The Financial Impact of Workplace Violence

To ensure that you and I are 'on the same page' regarding what the meaning of workplace violence is let us start out with a definition. "Violent acts including assaults and threats which occur in, or are related to the workplace and entail a substantial risk of physical or emotional harm to individuals, or damage to an organizations resources or capabilities." More specifically it includes:

- Actual violence that causes or is intended to cause injury or harm to a person or property
- Threatening remarks and/or behavior in which intent to harm is stated or implied or indicates a lack of respect for the dignity and worth of an individual.
- Verbal abuse
- Mobbing, bullying, emotional abuse
- Possession of a weapon while working or on company property

From a legal viewpoint, workplace violence is governed by the Occupational Safety and Health Administration (OSHA) which is a division of the department of Labor. Under OSHA's General Duty Clause employers are required to provide a safe work environment for employees that is free of known hazards. Since workplace violence has been recognized as a 'known hazard' the courts have offered the following definitions to help clarify when hazards must be considered.

When hazards:

- create a 'significant risk' to employees in other than 'a freakish or utterly implausible concurrence of circumstances,'
- are known to the employer and are considered hazards in the employer's business or industry
- are ones which the employer can reasonably be expected to prevent.

I should further point out that workplace violence is unique as a workplace hazard because unlike other hazards it does not involve a work process, but instead an act committed by a person. Because workplace violence is committed by a perpetrator the definition has been grouped into one of the following categories when a violent act is committed in the workplace or while an individual is performing their job:

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- an individual (stranger) that has no legitimate relationship with an employee or the employer, e.g., a robber of a convenient store
- an employee or ex-employee
- an individual that is or has been a client, customer, contractor, vendor or has had a legitimate relationship with the employer
- an individual that has an intimate, family or other relationship with an employee

Now that we have a common framework for what workplace violence involves let's turn our attention to the core focus of this chapter – the financial impact that it can have on an organization.

Let's begin with some historical data on the cost of workplace violence.

- In 1992 the Department of Justice estimated that the cost of workplace violence to employers was approximately $6.2 million dollars[1]
- In September of 1993, the National Safe Workplace Institute released a study pegging the cost of workplace violence at $4.2 billion annually. They estimated that in 1992, 111,000 violent incidents were committed in work environments, resulting in 750 deaths.[2]
- In 1995 the National Council of Compensation Insurance found $126 million in workers compensation claims for workplace violence.[3]
- A study released by the Workplace Violence Research Institute in April 1995 showed that workplace violence actually resulted in a $36 billion annual loss.[4]
- According to the Bureau of Justice Statistics, about 500,000 victims of violent crime in the workplace lose an estimated 1.8 million workdays each year. This presents an astounding $55 million in lost wages for employees, not including days covered by sick and annual leave and a loss of productivity that has direct consequences for an employer's bottom line. [5]
- The Bureau's statistic further state that domestic violence causes employees to miss over 175,000 day of paid work annually and 66% of Fortune 1000 senior executives recently surveyed said that financial performance of their company would benefit from addressing the domestic violence experienced by employees.[6]
- Lawsuits in the area have been impacting cost substantially. The average out-of-court settlement for this type of litigation approaches $500,000.00 and the average jury award of $3 million. A few awards have reached as high as $5.49 million. (Campbell and Karin, Workplace Violence Reporter)[7]
- For six to 18 weeks after an incident happens there is a 50% decrease in productivity –in other words, less widgets – and a 20 to 40% turnover in employees according to Duane Frederickson, Detective, Minneapolis Police Department.[8]

The actual cost of workplace violence is very tough to pinpoint because, in most instances, appropriate financial data specific to workplace violence in a given organization is generally not kept. Thus, at a macro level it is very hard to be

able to clearly track the cost. In addition, multiple variables are involved, hard and soft cost, and probably the most difficult issue is that companies are reluctant to expose imperfections in their operations, safety procedures, employee practices, etc. Most firms that experience serious workplace violence incidents want to put a spin on the events to minimize the negative publicity and impact on the business. So the cost are buried in the shuffle to get the event behind them and present the aura of 'all is well' and business as usual to avoid spooking their customers and shareholders.

While most workplace violence experts agree that serious workplace violence incidents are generally preventable by a company having a progressive and comprehensive workplace violence prevention effort in place. However, even for a firm that practices due diligence, the stark reality is that we do not have an exacting capability of predicting who will explode, when or where it will happen and the commensurate outcome. Potential perpetrators don't walk around with a 'neon sign' saying coming attractions today at 3:00 PM in the company cafeteria. Consequently, we must focus on preparing for an emergency situation very much akin to developing a disaster plan and dealing with being able to anticipate the unexpected. It is like throwing dice, the only certainty is that a set of numbers will come up, but knowing which numbers will be rolled is unpredictable. Workplace Violence Specialist will advise you that there are important steps organizations can take to improve their 'predictability,' (see prevention measure later in the chapter) however, in the final analysis you are faced with mitigating as many of the risk that you can identify and hoping you have done enough.

