

GREY PAPER

insights

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OPERATIONAL EXCELLENCE THROUGH PEOPLE
The "Silver Bullet"



Pilko & Associates Grey Paper

Information and insight at your fingertips. Simple, yet profound steps you can take right now to mitigate Operational/EHS risk and maximize value. Pilko brings you what you need to succeed.

Pilko & Associates is the industry leading Operational and Environmental, Health, and Safety risk advisory firm — working with clients in 59 countries and advising on M&A deals worth more than \$600 billion.

Concise summaries of key Operations/EHS and Transaction risk challenges and how to mitigate risk for your project, assets and enterprise.



US +1 713 357 1000

pilko.com
700 Louisiana St. | Suite 4500 | Houston, TX 77002
info@pilko.com

INTRODUCTION

We are aware that process industries are being challenged and are under tremendous pressure to perform. Shareholder and community expectations are high. Employees want to work for a company viewed as a responsible operator with integrity. All have the common goal of achieving operational excellence.

The industry is wholeheartedly embracing technology, believing it is the answer to incident-free operations. The industry has also been caught up in increasing complexity — caused by the belief that more and more procedures and management systems are the answers to incident-free operations.

At Pilko & Associates, we take a more balanced view of how to achieve operational excellence. Two recently published Grey Papers: “Trust and Transparency in Operational Excellence” and “Greater Organizational Capability,” address what Pilko calls the soft risks of the business — culture, organization and human performance. This paper will address the sometimes forgotten importance of people in the drive to manage risk and achieve operational excellence.

OPERATIONAL EXCELLENCE

Is there a term more frequently used in our industry than this one? Yet, “operational excellence” has a different meaning to everyone.

To some, it is EHS performance, to others expense control and to others reliability. In the end, the common thread is a desire to make facilities run safely and reliably, while protecting the environment and making a profit.

Companies take many approaches to operational excellence. Some believe that the answer is technology. Others believe management systems and detailed procedures are the way to go: “If people just followed procedures, incidents would not happen.” Whatever the approach, an inescapable fact is that people run facilities. So perhaps the best approach is to foster the success of people as the path to operational and business success.

This concept is not a new one, but appears to have been forgotten in the quest for operational excellence. An operational excellence

philosophy could be as simple as “Doing the Right Thing, the Right Way Every Time.”

TECHNOLOGY OR PEOPLE?

Technology has made great contributions to process industries over the last couple of decades, starting with the introduction of distributed control systems, through advanced control and smart transmitters, to current activity around big data and artificial intelligence. It seems as if it could be possible to fully automate and run plants without people.

The answer isn’t so simple.

Humans are better at:

- Recognizing patterns
- Learning from past experiences
- Solving original problems
- Improvising and adapting
- Exercising judgement when events are not completely defined
- Reacting to low-probability events
- Continuing to perform when overloaded

Machines are better at:

- Processing, storing and recalling large quantities of information quickly
- Performing routine, repetitive or precise operations over long periods of time
- Operating in environments hostile to humans
- Exerting great force with precision
- Sensing stimuli beyond the range of human senses
- Monitoring (Both Human and Machines)
- Deductive reasoning

A blend of technology and people is the answer — not one over the other, but the careful combination of both. Technology enables individual effectiveness and success. People bring experience and skill that technology can’t deliver. Combined, people and technology are unbeatable and lead to increased operational excellence and risk mitigation.

WHAT ABOUT COMPLEXITY?

Complexity challenges the capabilities of virtually every organization. Technology, process and regulation drive increased complexity. Unfortunately, experience clearly demonstrates that complexity leads to more complexity and the likelihood of system failure.

For example, the common response to poor performance or an incident is an investigation resulting in a list of recommendations, which invariably leads to more procedures or prescriptive ways of doing things. Additionally risk management systems, although they add structure to the business, also bring inherent complexity.

Where is the danger? Pushing personnel to not think by encouraging people to simply check boxes and monitor systems.

Non-thinking employees create operational risk. To reduce or eliminate this risk, companies must find a balance. Plants require structure in how they are operated with critically important procedures in place and the right skill and experience required to increase success and lower risk.

People run plants. It's that simple. Technology and work processes are key and critical enablers, not ends in themselves. Complexity must be rooted out and workforces with high situational awareness and structured thinking capability need to be developed.

"Keeping it simple" rings true, even in operating today's high-performance plants. Through the careful application of technology and people, companies can reduce or manage complexity to increase performance and lower risk.

HUMAN FACTORS AND ORGANIZATIONAL PERFORMANCE

Peter Drucker said, "So much of what we call management consists of making it difficult for people to work."

