

Governing Energy



Book of Best Practices

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Most executives are familiar with terms such as “best practices” or “generally accepted” as part of the business lexicon. Yet how many understand these terms in the context of *their* organization or the tasks at hand?

Encyclopedic volumes have been written on this subject. Most attest to its value and how best practices can be deployed in your organization. Why then do so many of these cultural transformation initiatives fail to achieve or sustain their goals?

In some cases, industry “recommended practices” are developed by a standards body, i.e. ISO, PMI, etc. In other cases, such as NASA, highly respected organizations can offer a great deal of value and sometimes at a very low cost.

However, none of these solutions should be treated as, “out of the box.” Often, they are a set of compromises from the committee decision-making process.ⁱ These practices should not be seen as simple templates to be imprinted on the new organization.

Each sector is different and has its own set of norms or culture. Additionally, each organization in the sector has its own practices and culture as well.

“Benchmarking” is another common exercise designed to *rank order* an organization against their so-called peer group (inside/outside the sector). However, none of these methods can effectively on their own deal with the disruptive forces seen today.ⁱⁱ

Managerial laziness on the part of executives and many outside advisors attempt to cookie cutter these buzzwords into action plans based on what often become “poor practices.” This usually happens because not enough due diligence is performed beforehand.

Due diligence is typically seen as the process acquiring companies undertake to assure that the value put forth by their target company is a fair representation of reality. It is a risk mitigation process designed to assure that shareholder value is not lost because of this M&A process.

This risk management strategy can be extended to the assessment and adoption of best practices or other standards/processes from outside sources. The following graphic depicts a framework that is easy to use and provides a straightforward analysis prior to a potentially expensive implementation of a wrongheaded initiative.

Best Practices Due Diligence

Strategy	<ul style="list-style-type: none">• Aligned with Values & Culture• Disruptive
Technology	<ul style="list-style-type: none">• Core Technology including Information Technology• Intellectual Property
Operations	<ul style="list-style-type: none">• Operational Excellence• Culture of Safety
Financial	<ul style="list-style-type: none">• Accretive• Value Validated
HR	<ul style="list-style-type: none">• Competency• Retention
Environment	<ul style="list-style-type: none">• Stewardship• Marketplace

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The due diligence process should address the following points at a minimum:

Strategy—Is the proposal aligned with the organization’s values and culture and/or does it change the nature of the way the firm is doing business for the better?

Technology—Is better technology and IP available and/or will it enhance the enterprise’s technology architecture/platform?

Operations—Will the initiative contribute to the attainment and sustainment of Operational Excellence and the firm’s Safety Culture?

Financial—Does the initiative add to shareholder value in a measurable way and can the value be attained throughout the organization as a set of KPIs?

Human Resources—Is the organization competent to benefit from value to be derived and if not what must change? Are key individuals onboard or likely to resist/leave?

Environment—Does the initiative enhance the firm’s stewardship of the physical environment as well improve its standing in the marketplace?

This is not to say that small change or tweaks in the firm cannot benefit from outside influences—their possible value should also be assessed. Frequently, best practices are often used for major transformations such as Safety Culture. In these cases, due diligence along the lines posited herein is appropriate.

As with all things, simple adherence to another's plan/success process often does not generate the hoped-for benefit. In some cases, this approach can diminish value.

There is a substantial Body of Knowledge about managerial practices that dates back thousands of years.ⁱⁱⁱ It is fiscally responsible for management to explore and capitalize on the lessons learned by others. Appropriate due diligence and adaption processes are necessary!

How Does Your Organization Assess the Value of Best Practices?

Additional details are available from the author.

About the Author

Dr. [Scott M. Shemwell](#) has over 30 years technical and executive management experience primarily in the energy sector. He is the author of six books and has written extensively about the field of operations. Shemwell is the Managing Director of The Rapid Response Institute, a firm that focuses on providing its customers with solutions enabling Operational Excellence and regulatory compliance management. He has studied cultural interactions for more than 30 years—his dissertation; *Cross Cultural Negotiations Between Japanese and American Businessmen: A Systems Analysis (Exploratory Study)* is an early peer reviewed manuscript addressing the systemic structure of societal relationships.

End Notes

ⁱ https://www.ansi.org/standards_activities/overview/overview

ⁱⁱ <https://hbr.org/1999/07/why-good-companies-go-bad>

ⁱⁱⁱ Shemwell, Scott M. (1993). Management Theory—Evolution Not Revolution, Proceedings of the 11th Annual Conference of the Association of Management, 11 (2), pp. 74 - 78.