"Action Based Leadership-Intensive Development of Senior Technical Leaders & Enterprise Teams"

James F. Sheegog and Kenneth Graham, Rowhill Consulting Group

This paper was prepared for presentation at the SPE Annual Technical Conference and Exhibition held in Houston, Texas, USA, 28–30 September 2015.

Abstract

Objectives/Scope: Presenters will share novel methods used in two-year case study with senior technical, administrative, and commercial leaders responsible for achieving enterprise level targets. We will share organization assessment & leadership development methods. This project in the Middle East region required the authors to apply methods that would demonstrate how improvements in individual's decision-making, team leadership, and change leadership skills would help progress corporate metrics such as capital budgets, EBITA, and HSE targets.

Methods, Procedures, Process: Methods- The authors used McKinsey's 7S, Michael Porter's 5 Forces, Peter Senge's Learning Organization, and Michael Day's Innovation strategies. The team started with 3 months of strategic assessments with the CEO & executive management team to define strategic gaps in organization. Six initiatives were selected over 24 months that would test the capacity of existing senior engineering & technical managers in country under intensive time pressures. Pre, Post, and Transfer Measurement procedures were applied over by a team of senior industry advisors and leadership development experts to correlate impacts of strategic initiative teams on company key performance targets such as capital cost optimization, increased production capacity, HSE targets, and culture change. The process involved frequent observations, advisory, coaching, and intensive survey data collection based on leadership skills demonstrated in the leader's current role. Over time, each individual leader in case study received intensive feedback on how their actions (behaviors) contributed to larger team and cross-functional successes.

Results, Observations, Conclusions: The project resulted in accelerated senior leadership skill development in areas of highest priority to achieving company wide targets. Experienced leaders are best developed beyond the classroom. Educators will provide more value to the energy sector by applying experiential learning methods to real time job challenges. Current training & executive development investments focus too much on theory, versus real-time observation and assessment. We conclude that education and training interventions are only sustainable when closely tied to concrete corporate milestones and key performance measures that justify such investments. For educators to provide value, they will benefit from a robust knowledge of the petroleum industry, experience managing production facilitates, and

providing intensive human factors feedback to both the executive team and senior operational leaders. Culture change is purpose-driven and must be correlated to adjustments in highly visible team leader actions. Realizing that senior operational managers must manage industry volatility and their executive teams, this approach of Action-Based Leadership connects top-level strategy targets to contributions of front-line decision makers.

Novel/Additive Information: Rapid improvement in leadership capabilities cannot be realized through traditional performance management systems alone. Strategic plans are not well served by costly investments in customized classroom learning. Senior Leaders demonstrate positive changes in behaviors when learning frameworks are closely tied to disruptive events in the petroleum industry and challenges in which they are accountable for delivering results. Senior technical leaders can often improve the quality of their contributions to executive management teams. We discovered that the quality of senior leader contributions is correlated to cross-functional social learning networks. To positively influence technical leader capabilities, educators and advisors need to apply more advanced individual, team, and organization assessment measures to assure technical leaders are proactively applying the right skills when disruptive events occur in our industry.

Statement of Theory & Definition

Many technical leaders are thrust into highly visible cross-functional leadership positions in latter career stages, yet have minimal preparation for delivering in enterprise-wide decision making roles. Selection into senior operational roles is largely based on results gained within a technical field of expertise, rather than strategic decision-making capabilities. Our experience in the MENA and West Africa regions reveal several unintended problems that are likely to arise in individual leadership behaviors and organization cultural capabilities when traditional classroom approaches are applied to technical leaders in latter phase of career experience.

