Governing Energy

Contractor Management

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According to the National Academy of Sciences, Transportation Research Board's recent publication **Beyond Compliance**, "*The industry as a whole should create additional guidance for establishing safety culture expectations and responsibilities among operators, contractors, and subcontractors.*"[i] This executive level overview suggests that over 6 years since Macondo and greater than 7 years post the Montara Oil Spill in Australia there remains much work to do to develop an industry Safety Culture for the offshore oil and gas sector.[ii]

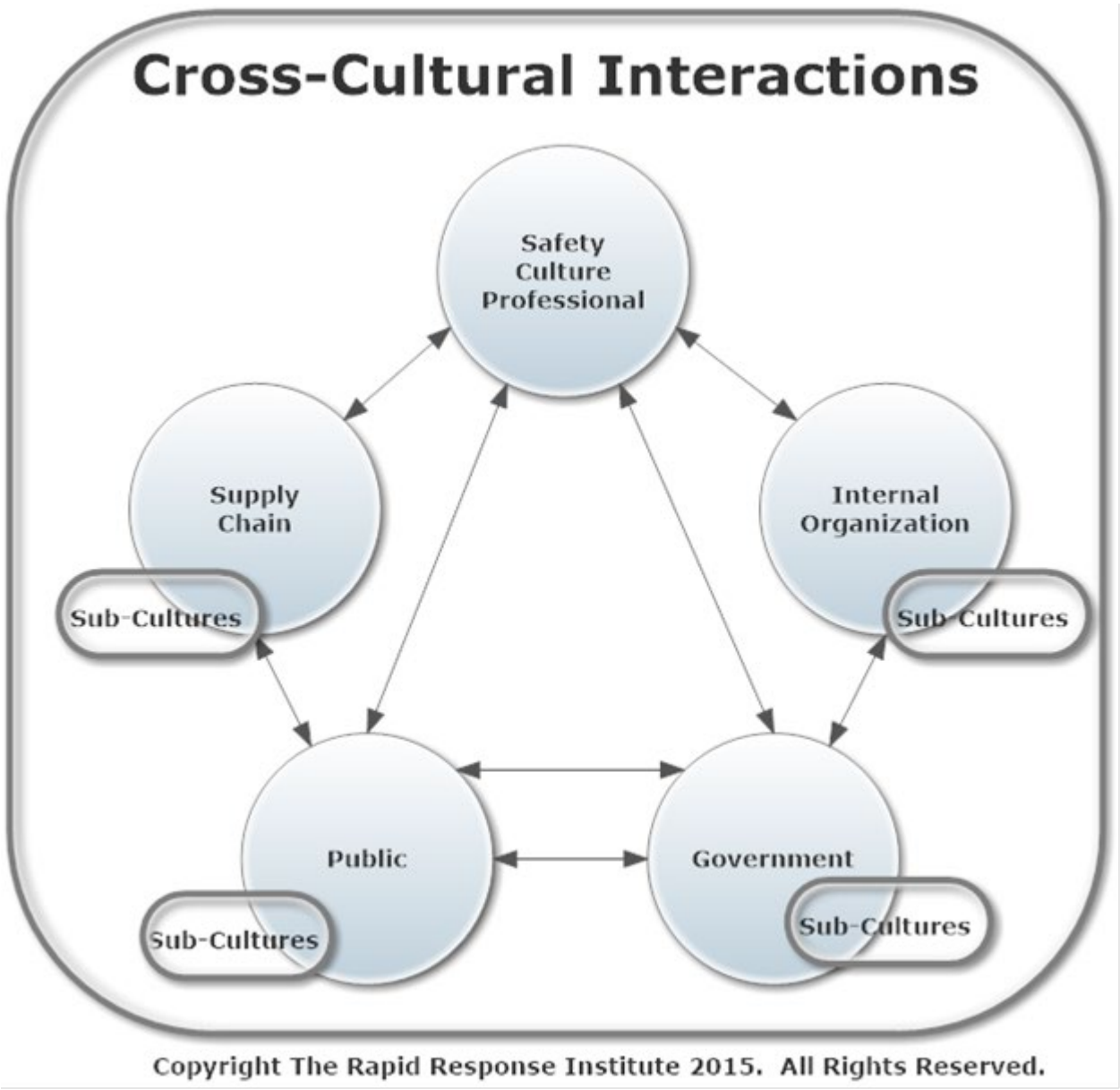
According to one operator, up to ninety percent of the personnel on an offshore facility are contractors. Add to this mix the shift rotation processes (12/12 daily as well as back to the beach) to assure 24/7 operations and the opportunities for issues expands substantially.[iii]

We have previously defined **Systemic Culture of Safety** as, a function of the human, machine, process and environment interfaces across the entire supply chain throughout the asset lifecycle.[iv] Extending this paradigm we can posit that, "A Systemic Culture of Safety is a major component of the overall Enterprise Risk Management model."[v] Inherent to this discussion are the *cultures* of participating organizations in these process workflows, both public and private.

One aspect of an organization's culture is it propensity towards risk. Some organizations are very risk adverse while others see opportunities outside the status quo.

As such, the Risk Culture of an organization must be taken into consideration when assessing the Systemic Culture of Safety of the top level organization, i.e., owner/operator or general contractor. A cultural mismatch may impact on the ability of the organizational ecosystem/project to attain World Class Operational Excellence.[vi]

As shown in the following figure (originally developed for the nuclear power sector), not only are there a number of cultures in an organization, each has a number of subcultures. For a large industry sector, this is effectively hundreds if not thousands of Cultures of Safety![vii]



If the upstream offshore segment (and other critical industry sectors) are to meet the need for "*establishing safety culture expectations and responsibilities among operators, contractors, and subcontractors"* as described herein it will have to put in place Management Systems that mitigate Enterprise Risk exposures. This is a fiduciary responsibility of the executive team as well as Board oversight.

An Operations Management System (OMS) meeting these criteria must be available to all organizations and key individuals not just those behind organizational IT firewalls. Relevant data and information sharing is essential to the success of a project.[viii]

Effective Contractor Management assures that these needs are met while maintaining Intellectual Property (IP) security amongst the economic actors in the supply chain. Finally, regulatory compliance is enhanced by such systems.[ix]

The challenge the National Academy of Sciences put forth is met! Not in the undefined future perhaps in another six years, but today!

Does your organization's Systemic Contractor Management System expose it to increased Enterprise Risk?

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 Excellence. 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 social relationships.

End Notes

[i] http://www.trb.org/Publications/Blurbs/175037.aspx
[ii] http://www.theoildrum.com/node/7193
[iii] Shemwell, Scott M. (2016, September 22). Importance of Common Nomenclature. Governing Energy. PennEnergy.
[iv] https://gnssn.iaea.org/NSNI/SC/SCCIP/Presentations/Day%201/05_Shemwell_ENHANCED%20EDITION_Implementing%20a%20Systemic%20Culture%20of%20Safety.pdf
[v] Shemwell, Scott M. (2016, June 29). Cultural Risk. Governing Energy. PennEnergy.
[vi] Ibid.
[vii] Shemwell, Scott M. (2016, May 18) Implementing a Systemic Culture of Safety: The Role of IT. PNEC 20th International Conference on Petroleum Data Integration, Information and Data Management. Houston.
[viii] http://www.fao.org/docrep/009/a0231e/A0231E07.htm
[ix] www.OARS360.com