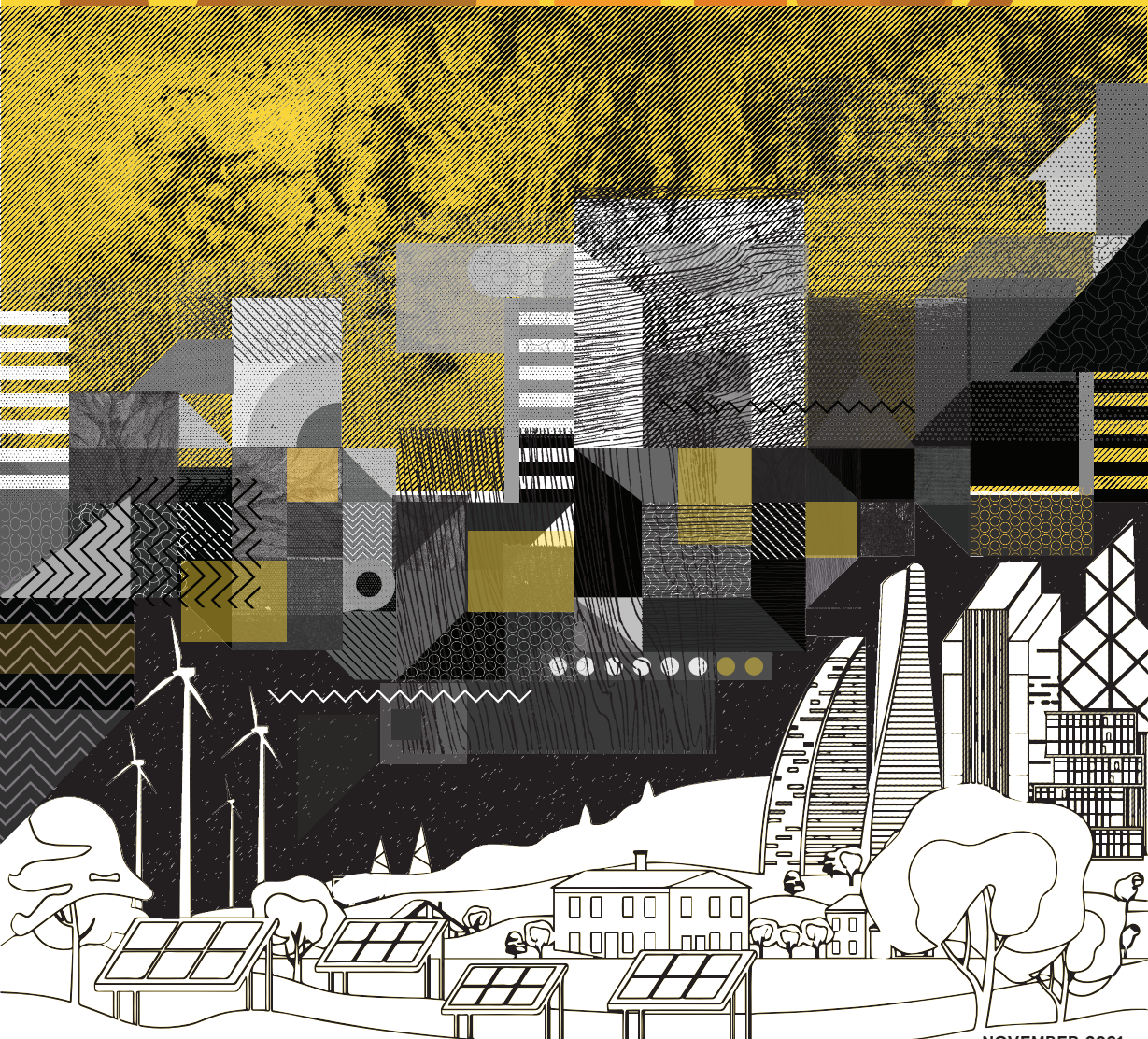


THE JOURNAL OF BUSINESS AGILITY

emergence

in unexpected places



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Operational Excellence Agility™ Applied to the Oil & Gas Industry

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We are in the middle of a major disruption in the oil, gas, and chemicals industry where the demand for fossil fuels is decreasing and the refiners and processors with the finest pedigree are winning. Those companies that had the advantage of starting a digital transformation before the COVID-19 pandemic now have the leading edge, but this disruption has caused many programs to stall. Companies are now responding by accelerating digital transformation and pushing for improvements in operational programs and asset efficiency. This has resulted in stretching their people to the limits, which has in turn triggered the “Great Resignation.”