Leadership Gaps	**Organization Capabilities**
Strategic Decision-making	Anticipating Organization Futures
Enterprise Team Leadership	Optimizing Organization Goals
Change Leadership	Organization Realignment

The Situation:

Senior leaders with 15 plus years management experience learn primarily through experiences and insights gained on job assignments. Along with these assignments, courses are offered by a sponsoring organization with specific interest in competency development and sustained development of a company culture. This strategy is proven to elevate management orientation in technical leaders; however, the knowledge is not often associated with complex challenges facing the organization long term. The situation is further exacerbated by the short-term focus on annual performance goals, supervisory skills, and team leadership within a functional area of management training offered in most energy companies.

Competency-based training has limitations. Curriculums are largely based on short-term management skills that improve employee performance within a function. In our advisory experiences in larger energy corporations these are necessary in early career, but not satisfactory in late career phase. The source of robust organization learning and behavioral

change is from assignment to large-scale projects within a team of cross-functional peers. For initiatives to be achieved in a sustainable manner the top technical leaders need to demonstrate: 1) strategic skills necessary to execute across several functional areas and 2) enterprise level team leadership skills that bolster collaboration and influence others.

In late stage careers, technical leaders are champions of enterprise-wide efforts, yet often performing without clear guidance from an advisor. Strategy firms such as McKinsey often spend months reviewing organization-wide performance, yet the technical leaders responsible for shifting company wide performance are not engaged. They are expected to lead functional & technical initiatives; yet have little experience engaging cross-functional peers in solution generation and making recommendations to the decision makers at the top.

In our discussions with top executives, a common frustration is the absence of active recommendations from direct reports who control major functions. We must ask why this occurs in so many companies. The authors asked, “What would be the result if leadership development and culture assessments were centered around such team assignments. Would individuals develop the skills to achieve results? Would the organization culture adapt if the most senior leaders demonstrated a commitment to a long-term vision, rather than short-term results?

Tension:

Interviews with senior leaders revealed that most were promoted and rewarded for accomplishing goals within their technical area of expertise. Their explicit knowledge is a trusted and valued resource for operational decisions. While this serves the organizations well for daily control and supervision, we found less desirable long-term effects on the company culture.

Negative Effects on Culture:

- Low Employee Engagement
- Lacking Pro-activeness
- Talent Development Lacking
- Lack Access to Leadership
- Lack of Agile Decision Makers

Employees felt more supervised than led by credible and trusted leaders. Engagement levels dropped significantly as the organization leaders did not demonstrate appreciation for contributions made by aspiring mid-level managers. EQ (Emotional Intelligence) quadrants were scored low in most departments. (See diagram below)

.

Below are sample comments collected during our early cultural assessments with leaders and direct reports.

Explain Theory:

Action-Based Leadership theorizes that individual leadership development has far more positive impact on organization culture when three areas of learning theory are applied.

- Experiential Learning
- Double-loop learning
- Organizational Learning

Define Terms:

Experiential learning theory defines learning as "the process whereby knowledge is created through the transformation of experience. Knowledge results from the combination of grasping and transforming experience"(Kolb 1984). Within Kolb's Learning Styles, most technical or engineering leaders are categorized as a converging style.

Converging. The Converging style's dominant learning abilities are Abstract Conceptualization (AC) and Active Experimentation (AE). People with this learning style are best at finding practical uses for ideas and theories. They have the ability to solve problems and make decisions based on finding solutions to questions or problems. Individuals with a Converging learning style prefer to deal with technical tasks and problems rather than with social issues and interpersonal issues. These learning skills are important for effectiveness in specialist and technology careers. In formal learning situations, people with this style prefer to experiment with new ideas, simulations, laboratory assignments, and practical applications. (Kolb 1984)

Chris Argyris and Donald Schon developed Single and Double Loop Learning theories. To understand the theories, we first need to consider three elements:

> ***Governing variables:*** *those dimensions that people are trying to keep within acceptable limits. Any action is likely to impact upon a number of such variables – thus any situation can trigger a trade-off among governing variables.*
>
> ***Action strategies:*** *the moves and plans used by people to keep their governing values within the acceptable range.*
>
> ***Consequences:*** *what happens as a result of an action. These can be both intended – those actor believe will result – and unintended. In addition those consequences can be for the self, and/or for others. (Anderson 1997)*

