



## **Expect Your Leaders to “Hold the Handrail”**

**Compliance and Ethics**





It may surprise you to know that despite the significant risks of manufacturing kilotons of often toxic or volatile products, the chemical industry is one of the safest industries in the world to work. This fact is born out of the US Occupational Health and Safety Administration (OSHA) recordable injury rate data. In OSHA's published industry rate tables, the chemical industry consistently ranks above most other industries and is nearly four times safer than hog farming. It turns out the farming of hogs is a fairly dangerous line of work. Whoda thunk?

Ironically, the chemical industry's laudable safety record is attributed to the fact that the work is inherently dangerous. Over the years, chemical manufacturers learned the hard way — via decades of explosions, toxic releases, burns, and poisonings — that a safe chemical plant is a profitable chemical plant. Conversely, a dangerous chemical plant can result in deadly catastrophes that can cripple a company. Think Union Carbide and Bophal. However, I know from personal experience that a significant measure of vigilance and discipline is required to maintain a world-class safety record. It also requires strong leaders who walk the talk.

Following seven years in the US Army JAG Corps, my first job as a civilian was as safety, health, and environmental counsel for a multinational chemical company. During my first two years with the firm, I worked with our safety, health, and environmental professionals at corporate headquarters and in our

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manufacturing locations around the world. Truth be told, I spent more time putting out fires — literally and figuratively — than preventing them. I recall one time when Barry, a partner at a law firm in New Orleans occupying the top floors of the downtown Shell building, gave me a call. He said, “Jim, how are ya today? I’m not sure anyone’s told you this yet, but your chemical plant in Gretna is on fire. Yes, sir, and it’s quite a show. Hundred-foot flames and black smoke filling the sky.” Fortunately, no one was injured in the blaze, but we did have to evacuate a nearby neighborhood and settle dozens of claims.

Despite our best efforts, these types of incidents were a regular occurrence, and our safety record ranked in the bottom 10 percent of the whole chemical industry. This all changed when Gary Cook and Roger Sharp took the top leadership positions at the company as CEO and COO respectively. Both Gary and Roger were former Dupont executives. As you may know — because of lessons learned in their early days making dynamite — Dupont has a very strong safety culture. Shortly after their arrival, Gary and Roger went to work building a self-sustaining culture of safety at our company. But getting there was not easy. Cultures are very stubborn things to change. They require leaders to shake things up. Leaders need to deliberately create anxiety in the organization to motivate a change not just in behaviors but in core beliefs. Gary and Roger knew how to do this.

Shortly after taking the helm as COO, Roger took a tour of our manufacturing operations around the world. When he visited the Gretna plant, the plant manager, Bob, showed him around. Halfway through the tour, Roger said, “Bob, I’ve seen enough for now. We need to go to your office to talk.” When they arrived at Bob’s office, Roger sat down in Bob’s chair, and Bob took the seat in front of his own desk. Roger then said, “Bob, you need to tell me why I shouldn’t fire your sorry ass.” Dumbfounded, Bob asked, “Roger, what are you talking about? Why would you have cause to fire me?” Roger replied, “Well, Bob, while we were taking the plant tour, I noticed that you weren’t holding the handrails when we went up and down the stairs. Now, Bob, I need to ask you, how can I trust you with the lives of 600 men and women in this plant if you don’t have enough sense to hold a handrail?”

Miraculously, Bob was able to keep his job. Forty percent of the other plant managers were not as lucky. They were dismissed because they lacked the ability to run a chemical plant safely.

In the end, Gary’s and Roger’s efforts paid off. Within two years, our safety performance went from the bottom to the top 10 percent of the chemical industry. In so doing, we did not change one policy or procedure. We had all the right words written down on paper. Instead, Gary and Roger set high expectations for our leaders and enforced them — ruthlessly. If you want your company to have a strong ethical culture, your senior leaders need to do the same.

It should go without saying that leaders must be held to the highest standards. Sadly, I’ve often observed the opposite. In many companies I’ve served, lower level employees were dismissed or reprimanded for minor transgressions, while significant misconduct by senior leaders was tolerated. Such a backward approach breeds cynicism and destroys employee confidence in a firm’s organizational justice system. It also significantly increases compliance risks by producing a weak ethical culture.

If your firm suffers from this dynamic, abandon the myth that policies and procedures drive behavior, and exert whatever influence you can to hold your leaders to the highest ethical standards. Experience has shown that when our leaders are corrupt, we become corrupt. When our leaders set the right example, we follow. Insist that all your leaders consistently “hold the handrail” even when no one is looking — and fire those who don’t.

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