

GREY PAPER

insights



TRUST AND TRANSPARENCY IN OPERATIONAL EXCELLENCE

Using 8IGHT DRIVERS® to overcome internal bias and error.



Pilko & Associates Grey Paper

Information and insight at your fingertips. Simple, yet profound steps you can take right now to increase or grow your control of Operational, EHS, and Transactional value risk. 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 increase control of 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

Businesses aren't immune to the impacts of society's growing distrust of long-standing institutions. Lack of trust within companies, with respect to processes and even reporting of critical incidents or KPIs is no longer uncommon.

Transparency is also an issue. People tend to have built-in biases against accountability; a history of keeping critical information to themselves; and a willingness to isolate processes and reporting to reflect what they want.

Worse, many confuse transparency and trust by thinking that they're synonymous. They're not.

Confusing these issues or simply not addressing them can be catastrophic to Operational Excellence success and the control of Operational Risk.

It doesn't have to be this way.

WHAT IS TRUST?

Everyone wants to be trusted. It sounds simple — and transparency seems like an obvious way to gain and express trust. But the relationship between the two isn't so simple in practice.

Trust tends to mean "give me autonomy." People come into roles and responsibilities asking to be "trusted" based on their work history and experience. What they are asking for is the independence to do what is needed, when it's needed. After all, we all want to control our immediate circumstances. And we all want independence in our work, free from micro-management.

However, our experience has shown that trust:

- **Is situational.** Trust may be offered in one area but not another. Trust may be given in some circumstances but not in other circumstances. Trust is based on experience, judgment and performance — given and taken as the situation requires.
- **Is not given in-perpetuity.** Trust is earned based on performance. When performance is less than expectation,

trust is diminished or removed. Operational demands may shift, increasing in their expectation or requirement beyond the capabilities of the individual responsible. In this case, trust will need to be rebuilt or earned to that new level.

- **Is based on truth.** Trust requires that expectations, processes, data, information and communication accurately reflect the "real world" as it is and not what we "hope it is."
- **Demands transparency.** Information, processes, key performance indicators, communication, accountability and reporting must be open and available without difficulty or inaccuracy.

Earning trust requires more than the alignment of words, actions, beliefs and results. Trust is earned when expectations, words, actions and outcomes are consistent.

Trust is the basis of relationship: the more trust, the better the business or the operations function. Transparency is different as it works to build or restore trust of individuals and information within the organization.

If we want trust, we must be more transparent.

OK, SO WHAT ABOUT TRANSPARENCY?

Simply put, transparency is the ability for all interested parties to see what is going on. It means proactively sharing or making available people, information and tools to stakeholder groups.

We've come to learn that there are five key attributes to transparency that drive Operational Excellence and contribute to lowered risk. They are:

- **Intentional sharing.** Being proactive in sharing information to peers, subordinates and superiors — before they ask. Making available reports, process integrations and vital operational information, and ensuring they are accurate and without a bias toward optimism.
- **Perception of sharing.** Organizations with high transparency are known to intentionally share vital information in a

systematic manner. They recognize that transparency is a vital function for Operational Excellence and lowered risk.

- **Quantity of shared information.** Organizations that lead in Operational Excellence abundantly share information with stakeholders. They don't "hold back" or selectively reveal information in a reactive manner.
- **Quality of shared information.** In a world of complex processes and numerous technology tools, information is available and abundant; however, the quality of that data can often be lacking. Of critical importance is ensuring the accuracy and timeliness of data, information and communication to increase risk control and Operational Excellence.
- **No games.** Often those responsible for managing or executing complex projects and processes are also responsible for information gathering, processing and reporting. Because of these dual roles, organizations must be vigilant in creating a culture and expectation that is intolerant of "gaming" the information by "spinning" in a positive light, underreporting problems or by representing things improperly.

IMPROVING TRUST AND TRANSPARENCY

We continue to bring greater Operational Excellence and increased risk control by bridging the gap between trust and transparency.