Single Loop Learning *involves the detection and correction of error. Where something goes wrong, it is suggested, an initial port of call for many people is to look for another strategy that will address and work within the governing variables. In other words, given or chosen goals, values, plans and rules are operationalized rather than questioned.*

Double Loop Learning *is an alternative response to question the governing variables themselves, to subject them to critical scrutiny. This they describe as double-loop learning. Such learning may then lead to an alteration in the governing variables and, thus, a shift in the way in which strategies and consequences are framed. Thus, when they came to explore the nature of organizational learning.*

**Reproduced from the encyclopedia of informal education [www.infed.org]*

Describe Test procedures

Over two years, the authors set up the following testing environment for two cohorts of senior leaders. These leaders were considered the top talent tier, and candidates for positions at the Executive Management Team level. Nearly all of these leaders had in excess of 15 years experience in company managing people and teams. The vast majority earned engineering undergraduate degrees from major universities in Western Europe & North America. All had attended advanced executive education programs at universities and internal programs focused on leadership competencies.

The employee surveys indicated senior technical leaders were executing short-term priorities well; however, long-term leadership capabilities such as empowerment, pro-activeness, and engagement with staff was largely absent. Employees perceived the company culture as primarily focused on short-term delivery versus a people development culture espoused by the CEO and top team.

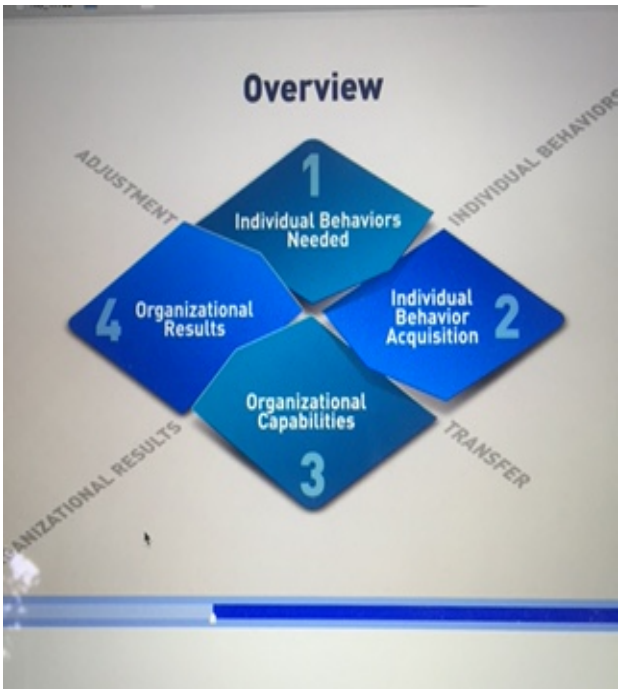
A committee was established to define a novel approach to building cultural capabilities that supported the employee's development needs and a five-year vision for transformation of the company. The Action Based Leadership initiative described here was the committee's recommendation to the CEO and Executive Management Team in 2012. The Rowhill team submitted design ideas based on experiences with engineers in aerospace and a wide spectrum of oil & gas operations. In the end we agreed on the following ABL Cycle.

Previous experiential Learning approaches had focused on individual leadership skill improvements in Emotional Intelligence, Interpersonal Mastery, and Organization Behaviors. In this case, we were asked to measure the impact such leader behaviors could have on organization culture and company-wide business results.

In March 2013 the Executive Management Team and CEO selected 3 strategic initiatives for Cohort 1. Team 1 focused on creating a Highly Reliable Organization (HRO) climate throughout the organization. Team 2 examined product line expansion ideas for new markets in Asia. Team 3 aimed to enhance cultural capabilities in the organization, responding to employee calls for improved career options and greater involvement in operational decision-making.