The development of your risk mitigation plan should focus on five key assets to protect; facilities, technology, information, networks and people. This starts with looking at what could damage any of these assets or seriously impair the business operations from continuing to operate. This fundamentally means you have to understand the risk and what you can do to prevent or mitigate the situation from occurring. The final stage involves business impact analysis which examines the actual financial impact should an event occur that serious impacts the business.

Assessing the Risk of Workplace Violence

Statistically speaking, for businesses, in general, the odds of having a workplace homicide occur at their place of work is remote. In fact, you are more likely to get struck by lightning then to be a victim of workplace homicide. Now before you skip over the rest of the chapter because you consider the risk to be negligible – consider the following:

- During the 90's, on average, 19 people were murdered at work each week or close to 1000 people on an annual basis (Center for Disease Control)[9]
- So far in the 21st century numbers have been averaging around the mid six hundreds[10]

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- The cost of a single homicide at work averages between $250,000.00 to one million dollars when all cost are consider.[11]

This latter point raises a critical issue that oftentimes is overlooked because of the relatively low statistical risk of the occurrence of workplace homicide is the impact of such an occurrence. Once a homicide occurs in your workplace it brings the whole enterprise into the spotlight. Unlike an industrial accident which statistically has a higher incident rate, a workplace homicide is newsworthy and will likely result in front page coverage by national newspapers, morning and evening news. In addition senior executives will be called in to address the press. This increased scrutiny and press coverage which is generally not positive or desirable could impact the actual performance of the company's stock and markets perception of it's performance.

A study released by Oxford University and the Sedgwick Group that analyzed the impact of catastrophes on shareholder value[12]. The study compared fifteen companies that experienced a serious man made disaster and followed the stock value and trading volume with somewhat surprising results. The study showed that after a sharp initial negative decline of almost 8% of shareholder value, there is a full recovery in an average of just over 50 trading days. The results of the study also indicated an initial spike of more than four times the normal trading volumes in the days immediately following the incident. However, trading volume returned to normal in an average of just twenty days. Although shares initially recovered after only fifty days, the final outcome of the companies were not always as positive. A year after the event some stock prices had actually increased while other companies lost millions or went out of business entirely.

The study reports that there are two elements to the catastrophic impact, "the first is the immediate estimate of the associated economic loss. The second hinges on management's ability to deal with the aftermath."

A key factor in how effectively a company recovered was how management reacted. Crisis has a tendency to magnify your strengths and your weaknesses. A comprehensive crisis preparedness plan can help you and your company react to crisis effectively so that you do not end up as a negative example in a similar study someday.

Thus, given a pragmatic assessment of the impact of such an event it is prudent to not simply dismiss workplace homicide as an event unworthy of investing company resources in for crisis planning purposes because of the low statistical probability. Just think about how much fun it will be explaining to your company President or CEO why you chose to ignore the threat of workplace violence when the company is under siege by the new media, government agencies, attorneys, the community and family members of the victim(s) because you dismissed it as a low risk.

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While the above may be a bit sobering the reality is that workplace homicides are only the tip of the iceberg and a much larger risk lies in non fatal workplace violence incidents. It has been estimated the Bureau of Labor Statistics that between 1.5 and 2 million incidents occur annually and many suspect this is under reported by approximately 50%.[13] Also, note that these numbers apply to incidents where there was actually physical contact including simple assaults (those not involving a weapon), aggravated assaults ((those involving a weapon), robberies, thefts, rapes, sexual assaults, etc. Note that the above referenced numbers do not include arguments, threats, harassment, bullying and intimidation which are recognized as occurring in greater numbers. These less sensational incidents will never be reported in the media, however, they should also be of great financial concern to the employer.

In addition, it should be noted that the workers that are most exposed to 'at risk' behavior are those that have routine contact with the public, exchange money, or work alone or in small numbers, late at night or in the early morning, or in high-crime areas. And the vast majority of murders or assaults in the workplace are committed by strangers, according to the National Institute of Occupational Safety and Health.[14]

The most common theories of liability that lead to lawsuits hinge on negligent hiring, retention, supervision or entrustment as well as the theory of respondent superior. And, keep in mind that the cost of negligent lawsuits has increased from approximately $800.000.00 per case in 1995 to almost $2 million currently.

Contributing Factors to Workplace Violence

In order to fully asses the risk involved with workplace violence it is important to understand the contributing factors. Once these are known you can target solutions that are aimed at minimizing or eliminating those factors.

First, it is important to recognize that the likelihood of a violent event occurring is heightened by the presence of these three variables:

1. A stressful event has occurred
2. An emotionally charged individual
3. There is an Insensitive, uncaring, inflammatory environment

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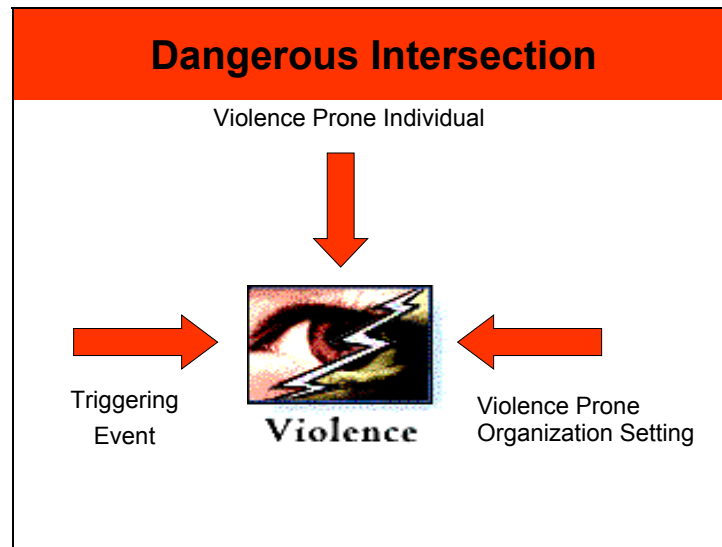
When these three variables collide you have a very real and present possibility for violence to occur.

