

## Operations Risk – It Doesn't Have to Be This Way

# As a leader in your plant, does either situation sound familiar?

### Situation 1

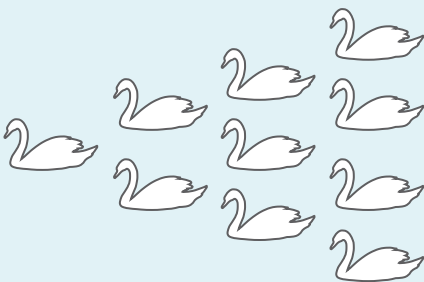
“Wait, wait. Let me get this straight: You knew the feedwater pump was failing and we had loaned out our spare last year, so you thought the only thing we could do is wait for that one to come back? Why didn't you say something? We could have reprioritized some projects and either addressed this in our last maintenance outage or purchased another spare for the fleet.”

### Situation 2

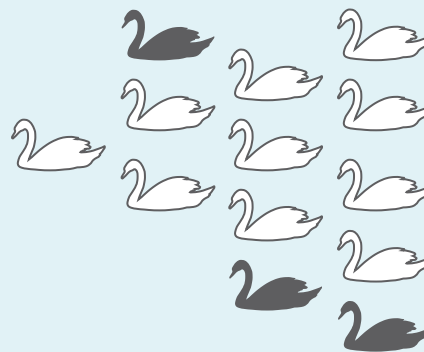
“Everyone stop talking now! All the finger pointing and blaming about who knew what when about that failing transformer is not going to get us back online any faster. We need to figure out a plan now and worry about how we got here later.”

## The “Black Swan” Problem

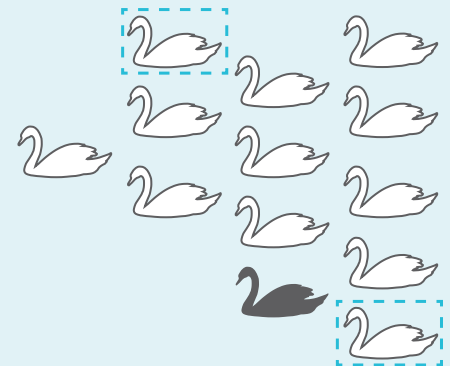
### How It Seems



### The Reality



### What's Actionable



You have a good team, and normally they work well together, but unplanned outages always bring out the worst in them and set morale and working relationships back a full step, not to mention the wasted time and lost production.

There is no group more qualified than your very own team to manage the risks you face, but you and they don't have time for the mumbo-jumbo and false precision of most risk management programs. Although managing risks, the things that could go wrong and the consequences if they do, should be one of the key contributors to your capital plans, budgets, and business plans, it often just seems to be a pencil-pushing exercise.

### But it does not have to be this way. What if instead:

The pump at a client's plant had been continually failing, requiring rebuilding on nearly a quarterly basis. The plant had a spare, which allowed them to get back online quickly, but did not get to the root of the issue. As part of the risk-planning process, we focused on the big items that were impacting reliability of the units. The maintenance manager brought up this issue as a key concern to keeping one of the units online. The team talked through the issue and found that the root of the issue was the need for a new set of pumps with slightly revised specifications. Based on the discussion, the plant manager approved the change, and the new pumps were ordered. He empowered his team to replace the pumps right there on the spot and challenged them to keep bringing issues like this to the surface. As a result, the unit's availability increased significantly, providing much greater flexibility to the fleet.

At ScottMadden, we believe the people who are the most knowledgeable and best equipped to identify, prioritize, and mitigate risks are the people who manage them every day—your staff. So, our approach emphasizes the following principles for building a practical risk management approach.

### Collaborative

Your team most likely already knows most of the key risks facing your facility. What they usually don't know is how to:

- Distinguish risks from symptoms of risks
- Stack up their risks against those from other departments
- Obtain access to the full range of resources available to help mitigate those risks

By involving your entire team, including support organizations, in identifying, prioritizing, and mitigating your risks, you will be able to create the best possible plan and maximize your mitigation resources.

What you need is a way for your team to collaborate efficiently and effectively without getting sidetracked or bogged down.

### Comprehensive and Structured

Effective collaboration on risk management requires a structured approach that is both strong and flexible—you don't want a free-for-all or a gripe session. You do want a process that clearly defines the standards and templates for documenting the team's thinking but is also flexible enough to adapt to specific site conditions, history, and corporate planning process. Finally, you want the outcomes to provide you with tangible actions that will address the risks most important to the site.

### Bias for Action

Once you and your team have completed the identification and prioritizing processes, the stage is set for meaningful action plans to be developed and implemented. The final step is to prepare and document mitigation action plans consistently across your site so leaders can be assigned and know with confidence what they are to achieve.

Tempo is critical. Moving from insight to action needs to happen at a pace that can keep up, and get in front of, the operational performance of your facility. That's the only way for risk mitigation to head off risks before they occur.

### About the Authors

Steve Sanders is a director at ScottMadden. Preston Fowler is a director at ScottMadden and co-leads the firm's fossil practice. Together, they have partnered with leadership teams for electric and gas utilities to define, prioritize, and mitigate operational risks—an instrumental tool for increasing effectiveness.

