

GREY PAPER

insights



ORGANIZATIONAL CAPABILITY

The “SEA” of Leadership



Pilko & Associates Grey Paper

Concise summaries of key Operations/EHS and Transaction Risk challenges and how to unlock value for your project, assets and enterprise.

Pilko & Associates is the industry leading Operational and Environmental, Health, and Safety Risk advisory firm — working with clients in 78 countries and advising on M&A deals worth more than \$600 billion.



US +1 713 357 1000

www.pilko.com

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

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INTRODUCTION

Organizational Capability is simply defined as an organization’s ability to deliver expected (outstanding) results on a sustainable basis. This ability resides within the organization’s capability to successfully deliver Operational Excellence, including managing and mitigating Operational/EHS risks.

Organizational Capability concepts have been discussed in previous Pilko & Associates Grey Papers, including one published in 2018 titled “[Greater Organizational Capability](#).” This Grey Paper further develops this topic by focusing on three critical roles of leadership: **Setting Direction**, **Enabling the Organization**, and **Assuring Execution**, i.e. the “**SEA**” of Leadership.

SETTING DIRECTION

The Grey Paper “[In Control?](#)” refers to the need for clear (organizational) priorities wherein workers understand the higher-level strategy for setting personal priorities and guiding their individual actions. Common sense, right? How can you expect aligned decision making if “workers” (from senior leadership, front line leaders, to employees on the factory floor) don’t understand where the organization is headed?

Leadership’s responsibility is to lay out and articulate, in an understandable way, “where” the organization is headed, “why” a given path was chosen, and “how” it will deliver on this direction. Key elements include establishing a clear vision and mission/core purpose (“where”), strategic intent (“why”), along with articulating its strategy (“how”).

The global energy and petrochemical industries are very competitive and influenced by many geopolitical, national, NGO and local interests. Often these influencers contribute to a sense of uncertainty within an organization in the form of dilemmas. A common dilemma is one of safety versus production. When workers understand and are aligned with the organization’s direction, they

have a greater ability to manage dilemmas and make decisions consistent with sustainably delivering expected outcomes.

ENABLING THE ORGANIZATION

Outstanding results do not magically happen even when all workers have a broad understanding and alignment around the organization’s direction. While multiple ways exist to categorize the resources and capabilities needed to deliver desired outcomes, through experience we have recognized four key inter-connected enablers: People, Work Processes and Procedures, Culture and Behaviors, and Structures. **Each of these elements is important to success but not individually adequate.** This sentiment was highlighted in the Grey Paper “[Greater Organizational Capability](#).”

Possibly the most obvious of these enablers is **People**, and this concept is discussed extensively in the Grey Paper “[Operational Excellence through People](#).” Within the People space, leadership must resource an adequate, competent, and diverse workforce across all levels — from the front line operator/technician/craftsperson, to technical and support staff, and throughout all levels of management. Additionally, leadership has the responsibility to provide training and guidance to support development of professional (job) mastery, leverage all aspects of diversity, and assure robust succession plans.

Work Processes and Procedures provide a documented framework to facilitate knowledge transfer and execution consistency across time and functional boundaries (e.g., across shifts, personnel transitions, and department handoffs) leading to more sustainable outcomes. While work processes and procedures can cover many operational scenarios, they are static in nature. A capable workforce is needed to execute the processes and procedures and to be able to adapt in harmony with the organization’s direction when new situations or uncertainties arise.

Underpinning People and Processes are **Culture and Behaviors**. Unfortunately culture cannot be mandated; it is a direct result of behaviors and norms accepted within an organization. Leadership must set this tone, not only with clarity of intent, but also with

clarity in expectations and in its own behaviors. As the saying goes, “Actions speak louder than words.” Two reflective examples arise around teamwork and operational issues. If the organization desires and values teamwork, do leaders recognize and reward teams or just the star player? When operational issues arise, do leaders react to the “bad news” by blaming and finding fault or do they react by accepting the information as “just news” while focusing on understanding and issue resolution? The tone that leaders set will permeate throughout an organization. Additional insights around culture elements are discussed in the Grey Paper [“Trust and Transparency in Operational Excellence.”](#)

The final enabler is **Structure**. Organizational design is a recognizable structural element. Pilko Advisors have experienced multiple reorganizations over the years and through this experience it has become clear that no perfect organizational design exists. All organizational designs have inherent strengths and weaknesses. Leadership should put into place the organizational structure that best supports its strategic direction while mitigating inherent weakness. Among the many organizational concepts, leadership often select either a functional centric approach or a business unit centric approach. Neither is right nor wrong and each has delivery and cultural implications. Additional structural aspects that must be considered include management systems, governance, authorities, and risk framework among others.

ASSURING EXECUTION

With an organization clear on its direction and which has been enabled with the right resources and capabilities, expected outcomes should follow, right? Yes, this premise is the core of this Grey Paper. The critical question is “Does leadership really know that the enabling processes are being followed, structures are effective, that its people are capable and competent, etc.?” Not knowing, or not being aware, results from “blind spots” and may result in unintended and undesirable outcomes. Additional insights are shared in the [“Why All Organizations Need to Search for Blind Spots,”](#) Grey Paper.

A robust assurance system will help reduce blinds spots. Best Practices for assurance systems include a defined multi-tiered

approach to assess the effectiveness of Organizational Capability elements, including risk management and compliance activities.

These tiered levels include:

1. Front-line leader assurance,
2. Management (site leadership) assurance,
3. Internal company/corporate (above-site) assurance reviews/ audits, and
4. External (third-party) reviews and audits.

PILKO & ASSOCIATES

Pilko & Associates knows Organizational Capability improvement and Operational Excellence are direct contributors to risk control. Through our experience, Pilko has shared industry-leading insights and created methods and processes that substantially increase Organizational Capability in diverse operational and regulatory environments.

Complementing its original **8IGHT DRIVERS® METHODOLOGY** for process risk mitigation, Pilko & Associates have recently introduced an **8IGHT DRIVERS® METHODOLOGY** customized to Organizational Capability. This methodology supports leadership in finding, prioritizing, eliminating organizational blind spots, deficiencies, and mitigating both “hard” and “soft” risks.

Pilko & Associates has a number of Advisors who have successfully addressed the challenges of Organizational Capability in complex environments. Each is available to help you understand the challenges and succeed in enhancing your Organizational Capability to increase Operational Excellence and risk control.

Contact Pilko & Associates today for support in assessing your Organizational Capability and prioritizing the steps necessary to sustainably deliver expected results.

Grey Paper Author

James (Jim) W. Overman, Senior Advisor, Pilko & Associates