



Wilson Perumal & Company's
Vantage Point

Volume 2014 | Issue: 1



► ***Operational Discipline***

Doing the right thing,
the right way, every time



Following the Deepwater Horizon incident in the Gulf of Mexico in April 2010, the energy industry was reeling with the question of how to balance the need for safety with the need for production. It seemed the pendulum had swung over the years from a focus on safety, to a focus on production, and was now due to swing back to safety. Indeed, we had conversations with many industry executives struggling with just this tension, and with what it means at the operator level, which is where things really count.

But our experience with leading high-reliability organizations shows that this is actually a false tension, which at best is distracting and at worst sows the seeds for future incidents. Safety and production are not opposing goals to be balanced, rather, they both rest on the same critical operator and organizational behaviors—what we call the Pillars of Operational Discipline. Furthermore, these same behaviors support Operational Excellence across each of our 7 Value Drivers: *safety, environmental, productivity, quality, compliance, yield, and cost.*

This false tension is not unique to the energy industry. In nearly every industry companies struggle to balance seemingly opposed priorities, and in a complex world these seeming opposites abound. Ultimately, a new way of working, and managing, is needed.

Why Operational Discipline is Important

Operational Discipline (OD) is commonly described as doing the right thing, the right way, every time. This is much easier said than done. We have found that building a culture around our Pillars of Operational Discipline is the most effective way toward achieving this goal, especially in a complex operating environment. And, when combined with our 7 Element Operational Excellence Management System, the Pillars of Operational Discipline will deliver Operational Excellence and industry-leading performance.

In a simpler time when work activities were more straightforward and linkages were fewer and better understood, it was easier to ensure employees did the right thing, the right way, every time. Work instructions were written to prescribe how to complete every

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task, accounting for every variation or possible condition. But in the complex environments we all operate in today, it is impossible to anticipate every situation employees will be faced with and understand all of the complex linkages that may impact the work they do.

Therefore, instead of trying to develop a prescriptive list of activities to help employees do the right thing, the right way, every time, a far more effective approach is to build a specific and robust set of values, or principles (the Pillars of Operational Discipline) to govern actions and behaviors no matter the situations encountered.

One of the most powerful aspects of Operational Discipline is that it drives people to understand not just what they do, but why they do it. We have found that the biggest obstacle to achieving Operational Excellence is not that the rights tasks, activities, and processes are not identified, but that work is looked at as “checking-the-box” with no underlying system to tie everything together and little appreciation for the unanticipated. In fact, in complex operating environments it takes a purposeful effort to be able to count on employees to do the right thing, the right way, every time.

The Pillars of Operational Discipline

In order for someone to do the right thing, the right way, every time, a number of conditions

must exist. He must know what the right thing to do is and why. He must also know what the right way to do it is and why. He must reassess the right thing and the right way over time to confirm that there is not a better approach. He must have a broad understanding of the operation to know how his work impacts and is impacted by the work of others. Lastly, he must be dedicated and willing to always do the right thing and not taking the “easy way” while expecting the same of others. These behaviors all rest on a very specific set of pillars which define and support a culture of Operational Discipline:



Integrity

OD organizations are built on individual and organizational integrity, meaning individuals can be relied upon to do what they say, and to do what is right, whether or not someone is looking. Individuals must be able to rely on each other and their word—among peers, from subordinates, and from supervisors, managers, and executives. Knowing how people will behave and what they will do leads to a safer work environment, allows accurate planning, reduces waste, harmonizes activities, and drives higher productivity. Without Integrity, there is no reliability, there is no confidence, there is no trust.

Level of Knowledge

OD organizations prize organizational and individual knowledge, and continually seek greater knowledge. Individuals must have sufficient knowledge to determine what the right thing is to do and how to do it. In a complex operating environment, this requires a Level of Knowledge that extends

beyond their immediate work areas and beyond just knowing work procedures or where to find information. It means employees must understand the broader systems and environments they work in to a deep enough level that they can identify abnormal conditions and potential hazards, react effectively to unanticipated situations, and be able to back each other up.

Questioning Attitude

In OD organizations employees constantly ask themselves: What could go wrong? Has something changed? Am I sure things are as they seem? What do I not know? What might others be missing? This proactive questioning is critical to surfacing issues, learning, and backing others up. Having a Questioning Attitude does not come from a lack of trust of others or a belief that you or your fellow employees are ill-prepared to complete the task at hand. Rather, it comes from vigilance and a sense of chronic unease: a belief that there may be better ways of doing things and that the best way to manage/mitigate risks is by proactively identifying and addressing them.