In late 2020, McKinsey & Company completed a survey of 2,190 global respondents across many industries. Only 44% of those respondents reported an agile transformation in their company and two-thirds of those companies said “that their organizations were just treading water.”² Agile is not limited to the IT industry or departments. Rather, it is a tool that delivers value across many teams and all industries. For the oil, gas, and chemicals industry, only 47% of the industry claimed to have an agile transformation.

The agile success stories are plentiful and average a 30% improvement on efficiency, customer satisfaction, employee engagement, and operational performance. In the past, it was easier to focus on building empowered workforces and resiliency of Operating Management Systems (OMS), which led companies to use resources to identify risks and manage programs that delivered safe, reliable, and compliant operations.

The “old normal” has not been replaced, but added to the mix is a Volatile, Uncertain, Complex, and Ambiguous (VUCA) environment that has many companies juggling priorities with a disrupted workforce that is burnt out and not at their peak collaboration. By now, companies should understand that disruptions are no longer a one-off event, but rather reoccurring in this environment. Companies should design for disruption and respond quicker if they hope to crush the competition and win on Wall Street. Operational Excellence Agility™ (OpXL Agility™) is creating a focused, fast, and flexible mindset that delivers systematic operations at commitment levels that continuously challenge the process to deliver change. There is a strong passion for improvement and setting new targets in response to VUCA environments.

OPERATIONAL EXCELLENCE AGILITY™ MODEL

Operational Excellence Agility™ is creating a focused, fast, and flexible mindset that delivers systematic operations at commitment levels that continuously challenge the process to deliver change. There is a palpable passion for improvement and setting new targets that are performed by a majority of the workforce, not just a handful of leaders.

1. **Operational Excellence** is combining operations, knowledge, and experience to drive change in the process to achieve safe, reliable, and efficient outputs.
2. **Agile Leadership** is the ability to glean insights from the data, engage the team, and take action to improve the outcomes.
3. **People and Culture** is building a collaborative team that knows their strengths and weaknesses, with a bias toward delivering even higher results.

OPERATIONAL EXCELLENCE AGILITY™ DEFINED

Operational Excellence Agility™ is achieved when the three major components of an organization are in balance: operational excellence, people and culture, and agile leadership. When the performance is not in balance, companies will not reach their full potential and beat their competition. Most companies typically perform very well at one or two of the components, not all three. The application of agility to the three major components creates a mindset that embraces a VUCA world and is prepared for the next disruption.

The model was developed over a period of 30+ years spent in the oil and gas industries, working with teams in manufacturing, business functions, people development, and corporate strategy. The application of agility was applied in many different segments of the industry, ranging from startups to mega majors, which brought together cross-functional teams to focus on improvements.



Ensuring the programs are systematic, including a verification of the activity, creates a vision of these gaps and can apply a priority for action. At the same time, leadership tends to press on corrective actions and hyper-focusing on the details of the actions. As a result, they lose focus on their role in leadership, as well as the need to anticipate change. In our experience working with large companies, many feel that their processes are well developed and routine. However, to survive in competitive industries, companies are cutting costs. The Operational Excellence Agility™ model presents the balance of the process, people, and leadership needed to make the program consistent enough to operate businesses. This model can improve a company's performance and gain a sustainable competitive advantage over their competitors. These principles reflect the selection of the right team with a continuous improvement mindset that challenges them to identify gaps, as well as listen to customers that have changes coming in the pipeline. This allows them to work preemptively to anticipate the change before causing a disruption in the system. In the current VUCA environment, it is difficult to predict or fully understand the extent of the change, however many probable disruptions can be predicted. Supply chain disruptions, climate change, environment, social and governance (ESG), technologies, and the COVID-19 pandemic are a few examples that have occurred in the last three years. This model creates a mindset to be focused, fast, and flexible, which allows businesses to respond quicker than the competition and take advantage of the potential value. According to Dr. John Carrier, a Senior Lecturer at the MIT Sloan School of Management, "being agile is anticipating change in your customers' supply chain where time is starting to dominate business over cost. Customers depend on you to deliver and as long as you deliver, they will not switch suppliers."

Operational excellence processes drive the industry to constantly improve activities of the OMS program. These programs have been well established for over 15 years at the larger companies, creating a framework or foundation for a systematic and consistent approach to managing operations. With a mature process and resources, this operation can become complacent, showing little improvement and change. A verification process can ensure that the monitoring of the programs is kept at the forefront of the production meeting and be a source of data for setting future targets and improvements.

