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# THE LACK OF SYNERGY BETWEEN OPERATIONAL SAFETY MANAGERS AND FINANCIAL MANAGERS IN THE RAILWAYS: A SOUTH AFRICAN CASE STUDY

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## SUMMARY

Rail is amongst the safest of all modes of transport. It is a regrettable fact that railway incidents and accidents continue to occur and in such instances loss of life, damage to property and the environment can be significant. It is axiomatic that railway safety management is paradoxically a good and a costly business. The major challenge is to manage a business that is both costly and priceless by leveraging all the organisational resources at an organisation's disposal. It would be impossible to achieve the vision of no harm to physical assets, the environment and the people without human and financial resources. Financial liquidity is a prelude to safety; when businesses are not financially viable the much-vaunted safety goal would prove impossible to achieve. The Five Principles of Mars define the value of freedom as: "We need freedom to shape our future; we need profit to remain free." [1] The financial resources should be used to the fullest in a frugal way.

The railway ecosystem in the South African landscape suffers from a synergistic dilemma. It is notable that financial managers and operational safety managers are like the two streams that rarely converge. Operational safety managers have been scripted to solve operational safety challenges without paying enough attention to the economic detail. On the other hand, financial managers have been trained to look at life from a budgetary and financial management perspective. Conversely, operational managers are often not able to fully articulate their needs to the financial managers due to their lack of financial training; their mission is to solve all operational safety related problems notwithstanding the economic climate.

This study recommends University level type of training for both operational safety managers and financial managers on courses such as Rail Technology for Executives and Financial Management for Non-financial Managers.

**Key words**: Operational Safety, Financial Management, Austerity, Budget, Cash flow, Financial literacy

## INTRODUCTION

The *Oxford English Dictionary* defines synergy as "joint working" and "cooperation." It is self-evident that where there is cooperation, concord is palpable. Professionals in the railway business must cooperatively work with one another in an age where functional lines are blurring due to technological developments. These blurring functional lines must be catalysed by cooperation. When the team becomes stronger than the sum of the individual members, it achieves synergy [2]. *Kaizen* means continual improvement through synergy [3]. People sometimes act in ways that contradict, and conflict with, other people's expectations and that is a source of organisational disruption of synergy. Conflict emerges in a situation where people have different expectations and if the conflict goes unbridled; things deteriorate. Where synergy is absent, entropy sets in. Simply put, entropy means chaos, the tendency for things to fall apart where the centre cannot longer hold and therefore resulting in a gradual decline of the system. Contemporary management discourse asks: How can safety management and financial management work together harmoniously?

## PROBLEM STATEMENT

A financial position is one of the most powerful and envious functional positions in many organisations. It is also a zero-sum game. The more one controls the purse of the organisation, the more powerful they become. Financial managers have been trained to be financially conservative, and as a result of this phenomenon, operational safety managers are often frustrated when they are told about budgetary constraints. A Harvard professor, Theodore Levitt wrote an article in 1960 termed 'Marketing Myopia'. In the article he argues that the failure of railways in the United States of America was their failure to see themselves as being in the transportation business as the main reason why they experienced a cull- de- sac [1]. The failure of financial managers and the operational safety managers to see themselves as cooperative partners is a serious challenge in the South African railways. The problem that is being addressed is: How can operational safety managers be politically aplomb when dealing with financial managers?

## LITERATURE REVIEW

Society has always turned to biological sciences for solutions to solve intricate societal and organisational problems. Biologists argue that for a human body to be healthy, cells must work together. The lack of cooperation between organisational functions is tantamount to what cancer does to a human body. Cancer occurs when the body's own cells turn rogue and become a threat to its survival. Korten [4] graphically describes what happens when the critical genes that regulate cell growth become damaged: "Cancer occurs when genetic damage causes a cell to forget that it is part of a larger body, the healthy function of which is essential to its own survival. The cell begins to seek its own growth without regard to the consequences for the whole, and ultimately destroys the body that feeds it."