It is important to note that the first variable, stressful event, is a wild card because what one person views as stressful another takes in stride. At the same time, there are some events that we can clearly predict are likely to induce stress, e.g. a termination, a bad performance review, criticizing someone in front of other people, addressing a person in a disrespectful or demeaning manner, etc.

We also have to raise the question - who is responsible for controlling stress inside an organization - the individual or the managers?

It is a question that Rob Briner, lecturer in occupational psychology at Birkbeck College, London, has been researching for the past 18 months.[15] Funded by the UK Health and Safety Executive, he has examined nine workplace stressors - including workload, communication, home/work balance, role ambiguity, job security and management support - in an attempt to understand the dynamics of stress and its effects on employees. Mr Briner's work will form the basis of a set of standards to help employees and managers deal more effectively with workplace stress.

He believes responsibility for stress has fallen squarely on employers in recent years - hence the record number of court cases - but the recent ruling makes clear that employees have a duty to inform employers about their stress and, ultimately, take some responsibility for managing it. Mr Briner says standards will help both sides to identify the components of work-related stress and encourage them to work together to find ways to reduce it.

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Roger Mead, an independent stress management consultant, agrees. "There is a lot of information about what stress is but very little about how you can assess it as a risk and make changes to reduce it," he says. Managers must count the financial as well as the personal costs of stress: the lost days, increased staff turnover, poor customer service and low morale.

However, Cary Cooper, professor of organizational psychology at the University of Manchester Institute of Science and Technology in northern England, believes the best way to understand and prevent workplace stress is to conduct a stress audit or risk assessment program. "Every organization is different and every job is different. The baseline has to be a systematic diagnosis of what is happening in [individual] companies now and how it can be improved [by interventions]. It is more important to develop standards for workplace counseling or stress management training."

Whatever the approach to stress management, Mr Briner believes it is time for everyone to reconsider their relationship with work. "Over the past 20-30 years there has been too little emphasis on the positive qualities of working life and too much on the negative. We need to remind ourselves that work is not intrinsically dangerous to mental health. On the contrary, most studies show that work is good for us."

Managers, too, must re-examine ingrained beliefs about stress. "It is not enough [for managers] simply to remove the negative [aspects of work]. They must look at the whole experience of the employee - what makes them happy and fulfilled at work as well as angry and frustrated," he says. "They must reinforce the positives - giving regular feedback and showing staff they respect, value and trust them."

Primary intervention is concerned with stress prevention by reducing or eliminating stressors in the workplace, whilst secondary intervention refers to initiatives which aim to improve an individual's ability to deal with the stressors present. Tertiary intervention focuses on rehabilitation of those who are most effected by the stress experience. Employee Assistance Programs and counseling fall within this category

In the end, stress management comes down to good management, get it right and you will go a long way towards eliminating stress in the workplace.

The second of the three variables, an emotionally charged individual, has to do with the mental and emotional state of a person and this is something that, if we are observant and knowledgeable regarding what to look for we can often times recognize these early warning signs. Once supervisor's recognize the warning

signs, if they are properly trained to intervene escalation up the aggression scale can generally be interrupted.

The third variable, interesting enough, focuses on the setting or environment that the person is subjected too. Within in a company context this means that an organizational culture, management style, ways of treating employees, perceived fairness of problem resolution processes, etc. can have a great bearing on either escalating or de-escalating potential hostile situations. This reality is generally overlooked by organizations which tend to find it convenient to focus all the attention and responsibility on the individual.

While there is not clear cut data that directly correlates the cost impact of having a work environment that is perceived as being positive by employees, research does point out that there is correlation between these positive environments experiencing less incidents of violence than there counterparts where employees perceive a negative work environment.

Focus on Prevention – the Zero Incident Approach

In 1998 the Supreme Court determined in Faragher v City of Boca Raton that companies must prevent – not simply react to - a hostile workplace. Thus, the concept of having 'zero tolerance' for workplace violence which focuses on 'how the firm will react once violence has occurred' becomes an insufficient approach that needs to evolve to the more progressive approach of 'Zero Incidents' which focuses on elimination of 'at risk' behaviors before an incident occurs.

Implementation of a 'Zero Incident' approach involves the following steps.