The Operational Excellence Agility™ program also provides assessment. While working with a small startup, where operational excellence is still being developed and processes are not yet systematic, gaps in availability, reliability and maintenance can lead to cost inefficiencies. The Operational Excellence Agility™ program was applied along with the leadership team to create a cross-functioning priority of actions. The result focused on operating procedures, power consumption, competency development, and reactor outage timing. The reactor outage project reduced the time to prepare the shutdown of the reactor system by 33%, which further increased availability.

The team had been operating this asset for 30+ years and was very knowledgeable on the operation and maintenance. However, they did not have a vision of continuous improvement, so their mindset was mostly about keeping the unit online and getting through the work period. Applying the agility mindset, the team was asked to develop stretch targets to improve the production rate without a capital investment. The now-engaged workforce discussed, prioritized, and implemented several small projects to increase the production rate and address low priority unreliability issues, which resulted in setting a new monthly production rate. The engaged team needed to feel empowered again and take on a challenge to reverse complacency and set new improvement targets.



Many companies operate with several process improvement action items. Sometimes several is too many. These teams can be caught in the “Too Busy Trap” when they feel overwhelmed by the number of actions, the priority of the actions, or the complete effects of their value. When combined with a complex mix of processes, audits, reports and evaluation sessions, the workload becomes increasingly unmanageable. Breaking this cycle in the Operational Excellence program only requires a few adjustments for teams to gain the full value and priority of process improvement actions. For example, while working with a team that was inundated with actions, we simply changed the vision to a list called “Be the Best”. Setting the vision, priority, timing, and funding helped align the team and let them take ownership of tactics that were well planned out for many months.

Companies do not always have the luxury of having stable and predictable processes and experienced staff. Today’s VUCA environment has changed the business, with many resources leaving the company due to illness or retirement. This results in gaps being created over a very short period of time. Was this anticipated and predicted? Absolutely not; in many companies this was not planned or even identified.

AGILE LEADERSHIP

Defining agile leadership is not always easy. Most people come into a role without having the fundamentals of leadership. They may have performed spectacularly as an individual contributor in their previous role, but now must manage that same team they were a part of, which is a different skill set entirely. Many people can develop into great leaders, understand what they have to do to create value, manage a team, or deliver a project. They have the foresight to develop a team that can fully utilize their skills to create a collaborative organization. But that is only half of what defines a great leader. The ability to be an agile leader is another tier of expectation altogether. This is about how you show up as a leader: by creating a strong bond of trust with their team, striving to anticipate change, and creating a mindset that will challenge the team to be focused, flexible, and ready to pivot with the business environment.

Dr. Nick Horney and Tom O’Shea developed The AGILE Model®, which presents five key drivers for leaders to become more agile while demonstrating that they can be focused, fast, and flexible even in the worst circumstances. →

These drivers include asking:

1. How can I get my team to **anticipate change** versus responding to change when it is often too late?
2. How can I **generate confidence** within my team so that every employee feels like they are contributing to a winning team?
3. How can I create a more decisive team, where **initiating action** is a smooth reflex and not always an ordeal?
4. How can I create a team with fresh, **liberated thinking**, who seek innovative ideas to improve?
5. How can I create focus in my team so that we regularly **evaluate the results** of those actions?

“A VUCA Master is someone who demonstrates peak leadership agility fitness during times of disruption and can be demonstrated in a work or personal setting,” proclaims Dr. Horney. Leadership Agility Fitness aligns with the annual health check-up that most people experience as we identify gaps in our physical fitness and create plans to enhance our overall health.

As part of an oil and gas emergency response team, we developed these skills during the many training classes and practice drills. A true sense of agile leadership is tested during the drill when you first are introduced to the topic, not knowing all of the information. As an incident commander, you can't help imagining what could happen in this VUCA environment. The potential impact of an incident is assigned to the Planning Section team to determine both the potential impacts and the most probable impact. Having the vision of anticipating change and initiating actions as part of the emergency response teams is part of the framework for leadership agility.

These skills translate onwards to the team. A good leader with agile leadership skills can develop a team that is not afraid to tackle the hard-to-do list. This also reduces the barriers associated with having just one strong leader and enables the creation of a strong agile leadership team. This highly collaborative team can glean insights from the data to forge change and improve outcomes. The right data and the right leadership mindset are only part of the Operational Excellence Agility™ model. People and culture have to be willing to set aside biases and strive for continuous improvement.



PEOPLE AND CULTURE

An engaged workforce with great leadership can take the performance of a team to the next level. You can still have the engaged workforce without a leader so long as no negative influences are applied to the team, but the team may struggle to align with overall business strategy. Having an engaged workforce that has a great agile leader creates an organization that knows their strengths and weaknesses and can deliver challenging results.