## HOW TO DEAL WITH SYNEGISTIC CHALLENGES

Most countries in the developing world live in a weak economic climate and South Africa is no exception. When organisations cannot keep their head above water; operational safety, environment and quality management also suffer. It is up to the operational safety managers to forge a cooperative relationship with financial managers. The problem is not with financial managers, but it is with operational managers who fail to use synergistic skills. According to Korten [4] people organise knowledge into a personal image of the world, which serves as a kind of your road map in guiding people's behaviour. "To understand behaviour, understand the image. To change behaviour, change the image." It is the responsibility of operational safety managers to understand the behaviour of financial managers and to change that image.

Synergy must be part of an organisational culture. For organisations to reach a competitive advantage, they should synergise at three levels, namely; technological, structural and political. There are three types of synergies namely; technological synergy, structural synergy and political synergy [5].

Technological synergy

Technological synergy refers to shared tools and techniques. These tools and techniques are frequently used to accomplish the following three general objectives: (a) information collection, for example, brainstorming, interview and survey (b) reaching decision through team consensus, for example, criteria rating, list reduction and weighted voting and (c) evaluation of data and action plans, along with charting results, for example, cost-benefit analysis, cycle time analysis and business assessment process.

Structural synergy

Structural synergy refers to system overlaps between safety management and financial management. Financial managers find it increasingly difficult to deal with hidden costs that emanate from safety, quality and the environment. The accounting professional has taken bitter strides in the past quarter of the century to make financial statements to more accurately reflect the performance and financial condition of corporations. The Generally Accepted Accounting Principles (GAAP) serve as guidelines or the guiding star for the accounting profession. For example, when accountants are faced with a dilemma of treating a transaction, they almost invariably choose the option that will put the smallest number on the income statement or balance sheet. They may also charge off all spending on intangibles such as research and development [6]. Accountants are conservative in their approach due to their training of preparing financial statements primarily for use by lenders and auditors and hardly for safety managers.

GAAP is incompatible with safety management. Full cost accounting (FCA) provides a means of accounting for safety and environmental cost. FCA as opposed to GAAP is not an exact science, nor is it widely practised in South Africa. According to Dennis (1997), the difficulty of finding accurate data and the absence of guidelines analogous to GAAP are the two major constrains of the FCA. Hidden costs such as inspections, investigations, monitoring and legal support must be identified and quantified by FCA. The incompatibility between GAAP and FCA is the root cause of conflict between the two disciplines. The apparent conflict between operational safety managers and financial managers is the tip of the iceberg; the underlying cause of conflict is a disciplinary challenge or paradigm. Although FCA is a difficult and imprecise process, it is nonetheless worth doing with a view to forging synergy between safety management and financial management.

Financial managers understand the critical success indicators (CSI) of their profession such as profitability, liquidity and cash flow as a result they take decisions based on these financial indicators. On the other hand, operational safety managers understand their CSI such as the frequency rate (FR) and the severity rate (SR) and feel strongly that the budget that is allocated to their safety projects is inadequate to meet their CSI. The term budget may either serve as a binding or diving force between financial managers and operational safety managers. When operational safety managers are told by financial managers that there is no budget for their safety needs then conflict sets in. If an organisation is viewed as a system, then the relationship between financial managers and operational safety managers should be addressed to avoid entropy.

<u>Political synergy</u>

Safety managers must learn that gone are the days when the word *politics* was synonymous with Machiavellianism. *Politics* is no longer a dirty word or something to be feared. Political synergy is the responsibility of a safety professional. Safety managers should identify organisational adversaries, supporters and resources. They also must think what objections their influential adversaries will have and carve out a strategy for their objections and their concerns. They must use resources to refine their ideas. This may turn an adversary into a supporter; particularly when their plan is linked to the organisational strategic goal. In order to survive in this ever-changing environment, a safety professional should forge alliances. The challenge of power imbalance will not be wished away. Safety professionals can no longer operate like an island, they need allies who will support them during budgeting processes. One needs political aplomb and expertise and the ability to present options along with pros and cons of ideas and situation, in an objective manner.