Discovering where technology, people and complexity converge in order to improve performance and reduce risk, requires understanding Human and Organizational Performance (HoP) and Risk Management.

Human Factors address people within operational risk environments. For example, people:

- Are fallible
- Want to do a good job
- Want to avoid incidents
- Predictably produce errors
- Are influenced by organizational processes and values
- Rarely improve behavior based on being punished

Whereas Risk Management:

- Is an inherent and emergent aspect of how organizations operate
- Requires critical risk management steps be done correctly 100 percent of the time
- Demands a mindset that understands behavior, not controls it
- Promotes safety not as the absence of incidents, but as evidence controls are being effectively used

It's clear that people are critical to achieving operational excellence and lowering risk. Although an obvious statement, it unfortunately sometimes gets lost in the "fog" of technology and complexity.

A look at human factors recognizes that the workplace must be designed and organized to minimize the likelihood of errors and their impact. Complexity has been proven to be a contributor to error.

WORK ENVIRONMENT

Individual behavior is influenced by organizational processes and values.

Does the work environment lead the workforce to achieve operational excellence? Or is it a work environment where people just do their job and go home — leaving management frustrated about the inability to achieve operational excellence?

The environment created by management is critical. Leadership must support and reinforce the values and behaviors of the organization.

A common refrain is, “You are asking me to improve but who is helping my boss improve?” In today’s leading process industries, the lesson is that the better employees are treated, the better the employees will treat their jobs, equipment, process and personnel — which promotes greater operational excellence.

WORKFORCE

Keeping people in the equation, it important to understand what creates a competent and engaged workforce.

Hiring the right people is critical. When seeking potential employees, most companies simply look at skills, experience and knowledge as expressed on resumés. While important, greater emphasis should be placed on behaviors such as alignment with company objectives and culture.

Highly skilled and smart people that cannot get along with coworkers are not good hires and hurt the culture and social setting of the workplace, ultimately increasing risk through poor performance.

Setting proper role and responsibility expectations is also critical. Setting expectations has been proven to be one of the largest contributors to high performance. Employees respond to supervisor expectations and have higher job satisfaction if given the freedom to meet expectations within a known and well-understood structure that allows them to do their jobs. Micromanaging is counterproductive.

Likewise, crisp role definition helps people understand how they add value to the organization. Beyond simple activity contribution, roles describe the work required to fulfill the expectations of the job. Establish clear role expectations for every position. The role descriptions should reflect the culture of the organization so that there is alignment with the culture and how work is accomplished.

Defining and teaching roles and responsibility are not new or unique activities, but they are often overlooked. Instead of the common practice of having the employee “figure it out for themselves,”

companies must carefully explain to every individual what his or her role and responsibilities are to drive up productivity, performance and to lower risk.

In the end, while technology and complexity increase, real and measurable competitive advantage comes through people. The right people with the right experience and skill, able to work within the culture and with coworkers in an environment with crisp roles and responsibilities unleashes new potential, performance and productivity — while reducing operational risk in the process.

SUMMARY

A former vice president of Chrysler Corporation once said, “If you don’t start with people, you might as well forget about the rest of it.”

Operational excellence and risk mitigation requires people. Human performance is greatly enhanced through technology and common sense procedures leading to a high performance culture through well defined roles, expectations and behaviors.

A recent survey by the Process Excellence Network identified the top needed process improvements for their members in 2018-2019. The top two were:

1. Leadership and Culture Strategy
2. Process Automation

Both are direct contributors to enabling people to achieve high performance.

So, where is the silver bullet?

Look no further than your workforce. They’re already in place but, statistically, are underutilized or contributing below what they’re capable of as a result of over-emphasizing technology and process — removing from them the requirement to “think.”



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A frequent feeling of any workforce is, “Let’s keep it simple. We don’t need another procedure or checklist.” Maybe we should listen.

PILKO & ASSOCIATES

Pilko & Associates knows operational excellence and risk mitigation. We’ve been at this for over 38 years, working with leading energy, chemical, automotive and mining companies.

Our experience brings new, practical and quantifiable benefit to our clients through increased operational excellence and performance, while also mitigating risk.

Leaders depend on Pilko’s experience, skill and proven best practices to “re-balance” the application of technology, to simplify complexity and increase workforce contribution. So can you.

Call Pilko or Mark Turri today to get started on turning your single largest asset — your workforce — into the “silver bullet” you need for operational excellence and risk mitigation.

Your workforce looks to you to help them meet your objectives. What’s holding you back?

Grey Paper Author:
Mark B. Turri, Advisor, Pilko & Associates

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.



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700 Louisiana St. | Suite 4500 | Houston, TX 77002
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