OD Definition

Do the right thing, the right way, every time

Necessary Conditions

- Know what the right thing is
- Understand why it is the right thing
- Know the right way
- Understand why it is the right way
- Continually reaffirm the right thing & right way
- Willing to always do the right thing
- Broad understanding of the operation
- Probing to identify issues
- Not taking the "easy" way

Pillars of Operational Discipline

- Integrity
- Level of Knowledge
- Questioning Attitude
- Formality
- Forceful Watch Team Backup

Formality

Recognizing they that are entrusted with something larger than themselves, employees in OD organizations respect their roles, follow procedures, act with professionalism, communicate and report information in exact, prescribed terms, and respect rules. They recognize they are part of an organization made up of other people, facilities, equipment, processes, and procedures that must work in concert. If something can be improved, they use the appropriate channels to formally make those changes; they don't develop "work-arounds." They communicate with one another in a consistent, defined manner to ensure information is reliable and understood. They treat each other with respect and value the roles others play. They respect the facilities they work in and the equipment they use. Housekeeping is important as it represents respect for the facility, equipment, and other workers. When employees understand that they have a responsibility to others, they are mindful of the task at hand.

Forceful Watch Team Backup

OD organizations expect commitment from all employees not only to themselves, but also to one another. The concept of Forceful Watch Team Backup is rooted in everyone's understanding that they are part of something larger than themselves, they must work in concert to be effective, and that no one person is ever perfect. Recognizing the seriousness of the jobs that they do, everyone relies on one another to look beyond their own activity to back each other up and ensure that the team as a whole is

doing the right thing, the right way, every time. They actively look for what a co-worker may have missed and expect others to do the same in return. They have the courage to step in—the courage to care.

Understanding and Using All Pillars of Operational Discipline

Most importantly, OD organizations recognize the pillars must work together to support each other to achieve Operational Discipline and support excellence across our 7 Value Drivers. Understanding the pillars, the rationale behind them, and the intended outcomes they are driving towards is imperative to successfully implement them. Without this, individual pillars can be mistaken to justify actions counter to Operational Discipline. For example, in an OD organization, Questioning Attitude and Forceful Watch Team Backup are not motivated by a desire to point out the failings of others or embarrass them, but rather to improve the performance of the organization as a whole. However, just looking at them alone, on the surface, without taking the time to understand those pillars, someone might interpret them in a negative, divisive way.

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The Pillars of the Program: the US Nuclear Navy

Much of our thinking regarding Operational Discipline and the Pillars is inspired by the late Admiral Hyman Rickover and the United States Nuclear Navy. Since its inception over 60 years ago, the US Nuclear Navy has operated more nuclear power plants than any other organization in the world, and has done so without a single reactor incident. Further, the Navy does this with young personnel, high turnover, and while operating in remote, dynamic, and often harsh environments.

In the wake of World War II, then Captain Rickover was the first to recognize the enormous potential of nuclear-powered submarines and surface ships. He embarked on his quest to build the Nuclear Navy before there was even a commercial nuclear power plant on the drawing board. As a consummate engineer, he was keenly aware of the enormous technical challenges to be overcome—indeed this would be the most technologically complex undertaking of its day.

But Rickover's real genius lay in his understanding of the significant organizational challenges involved: *how do you put something as complex as a nuclear reactor on a boat, under the ocean, and operate it safely with*

a crew of young sailors? He recognized that doing so meant eschewing the traditional military culture that had existed for centuries: follow orders, do what you are told, and don't ask question.

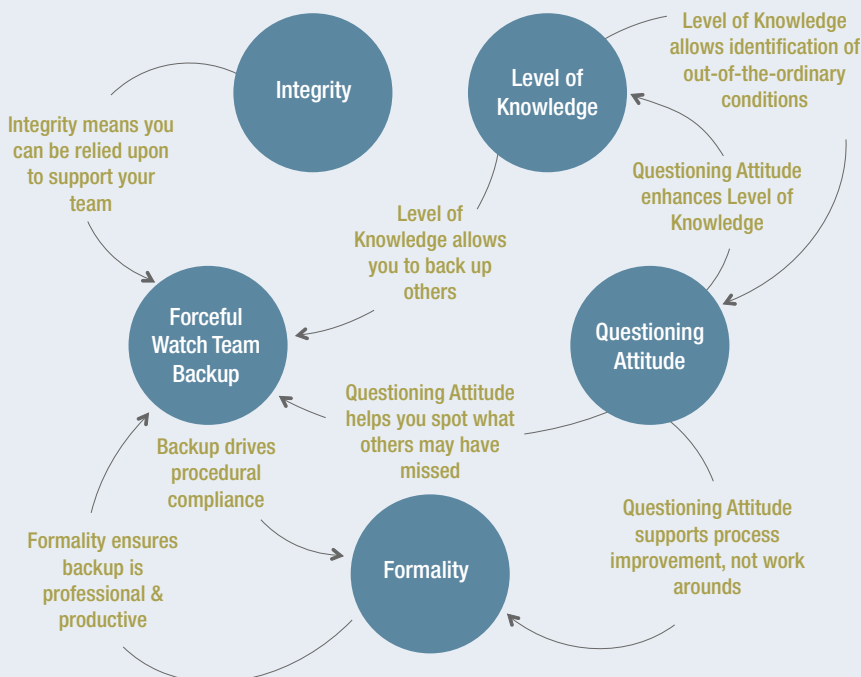
Rickover knew that to achieve the Naval Nuclear Propulsion Program's dual objectives of continuity of power and reactor safety, his operators would have to operate in a different way. He would have to build a different culture, one founded upon what has come to be known within the Navy as the Pillars of the Program: Integrity, Level of Knowledge, Questioning Attitude, Formality, and Forceful Watch Team Backup.

