

Aligning People and Processes During Business-Focused Change in BP Exploration

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British Petroleum Exploration (BPX) is the upstream exploration and production business of The BP Group p.l.c., the world's third-largest integrated oil company. Since 1990 BPX has been engaged in a process of fundamental change that has already yielded significant improvements in performance. For the last two years of that program, I directed a project designed to encourage process review as an accepted management practice. Our brief included capturing and sharing the lessons in process improvement, as learned by various parts of the organization, while also examining and introducing benchmark theory and practice from outside organizations, including other companies, consultancies, and business schools.

Over two years, we and the various teams supporting change in BPX's operating centers discovered that, if process change is to lead to lasting impact on business performance, it must address not only the formal issues of business process but also the behavioral and organizational or operational paradigms of the business.

Businesses are complex systems sharing many of the characteristics of natural physical and biological systems. Just as chemical processes frequently buffer chemical systems and genetic processes buffer biological systems, so organizations evolve their own, usually unwritten and deep-seated, paradigms or mental models, which tend to buffer behavioral change.

Early last year my search for „best practice“ in the consulting world led to my meeting Peter Scott-Morgan and learning of his insights into understanding – and changing – the Unwritten Rules of the Game™. This article presents one application of that approach, with which we examined and influenced the dynamics of an organizational system.

The Business Context

Petroleum exploration and production is a capital-intensive, knowledge-based business. Its crucial processes rest on decisions made and enacted by skilled professionals. It does not have at its core the relatively repetitive white-collar processes that one finds described in most cases of process reengineering.

BPX's change process started in 1989 with a new strategy and continued in 1990 with a series of management workshops, task forces, and initiatives designed to empower change and to locate the authority for making that change within operating units. Management set challenging financial targets, but did not prescribe any single approach to meeting them, nor any set of approaches. Local operating units achieved results by discovering their own solutions to the common strategic challenge. Those results came from a wide range of process improvements, for example, different approaches to decision-making, to activity sourcing, and to the engineering of large capital projects. As a result of these efforts, BPX realized considerable savings by changing its relationships with suppliers, other operating companies, and partners.

Process Review

In March 1991 BPX launched a process review project. We were directed to foster process review, to capture the lessons in process improvement being learned in the different parts of the organization, and to encourage sharing of those lessons across the firm. We were also charged with looking externally, to high performance companies, consultancies, and business schools, for tools and approaches that might speed the improvement process.

Our early paradigm was that there should exist, or that we could create, some „best way“ of process simplification – a methodology and a toolkit that could become a company guideline. Our early role models were benchmarks from a range of large companies implementing business process improvement programs of one form or another, frequently with a declared aim of changing a corporate culture. I visited several such companies. All their programs had two elements in common. First, their successes seemed to address relatively repetitive and standardized white-collar processes. Second, they all had centralized „our x-steps“ (where x ranges from 4 to 13) methodologies, usually derived from a TQM approach. Everybody either had or was preparing their corporate guidelines on process improvement.

In our case, the notion of another new initiative from the center was firmly killed in the first three months of the project. Process review, while clearly something that the boss was committed to, was not to be forced on anyone. The term had to evolve to become part of management groups' and local change support teams' vocabulary of improvement without a formal corporate „how-to“ guideline attached.

The five of us in the project initially perceived this lack of formal authority to act within a conventional structure as a weakness. With time, we realized that it was a source of strength. It was also a trigger for our own learning about the experience of business units undergoing change and about means to energize that process. Our energy became increasingly devoted to helping create reviews and learning events in which groups could discover for

