Cultural Change on the UKCS: Initial Findings Paper to OGUK Board (December 2017)

This note summarises the initial phase of work into Collaboration / Cultural change on the UKCS. It includes a set of actions for which OGUK Board members support is sought, including provision of resources from their companies to participate in Task-Finish work in Q1 2018.

1. Introduction/Background: Delivering Cultural Change on the UKCS

In accordance with the Terms of Reference, the initial phase of the work has now been completed. This involved conducting more than 20 interviews and discussions with MDs across Operators, the Supply Chain and with other stakeholders and influencers. Additionally, a desktop study has been undertaken to inventorise standards, approaches and tools already available on the subject of collaboration (not attached to this paper but available as required).

The interviews and discussions were constructed as a conversation about collaboration and cultural change, to understand the participants (and their company's) experiences related to this, how leaders see the gaps in their company and industry and to explore examples of good and poor practices.

There are signs that the progress that has been made on the UKCS, in terms of cost reductions and performance improvements, is having a positive impact. M&A activity has attracted new money to the shelf, and anecdotally there are areas where collaboration is enabling activity. During the interviews, several examples were cited by interviewees (of both good and bad experiences).

This short paper draws out: 1) the conclusions from the interviews; and 2) the proposed operationalisation of the learnings to deliver near term gains.

2. Conclusions from Interviews

Collaboration is best realised when there is an overarching and unifying goal/purpose.

At the present time in the industry, and anecdotally at the start of many attempts at cooperating or collaborating, the aim/goal of the collaborative effort does not appear to be agreed upon or unifying.

Whilst the actions and benefits of collaborative relationships start to be realised in the near term unless all parties have an eye to alignment around the long-term gain and goal, then short term pressures and immediate responses to these may dominate - to the detriment of the original aim.

At the highest level, and to encourage a culture of collaboration and learning, there needs to be a 'unifying or common purpose/goal' which drives industry change. A common goal enables all participating organisations to see how they can benefit from its achievement and to align both internal and external stakeholders around the need to change the approach which has led to success in the largely, solely competitive approach that is related to success on the shelf to date.

The various goals and the lack of clarity around goals has not enabled alignment nor has it generated a sense of common purpose amongst operators and supply chain. There is an opportunity to develop an overarching goal for the basin, building on Vision 2035, that establishes how the UKCS can attain cost-competitiveness through the price cycle versus other hydrocarbon provinces. This would include the behaviours associated with this and what needs to be learned/ unlearned. Some have referred to a "Roadmap" being needed. This basin wide unifying goal/purpose sets the framework for collaborative efforts, but it is just as important that at lower levels there is a similarly unifying clear goal for an Area Plan, or of an operator/supply chain joint effort, one that is preferably linked to the basin-wide objective.

We must understand the set up and behaviours that promote and inhibit collaboration

Collaboration is enabled when the parties can all see an opportunity to earn increased value through a collaborative approach. To do so requires parties to "unlearn" old behaviours, let go of their "turf" and explore opportunities with unconstrained thinking and with a willingness to use enquiry skills to learn about alternative approaches and value opportunities.

The set-up of collaborative approaches is important. Only parties who are essential and aligned to the overarching goal should attempt to collaborate. The overarching goal needs to be clearly translated into relevant goal/success criteria for the specific situation/task in hand – the goal/criteria must stimulate exploration of the options and suggest a need for all participants to change. In other environments competition can have the desired effect of optimising value. In a collaborative environment, it may be more appropriate to work to increase the size of the pie through good technical collaboration before the approach to the required business model/sharing of the pie is developed in commercial agreements. This is only possible where there no fear associated with the exploratory phases. If parties believe they will be required to make premature commitments or that their efforts and ideas will simply be taken to be exploited by others, they will choose not to participate. How we choose to show-up and behave towards one another is critical to success. A party that acts collaboratively, only to be 'abused' will not repeat their actions (and we are not moving forward) as a basin to attain our goal.

To improve our collaborative approach, we must understand our current reality.

Without an understanding of our strengths and weaknesses and those of our counterparts we will not be aware of the potential enabling and disabling approaches that we bring. This requires an honesty and transparency in an assessment and a willingness to learn how and why others have different strengths and weaknesses. There are a significant number of tools to help understand an organisation's collaborative capability and it would be helpful if industry used one tool to help build a common language and consistent approach. Our desktop reviews suggest that the choice of tool is less important than having a single tool and we propose that, for simplicity's sake, the industry adopts the OGA evaluation tool (Collaborative Behaviour Quantification Tool, or CBQT) as the simple measure by which it measures its ability to collaborate. In addition, the industry must make best use of the dataset provided by the Deloitte annual Collaboration survey – to benchmark and understand our gaps (to improve).

We need commitment and alignment at all levels of our organisations

There is a strong belief that, due to the potential blockers, collaboration needs to be driven from the top. Leaders need to set expectations and give their organisations the incentive and the permission to take risk and collaborate. Leaders need to ensure that efforts are properly nurtured, supported and rewarded, staying closely connected and ensuring the right individuals are involved. Individuals need to be able to commit to the common goal and workforces need to be engaged in a way which build the importance of the common goal and breaks down barriers between departments/companies/teams.

It is essential that we share case studies and good practice to help us learn

In almost all the interviews we found examples of successful efforts to collaborate. Industry needs an effective means to share these widely to act as encouragement for others and to enable replication of good practice. We recommend building a support 'portfolio' of ways of working, processes and risk sharing models to facilitate delivery in a collaborative environment. This would be different to the existing ECITB's Toolkit, and with a potentially broader application.

