

LEADING BEYOND THE FENCE LINE

ENERGY COMPANIES CAN REDUCE FATALITIES
BY INFLUENCING THEIR ENVIRONMENTS

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is the rate of deaths per 100,000 workers
in the oil and gas industry.

That's 7.6 times higher
than the all-industry rate.

Despite significant progress, the oil industry remains a dangerous place. According to our research, the safety incidents generally involve areas of operational risk outside of traditional corporate management. One way to tackle the problem is to work on a leader's so-called "internal locus of control."

According to the Bureau of Labor Statistics, the oil and gas fatality rate for 2013 was 24.2 deaths per 100,000 workers. That is 7.6 times higher than the all-industry rate of 3.2 deaths per 100,000 workers. And each data point has a face, story, and tragedy – 138 families lost loved ones.

The super majors have made significant progress in reducing personal injuries and fatalities because of a sustained effort to improve asset design, maintenance, and operations, and to focus on safe behavior. During the past five years, these companies, each with around 100,000 employees, have reached a safety plateau, with a few fatalities annually. This reflects great success

in reducing employee fatalities at company-owned facilities, but fatalities outside of the companies' direct influence, involving, for example, road incidents and contractors remain constant.

To improve, the industry needs a dramatic shift in thinking. Leaders must believe they can affect safety both inside and outside of the fence line. They must demonstrate an internal locus of control to lead beyond the traditional scope of responsibility. The concept is untested in a safety and operational environment; it is emerging and typically applied in psychology. Still, this concept provides a real avenue to reduce fatalities among oil and gas majors. By extending safety leadership beyond the fence, oil and gas employees extend the reach of their risk management approach and could influence other aspects of risk, such as financial and public relations. Should this model work in the oil and gas industry, it could offer ideas for other industries where companies work closely with contractors, from industrial companies to high tech to healthcare.

LOCUS OF CONTROL

A person's locus of control defines where that person places the primary causation of events in his or her life. Is a poor grade on an exam due to poor study habits or the inadequacy of the professor? Or perhaps failing the class was fate. Does a car accident occur because the driver wasn't paying attention or because others need to learn how to drive? Locus of control falls on a continuum, with those who believe that their lives are largely controlled by outside forces (externals) at one end of the spectrum, and those who believe that by and large they control their own lives (internals) at the other end.

28 Measures of Locus of Control, by Russ Hill

When a leader has a broader internal locus of control, safety improves, according to an Oliver Wyman analysis of fatality data for the past five years. Such leaders demand more than other leaders. They tend to think about what else is possible, and they challenge others to think similarly.

Consider contractor safety management. Some leaders think contractor safety is bound by contractual terms, and they demonstrate this through clamping down on contractors at a site. These leaders are demonstrating an external locus of control. Here, terms are imposed, and the leader’s job is to manage within the four corners of the contractual document.

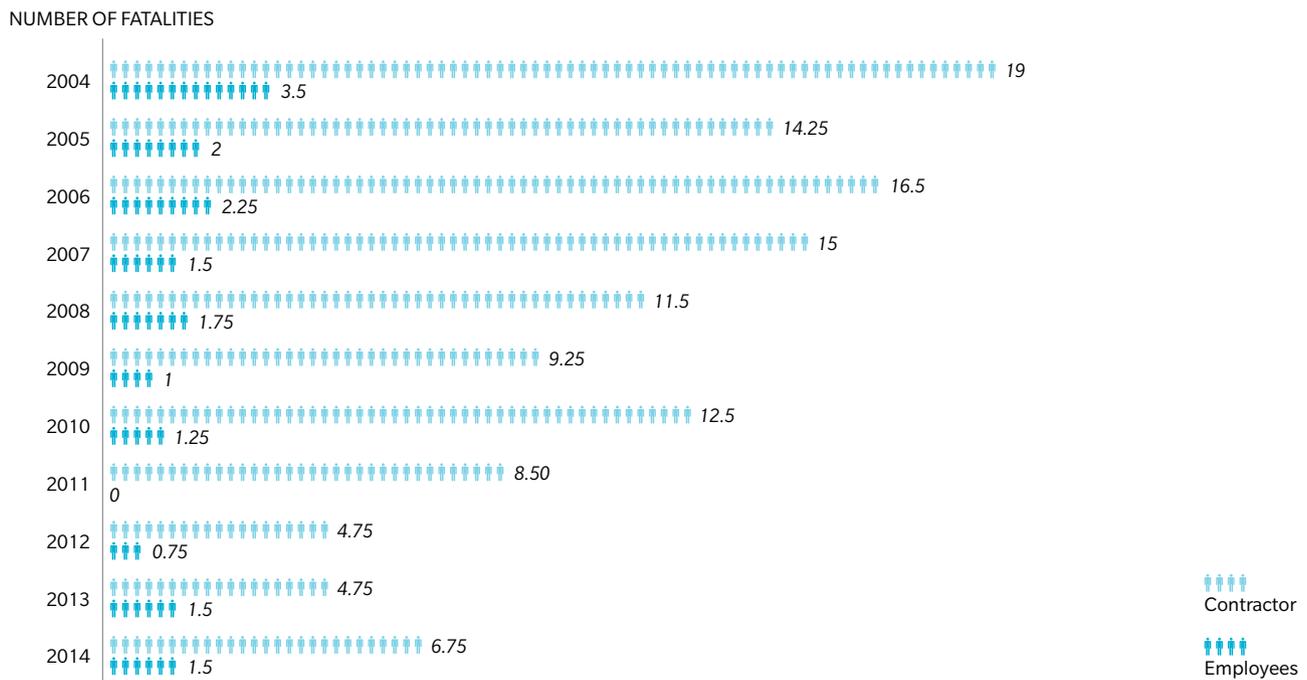
Other leaders work with the contractor’s organization to jointly improve safety, and even work with contractors before they show up on site. These leaders know they must think beyond traditional boundaries to affect outcomes. This also extends to road safety.