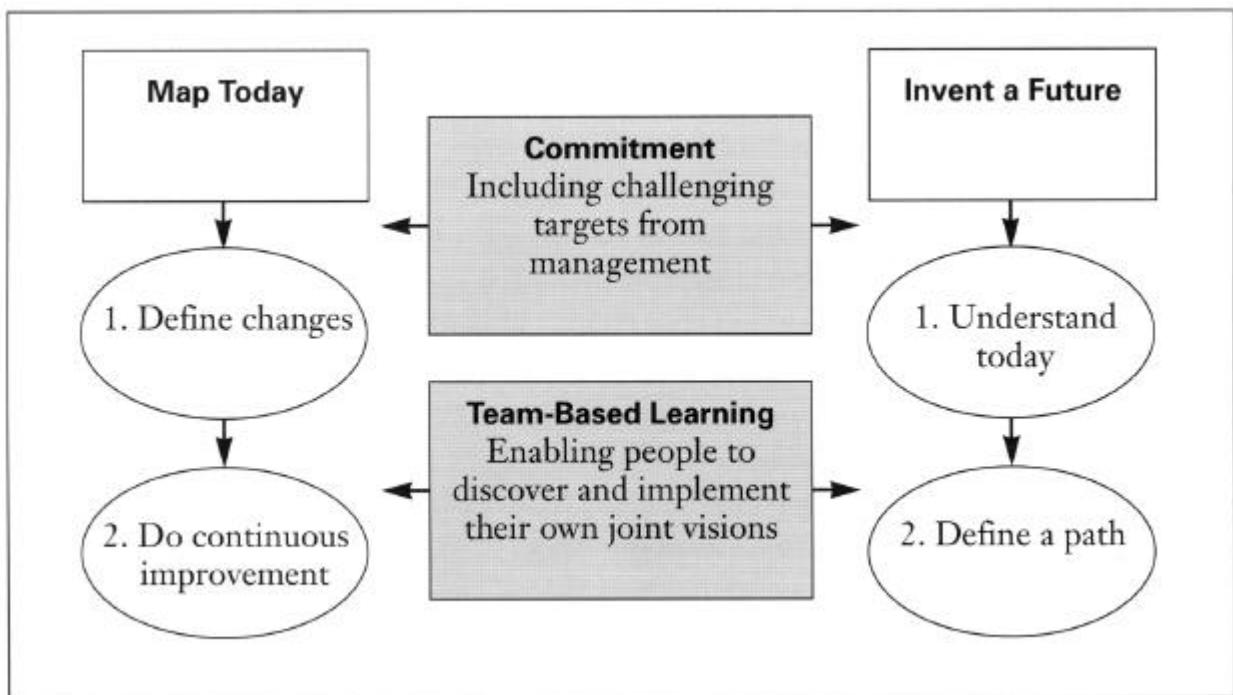
themselves – and therefore commit to and own – various processes of business improvement. We were asked to discover, from our experience and that of the various change support teams in the company, how BPX could evolve into a learning organization.

Part of the answer lay in the coalescing of various groups supporting change in different operating centers into a self-organized network. Once created, this network did not need a central unit to impose the sharing of skills and experience. The total collective toolkit of all the groups was far more powerful than any of the management-imposed methodologies we had seen in the outside world.

If one takes all these programs and ignores the gloss of the brochures that present them, there are, I suggest, only two basic approaches to business process improvement (Exhibit 1). A host of analytical and facilitative tools support either or both. One route is to map where the organization is today and then search for step improvements, which need not be insignificant. The other is to create a vision of a different business process and then define a path to achieve it. These are virtually two sides of one coin. Both require commitment from managers and from the people implementing the change. That commitment can be reached only when the teams concerned learn – together – what they wish to achieve.

Exhibit 1

Two Approaches to Business Process Improvement



Clearly, there is a vast array of tools and techniques to help the learning process. But its core is still team-based learning, a concept far easier to state than to achieve. Our own quest for team-based learning led us to seek to understand the process of organizational learning, which we saw as the continual adaptation needed to generate increased performance.

Organizational Learning

Evolution provides a natural metaphor for adaptation and learning. One does not have to be a biologist to appreciate the parallels between what it takes to survive as a species and as a business.

One can extend the metaphor. Although evolution normally entails gradual change, the reality is that, on a geological scale, the process is far from gradual. Under normal conditions, species do not change. The genetic processes of large populations prevent even beneficial change by, in effect, breeding out small, chance differences. In the geological record, species remain constant for long periods of time, interrupted by rapid bursts of change.