Rickover expected even his most junior sailors to question things, to have an integrated understanding of how the entire plant worked, to back up not just each other but also their officers, to operate with painstaking formality, to be able to be relied upon. Key to arresting the development of problems was identifying when small things were not quite right, which required everyone in the crew to continuously examine and question things. But to do so required the level of knowledge to be able to spot when something, even minor, was wrong.

Just as it is important to understand the background and rationale for each of the pillars, it is important to understand they are self-reinforcing and all of the pillars are required together to drive Operational Discipline. Each component of Operational Discipline—doing the right thing, the right way, every time—is supported in some way by all of the pillars. It takes employees who have the appropriate Level of Knowledge, behave with Integrity, have a Questioning Attitude, act with Formality and demonstrate Forceful Watch Team Backup to achieve Operational Discipline.

Further driving the need for all the Pillars of Operational Discipline to be addressed together is the manner in which they build off and support each other. Taking Questioning

Attitude for example, without sufficient Level of Knowledge employees will be unable to identify out-of-the-ordinary situations. Without Integrity, and the commitment to do what is right that comes from it, employees cannot be relied up to maintain a questioning attitude. Without a recognition of and commitment to Forceful Watch Team Backup, questioning from others may not be welcomed or valued. Without Formality, it is much more difficult to effectively question, as surfacing problems is much easier when known processes are being following, information is being communicate clearly, and operators are taking their job seriously.



Case Study: BP Deepwater Horizon

The explosion on the Deepwater Horizon oil drilling rig on April 20, 2010 resulted in 11 deaths and the largest marine oil spill in history with almost five million barrels released in to the Gulf of Mexico before the well being drilled was capped.

What many do not know is that on the day of explosion there was a management visibility tour aboard the rig with executives from BP and Transocean, the company operating the rig. These executives came to Deepwater Horizon to discuss and review safety, but despite their experience in drilling operations (one was a former drilling manager) they were seemingly unaware of the potentially dangerous well-capping procedure being performed that day and that what they observed

during the tour might have indicated something was about to go wrong.

Through testimony from the investigation conducted by the United States Coast Guard, it is apparent that the BP and Transocean leaders were not acting or leading in an Operationally Disciplined way. If they had sought to increase their Level of Knowledge of the operations being conducted, had a Questioning Attitude when they felt something was amiss, or demonstrated Forceful Watch Team Backup, this incident might have been averted. Unfortunately, this was an opportunity missed.

For a more detailed analysis of the situation through the lens of Operational Discipline, please see our presentation at <http://bit.ly/17OM4dt>.



Leadership and Operational Discipline

The way that common activities such as leadership visits, audits, performance reviews, and annual planning are completed in an OD organization can look quite different than they do in other organizations. Beyond just doing the right thing, the right way, companies where Operational Discipline is at the forefront will look at all activities as opportunities to learn more about their operations so they can be made better. Leadership visits are not just opportunities to demonstrate visible leadership, they give leaders the chance to learn more about their operations, reinforce the pillars, bring a fresh eyes view to surfacing problems, and share best practices from site to site.

Likewise, instead of being tedious tasks, audits, performance reviews, and annual planning can all provide an organization the opportunity to learn from past mistakes, learn from results that differed from what was expected, share best practices, integrate the pillars deeper in to the organization, and identify enterprise-wide areas of success or concern.

The role of leadership cannot be overlooked in an organization's journey to Operational Discipline. Leaders must lead by example. They must acknowledge the importance of Operational Discipline and actively demonstrate it. They must set clear expectations for their employees, not just in results, but also in how they achieve those results. And they must hold their employees accountable and properly incentivize them

to drive the right behaviors and results. By setting the example of Operational Discipline and holding their organizations accountable for results and behaving in ways consistent with OD, leaders can drive the culture change necessary to achieve Operational Excellence and ongoing continuous improvement.