Rowhill assigned a coach and business advisor to each team to develop individual talent and identify specific cultural capability gaps. The three teams pursued milestone activities over 6 months with their coach and advisor. The business advisor would attend monthly enterprise & departmental meetings.

Below is a graphic overview of the Action-Based Leadership Model as applied to this organization.



Approximately every 2 months a forum was held to collectively examine the overlapping agendas within each team and build a stronger decision-making network at the top of the organization.

Many senior leaders had never met their peers in other functions over their 15 years of service. The forums facilitated important content sharing sessions between participants, our team, and the executive management team. For many leaders, the connections between departments came alive as strategic aspirations were shared and resources sought out from peers and senior executives.

Beyond forum observations the authors observed cohort 1 participants in department meetings and in cross-functional settings. The coach and advisor would provide feedback privately and establish a next step plan of action using concepts from the Field Guide concepts. The Rowhill team scheduled monthly appointments to observe each leader across all competencies. Similarly, the Business Advisor would observe and assess Organization Behavior and Anticipating Future competencies.087u

The coach and advisor also provided the team leader with planning, facilitation, and feedback around each team meeting for six months. At the end of six months a Post-test was conducted to measure the change in each individual's competencies. The post-test was a good indicator of how well leadership behaviors had been demonstrated over the six month period both as individuals and team members. Six months after the Post Test, our team conducted a Transfer Test. The Transfer Test was focused on organization culture change.

Put simply, the Transfer Test facilitated Double Loop Learning. As Confucius said, “The fish never sees the water in which it swims. “

If the transfer test scores were lower than post-test scores collected 6 months earlier, we knew that environmental factors might have made it difficult to demonstrate mastery of a leadership competency the leader had previously mastered. Over time, we saw transfer scores rise as a critical mass of senior leaders (approximately 50, including their bosses) embraced leadership competencies and cultural requirements more deliberately than before ABL got underway. Many managers described this shift as a very deliberate and disciplined method for avoiding “drift” in the way they managed people and projects. Building cultural capabilities to support a company vision is difficult without independent measurement of individual skills and organization behaviors.

The authors found organization behaviors are often single loop learning experiences that need to be challenged. Double Loop Learning emerges from advisors and coaches challenging individuals and Executive Management Teams (EMT) to consider different governing limits and actions that exceed their comfort zone. An example of such learning came one day when a business advisor suggested a business development team talk to non-customers to discover why they did not choose the company’s product. This single challenge altered the governing variables for new products. The team was liberated to pursue new product criteria in a novel manner.

Rowhill extracted many lessons from the first cohort pilot. To highlight a few, we learned that:

- A common set of Leadership Skills must be established for senior line leaders to coach and support external advisors & coaches. Our behavioral observations needed translation into the company’s talent management competencies before we pursued a second cohort.
- Communications upward to senior management about the culture was not easily separated from sensitivities around individual leadership capabilities. Double Loop learning was a new concept. Most leaders viewed discussions of cultural gaps as implying underperformance on an individual leadership level.
- Cross-functional leadership is challenging and requires the senior executive team to model collaboration.
- Coaching for changes in organization capabilities take significantly longer than changing individual leader behaviors. Forums are vital social spaces to declare new cultural norms, and experiment with the new behaviors that drive innovation, pro-activeness, and empowerment.

A second cohort was established in March 2014. The CEO and Executive Management Team again created three strategic initiatives. Team 1) focused on optimizing the capital project investments; Team 2 focused on early stage product development portfolio decisions; and Team 3 examined supply chain efficiencies within a highly profitable product line.