Evolution is now understood as occurring specifically where small populations are isolated and stressed as a result of geological disruptions of their stable environment. Evolution happens when equilibria are punctuated.¹

We can explain BPX's experience of process improvement precisely in terms of punctuated equilibria. With constraining norms about how to do things removed, individual management teams were free to „evolve,“ i.e., to find their own solutions to strategic problems, rather than to follow a prescribed path to change. The absence of corporate guidelines on process management not only made such evolution necessary but empowered it. When I started looking again at benchmark learning organizations, I found that guidelines played at most a small part in their improvement process.

Much of what is written on entrepreneurship in large organizations, on skunkworks, and on the failure of central change programs, conveys a similar message. Innovation and adaptation are a local response to local need, not a product of organizational norms. If the adaptive parts of large organizations are those that are free from the „genetic codes“ that constrain the larger population, it is instructive to ask, what is that constraining code?

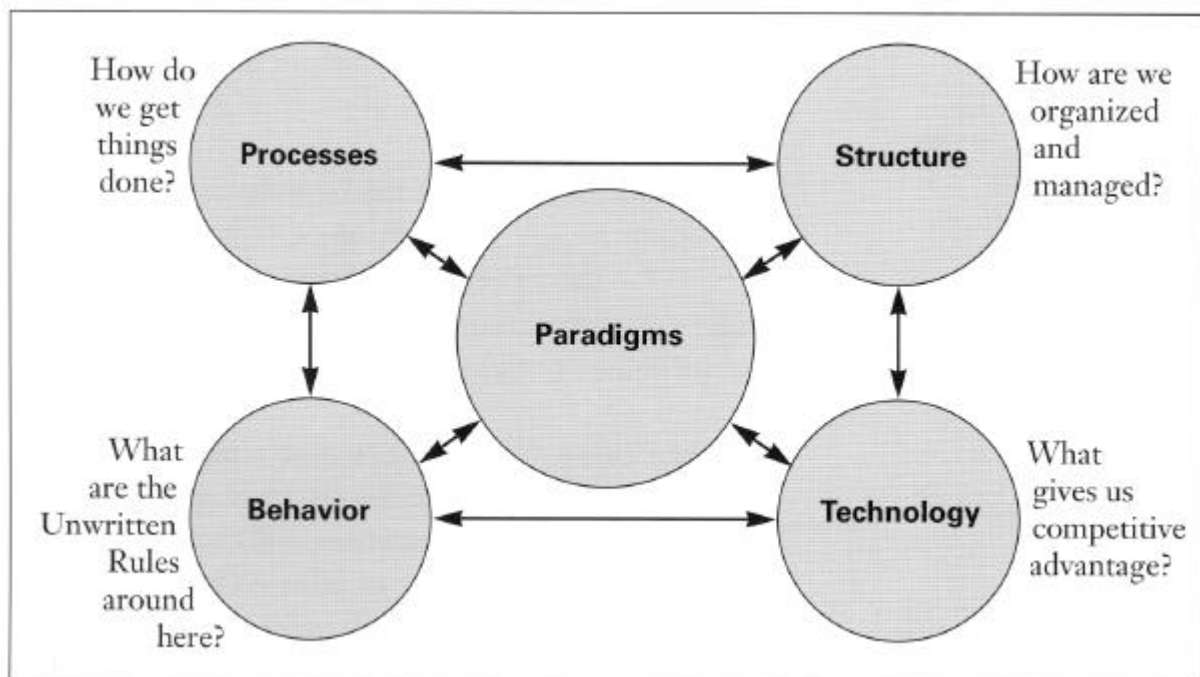
The answer is not usually obvious to the people involved. In supporting change we found that improving process performance is not a simple question of mapping today's processes and objectively analyzing routes to simplify them. Real results require individuals to think and behave differently. They need to challenge some of the norms imposed by codes of behavior and by accepted assumptions about technology, information, the business environment, and relationships with competitors, customers, and suppliers. In short, they need to challenge all the paradigms under which we operate (Exhibit 2). From our experience, corporate paradigms – deeply ingrained and accepted presumptions about the way we do business or the business we do – seem to be the equivalent to DNA in the organic world. Paradigms and DNA enable organizations and organisms to operate and reproduce, but also limit their capability to evolve.