A vital and proven tool that helps companies bridge trust and transparency is the Pilko **8IGHT DRIVERS**[®] METHODOLOGY and technology.

Our clients tell us that **8IGHT DRIVERS**[®] is an extremely effective resource in identifying Blind Spots in organizations, particularly those where there is an emphasis on or a history of "gaming" shared information throughout the organization. This outcome is especially true in organizations where incentive compensation is tied to lagging metrics such as recordable injury rates and performance vs. budget.

Metrics are critically important to business and operational performance. An overemphasis can lead to strategically poor decision-making with respect to spending and a reluctance

to fully and accurately report injuries. A lack of transparency ultimately leads to a loss of trust and growing frustration within an organization, which starts an escalating downward spiral to even more reluctant disclosure.

USING 8IGHT DRIVERS[®] TO BUILD TRANSPARENCY THAT LEADS TO TRUST

Pilko recently updated both the **8IGHT DRIVERS**[®] platform and content. The tool is now web-based so that it can be used more broadly to help organizations understand their Blind Spots, and the elements within the **8IGHT DRIVERS**[®] have been updated to reflect industry progress over the past few years, and to more fully address the need for an extraordinarily high level of engagement, transparency and trust within organizations.

With the improved capability, the **8IGHT DRIVERS**[®] can be used more broadly within organizations — not only with the initial assessment, but also on an ongoing basis to track progress and to identify those areas where there may have been slippage. The **8IGHT DRIVERS**[®] can be that "single point of trust and transparency" as it cannot be "gamed." In addition, the data/reporting isn't burdened by political/budget/personal needs that are so often embedded within the fabric of an organization.

With improved access to accurate information, thanks to **8IGHT DRIVERS**[®], objective and positive actions can be taken to address previous barriers to transparency. As positive actions are taken, transparency and trust improve, leading to a much higher capability to effectively identify, understand and address risks. Pilko's approach to addressing the identified barriers ensures the avoidance of initiative overload, that the right opportunities are addressed first, and that companies have a structure and approach in place that promotes even greater transparency and trust.

A "SINGLE POINT OF TRUTH"

Many organizations conduct formal annual reviews of "hard" and "soft" risks. Annual use of the **8IGHT DRIVERS**[®], either through an employee survey, or through an assessment, can lead to transparent, positive-leaning risk control. This result is accomplished through:

- **Baselining.** Your Operational Risks are rigidly assessed and scored for severity and improvement. This baseline becomes the starting point for measurement of progress and improvement across the organization.
- **Consistency.** A dependable and predictable set of questions, measurements, analysis and recommendation based on decades of hands-on success in Operational Excellence.
- **Cold-eyes.** An independent, third-party inquiry, assessment and reporting that eliminates bias and “gaming.”
- **Sustainability.** Having accurate information, representing the “real world,” with proven recommendations and actions that lead to increased operational performance and business sustainability.
- **Confidence.** As measured data is logged and correlated in regular intervals, the information increases in accuracy, trending becomes clearer and necessary decisions become easier.

Every organization must strive to achieve full trust and transparency when it comes to identifying, prioritizing, and mitigating risks. The **8IGHT DRIVERS®** can be the trusted single point of truth for assessment, measurement, reporting, and identification of the next wave of opportunities to do so.

PILKO & ASSOCIATES

Pilko & Associates knows Operational Excellence and Risk Control through transforming cultural transparency and trust. Our experience has created an industry leading tool that has proven effective in creating transparency and trust that drives business forward — called the **8IGHT DRIVERS® METHODOLOGY**. Leading energy and chemical companies around the world have used **8IGHT DRIVERS®** to change their companies into world-class leaders in Operational Excellence and risk control.

Leaders depend on the experience, skill, proven Best Practices and **8IGHT DRIVERS® METHODOLOGY** to find, prioritize and eliminate “hard” and “soft” risks. You should too.

Calls us today and let’s get started on the journey toward new transparency and trust for increased risk control.

Grey Paper Author:
Mike McCandless, Managing Director, 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.

