However blanket training, individually or in a classroom, is hardly ever cost effective.

5. **Monitoring the strategy** through a series of key performance indicators (Make sure that you pick the right ones – red herrings abound)
6. **Reacting** to that monitoring to correct things that go badly at an early stage and continuously learn from and share things that go well.
7. **Keeping it alive.** This is particularly important because a significant part of the strategy will rely on creating, maintaining and supporting a safety culture. Tackling fleet accidents is rather like keeping fit - you cannot just do it once, you have to maintain the initial commitment and enthusiasm.
8. **Reacting to change** - the drivers, the jobs, the issues and the environment will change. The strategy must continue to address today and tomorrow's issues, not yesterdays.

## IDENTIFYING THE PROBLEM AND ITS CAUSES

Five things are needed. They are:

1. **The right statistics** - few organisations will have these. Information kept by or for insurers is usually of little use.

**Example:** one of the basic requirements, accidents related to mileage, is rarely available. Without it you cannot benchmark either internally or externally, denying you the opportunity of even establishing the extent of

your problem and the potential for improvement.

**Example:** the practice of analysing accidents by incidental characteristics rather than by cause merely produces data that can look good in colourful pie or bar charts but nothing else. (Conversation with the manager of such a system: Manager: "Look at all these charts – impressive!" Me: "Yes, but what actions does the data point to?" Manager: "I haven't a clue – but look how much information we're giving them")

Irrelevant data includes statistics on the percentages of accidents that occur in various places or circumstances - whilst on motorways, whilst turning right etc. (Observation by a fleet insurer – "Risk management is easy – you just find out where the drivers are having a lot of accidents and change their route")

Some fleet loss management systems have over 100 characteristics which, apart from anything else, produce such low numbers in any of the categories that the results are statistically meaningless. (Risk manager: "Good news – we've reduced accidents in this category by a third" Me: "What are the actual numbers?" Risk manager: "Um... from 3 to 2")

Far more meaningful is the percentage of accidents that were influenced by each of a small number of underlying causes such as risk taking or inattention. To produce this analysis it may be necessary for someone with the experience of reading between the lines to go through all, or a sample of individual accident reports – the "flavour" that can be got by such an exercise will be far more valuable than any number of brightly coloured pie charts.

**2. Driver feedback** - someone needs to talk to a sample of your drivers to establish their attitude, perceptions and culture. In most organisations drivers will be far less frank with someone from the management team than

they would be with a skilled outsider. Establishing the trust and rapport needed to get at the truth in a non-threatening way is a specialist art that is totally different from, for example, the skills of most ex-police drivers.

**3. A study of procedures and influences** - the perception of drivers as to the importance that is placed on fleet safety is influenced in many ways, from accident reporting procedures to the control of messages that may be inadvertently be given out (such as in case study 3)

**4. A holistic view** – No fleet operates in a vacuum.

**Case study 5:** Our initial discussions with a large European parcel delivery company revealed that it was not only bad at managing its fleet risk but was equally bad at managing other, primarily HR-related aspects of the business. There was considerable cross influencing of factors that included employee morale and culture, absenteeism, the management of health and safety, the reporting and management of accidents, employee turnover, customer satisfaction and productivity. Only by understanding this wider picture could the fleet problems be tackled successfully. Having studied and modelled the factors and their interrelationships we calculated the potential gains to the bottom line (in excess of £5 million) to be many times greater than the cost of the fleet accidents alone.

**5. A skilled external professional** - fleet risk management is a professional job that requires considerable experience. Their skills are different to those required of, for example, a fleet manager. It is vital that the consultant is able to take an unbiased view of the politics of an organisation, is seen to be independent of those politics and is able to raise contentious issues without being suspected of having a hidden agenda or bias. This requires someone from outside of the organisation.

## WHAT CAN BE ACHIEVED?

This can vary considerably from fleet to fleet – as has been pointed out, there may not even be a problem, or one that can be solved cost-effectively. However, in most cases a great deal can be achieved, as can be seen from these final case studies:

**Case study 6:** This example shows how accidents were gradually and consistently reduced over a seven year period. The fleet was a European road tanker fleet with an average annual mileage of 13 million. After the first three years accidents had been reduced by 26% and after seven years by 62%. Thereafter the strategy concentrated on maintaining that low figure.

Often organizations do not maintain the quality of statistics that is needed to study the effect of a risk strategy over several years. However, in this example our involvement in both the initial investigation/strategy setting and the long term implementation enabled us to track the figures very closely over the long term and thus to produce a very detailed analysis of cause and effect.

**Case study 7a:** A UK based environmental management company with a fleet of 2,500 cars and trucks.

### At the outset:

- The accident frequency was 27 per million miles
- Overt accident costs were £900,000 per annum
- Third-party recoveries were 27%.

### At the end of three years:

- The accident rate had fallen to 18.3 per million

- Overt accident costs reduced steadily throughout the 3 year period with an average of £630,000
- Third-party recoveries had increased to 40%

The savings in direct accident cost over the three year period was £810,000 (30%). The consultancy costs to establish the problem, design the strategy and assist in the implementation of the strategy (including some very selective and strategic driver training) were £70,000. The direct return on investment was therefore 1,157%

Of course the consultancy cost was not the only cost to the organisation. It took management time and commitment. On the other hand the direct cost of accidents was not the only cost. It has been calculated that direct accident costs are between two and three times the total cost to the organisation; the hidden element includes management and administrative time, vehicle off-road time, and impact on employee morale.

If we assume that management time and commitment to implement the strategy equated with the consultancy charges and that hidden costs were 2.5 times the overt costs the total savings were £2 million for an investment of £140,000 - a return on investment of almost 1,500%.

Incredibly many of the organisations that would jump at such a potential return on investment focus initially on reducing or eliminating the £70,000 cost of doing the job professionally by trying to do it themselves. However, the final stage of this second case study illustrates perfectly the dangers of trying to take this cheaper route.

**Case study 7b:** The Company was then taken over by another company of similar size and with an accident profile very similar to the one that our company had before they implemented their strategy. The fleet risk manager who had presided over this poor

performance was put in charge of the entire combined fleet and scored early points in his expanded job by slashing the ongoing consultancy costs that were needed to maintain the initiative. The strategy that had been so successful in reducing accidents was abandoned in favour of his own (amateurish) ideas.

Within two years the entire fleet's accident rate was back up to in excess of 28 per million miles and all of the savings outlined were reversed. For a saving of less than £40,000 over two years he cost his company over £600,000 and rising.

As can be seen, improving your fleet's accident performance may not be a matter of high cost driver training - you may just need to improve some aspect of your management controls, or techniques. The key is in identifying where to apply the effort - and this is a task that should be left to the professionals. The result could be not only a dramatic improvement in your loss record, but a positive contribution to your overall corporate goals and culture.

*DBRC provides consultancy, training and coaching in many aspects of Business and Risk Management, including Motor Fleet Risk Management and Incident Recording and Analysis. For further information, see our web site [www.dbrc.co.uk](http://www.dbrc.co.uk) or contact David Davies – email [ddavies@dbrc.co.uk](mailto:ddavies@dbrc.co.uk); telephone 01635 865271*