Paradigms can operate in any area of a business: how we organize ourselves, how we deliver our product to whom, and what technology we use. As BPX changed, paradigms from all these fields were successfully challenged on any number of occasions. Through these challenges, the company became aware of the need to behave differently, to work in teams across functional boundaries, to improve the ways groups worked together, to communicate more effectively, and so on. We believed that, given fundamental shifts in superficial behavior and step changes in performance, then there must *a priori* have been a change of culture.

It was at this point in our process that I first learned of Arthur D. Little's powerful new approach to the analysis of culture and, more pragmatically, to uncovering the Unwritten Rules of the Game – the drivers of behavioral paradigms in corporate systems – in such a way as to be able to change them.

Exhibit 2

Paradigms: Organizational DNA



The Unwritten Rules of the Game

I first heard of the Unwritten Rules of the Game approach when a party from Arthur D. Little, like several of their competitors, invited themselves to visit with our process review team. I became intuitively convinced that here was an approach that could surface new barriers to the improvement of our business system. The first step was to test that intuition. Was this new method valid, or was it, to put it bluntly, more consultant hot air?

Our test was a series of pilot interviews. We chose a group of easily accessible volunteers who were ready to offer their time without raising concerns about another central initiative. I acted as the support interviewer and internal assessor, while Peter conducted the investigation. Over a three-week period, a consistent set of rules emerged, along with logical predictions about their side effects. When we reported back on the pilot, we offered a prediction concerning the relative development of different management competencies in staff identified as having high potential. The response was, „*We have just had an 18-month survey done which shows exactly that and were wondering why!*“ We had no prior knowledge of the survey before presenting our prediction.

That test proved to us that the Unwritten Rules of the Game approach was both cost-effective and time-effective. Furthermore, it could surface causal models of behavior and attitudes that could not be revealed by more conventional, descriptive culture surveys.

I was then charged with discovering what other unwritten rules were hindering BPX's progress toward becoming a learning organization, without starting a new initiative. We decided to proceed by offering each major operating center a free (to them) pilot, then allowing them to make their own judgment as to whether the method helped them overcome a constraint to increased performance. Of the several operating centers that accepted our offer, Wytch Farm provides an instructive example of the Rules of the Game approach in action.

Wytch Farm

The Wytch Farm Oilfield is one of the 10 largest in the U.K. Unlike all the rest, it lies onshore in one of the most environmentally sensitive parts of England's South Coast. As a BPX asset, it is geographically isolated from the rest of the company, being 100 miles from London and 600 from the headquarters (in Scotland) of BPX's European Operations. The surface facilities of the field – which include well sites, the rail terminal, and the gathering station – lie in a designated area of outstanding natural beauty. A separate office, stores, and workshops are located 12 miles away, and a slipway and emergency response base is located on the edge of Poole Harbour, approximately 15 miles away from the gathering station. Some 150 permanent staff and a significant number of contractors work in the operation and further development of the field.

By late 1992 the Wytch Farm Oilfield was acknowledged as one of BPX's current „jewels in the crown“ for its performance. There had been a number of projects to involve and empower all staff in the improvement process. Nonetheless, some management team members had a feeling that something was missing, that the rate of improvement might be slowing, or that something more could be done. But what? We were posed the question, „Is there something in the Unwritten Rules that is stopping us from achieving the next level of performance?“ We were given one week on site to find an answer.

The Analysis. Four of us – two external consultants and two BPX change support staff – conducted the survey. During our one-week visit to the site, we interviewed a diagonal, cross-functional slice through the organization. Interviewees were encouraged to open up about both the positive and negative aspects of their jobs. All the comments – interpreted within a rules framework and edited only to preserve the anonymity of the interviewee – were included in the management report. As one interviewee put it, „I could not have been this open to my managers.“ Another said, „It's great that the company sent you here to ask us these questions rather than just giving us attitude surveys!“

The management team received a provisional appraisal of the rules on the Friday afternoon of our site visit. Members received the completed report, with evidence from what people actually said, three weeks later.

