



Benchmarking

Contractor Safety

Management with

Maturity Models

| The Need for Effective Contractor Management

It wasn't long ago when vertically integrated companies could rely on legacy services or mass-produced products for years. Today however, with increased competition and pressure to reduce cost and innovate, companies are relying on an ever-expanding network of external partners and contractors. While doing so provides great rewards, it also introduces varying levels of risk with the potential to harm the business.

Despite this increased risk, most companies often tend to deprioritize contractor management as a function. And, several factors contribute to the lack of oversight on contractor operations. Firstly, large hiring companies induct and monitor thousands of contractors, on an average. The sheer volume of safety and compliance documentation can be quite overwhelming.

Additionally, there might be varying levels of safety and compliance requirements depending on the hiring company, location, supplier specialties and more, which only further aggravates things. For younger companies with fewer resources, the challenges can be even greater since these companies tend to outsource much of their operations, increasing program complexity and the chance of a contractor incident.

In addition, working with an extended enterprise exposes organizations to higher levels of risk including financial fraud, regulatory breaches, workplace mishaps, reputational damage and sometimes, even loss of life. Workplace injuries or illness have a broad impact on an employer's bottom line. **According to research, non-fatal workplace injuries result in almost USD 60 billion as direct U.S worker's compensation cost every year. This is more than USD 1 billion a week spent by companies on these injuries. This includes both direct costs such as medical expenses, compensation payments, legal service charges, as well as indirect costs in the form of accident investigation, replacement employee training, lost man hours and so on.**¹



With cases of workplace injuries making headlines every now and then, it's clear that contractor governance, compliance and safety have not always been given the priority they deserve. Being a part of the contingent workforce, contractors are largely considered individual contributors. With little liability bonds with the employer, they're seldom indoctrinated within a company's overall safety culture. Apart from this, contractors are often required to perform non-routine tasks at locations that aren't under the purview of an official health and safety manager. In such circumstances, an unqualified, unskilled contractor performing a high intensity task can lead to a workplace fatality.

The good news is – there are federal and international compliance mandates requiring companies to ensure that their contractor safety requirements are fulfilled. The increasing stringency around process and personnel safety regulations and standards, both internal and external, has made contractor safety management programs a vital component in managing the outsourced workforce. Much like contractor performance, organizations also need to monitor their contractor safety through a strong established maturity model.

Key elements of contractor management programs include:



**Contractor
selection**



Documentation



**Risk
assessments**



**OHS/HSE training
and orientation**



**On-site
supervision**



**Evaluation and
lessons learned**



Measuring the Immeasurable: Contractor Safety Management Maturity Models

Models like The Bradley Curve have been popular tools for organizations to gauge their position in the journey towards building an effective safety culture. But these models often picture the safety culture as a single element, thereby painting an inadequate picture of the overall safety excellence that an organization should pursue. In order to achieve a robust contractor safety culture, enterprises need to implement a maturity model that is capable of defining the best practices for contract safety by applying a point system to determine organizations' overall maturity ratings.

At Avetta, we leverage a six-level contractor safety maturity model that identifies the organization's approach towards safety frameworks and underlines the best practices to move to advanced levels:

| Level | Characteristics | Best Practices for Progress |
|--------------------|---|---|
| Basic | <ul style="list-style-type: none"> ■ No safety strategy in place ■ Safety is viewed as a hindrance to running the business ■ Accidents are viewed as “inevitable” by leaders ■ Management not held accountable for safety | <ul style="list-style-type: none"> ■ Streamlining contractor safety management processes ■ Establishing an enterprise-wide safety strategy ■ Leadership buy-in on safety needs |
| Necessity | <ul style="list-style-type: none"> ■ Preliminary knowledge of safety processes ■ Safety is viewed as an externally enforced requirement that must be managed | <ul style="list-style-type: none"> ■ Incorporating safety at the outset of contractor selection (pre-qualification) ■ Establishing formal documentation framework for safety observations and incidents ■ Conduct risk assessments and safety training programs |
| Priority | <ul style="list-style-type: none"> ■ Basic KPIs in place ■ Safety is viewed as important and leaders focus on improvement ■ However, the organization is still predominately reactive | <ul style="list-style-type: none"> ■ Adoption of technology to ensure proactive safety measures ■ Establishing predictive data models to enable proactive incident aversion ■ Implementing safety compliance management software ■ Leverage third-party support to review safety policies |
| Goal | <ul style="list-style-type: none"> ■ Safety improvement is an explicit goal and is part of executive leadership-oversight responsibilities | <ul style="list-style-type: none"> ■ Employing mobility solutions to gather field safety data ■ Implementing further granular and broad analysis of data |
| Value | <ul style="list-style-type: none"> ■ Worker wellbeing and health are recognized as having interval-intrinsic worth ■ Decision and activities are oriented to pursuing safety for its own sake | <ul style="list-style-type: none"> ■ Establishing industry benchmarks ■ Enabling continuous safety process improvement efforts |
| World-class | <ul style="list-style-type: none"> ■ Safety is internalized and part of the identity of the organization ■ The organization is highly sensitive to subtle changes in exposure | <ul style="list-style-type: none"> ■ Pioneering safety innovations |