The number one obstacle to developing a proactive preventative approach to reducing violence in the workplace is to face the reality that most executives and managers in organizations are in denial and believe that "it couldn't happen here." Results from a recent Gallup survey indicated that many American businesses are turning a blind eve toward warning signs of workplace violence. "The warning signs are well known, but too many companies are burying their heads in the sand," said Frank Kenna III, president of The Marlin Company who commissioned a recent Gallop study." A lot of people rationalize the fact that they're not confronting the issue. They say they don't want to overreact, and figure any fears are unfounded so they ignore the signs, hoping they'll go away. The survey reported that only 25% of respondents indicated they received any training in how to identify warning signs and what to do about them. Overcoming this mindset is the starting point to implementing a strong and effective effort to prevent workplace violence.

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Establish A Workplace Violence Prevention Committee

Management must demonstrate a commitment by taking workplace violence seriously and appointing an influential manager to be responsible for the workplace violence prevention effort. This manager should establish a Workplace Violence Prevention Committee (also referred to as a Threat Management Committee.) Participants on the committee should include representatives from Security, Human Resources, Occupational Health & Safety, Legal, Finance, Risk Management, Public Relations, Operational Management and Union representative, if applicable.

Focus On Eliminating 'At Risk' Behaviors

The committee should focus on creating a violence-free work environment by eliminating 'at risk' behaviors on both an individual and organization level. One of the key responsibilities of the committee should also be to establish a Workplace Violence Zero Incident policy (See model policies at (www.workplaceviolence911.com/ModelPolicies.) Note that a Zero Incident focus is a proactive approach which targets prevention and goes beyond Zero Tolerance which generally focuses more on reacting.

Establish a Workplace Violence Prevention Policy

A cornerstone of your program is to establish a clear workplace violence prevention policy that will set the framework and provide guidance to managers and employees. The focus should be on violence prevention with the ultimate goal being zero incidents. In addition, the policy should make the concept of treating people in a respectful manner and maintaining their dignity a central theme that is integrated into the policy and it's communication. (see info@innovations-training.com)

Illustrative of a good workplace violence policy statement is the U.S. Department of Transportation's Workplace Violence Policy.

> "A safe working environment for all employees, free from violence or any threat of violence, is one goal of the U.S. Department of Transportation. Violence and threatening behaviors in any form are unacceptable and will not be tolerated. . . The cooperation of supervisors, managers, and employees is necessary to implement this policy and maintain a safe working environment. . . . Supervisors and managers are expected to take immediate action to investigate reported threats or violence and any suspicious items or activities, and with the assistance of appropriate officials, reduce or eliminate the risk of workplace violence."

Note that organizations are also starting to incorporate directly into their workplace violence prevention policies statements that make it clear that bullying behaviors are considered threatening behaviors because they cause emotional abuse and can lead to situations which create a hostile work environment and also create hostile feelings between employees.

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Establish a process for record keeping to be able to track actual threats, incidents, close calls, escalating conflicts, etc. for trends or patterns. Also evaluate interventions and programmatic efforts to evaluate their success and to maintain continuous improvement.

Assess the organization's conflict resolution process and bolster to ensure it is an effective tool for fairly addressing employee concerns, conflicts and resolving problems. Usage should be tracked (keep in mind that high usage is not necessarily a bad indicator and many times indicates people trust your process) and periodically assess how employees are feeling about the process.

Translate your workplace violence policy and training into multiple languages based on languages spoken in your workplace.

When employees are represented by a Union you should consider introducing a workplace violence prevention initiatives to be jointly developed as a part of the next contract. You should work with the Union to pre-determined how cases, complaints and situations will be handled, define processes to be used and consider including mediation to provide an objective third party to negotiate outcomes.

No Weapons in the Workplace Policy
Incorporate a 'No Weapons in the Workplace' provision into your workplace violence prevention policy or establish a separate policy that clearly establishes that no weapons are allowed on the premises and employees are prohibited from possessing a weapon while on duty.

Define The Nature Of The Risk To The Company
The Workplace Violence Prevention Committee should also research the nature of risk to the company that are associated with the business the firm is in, their industry and the geographic area in which the firm operates their facilities. Where there are known hazards that exist within this type business, industry or area, specific actions should be taken to mitigate and address the problems. This is essential because these are the signs which indicate the greatest potential for violence to occur and commensurately, represent the highest ptential liability.

To illustrate the point, if you have located a warehouse in a low cost area and crime data for the area indicates there have been several rapes that have occurred at other warehouse facilities near your location, it would be prudent to take precautionary steps to enhance security in and about your facility. This could include making sure you have sufficient lighting in the parking lot areas, providing escort service for employees leaving the building at night, asking for increased police patrols, etc. To ignore the crime data and not anticipate a potential problem puts you in a defensive position. If one of your employees is victimized on your property or while working you will have to defend why you choose not to take any preventative actions.

Facility Risk Assessments
Conduct periodic Facility Risk Assessments to identify vulnerabilities that exist in the firm's physical facilities that could contribute to 'significant risk.' For example, are there access doors that have broken locks, or dimly lit stairwells or a door that is regularly propped open.

