THE VIEW FROM WASHINGTON

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Safety Management Systems: A Valuable Concept for Small Business

Risk analysis can be a valuable tool for small-business decision-making. It doesn't necessarily tell the company what to do or not to do; but rather, it gives the decision-makers more information to make better decisions.

No, I'm not changing my position on safety management systems. SMS, as recommended (and soon to be required) by the various regulatory authorities, misses the intent of the International Civil Aviation Organization. And, in many cases, an SMS designed for non-regulated industries is being applied to the regulated industry of aviation.

The basic ICAO concept of SMS for aviation is to have the entire "industry" integrated in evaluating and minimizing risk, which means the authority must continue its roles and responsibilities to regulate the industry, but based on the theories of modern integrated risk management.

It appears most of the proposals require establishing independent company SMS programs without any form of integration between regulated entities or between the regulated entities and the governing authority. Particularly absent is the authority taking responsibility as the head of the industry. (This is an entire article of its own right.)

This month, I want to address the business side of risk analysis and the pro-business benefits of adopting some of the elements contained within SMS, specifically risk analysis. Before I see my words served back to me by my favorite authorities, this article is about good business — something that is not the role and responsibility of the governing regulatory authority. A company can be completely safe and still be inefficient.

This information is for small businesses. The AEA's membership is comprised of nearly 80 percent small businesses (or small divisions of larger companies). How can the elements of SMS help these small businesses? After all, with less than a dozen people in a company lead by a sole proprietor who makes the decisions, isn't risk management already being addressed? Maybe, but probably not.

RISK ANALYSIS REQUIRES US TO ASK: "HOW IS THAT PRODUCT USED BY THE REST OF THE COMPANY?" "WHAT IS THE 'RISK' TO THE OTHER PRODUCT LINES?"

Let's look at a small company with only a few product lines. How does risk management fit this scenario?

Let's change one of the company's products. It could come in the form of product improvement, better customer service or a different supplier. When considering this change, do you analyze where the product is used and its trickle-down effect on the other product lines? Keep in mind, this change was made for all the right reasons — and it doesn't need to be a "big" change to impact other users of the product.

Risk analysis requires us to ask: "How is that product used by the rest of the company?" "What is the 'risk' to the other product lines?" The effect could range from little or no effect to a devastating impact. Most likely, it would be modestly better or worse, but normally in the middle range.

Now, let's look at something simple: a product brochure. One day, your administrative staff decides it is time to consider moving your product brochures onto the company website — which is something every company should consider at some point to stay competitive.

Paper copies are expensive to have printed, take up valuable space to store, and are administratively burdensome to mail to prospective customers. While the initial set-up costs are a little higher than a reprint, these costs can be recovered quickly and reduce workload. The move to the Internet allows information to be available 24/7 to anyone who ventures onto your company's website. All in all, this is a sound and solid business decision.

Have you considered how this will reflect on the rest of the company?

SMS MIGHT BE THE NEW BUZZWORD, BUT THE REQUIREMENT TO PERFORM A RISK ANALYSIS TO DETERMINE HOW YOU WILL MEET THE REGULATIONS IS AS OLD AS THE REGULATIONS THEMSELVES.

Where else are those product brochures used?

Perhaps they are used by your advertising staff, given to the local FAA office so it knows what you do, or handed out at trade shows. Here you have a basic business decision made for all the right reasons (saving resources, better use of labor and readily available), but which could have a net loss for other areas of your business (sales, promotion, outreach, education).

By looking at the entire company and how products are used, the decision-makers have more information to make better decisions.

How does this look when we add safety elements?

Let's change a parts supplier, for example. Same parts, but a different source. What's the trickle-down effect from this seemingly minor change? Who might be affected?

Let's start with shipping and receiving. You're comfortable with the paperwork and packaging from the previous supplier. The new supplier uses different packaging (cheaper, to save a few bucks); how will this affect your incoming inspections? Perhaps the paperwork is a bit different; will you miss important information during the review of the paperwork, which is required as part of your incoming inspection?

What about stocking? Now, you have parts from two different suppliers (and likely different back numbers). Do they need to be segregated or can they be co-mingled?

Are your technicians familiar with the new parts packaging, stocking, paperwork and inventory? Are the warranties the same? Will this cause a technician to question the source and begin a suspected unapproved parts review?

While the immediate benefit of a cheaper part is obvious, the net change to the company as a whole actually could be an increase in cost. By looking at the entire company and how products are received, stocked and used, the decision-makers have more information to make better decisions.

What about a new contract from a new customer? What is the impact on the various divisions of the company? Will you need to hire more people or do you expect everyone to work a little overtime? How will this impact the quality of your other customers' jobs? How will you qualify people to the new product?

Remember, you must perform a needs assessment any time you add a product line to your repair station business.

What is the impact of this new contract on parts stocking and inventory? Is it a new product line or just more of what you already stock? You need to qualify new vendors and suppliers, and if you are subcontracting component work, you need to have the "maintenance function" approved by the FAA.

What about tools? Does this new contract require special tools you don't already stock? Do they require calibration? Remember, any additional test and calibration equipment likely will impact your tool control and calibration programs?

What about the time and effort to get your repair station manuals changed? One of the most costly elements of any new contract is the required changes to the repair station manual, quality manual or training program.

Initially, the contract sounded really good, then you started piecing together the logistics of fulfilling the contract. By looking at the impact on the entire company and the changes necessary in each division, the decision-makers have more information to make better decisions.

The regulated piece of each of these various examples asks the question: What is the impact of the change on the repair station's ability to conform to the regulations?

SMS might be the new buzzword, but the requirement to perform a risk analysis to determine how you will meet the regulations is as old as the regulations themselves.

While the basic premise of most of these business performance concepts focus on large multi-tiered organizations where division managers focus on their individual performances without considering the downstream effect of their changes, I hope this simple review of risk analysis shows how even small companies can benefit from using these tools.

Organizational risk analysis is a good tool to minimize surprises in small businesses. ❑

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