Here, the lowest maturity stage is characterized by a reactive rather than a proactive approach. Organizations at this stage have nominal awareness of their risks. With time, organizations recognize the risk vectors and implement an enterprise-wide safety strategy through stringent insurance requirements or contract language. This is the stage when company leaderships starts to buy-in on safety needs for contractors. Organizations at the necessity stage start operationalizing contractor safety risk management plans by incorporating safety at the outset of contractor selection through prequalification and establishing formal documentation framework for safety observations and incidents. More progressive organizations start prioritizing technology adoption to ensure proactive safety measures. Some implement predictive data models and contractor safety management applications to enable proactive incident aversion.

By level four, contractor safety management evolves as a more strategic function. Organizations implement more targeted processes and employ sophisticated mobility solutions to gather on-field safety data. The focus is now on analyzing data on a more granular level. In level five, organizations start setting industry benchmarks while enabling continuous safety process improvement efforts. And in the final mature stage, organizational goals become more future oriented. At this level, organizations start pioneering safety innovations and evolve as trend setters in the space.



Know Where You Stand and Strategically Map the Way Forward

Now that you know where you stand at the maturity curve and the ultimate goal, the following are some of the steps you should take in order to implement a world class contractor management program within your organization:

Closely Engage with All Stakeholders



Figure out all the key stakeholders within your company and involve them in the contractor management program. Apart from executive buy-in, you need to reach out to on-site employees who are ready to advocate for your program. Also ensure that you are exploring new ways through which technology can be leveraged to simplify your program such as automating routine tasks or expanding functionality of existing platforms.

Identify Risk Triggers



Evaluate your organization's risk tolerance level and figure out the corresponding measures you need to incorporate into the contractor management program. Can you start with a higher risk tolerance and slowly decrease it with time? Do you want to narrow it down according to project cost, facility or vendor. Ensure you have answers to all these questions before you launch your contractor management program.

Set Proper Evaluation Criteria



One of the best thing you can do to manage contractor safety successfully is to build it into the subcontracting process right at the beginning. Carefully determine the criteria of prequalifying approved vendors from an EHS purview. Clearly outline the performance, documentation and training standards that contractors need to meet and communicate the same to them.

Implement your Program



Once all the standards have been established, you can outline the nuances of your program on paper and ensure that all contractors and stakeholders understand and agree to the organization's expectations. The possible approaches that you may take is to ask contractors to read and sign a contractor safety handbook or train them before they are allowed to go on-site.