In one sense, the results produced no surprises. They merely crystallized what people who had managed that asset for a while intuitively recognized. Indeed, it would be surprising – and probably a sign of failure by the survey team – if what we discovered had not been close to real life. Good managers inevitably sense most of the unwritten rules.

What added value was not simply verbalizing the rules, or even eliciting the feedback that got them out in the open, but understanding the overall system that had generated them and hence making it possible to identify the *points of leverage for change in the shortest possible time.*

This brief process produced one of the most positive rules appraisals in the history of the technique. The degree to which employees felt empowered – and the ways they used that power to reduce cost – were very clear; Many negative rules that had turned up in appraisals' of other centers were not apparent at Wytch Farm. The site was a prime example of the benefits of geographical isolation allowing rapid evolution! There was a great sense of

identity within the asset as a small company and an unwritten encouragement of a series of well-developed networks for making things happen.

Nevertheless, employees shared management's instinct that more was possible. They told us about performance appraisal and bonus systems being variable in their influence, about maintenance systems not getting it right the first time, about waiting to suggest improvements when „the time was right,“ and about loss-control systems not being used to their full potential.

Various systems for improvement and control existed and worked. But there was an underlying impression of their benefit not being fully realized. „We are too busy to deal with the paper trail“ was a common theme. The time required to deal with operational problems was a barrier to using systems that might cure the root cause of the problems. People were too busy to use systems aimed at continuous improvement. The overall system of unwritten rules reinforced the situation.

Our hypothesis at the start of the exercise was that we would find different rules for different populations. In particular, it seemed reasonable to assume that local employees working at the gathering station might have different motivators from professional staff who tended to spend a two- to four-year assignment at Wytch Farm. The reality was different. Various interviewees expressed different degrees of motivation with respect to money, job security, and career aspirations, but there was no correlation with populations. Three common motivators existed: a desire for informal recognition (widely perceived as not being provided in the prevailing culture), a sense of pride in working for Wytch Farm, and a desire for challenge and variety in the day-to-day work. Compared to these three, the formal performance appraisal and bonus system had little impact on behavior.

In the context of this system, activity itself provides challenge. Activity is the universal motivator in the absence of recognition for initiative, or of a performance measurement system with real impact. For people motivated by challenge, there is little incentive to simplify or to use systems. As one interviewee put it, „My biggest fear is that work will become mundane and boring in a year or two.“ Another said, „You don't actually get thanked for reporting near-misses“ (part of the loss-control system), or for making suggestions for continuous improvement. The expanded systems diagram, together with the full analysis of the rules and the supporting quotations, formed part of the feedback to the management team and to all the staff who had participated in the interviews. Half-day workshops with each group to discuss action points completed the involvement of both the consultants and the BPX change agents.

Results. The very fact that the management was seen as being ready to conduct this analysis and to receive the direct feedback given in the assembled quotations was, in itself, a strong and positive signal. Staff told us that the collected quotations had become one of the more widely read items of managerial communication, sought after even by people not involved in the interviews.

The management workshop generated commitment to a series of actions. Through the strong sense of identity with the local asset almost as a separate entity, „Wytch Farm Limited,“ management was able to build on the widespread sense of identity to establish a new performance challenge. They also undertook to establish a team-based performance appraisal system supported by appropriate coaching. And they recognized the need to pay more attention to the informal and rapid feedback process. Positive encouragement for the reporting of near-misses produced an immediate increase in reported incidents. The staff workshop was asked to consider how using systems to simplify the routine work could create time for more challenge and interest, for example by allowing regular safety reviews to be an opportunity for interdepartmental participation. Six weeks after the initial workshops, a 16-point action plan based on a review of the unwritten rules was completed and communicated through the site's team brief system. It included public commitments to assess progress by reviewing how the rules had changed after six months.

Both the external consultants and the visitors from the head office were credited with providing a fast, pragmatic review that had actually helped deliver results.

¹ For a fuller description of the theory of punctuated equilibrium and its relevance as a business metaphor, see the article by Lilly Evans and If Price in the March 1993 issue of *Forum*, the journal of the European Foundation for Management Development.

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