Instilling a Culture of Operational Discipline in your Company

Changing culture is a difficult task requiring significant leadership will and commitment. The journey to Operational Discipline will look different for every company. However, our work with companies in high risk industries from energy to financial services indicates there are several necessary steps for a successful journey.

Step 1:**Align Leadership on the Pillars of Operational Discipline**

Make no mistake, creating a culture of Operational Discipline and sustaining that culture over time must start with top executives aligning on a common language. They must not only agree on the words used to describe each of the pillars, but also on the approach for changing the culture. One mistake often made is softening the words used to describe Operational Discipline to sound more familiar and similar to phrases or words the organization already uses. However, using new, unfamiliar words and descriptions is exactly what you want when introducing a new culture. If the words do not sound different and get the attention of employees, they are less likely to recognize that they are being asked to behave differently.

Step 2:**Create the Case for Change**

Once top executives have aligned on the words and the approach, they must create the case for change to motivate the organization. They must communicate to the workforce what issues (or potential issues) the company is having and why adopting a culture of Operational Discipline is essential for success.

We have found that case studies can be very effective tools for creating the case for change, both to show how Operational Discipline has been achieved elsewhere and where compromising one or more of the pillars has led to disaster. Specifically, case studies that discuss the role leadership and culture have played in major incidents in other organizations

can be very powerful illustrations of the need for Operational Discipline. Incorporating activities that challenge employees to reflect on their own behaviors relative to the behaviors of leaders in the case studies helps demonstrate the need for Operational Discipline to avoid catastrophes.

Step 3:**Internalize the Pillars and the Necessary Changes in Behaviors**

Conducting training sessions on Operational Discipline, although a necessary and important first step in introducing the pillars, will not cause employees to internalize the behavior changes that they need to make. Rather, this takes personal interaction and dialogue between leaders and their direct reports. This interaction should occur through both one-on-one conversations with employees and during observations of employees performing work. It is essential that leaders begin recognizing when employees' behaviors are not consistent with the pillars, and correct them on the spot in a considerate, yet clear and consistent way. Leaders must also realize that they need to make changes to their own behaviors as well, and, consistent with Forceful Watch Team Backup, they should ask employees to point out when their behaviors are not consistent with Operational Discipline.

Step 4:**Embed the Pillars in Management System Processes**

While personal interactions between leaders and employees are critical for initiating the culture change, integrating the pillars into the company's existing Management System processes is essential for ensuring a culture

of Operational Discipline is sustained. The following are some examples of how the pillars can be incorporated into existing processes:

- New employee selection – Interview questions for new employees should include scenario-based questions that require the interviewee to demonstrate application of the pillars. This ensures new employees behave in alignment with a culture of Operational Discipline and reinforces the pillars.
- New hire orientation – Having senior leaders present the pillars to new hire orientation classes reinforces the expected behaviors for both new employees, and the leaders who deliver the training.
- Incident Management – In addition to identifying failed Management System Elements in all incident investigations, incidents should also be analyzed against each of the pillars. In our experience, every incident can be traced to the compromise of one or more of the pillars. This not only provides a great source of learning, but reinforces the pillars by making them very practical.
- Behavior Based Safety Observations – The pillars should be built into existing Behavior Based Safety Observation systems, requiring employees and leaders alike to observe co-workers and point out instances of behaviors that are inconsistent with the pillars. This not only reinforces the pillars, it makes employees more comfortable exhibiting Forceful Watch Team Backup.
- Performance Management – The pillars should be incorporated into 360-degree feedback processes, requiring employees to consider how they and their peers demonstrate the pillars. One trap that companies often fall into is trying to identify ways to objectively measure cultural behaviors. Although there are some methods for doing this, leaders must understand employee-to-employee feedback based on specific events is the most meaningful feedback.

Conclusion

The pillars govern not what we do, but why and how we do it. Giving people the foundational behaviors they need to take on any situation is a much more effective means of driving Operational Discipline than the futile approach of trying to dictate exactly what to do in every possible scenario. Driving the adoption of the pillars falls squarely on the shoulders of a company's leaders; they must know, understand and clearly articulate the why and the how of what they do and what they expect others to do. In doing so, they demonstrate their commitment, help people learn how to apply the pillars, and ultimately hold them responsible for doing so. It is through the adoption of the pillars that organizations can prepare themselves to develop a culture of Operational Discipline and do the right things, the right ways, every time to ultimately achieve Operational Excellence in a complex world.

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