Organizational Violence Assessments
Conduct periodic Organizational Violence Assessments to identify management practices, employee behaviors and perceptions that are not conducive to creating a violence-free workplace, e.g. terminating employees via email, harassment of employees, incongruent policies, etc. The assessment should closely review safety records for a history of violent incidents and 'close calls' to determine trends, conditions, circumstances and underlying causes of violence as well as identify cultural norms and behaviors, like bullying, that are endemic which may create undue stress or conflict in the organization. Collect utilization data from the Employee Assistance Program and analyze the results. These type data can be key in identifying 'at risk' factors on the organization level. Also conduct a 'dignity and respect' audit of all human resource, security, safety and operational policies to ensure they are designed to treat employees in a sensitive and respectful manner.

The above point is particularly true for designing termination, layoff and discipline procedures that are sensitive to ensuring fair, respectful and dignified treatment of employee. Special precautions should be taken when 'at risk' behaviors are present. Heed the words of Dick Ault, Ph.D., a former FBI agent specializing in profiling, "You have to approach the firing of anyone with the utmost of dignity, even people who really don't deserve it."

Individual Threat Assessment
Identify external experts experienced and thoroughly trained in how to professionally assess the violent nature of an individual and the likelihood of an employee becoming violent. It is important to have a resource on contract prior to the need for their services.

Enhance Physical Security
Enhance Physical Security measures and establish Workplace Violence Audit team(s) to conduct on-going assessments and effectiveness of security efforts.

Use Security Prevention Through Environmental Design (SPTED) – engineering/architectural controls processes when building or retrofitting facilities to maximize crime prevention. For example, wiring a building for close circuit security when it is being built is much more economical than retrofitting it later.

Provide field personnel with hand held alarms or noise devices and/or communication device to be able to get help, e.g., cellular phones, pager, etc. to

use while in the field along with establishing processes for monitoring their whereabouts

Synchronize your Personnel, Security and Safety policies
Synchronize your Personnel, Security and Safety policies to ensure they create an integrated workplace violence prevention effort.

Develop Crisis Response Procedures
Establish a Crisis Response Team (specially trained to deal with crisis) and develop crisis response procedures to deal with an incident. Select members based on pre-established criteria which should include their ability to remain calm during a crisis or pressure situations, special skills related to handling crisis or emergencies as well as technical competency related to health care, knowledge of facilities, public relations, security, etc. The team should put a crisis communication and public relations plan in place before a crisis occurs. Additionally, pre-establish a critical incident debriefing process and skilled counselors to be able to assist victims after an incident. Your Employee Assistance Program or an external network will be able to provide these type support services.

Keep in mind that the speed at which you are able to address the needs of employees who have experienced a traumatic event will dictate how fast you are able to return work levels to normal operations. Within the following few days of an incident reactions such as fear, anxiety and exhaustion as well as anger may surface. In the long run, lack of confidence, depression and the development of PTSD are possible outcomes.

Emergency Protocol With Police
Create an emergency protocol with police. This should include identifying who is the contact person when an incident needs to be reported. It is also important to identify a backup contact and also to pre-inform the contacts of who is responsible to contact them from your firm. You should also have them visit your site and learn your facility layout. In addition, you should make your address and building numbers clearly visible. Where there are multiple buildings make address numbers clearly visible on the front and top of buildings.

Enhance Hiring Procedures
Enhance hiring procedures to include employment screening processes focused on screening out violence prone applicants before they are hired. Use critical behavior traits to identify behavior based interview questions. Screening tools can include:
- Reference checking regarding previous employers
- Background checks, e.g. criminal background
- Verification of identify
- Driving record
- Credit history
- Drug testing

- Psychological Assessments
- Critical Behavior Traits

See Complete Hiring Guide to Screen for Violence Prone Individuals for detailed coverage of enhanced hiring procedures, available at www.Workplaceviolence911.com.

Promote Your Employee Assistance Program
Actively and regularly promote your Employee Assistance Program and train supervisors how to make an effective referral.

Training Managers, Supervisors And Employees
Provide on going training for managers, supervisors and employees. Training should be provided in the following areas:

- Implementation of Workplace Violence Prevention policy
- How to identify early warning signs and how to appropriately intervene
- Importance of reporting and responding to threats, incidents, etc.
- How to de-escalating potentially hostile situations
- Effective ways to deal with domestic violence

Focus on developing core competencies in effective conflict resolution, hostility/anger management and emotional intelligence.

Involve Employees in the Prevention Effort
Make sure all employees know that workplace violence prevention is everybody's business and help them understand the important role they can play in reducing violence. A truly effective prevention effort must maximize the participation of employees and their support. By encouraging the following practices employers can enlist employee support and they will contribute substantially to a successful effort to prevent violence at work:

- Reporting of threats, suspicious activities or actions of violence regardless of whether you personally believe the threat is serious
- Avoiding horseplay, practical jokes, harassment or other risky behaviors that could lead to injury, creating animosity, shame or invoking angry reactions
- Treating all employees, customers and contractors with dignity and respect. Remember how we say something is just as important as what we say.
- When feeling overly stressed seek help from EAP or other support services designed to act as 'relief valves' for frustrations or problems, e.g., church, family, friends, etc.
- Actively follow the firm's policy regarding workplace violence and the procedures for dealing with workplace threats and crisis

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Additional interventions that employers can use to focus on preventing workplace violence include:

- Publish a list of 'who to call' and resources available to assist with issues
- Use of external resources as appropriate for:

  - Individual Threat Assessments
  - Legal
  - Facility Risk Assessment
  - Employee Assistance Program support

  - Security Protection Firm
  - Organizational Threat Assessment
  - Local Law enforcement

Disastrous Planning Mistakes

One of the cruelest myths in crisis and workplace violence prevention planning is the belief that plans adopted, but not tested, will actually work as planned.