We did hear of some specific issues in our interviews with Supply Chain Companies

Whilst the (lack of) collaboration is often cited as an Operator 'issue', important insights were derived from the interviews conducted with Supply Chain leaders:

There was a general view that the Operator response to low oil price / downturn was one which has squeezed and stressed the supply chain such that their margins are minimal/unsustainable; whilst there is limited scope to squeeze margins further there is an opportunity to reduce waste through collaborative efforts working on efficient end to end delivery.

The capacity/capability within Supply Chain is structurally smaller and there is a general belief that capacity and capability will not come back quickly (if at all). This means that any material upturn in activity levels will hit Supply Chain constraints, potentially causing heat in the market, with the risk that this drives up prices/indices and old ways of working will be reverted to……the supply chain sees this as a threat as the basin has only recently restructured its cost and performance base and improved its global positioning.

To prevent this cycle the industry needs to work together to develop sustainable and predictable activity levels. We have the opportunity as we look forward to some increased activity levels to not only lock-in new ways of working and insulate ourselves against such outcome, but also drive forward collaborative, incentivised and realistic business models that will continue to increase our basin competitiveness (in O&M as well as Capex/Projects). Such models are not new but need to be far more commonplace. Tendering approaches do not lend themselves to the trusting relationship which needs to be developed for new business models to be shared and implemented.

Area Plans are an opportunity for the predictable and stable plans to be developed. These will need to be Operator led, with active Supply Chain early involvement. Managing this in a way which does not reduce competition will require some innovative thinking and transparency.

A changed approach is going to need Industry Leaders (across Operators and Supply Chain) to drive this.

3. Conclusions from the Desktop Review

The various standards and (academic and consultancy) papers addressing collaboration all share common themes, which were also picked up in our interviews, and various industries have followed the same path as the Oil and Gas UK in the publication of industry charters to raise awareness and commitment.

The various approaches have many common themes, not least the importance of leadership and behavioural change which can only be enacted upon by taking deliberate action to create the opportunity for collaboration to happen and through active leadership, nurturing, the provision of structure and incentivisation.

Understanding the current reality of an organisations collaborative approaches is important – and the various assessment tools have much in common. Choosing one tool, to develop a common language and base line is probably more important than identifying the optimum tool.

4. Operationalising Cultural (Collaborative) Change on the UKCS

In order to effectively operationalise the required cultural change, it is suggested that 5 fundamental building blocks need to be in place both at the UKCS level and at the individual opportunity level.

1) Concrete Value Case and Overarching Purpose / Goal
2) Business/Operating Model – addressing process, priorities, decisions

3) Scope and Ambition (areas, operators, supply chain)
4) Stakeholder Commitment – of all parties involved
5) Behavioural Definition / Capabilities / Training

5. Actions required to deliver the desired change on the UKCS

OGUK Board endorsement (and actioning) of the following Actions is required:

Action required	Action Party & Timing proposed
Further develop **Vision 2035** supplementing it with a focus on the 'how' (= Roadmap). Emphasis is on achieving Cost Competitiveness for the basin & attracting Capital. Basin longevity & sustainability via collaborative working.	Utilise the existing work already planned/underway by **OGUK** to develop the Roadmap. Ensure that collaboration element is fully reflected in the Roadmap. Q1/Q2 2018
OGUK Board & Operator / Supply Chain Council members ensure that their each company undertake OGA collaborative self-assessment, put improvement plan in place and share with OGUK members. Repeat regularly (Joint Council involvement?) for progress measurement. **Tier 0 / OGUK Board Member** Operators share Deloitte survey results to establish TQ benchmarks for the UKCS.	**OGUK Board members** lead by example on OGA CBQT - complete by end 2018. **Tier 0 Operators** share Deloitte survey results in Q2 2018. **OGUK** to keep on its agenda and provide support for sharing of company improvement plans throughout 2018.
OGUK Board Members personally promote collaboration within their companies and establish expectations. MDs identify and nurture collaborative talent within their companies and ensure role models coach and develop accordingly. Establish how performance is reflected in corporate reward systems. MDs breakdown silos/corporate structures that inhibit collaboration. **Utilise Area Plans** to actively implement set-up, behaviours and collaborative ways of working. Ensure technical versus commercial sequencing is established. Demonstrate that collaboration (e.g. field developments) and competition (e.g. hosts) can co-exist in Areas. The OGA role and behaviours in Area Plan discussions are critical to facilitate the collaborative environment. **Supply Chain involvement in Area Plans** once framed by Operators. Supply Chain to be actively involved in definition of solutions and business models to deliver desired Area outcomes. Demands different ways of working (examples exist). Operators ensure timely Supply Chain involvement. **Training**: It would be helpful to have high level of commonality in training content.	**OGUK Board Members and MDs.** Start immediately to ensure structure, systems and processes are in-place within companies [***OGA*** *incorporate into company Stewardship reviews – tbc*] **Establish Task-Finish Group** to develop guidance for companies on collaboration in the definition and execution of Area Plans ("Operationalising Area Plans"). Describe what 'good looks like'. Needs to be complete end Q1 2018. **OGUK Board members** to provide appropriate nominees for group. Facilitator will be sought to also participate. **Task-Finish Group** build into Area Plan guidance (see above). **Task-Finish Group** to also review training options and identify preferred options
Definition of **contemporary communications** channels and media is required, based on 'push' (rather than 'pull'). Use learnings from e.g. ETF and OGTC. Utilise workshops, f2f sharing of best practice, Awards etc.	**OGUK to establish Task-Finish Group** to define communications strategy and plan for Q1 2018. Composition of group is critical. Leverage other Taskforce work/learnings e.g. ETF. Include how **OGA** can support in this.
Active Taskforce / Cultural Champion **sharing** of content and progress in collaboration	**Steve Phimister and Taskforce leaders** and MER UK Steering Group throughout 2018

Steve Phimister, Industry Cultural Change Champion