Reiterate and Future-Proof



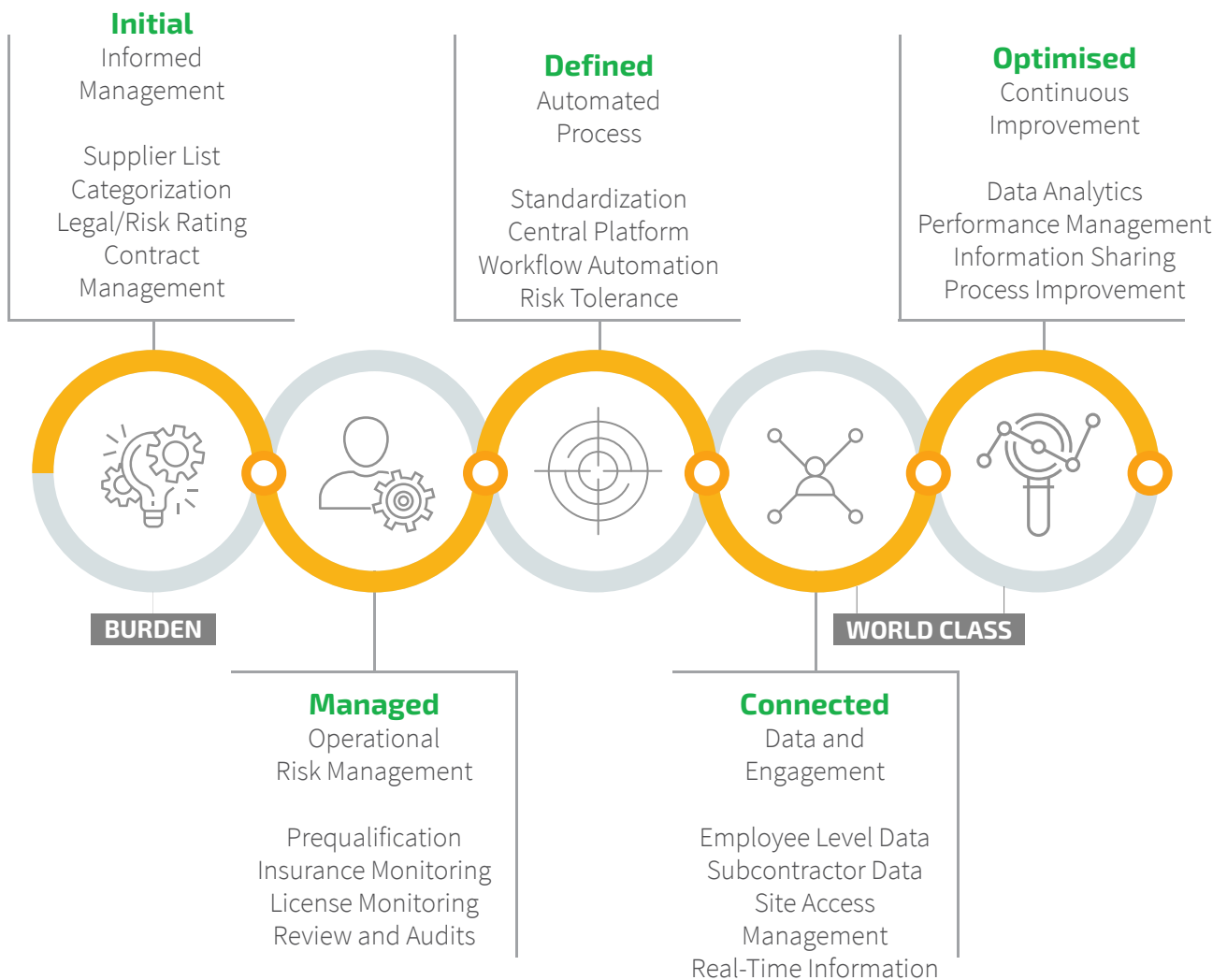
Once the program is implemented, analyze the results and iterate the process accordingly in order to make it robust over time. Determine how regularly your contractors will be required to be re-approved to be able to work with your organization. You can tie this up with contract renewals or set up your own vetting criteria. Also, ensure that there is a designated person or team to monitor contractor status and check documentation.

The Avetta Advantage

With years of experience in managing contractor safety, Avetta can help organizations at any level of the maturity model to identify gaps in their current contractor management methodologies and discover opportunities for improvement. Our end-to-end contractor management solutions can help you fortify your overall risk management culture, no matter in which stage of maturity your organization is at.



Evolving Supply Chain Risk Management Culture



Rounding Up

With slow and steady enhancements, you can bolster your contractor management function even under tightest budget and resource constraints. Remember, with contractor management, just like workplace health and safety – there’s always a scope to do more and small steps in the right direction can really make a lot of difference.

References

1. **Source:** United States Department of Labor;
<https://osha.gov/dcsp/products/topics/businesscase/costs.html>



About Avetta

Avetta connects leading global organizations with more than 85,000 qualified suppliers, contractors, and vendors across 100+ countries. We support the sustainable growth of supply chains through our trusted contractor prequalification, supplier audits, insurance monitoring, robust analytics and more. With real results in helping companies reduce TRIR, our highly configurable solutions elevate safety and sustainability in workplaces around the world—helping workers get home to their families each night.