Road transportation is a dangerous activity in the oil and gas industry. According to the Bureau of Labor Statistics, 41 percent of all industry fatalities in the past five years were related to transportation. Historically declining fields have been brought back to life, with increased drilling and production activity. These activities have led to increased traffic and road congestion in places like North Dakota; Fort McMurray, Canada; West Texas; and Ohio. The industry response has ranged from doing nothing, to designing programs to get cars and drivers off of roads and upgrading the safety of the roads themselves.

Consider an oil company camp in West Africa, where access to the site was by a private road. This road routinely flooded, creating washouts large enough to literally swallow a bus. The company managed the risk by hiring professional drivers and providing instruction on safe driving. However, leaders of this company failed to explore wider options, such as

EXHIBIT 1: Fatalities at Super majors

Major oil companies have significantly improved safety for employees, but work among contractors remains more dangerous. This chart shows the average data for BP, Chevron, Exxon Mobil Corp., and Shell.



Source Annual reports, CRS reports, company websites, Oliver Wyman analysis

engaging with the government on this issue. When we asked why, the leaders said they firmly believed they could only affect company employees and assets, and road conditions were outside of their control. They demonstrated an external locus of control. They believed that they couldn't affect external stakeholders, so they did not try.

Other companies use alternative and more holistic approaches to dealing with road safety. Several large exploration and production firms believe all accidents are preventable. They have gone beyond driver safety programs and taken vehicles off the road. In North Dakota, some companies hired professional drivers and use bus service to move people to and from worksites. Their leaders believe they can reduce risk, even in places where a multitude of variables are outside of their control.

Another example of leading beyond the fence lines occurs in Sakhalin, Russia. All workers at an LNG facility are bused to work to avoid treacherous driving conditions. This also reduces vehicle traffic and lowers transport risk. Workers and contractors are also subject to Breathalyzers before shift. The net effect of these two

policies is an improved safety culture in society. Seatbelt use has gone up, intoxication among workers and contractors has dropped, and safety has improved.

Recently, an employee with a large oil company operating in Alberta, Canada, died from a bear attack. The manager, according to Upstream Online, mandated that all employees take wildlife awareness training. This is an example of a leader refusing to say, "There's nothing I can do to prevent a fatality."

The choices for highway safety are rather stark. Leaders can say, "There's nothing I can do about other drivers," and simply try to influence their own employees. Or, they can take a broader perspective and influence traffic patterns and commuting habits. Leading beyond the fence means thinking differently, realizing that as a leader, you can affect outcomes.

FINDING LEADERS WHO LOOK BEYOND THE FENCE LINE

- Hire leaders who exhibit strong internal locus of control. Ask some simple questions to test candidates' preferences. For example, does the leadership candidate demonstrate behaviors consistent with the following beliefs:
 - I have always been in control of the results I achieve.
 - My professional success is mainly a result of my own effort and motivation.
 - I deliberately seek to manage the results and outcomes I need to achieve.
 - I have developed the skills and abilities to achieve the necessary outcomes.
- Expect leaders to demand more. Specifically ask, "What can be done to lead beyond the fence line?" Encourage leaders to set higher goals. Set an example and tell stories. Review the language used in your organizational culture, cracking down on phrases like "I have no choice" or "there's nothing I can do."
- Provide specific training on decision-making and problem-solving skills to broaden perception of how to navigate challenges.
- Provide coaching, feedback, and partnerships, particularly for leaders with internal and external locus of control.

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