Another costly fallacy is for organizations to focus solely on protecting their hard assets, e.g., facilities, technology, information and networks, and to forget their people. It is one thing to test your alarm systems, system recovery processes, backing up information protections and another to have your people improperly or not trained in what they need to do or worst what they have been told to do causes confusion because it has never been tested to have the kinks worked out. You need to prepare your people for crisis because they will make the difference in how quickly and effectively you are able to return to normal business operations.

The third myth regarding crisis planning is the belief that you can effectively insure losses in a disaster. Ken Smith, former vice president of consulting operations for SunGard Planning Solutions, Wayne, PA, an expert in handling crisis claims says "settling claims after a disaster is not a pretty process." [2] Insurers trying to mitigate casualty losses often lock horns with executives trying to recover quickly.

Note that while the responsibility for addressing prevention of workplace violence typically is assigned to with either Human Resources, Security, Safety or Risk Management, the Controller has a very critical role and responsibility with regards to protecting the organizations assets and business continuity. This role has come to light in more recent times as a result of the Y2K concerns and the tragic World Trade Center terrorist act. As a result, auditors and controllers have become more sensitized to the need to focus attention and resources on a company's preparedness for crisis or disaster.

According to Bob Sibik, former senior vice president for continuity services at Comdisco Inc., Rosemont, Illinois, "auditing firms now put more emphasis on contingency planning, and boards of directors feel more responsible about maintaining business operations." He further suggest that controllers should

divide their disaster budgets into three parts – one part to cover prevention measure; one part for insurance to cover business interruption losses and one part for recovery and continuity services. While there appears to be an increase interest by outside auditors wanting to talk about disaster plans, it is still rare for them to require disclosure or to issue a qualified report if they don't like the plan, explains Tom Walters, assurance partner in the Minneapolis office of Grant Thornton, the public accounting firm. [3]

The Association of Certified Public Accountants' (AICPA) Statement of Position (SOP) 94-6 – Disclosure of Certain Significant Risks and Uncertainties – requires auditors to address risks, however, disclosure is required only if it is "reasonably possible that the events" that would cause the impact will occur in the near term." The very nature of crisis, in general, and workplace violence in particular makes it statistically improbable in the near term, Thornton points out. Thus, the reality is that contingency planning which workplace violence prevention planning essential is about, is a balancing act – balancing the cost of prevention and recovery against the need to sustain operations. On the one hand, you don't want to spend more than you need to, but people who continue to think of contingency and recovery planning as discretionary spending are like ostriches with their heads in the ground. It is only discretionary until trouble strikes." [15]

Analyzing the Business Impact of a workplace violence incident

At the very extreme end of the impact spectrum is what followed the first World Trade Center bombing (not the most recent incident that occurred on September 11.th) Three out of four private businesses that were shut down by the disaster for more than four days never recovered the financial loss and many never reopened according to Richard Gamble, Controller Magazine.[16] "This accentuates the critical need for organizations to have crisis or disaster plans as a part of the internal control environment," notes Alan J. Griffith, vice president and controller of Aramark Corporation, Philadelphia.[17] The controller needs to play an active role and see that key business operations will be up and running when a disaster occurs.

Based on this reality it is highly likely that the financial impact of workplace violence has a disproportionate and potentially more devastating effect on smaller businesses. These are the businesses that are least likely to have the ability to absorb non-planned incremental financial expenditures, to be able to switch work to another site or alternative operation and the lost or delay in revenue can have a critical effect on business survival. This means that small businesses have even more of a need to have workplace violence prevention and recovery plans in place than their larger brethren. However, in general, it is the large Fortune 1000 companies that have tended to implement active workplace violence prevention programs.

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Having established the business need for a disaster plan that includes workplace violence prevention let's explore the cost of prevention versus the cost of recovery.

Cost of Implementing a Prevention Effort

The cost of setting up a comprehensive and effective workplace violence prevention program will vary substantially depending on a number of factors, including the size of the company, number of employees, number of locations/facilities, the extent of the policies, training, existing infrastructure to support it and decision made regarding using internal and/or external resources, etc. Determining whether internal or external training resources will be used has a significant impact on the cost as does the training delivery method. Also very significant regarding establishing the cost of a workplace violence prevention initiative is whether certain training like 'behavioral interviewing and conflict resolution skills' course are charged to a general training fund as opposed to the programmatic effort. Additionally, the decision regarding which department pays for Employment Practices Liability Insurance or is it allocated across departments has a significant impact. Since these decisions virtually vary from company to company, I included all of them in the cost for the workplace violence prevention initiative to be sure not to understate the prospective cost regardless of the choices an individual firm might make.