During the second cohort CEO and EMT members were more comfortable in the selection of talent and identifying areas where organization capabilities needed to shift. Participating managers were enthusiastic about the exercise. The process had become recognized as a pivotal element for leaders to demonstrate their individual abilities and contribute to enterprise wide initiatives unavailable within their functional silos. EMT members communicated the value of the process to coaching participants. In year two we had developed a trusted partnership with each of the EMT members and HRD organization. We saw the need to adapt our behavioral standards to the language of the company's talent review system. By making this single change, EMT members were now directly able to coach and reinforce development messages to individuals. Coaching talent around strengths became the norm, rather than trying to "fix" weaknesses. A very easy to read dashboard was created to facilitate feedback with participants. Unlike the first cohort pilot, we included bosses in all ABL pre/post briefing sessions. Participants had the opportunity to see their feedback prior to bosses and develop proactive action plans. (Peter Drucker, 1973) (Marshall Goldsmith, 2002)

For Cohort 2, cultural capability gaps were highlighted in the first two months of the process. The authors invited Cohort 1 leaders to offer insights. A powerful comment surfaced from a very senior commercial manager. He said, "If you optimize your department goals, you will surely sub optimize the enterprise." The quote became an instant reminder of how the leaders honored a long legacy of functional expertise; however, the future success of the company relied on agile decision-making that often threatened the authority of functionally led departments. The CEO's vision required collaboration and influencing from each of them. For most they would need to get comfortable making more robust recommendations up the ladder to EMT if they were to succeed in the future organization's pursuit of competing beyond the regional level. The feedback received helped the leaders realize not only did their leadership need to stretch well beyond traditional levels, the organization had to realign overall to encourage delegated technical acumen, increased participation in decision-making at high levels, and investing more time into planning an enterprise future, rather than expediting today's operational orders. The graphic below represents how business development teams and infrastructure teams envisioned enterprise learning in the latter phase of Cohort 2.

The authors used a complex behavioral simulation as a capstone-learning event for both cohorts involved with ABL. Crucial historical events were incorporated into a daylong simulation challenge. EMT members and the CEO participated. The simulation provided a robust opportunity to observe the experiential learning styles of each participant. An unanticipated result was the observation of organization culture shifts being steered by individual leaders as they collaborated and redefined problems over the course of the day. We saw managers elevating their focus beyond the operational management issues to consider external competitors, board of director interests, and future issues emerging out of ambiguous events. The top 50 managers felt at home critiquing the both the organization culture and capacity of teams to demonstrate leadership competencies.

This demonstrates the value of ABL. Leadership teams at the enterprise level need to understand how individual leadership actions make a tremendous impact on the organization's capacity to deal with external issues in a competitive market place. ABL is a beneficial approach for petroleum companies wishing to enhance the strategic execution of major change. The ability to collaborate and actually influence others depends on EQ and the Interpersonal Mastery of a leader. These dimensions are often overlooked in the development of technical leaders who eventually must lead company wide endeavors that depend on such factors.

Pre-Post Measurement of Senior Leader Capabilities

	Post	Pre	Change
• Performance			
• Results Orientation	3.8	3.8	.0
• Business Acumen	3.8	3.9	(.1)
• Customer Impact	3.8	3.6	.2
• Talent Development	3.7	3.1	.6
• Potential			
• Strategic Dimension	3.6	3.2	.4
• Collaboration & Influencing	3.5	2.6	.9
• Change Leadership	3.5	2.9	.6
• Team Leadership	3.5	3.0	.5
• Dealing with Ambiguity	3.5	3.3	.2
• Adaptability & Resiliency	3.5	3.1	.4

Team leadership at the company-wide tier is quite different from operational team leadership. (J. Katzenbach, Katzenbach & Cross). Social networking within an organization vitalizes the conversation and invites contributions from across relevant disciplines. Senior leaders often ask for greater contributions from technical leaders as the top teams navigate global oil price volatility and the immediate impacts such trends have on capital investment. Organizations need to develop leaders with an understanding of their executive role to drive enterprise decisions that are not easy or always logical. Organization tensions are the breeding grounds for innovation and realignment of current practices if organization capabilities are deliberate and honored no matter how intense or pressurized the environment becomes.