Dickens and Dickens [7] proposed the following twelve key principles for anyone who intends to play above the corporate ‘hoop’:

1. Identify people with power in your organisation.
2. Know what you want (i.e., change or bottom-line results) and when you want it.
3. Predict the reaction of the people involved in a situation.
4. Assess the personal risks involved in reaching your goal.
5. Know how much risk you are willing to take.
6. Deal with conflict; do not avoid it.
7. Have a face-saving contingency plan for withdrawing in case it becomes necessary.
8. Know how to make the power of the people involved work for you and not against you.
9. Use the power of the boss; others will respond to it.
10. Identify the critical issues and problems in your organisation.
11. Use an effective interpersonal behaviour style with both supporters and adversaries.
12. Stay on the offense by asking more questions than you answer.

Competencies

Safety management professionals must develop the following competencies with a view to remaining relevant in the 4IR. By competence, we mean not only all forms of available assets, capabilities and knowledge, know-how and skills, technologies and equipment in the organisation, but also the coordinated deployment of these assets and capabilities:

*Collaboration*: Ability to help others find consensus on issues or disagreements.
*Diagnosis*: Ability to research, reveal, and understand the root causes of organisation, process, or team problems.
*Feedback*: Communicating and insuring authentic two-way communication.
*Self –Awareness*: knowing one's internal states, preferences, resources, and intuitions.
*Self-Regulation*: Managing one's internal states, impulses, and resources.
*Motivation*: Emotional tendencies that guide or facilitate reaching goals.
*Empathy*: Awareness of others' feelings, needs, and concerns.
*Social Skills*: Adeptness at inducing desirable responses in others.
*Questioning or cross examination skills:* Objectively gathering information by various questioning methods to stimulate creativity and learning.
*Relationship Skills:* Successful application of verbal and nonverbal communication skills.
*Intervention*: Ability to objectively diagnose a situation and know what action is appropriate to take.
*Group process*: Understanding of group development processes.

## DISCUSSION

The safety management function no longer works in isolation and must now partner with various functions across the business in order to create and preserve value. In this context, it is important to train safety professionals or practitioners to acquire the skills and competencies they need to succeed in the long term. This means that in addition to core technical safety management skills, safety operational managers should be taught essential decision-making, communication and leadership skills. Financial managers were previously viewed solely as financial experts, but business has evolved. The confluence of advancements in digital, robotic and biological technologies also calls for the integration of organisational functions such as finance, operations, human resources, marketing, supply chain management to be catalysed by cooperation.

To conquer the fourth industrial revolution (4IR) safety professionals should be experts in human, social and technological sciences. An individual should be open-minded and understand that in this era, critical thinking is more important than memorising facts, because all information is now readily available on the Internet. Problem solving is more important than repeated work. The person should know that emotional intelligence is useful in the 4IR era because teams are more diverse and creative. The acquisition of knowledge should be broad, spanning the humanities, social sciences, science and technology.

## CONCLUSIONS

Artificial intelligence has reached the point at which the self-learning computational speed and capacity for the analysis of mega-data by complex machines has rivalled and, in some instances, already outperformed the human brain in a range of professions, so it is up to safety professionals to collaborate with other organisational functions. Most of the Baby Boomers (a group born after Second Word War between the mid-1940s (i.e. 1946) and early 1960s) are now bowing out from the corporate scene. Unlike past generations operational safety managers and financial managers must operate from a *quid pro quo* perspective in which they will demand value received for value given.

For these professional bodies to be truly cooperative, they must be truly transformative, and shift their emphasis towards intellectual and emotional creativity and problem-solving, coupled with innovative safety management regimes which challenge professionals to be adaptable and supportive of innovation.

## RECOMMENDATIONS

This study recommends University level type of training for both operational safety managers and financial managers on courses such as Rail Technology for Executives and Financial Management for Non-financial Managers.

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