To illustrate the cost associated with implementing a comprehensive all inclusive workplace violence prevention program we have created a hypothetical company with 1000 employees (250 managers and 750 employees) that also has an average supervisory salary $75,000.00 or $36.06 per hour and average employee salary $40,000.00 or $19.23 per hour. In addition, we have assumed that there are internal personnel in human resources, safety, security and training as well as a consulting rate of $2000.00 per day for external resources.

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Focus on Prevention – the Zero Incident Approach:

Prevention Actions	Cost
1. Establish A Workplace Violence Prevention Committee	$2,000.00
2. Focus On Eliminating 'At Risk' Behaviors	NIC[*]
3. Establish a Workplace Violence Prevention Policy	$3,000.00

NIC[*] - no incremental cost

4. No Weapons in the Workplace Policy	NIC
5. Define The Nature Of The Risk To The Company	NIC
6. Facility Risk Assessments	NIC
7. Organizational Violence Assessments	$24, 270.00
8. Individual Threat Assessment	NIC
9. Enhance Physical Security	$5,000.00 (Capital Budget $60,000.00)
10. Synchronize your Personnel, Security and Safety policies	NIC
11. Develop Crisis Response Procedures	$11,000.00
12. Emergency Protocol With Police	NIC
13. Enhance Hiring Procedures	$23,500.00
14. Promote Your Employee Assistance Program	NIC
15. Training Managers, Supervisors And Employees	$80,000.00
16. Involve Employees in the Prevention Effort	NIC
17. Employment Practices Liability Insurance (assumes $100,000.00 deductible	$35,000.00
Total	$183,770.00 (Capital Budget $60,000.00)

To further support the need for focusing on prevention according to research by Dana Mediation Center studies show that up to 42% of employees' time is spent engaging in or attempting to resolve conflict.. Even, if we take a conservative approach to this number and assume the actual time spent dealing with conflict is half or a third of this amount it still translates into a substantial cost impact. While many of these cost are difficult to pinpoint and quantify the Dana Mediation Center has developed a model that identifies the cost of conflict to an organization.[18]

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Conflict Checklist

Wasted Time - The amount, and value, of time wasted by unnecessary conflict is probably the most easily quantified factor. Time is money. Employees are paid money for their time. And every conflict consumes time that could be otherwise spent doing productive work.

Reduced Decision Quality -Conflict erodes quality of decisions in two ways:

1. Every solo decision-maker requires information from others to make the best decision. When information providers are in conflict with the decision-maker, the information supplied is inevitably distorted.

2. When two or more people share responsibility for a decision, conflict between them causes decisions to be made by the outcome of their power contest, not from their objective judgement of what is best for the organization.

Loss of Skilled Employees -Every employee who is considering a move to " greener pastures" by seeking or accepting a job offer has a choice -- stay or leave? How is that decision made? Certainly compensation, location, and new challenges are among the considerations. But so is the quality of relationships with people in the current job. When relationships are rewarding and satisfying, we naturally do not want to lose them. When chronic, stressful conflict is present, we naturally want to reduce it. That new job offer may look appealing because it is a way out of an unpleasant relationship that feels irresolvable. The higher salary can be just a convenient and socially acceptable excuse.

Restructuring - There is probably "one best way" for every job function to be performed. Industrial engineers are experts in designing organizations for maximum efficiency.

What happens when conflict between employees causes the ideal design to be altered to reduce their interdependency or otherwise accommodate the "human factor?" Inevitably, the result is lower efficiency.

Sabotage / Theft / Damage - It is our human nature to feel angry when we are in conflict. We may feel unappreciated, exploited, unfairly treated, or victimized by our coworkers, managers, or employer. What do we do with that anger over weeks, months, or years of frustration? It is also human nature to feel impelled to "act out" anger in the form of retaliatory behavior. Of course, our personal ethics and integrity enable most of us to restrain the impulse to act out destructively. But others are not so restrained. And, there's a good chance that some of those people work where you do!

Lowered Job Motivation - Employees' desire and sense of responsibility to perform their jobs to the best of their ability is an intangible but precious resource

in every organization. Every leader strives to inspire these qualities in their employees, producing a high level of job motivation. Unresolved conflict wastefully drains that precious resource, like a hole drains water from a container that we are continually striving to fill.

Lost Work Time - Nearly every employee has the right to sick days and other valid reasons for taking time off from work. We occasionally question ourselves, "Am I really sick enough to take the day off?" How does being entangled in a distressing conflict affect our answer to that question? Even the most responsible employee may understandably be nudged toward a "yes" answer. Less responsible employees, dreading the encounter awaiting them at the office while driving by the golf course on a sunny morning, may conclude, "This would be a great day to be sick!"

Health Costs - Several of the foregoing factors defy precise measurement. The impact of conflict on a company's cost of providing health benefits for employees is perhaps the least measurable of the eight. But modern medicine now understands much about the impact of chronic stress on our immune system and our susceptibility to illness and injury. And conflict is nothing if not stressful. While we cannot assign a number it is no question that this contributes to the overall high cost of health care.

Now let's take a look at the commensurate cost associated with recovery after an incident has occurred.

