

# GREY PAPER

## insights



### IN-CONTROL?

A systematic and in-control approach to Operational Excellence.



### Pilko & Associates Grey Paper

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## INTRODUCTION

Many executives can point to improvements within their plants, one-off enhancements that improve safety or reliability. Yet those same executives may miss out on achieving additional benefits because they don't seek systematic changes and greater control of the processes and systems that can lead to continuous improvements.

Making the jump from independent, isolated initiatives to systematic and high-control improvements is key to the development and maintenance of performance and competitiveness.

The foundation of Operational Excellence, operational discipline or conduct of operating is being systematic in your approach and in-control of your process and outcomes.

Let's explore how systematic approaches lead to greater control and Operational Excellence.

## THE BASICS

Systematic approaches to Operational Excellence and delivering greater control share four specific and necessary starting points:

- **Requirements.** Everything hinges on the accuracy, timeliness, contribution, documentation, understanding and execution of requirements. Requirements determine the destination; don't start out heading in the wrong direction.
- **Accountability.** Studies<sup>1</sup> have shown that "motivation" accounts for about 20 percent of any change. Accountability drives the other 80 percent. Transparency and clarity of expectation and accountability are significant contributors to the achievement of systematic and in-control Operational Excellence.

- **Competencies.** The required competencies to implement systems and gain control must be well-documented, trained to, modeled and reinforced.
- **Conformance.** Conformity and performance — key to continued improvement — are always measured, verified, corrected and rewarded.

## ADDITIONAL CONTRIBUTORS

Leading companies with proven systematic and in-control approach to Operational Excellence exhibit four additional characteristics:

- **Problem Solving:** a systematized approach to assess and solve problems as they arise on a day-to-day basis.
- **Daily management:** near real-time practices that leaders use to identify potential issues and keep critical activities on track.
- **Clear priorities:** an environment where workers understand higher-level strategy to set priorities and guide their individual actions.
- **People development:** continuous, ongoing attention to skills and competency development to ensure proper systems execution and greater control.

## ACCELERATING OUTCOMES

Having the proper starting points simply isn't good enough. The operationalizing identified systematic requirements take:

- **Engaged leadership.** Top leadership must imbed, support, communicate and measure requirements by reinforcing behaviors and expectations and continuously setting the tone for excellence, keep expectations and enthusiasm high.

- **Technical.** All requirements should be technical and objective in nature, measurable and quantifiable, keeping subjectivity to a minimum.
- **Integrated.** Systematic requirements cannot be “shelfware” — that is, identified, validated and documented requirements that are not integrated and operationalized. Success begins with integrating systematic requirements within all operational areas — especially within high-hazard operations.

## A SOFT RISK PRIORITY

Discussion within the industry around “hard” and “soft” risks is prevalent. In fact, Pilko & Associates has done and written much in these areas, as systematically addressing both risk categories is critical to Operational Excellence and risk control.

When an organization is working toward a systematic approach to risk control, one of the key and most often overlooked “soft” risks is people. In fact, people are at the heart of achieving systematic and in-control operational risk.

How or why is this true? Simply put, it takes people to achieve proper systems and controls. People create and drive the requirements and approaches; people increase the control through behavior and action; and people deliver the necessary results that lead to Operational Excellence.

For example, people drive proper requirements and their effectiveness. They decide and document requirements. Identifying the wrong requirements or writing and communicating requirements in a manner that is not understandable by everyone, creates risk to the organization and systems that lead to a loss of control — people become the “soft” risk.

Experience tells us that there is always a difference between “passing the test” and practiced success. When companies are unable to achieve systematic control, it is often attributable to a lack of clarity and accountability — both individual and leadership. People are the “glue” between requirement

and achievement, through demonstrated proficiency, of systematic and in-control Operational Excellence.

We know that people are the key to verification. While systems may provide measurement of effectiveness, people verify the results and determine corrective action or reward. Competency is key in assuring accurate and proper verification. A lack of competency in verification is a “soft risk” to success.

## IT'S A JOURNEY

Taking a systematic approach to achieve greater control is neither easy or fast. In fact, the first systematic steps toward Operational Excellence may feel anything but “excellent.” Performance may appear to decrease or deteriorate as leaders ask people to think and work in different ways. Avoid passing early judgment and the tendency to change course or abandon the Operational Excellence effort.

Understand that becoming systematic and in-control is a journey and not a “one and done” effort, like a light switch. It usually takes several years to get an entire organization into the proper mindset, with progress easily and quickly lost by poor leadership.

Leaders must lead with persistence and dedication, while managers must continually drive improvement with ongoing assessment at all levels — assessments that visibly and transparently go deep into goals, requirements, expectations, performance and outcome — in an environment of positive reinforcement and progress.

The reward is in the persistence, dedication and continued focus on taking systematic approaches that lead to greater control. The journey is and leads to the reward.

## GETTING STARTED

It's no secret there are obstacles to systematic and in-control approaches to Operational Excellence. And like most things, success comes back to good governance. And good governance, leading to world-class performance, requires systematic and in-control operational approaches to:

- Understand high-consequence risks
- Identify safeguards to mitigate known risks
- Assure that safeguards are in place and functioning

The process to achieve these outcomes requires the right documented requirements, communication and implementation through dedicated leadership, clear accountability, demonstrated competency and conformance to expectation. A systematic and in-control plan of attack delivers Operational Excellence with reduced risk and greater reward.

Unfortunately, a 'silver bullet' to achieve systematic and in-control Operational Excellence doesn't exist. It is an investment in the right, experienced leadership, field and project proven capability and competency, and time.

Fortunately, the rewards are great. Investments in systematic and in-control Operational Excellence efforts can start to pay back in as little as the first three to four months with improved efficiency, reliability and safety of high-hazard operations.

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## ABOUT PILKO & ASSOCIATES

Pilko & Associates provides industry-focused advisory services in three core areas —Transactions, Operational Excellence and Governance & Assurance—to enhance value for our clients and their stakeholders in the chemical and energy sectors. We deliver innovative solutions for publicly and privately-held companies, helping them to identify, understand and manage their Operational Risk and Environmental, Health & Safety needs. For more information, visit [www.pilko.com](http://www.pilko.com).

## PILKO & ASSOCIATES

Pilko & Associates knows Operational Excellence. We have a passion for rapid, dramatic and sustainable Operational Excellence. We develop systematic and in-control cultures and capabilities and have done so for leading energy and chemical companies around the world.

Energy and chemical leaders have consistently relied on Pilko & Associates to increase and accelerate achievement of control of Operational and EHS Risk. These leaders have depended upon the experience, skill, proven Best Practices and **8IGHT DRIVERS**<sup>®</sup> methodology to find, prioritize and eliminate "hard" and "soft" risks within organizations and companies. For more information on our **8IGHT DRIVERS**<sup>®</sup> methodology, [click here](#).

Call us today and let's get started on your journey toward systematic and in-control Operational Excellence.

<sup>1</sup> Bain & Company, Feb. 25, 2013 Publication