To achieve this, you need to continuously pump energy into assessing your culture, ensuring it takes time for culture to become an unconscious habit. Leadership has to set the stage and be the example for people to follow. Each individual is accountable for their behavior and understands their role in the team. Many interviews have focused on the technical skills of the person without inquiring as to how they might fit into the team. A leader cannot expect to create a collaborative environment if the individual does not fit into the culture or enjoy their work. Diversity is one of the keys to having a high performing team: not just diversity of gender but diversity of thought, too. Many companies will evaluate candidates not just on their technical skills but also their personality, teamwork, empathy, and leadership. One of the most important aspects of culture that many companies do not perform well is recognition: not just the reward of going beyond the expected duties, but recognition from the leader and team that provides a motivation to the individual that will last longer than most rewards. Dr. Carrier suggests, "Companies need to have capability on the floor where people know how to solve problems and an organizational structure that makes sure that it develops. If you do not have either, you are going to be out of business."

Teams are sometimes divided, which creates an 'us versus them' mentality. This can be seen in many organizations when the leaders are showing the same behavior. Having such leaders in place for even a short time can crush collaboration. When was the last time an Operations Manager visited the maintenance team, or the Projects Manager and Maintenance Manager visited the operations team? Every business should feature leaders routinely visiting other teams, sharing their ideas and, most importantly, listening to others.

G.O.A.L. is about going out and listening to teams in their work environment. These seem like simple tasks, but it would surprise you how little time is devoted to listening to teams outside of normal business functions. Being a great leader is just not for direct reports; the ability to influence and learn from other teams is what makes a leader great.

While working with a team at a processing plant, we found that the operations and maintenance departments were not even close to having a collaborative environment. Production and maintenance were being completed but teams lacked the collaborative nature required for continuous improvement. Once we applied leadership training to the work teams and showed where the leaders were in line with strategic goals, performance improved over 50% and reliability increased 5% in a short period of time. Communication was at the heart of the issue and the team felt like their mission was purely to chase numbers. Work orders were counted, completions counted, and costs were reviewed, but the work was not engaging. The teams could offer more than just going through the motions. One improvement was to have work orders that contained more details provided by operations, which allowed maintenance a chance to understand the failure mode and not just apply the fix but install a solution.



OPERATIONAL EXCELLENCE AGILITY™ CONCLUSION

Operational Excellence Agility™ is creating a mindset that applies a level of thinking that is focused, fast, and flexible. This mindset delivers systematic operations with people that challenge the process, leading to improvements in all levels in the organization. The balance of Operational Excellence, people and culture, and agile leadership, will have a team achieve peak collaboration, and allow you to crush your competition by responding to the VUCA environment quicker. The model is not limited to the oil & gas industry and has applications in many businesses in many industries. ©



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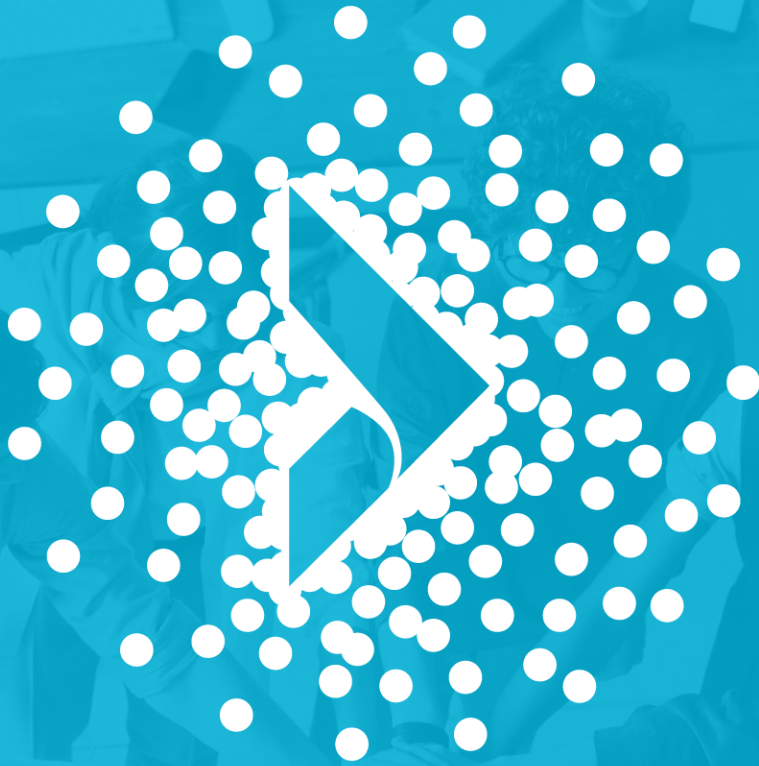
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