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Cost of recovery:

Events	Cost
1. Incident debriefing with impacted employees (20 supervisors and 130 employee working in impacted area)	$3,942.00
2. Plant closed due to incident for 3 and one half days)	$703,125.00
3. Revenue lost (assumes for 6 weeks after the incident there is a 25% productivity decline)	$2,850,000.00
4. Clean up of incident area/crime scene	$2,000.00
5. Increase on annual health care premiums due to increase use of psychological services (20% of employees need counseling for 3 months, 10% for 6 months and 1% for 12 months)	$5,000.00
6. Increase in annual worker's compensation rate premiums	3,000.00
7. Permanent shut down of plant area where incident occurred and relocation of work operations to another section of plant	$50,000.00
8. Lawsuit settlement (assumed out of court settlement at 60% of the average settlement of $500,000.00)	$300,000.00
9. Public relations campaign, marketing, communication strategy with stakeholders to counter negative press and restore confidence in company	$10,000.00
10. Replacement cost for 10% turnover of workforce, e.g., 25 managers and 75 employees (assumes 25% of salary replacement cost for managers and 10% for employees against national figures of 50-100% of salary for replacement cost)	$768,750.00
Total	$4,695,817.00

The significant cost differential between prevention and recovery is even further accentuated by the reality that there are "invisible" dollars lost by a company that has an unsafe workplace, which we are unable to quantify.   This point is underscored by Dennis Johnson, one of the premier workplace violence prevention consultants who adds "What companies don't realize is that a good work environment costs less to run than a negative one."

In the above example I have used conservative numbers to estimate the recovery cost, however, the following example illustrates a worst case scenario.

Sabotage
Studies reveal a direct correlation between prevalence of employee conflict and the amount of damage and theft of inventory and equipment. And covert sabotage of work processes often occurs when employees feel; angry toward their employer. Much of the cost incurred by this factor is hidden from management's view, often excused as "accidental" or "inadvertent" errors. This

cost is almost certainly greater than you realize.

A Time bomb
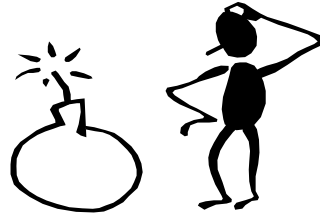
A former computer network
administrator was found guilty
in May 2000 of intentionally causing irreparable damage to his company's
computer system. He created a "time bomb" program that permanently
deleted all of the high tech manufacturing's sophisticated manufacturing
programs. The damage, lost contracts and lost productivity totaled more
than $10 million.

Why did he do it? He got demoted after working for the company for
about 10 years. He soon began developing the bomb –which he set off
two weeks after he was terminated the following year.

I believe the cost numbers clearly illustrate the significant difference in
being proactive versus rolling the dice to gamble that "it won't happen
here." While the odds would clearly be in your favor if an incident does
occur your bet could cost the company significant dollars or worst cause
it's demise.

Summary Comments

To summarize, many managers view workplace violence as the sole
responsibility of a deranged, psychopathic or troubled employee while the truth is
closer to the reality that an outbreak of violence in an organization is often time
the result of chronic unresolved conflict which should have been noticed and
properly managed. Despite our best attempts to place the blame on the
individual's behavior, the organization is not blameless. Violence is the tragic
aberration of an organization's culture – the culmination of personal frustration
that has built to a crescendo because of perceived injustice, humiliation, lost of
dignity, shaming, perceived lost of value and control which ultimately explodes
into a desperate act of violence.

Acts of workplace violence can be reduced and many cost can be avoided with
forethought, strategic planning and progressive action. Attending to workplace
conflict is not simply "soft hearted" or humanitarian -- it is prudent and good
business planning.

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Yesterday, organizations that ignored the quality challenge didn't survive -- recall American automobile manufacturers who faced the "quality invasion" of Japanese imports in the 1970's. Most companies responded well, hence Ford's slogan "Quality is Job 1!" Today, product and service quality management -- such as TQM, continuous improvement, and customer satisfaction programs -- is an expected and unquestioned requirement for business success.

For tomorrow, the competitive and leadership advantage of the 21st century for the industry may be strategic conflict management and it may be the separating factor in determining who survives in the global competitive marketplace.

This chapter has presented a comprehensive framework that can be used to intervene in the cycle that can build towards and lead to organization violence with the intent to provide knowledge and tools to Finance Managers to understand the crucial role they can play in assisting an organization's effort to address workplace violence prevention and to mitigate the avoidable cost impact.

I would like to add that while our focus has clearly been on the impact and cost of workplace violence, I believe it is important to recognize that workplace violence is only one type of 'crisis' that can inflict havoc on an organization. Consequently, I believe that rather than create multiple plans for each different crisis or disaster type a firm could face you should build a master or comprehensive disaster plan that is an umbrella for the sub-disasters that can occur. This approach provides a simpler approach for managers and employees by having one document or source to go to with a menu of elements based on the specific type of crisis or disaster that is occurring.   Another advantage is that when developed in one master approach it facilitates having coordinated processes, procedures and record keeping that avoids unnecessary redundancy, conflicting ways of getting things done and coordination of expenditures, meaning less cost.

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