

irm SIG
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*People, Communication
and Behaviour*

NEWSLETTER No
Mid July 2007

In view of *breaking news*, there will now be **two** NEWSLETTERS this month:

Tally ho, risk leaders - uncertainty, interfaces and bandits are all around us

Many of you will have seen the recent media coverage on pilot fatigue - this falls at an apt time for our SIG, as we had an excellent article by one of our members - Kathryn Jones of BALPA, in the pipeline. This starts off below.

Also, Richard Cayser of Thomas International has kindly written a short feature for us in lieu of the meeting which we had to cancel last month. This too is included in this issue:

1 of 2 - Pilot Fatigue (first of two parts)

Pilots have to make calculated safety risks every day based on facts, figures and training. However, an airline can't employ . . .

Appendix 1 attached

2 of 2 - Human Capital Risks in M & A

During an acquisition, clashes of leadership and culture can lead to undesirable levels of talent attrition and muddled communication. With . . .

Appendix 2 attached

Next NEWSLETTER will be out as soon as possible. In the meantime, your comments are always welcome.

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Secretary

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Appendix 1

Pilot Fatigue

“Pilots have to make calculated safety risks every day based on facts, figures and training. However, an airline can't employ pilots who are risk takers. Pilots have to make quick situational assessments, with the Captain including everyone in the process but making the decision based on his assessment.

They can't be hasty and make exclusive decisions.

“They are a difficult group to manage (**pilots**) but for the right reasons, focused on safety and working for a successful company to maximise their earnings and protect their careers. They are educated, single minded (it will cost an individual

approximately £70k to get a commercial pilots licence which is no guarantee for an airline job) and frequently opinionated. When in flight they make decisions affecting 100's of people and multi-million pound aircraft but, often when they are on the ground their airline treats them as a "part" for the aircraft not a resource to develop and protect their airline. The airline would like the pilot to be a conservative extrovert in the air and a compliant introvert on the ground. I haven't yet met this type of pilot.

(Interesting, I suspect many people think that the airlines pay for the licence training - I certainly did. Ed)

"I deal in fatigue risk. My role sits on the fence between purist safety and work/life balance. It is an inexact science with rules, guidelines and research but often these don't fit either the airline or the pilot. For most airlines they feel that their risk exposure is covered by complying with the "rules", one rule at a time in isolation, with no reference to the bigger picture. Reason's Swiss cheese theory is very appropriate and often the only thing that prevents an incident is the individual's own sense of mortality. Stability and sustainability are the areas that I try to promote as a key benefit for both the company and the pilot. Airlines would like total control with the ability to change everything giving 12 hours notice, with the first solution to a problem rather than the best solution. By putting in rules and restrictions it actually makes the airline stick to the plan, which is better for them and allows their pilots their rest periods making them more flexible for their company.

"All of this is now evolving into an international standard for Fatigue Risk Management Systems (FRMS). This is basically a much specialised Risk Management System. The aim is for all available research and modelling tools to be used to determine the safest way of putting the work together to minimise the risk, which in turn allows for more efficient use of the pilots, who get more quality time off as a result. They then feel better rested and therefore safer, more likely to make the right decisions and have a sustainable life style."

Editorial comment

Thank you, Kathryn. In the next issue, we will look at how the *steering group* accomplishes these aims. By the way, I don't think that treating staff as a "part" is restricted to airlines!

Appendix 2

Human Capital Risks in M & A

"During an acquisition, clashes of leadership and culture can lead to undesirable levels of talent attrition and muddled communication. With talent increasingly aware of its value and mobility, this is a growing trend.

"This reinforces the statistic that (depending on whose figures you read) 50-80% of M&A (**Mergers and Acquisitions**) fail to achieve their stated commercial aims. This figure is particularly high when the acquisition is of an entrepreneurial, knowledge based, family owned or cross border firm. (*interesting - the extent of the range. Ed*).

"Increasingly, organisations are aware that they can do more to complement the advice they receive from traditional advisors and draw their Human Resources

Director onto the deal team to lend insight, particularly at the due diligence phase. However, many Human Resource Directors are not “deal ready” and have to resort to fire-fighting and deploying expensive consultants during the integration phase.

In these circumstances many practitioners turn to Human Capital consultants for solutions.

“Many employment aspects of M&A such as the impact of legislation, management practice and pension entitlements are well documented in Human Capital Audits or other places. However, they rarely offer the organisational rapid, accurate, cost-effective and quantitative results. Analysis of culture is not mature.”

Editorial Comment:

Thank you. An interesting point in the opening paragraph about muddled communication – an observation that has wide consequences.

This article concludes with a diagnostic solution that I will carry forward a short time as another point brought up - “loss of talent” was raised at the 2006 *Risk Forum* at Keele and falls within a later part of our schedule of research. If in the meantime, any of you would like to raise an individual question, you can contact Richard on (0) 207 257 2800.