

9th Sun
10th Mon
11th Tues
12th Wedn
13th Thurs

\$15,193.05
24 Feb 2023

▲ \$5,173.27 (44.28%)

\$20.14K

\$14.88K

\$9.63K

1W

1M

3M

6M

12M

YTD

28/5

28/7

White Paper

Leading with Safety During Financial Disruption



For 100 years, DEKRA has been chosen to partner in proactively **keeping organizations safe** around the world as the **largest safety company in the world.**

Leaders in the oil and gas extraction industry, both operators and contractors, navigate one of the most volatile and high-stakes industries in the global economy. Oil and gas extraction operations often occur in remote and politically unstable regions where operational continuity is tightly linked to global market dynamics. Financial disruptions in this sector are frequent and consequential. For example, oil price volatility driven by OPEC+ production decisions can lead to sharp swings in capital expenditures and project viability. Additionally, geopolitical instability, including the war in Ukraine, tensions in the Middle East, and attacks on Red Sea shipping lanes, have repeatedly triggered supply chain disruptions and price shocks.

For contractors that perform the bulk of fieldwork, including drilling, completions, and well servicing, these disruptions can mean abrupt project delays, workforce reductions, and increased pressure to deliver more with less. In such a volatile environment, the temptation to deprioritize safety in favor of productivity can be strong, especially when job security is uncertain. Yet, in this high-risk industry, maintaining safety excellence during financial disruption is not optional: It is essential.

Disruption creates a twofold challenge

During tumultuous times, workers look to their leaders to navigate the rough waters, protect their livelihoods, and help them get home safely each and every day. But maintaining safety excellence during financial disruptions can be challenging for two reasons.

Maintaining safety excellence during financial disruption is not optional: It is essential.

First, organizations need to maintain an appropriate level of exposure control with fewer resources available to them. They might seek to lower costs as much as possible when facing financial disruptions. This might make it difficult to continue current exposure reduction initiatives and implement new ones.

Second, the organization's culture might be at its most fragile state. The effects of financial disruption can be felt across the company by all workers. Workers will sense—or see outright—that something has changed. They will be hypervigilant about all decisions leadership makes and will notice the effects of those decisions on the front line of operations. If workers get a sense that leadership is prioritizing production over safety, this can damage the organization's culture for years, even after economic conditions improve. Workers' trust in leadership will be broken, and leaders will struggle to regain that trust.

Leading with safety—always a smart decision

During financial disruptions, organizations face many difficult decisions that must be made to help the company survive. Leadership cannot lose sight of the fact that their decisions will impact their workers and their families. Leading with safety is paramount, and leadership must be

conscious of how their decisions will impact their workers' perceptions and the organization's culture. Safety excellence should be a core value (not just a priority) during the good times and the bad times. To maintain safety excellence, leaders should take four critical actions.

1. Be honest and forthcoming about challenges, and communicate relentlessly about why safety matters.

Leaders that are passionate about safety incorporate a strong safety message in all communications and emphasize that the current economic conditions will not diminish the importance of safety.

What leaders say matters. This is especially true when the organization is experiencing financial disruptions. Workers are likely concerned about how these disruptions could create hardships for their families. They might hear stories in the news, or from their family and friends, about job cuts, demotions, and organizations going out of business. During this unsettling time, stress from fear of the unknown can cause workers to accept elevated levels of exposure because they believe better production will help them continue to put food on the table. However, this is a slippery slope that can lead to disastrous outcomes, including an increase in the likelihood of a serious injury or fatality (SIF).

On the other hand, leaders also feel the pressure that financial disruptions place on the organization. Workers might have many difficult questions about the state of the organization, but leadership might not have all the answers. This might push leaders to hide until they can give workers good news. However, this is the opposite of what the leaders should do. Being a great leader means stepping up when the spotlight is the brightest and the pressure the highest. Leadership should be visible and vocal, actively listen to their workers' concerns, and assure them that the safety and well-being of all workers is a core non-negotiable value.

2. Consider the effects of leaders' actions on the culture.

Leaders' actions matter more than their words and can make or break the organization's culture. Financial disruptions can force leaders into making unpopular changes to how business is conducted, how decisions are made, and how those decisions are implemented. The way leadership communicates and enforces decisions will have both short-term and long-term impacts on workers' loyalty, commitment, and performance.

Claiming to value safety without taking action is not enough.

Leaders must incorporate their personal safety ethic, or value for safety, into every decision and action they make every single day. This safety ethic should drive every interaction

with workers and how the organization strives to achieve safety excellence.

For example, a financial disruption might lead an organization to reduce the size of their workforce. Company-wide workforce reductions will create different concerns for workers that are let go and workers that are retained. Workers that are let go might feel betrayed because their income will stop while their bills are still mounting. Workers that are retained could be frustrated because the organization will place additional tasks and responsibilities on their already full workload.

Reducing the size of the workforce is never an easy decision, but when reduction is necessary, the organization should consider the following questions to help minimize negative impacts:

- What are the safety implications? Will changes to work teams create new exposure, and if so, how will it be addressed? Shifting business priorities shouldn't mean increased injury risk.
- Does the decision-making process for determining who will be let go pass a "fairness test" in the eyes of workers?
- Are departing workers treated with dignity and respect in how they learn of the change and exit the organization?
- Are the remaining workers given honest communication about what is happening and why?



3. Demonstrate and develop transformational leadership.

Transformational leaders lead people into action and provide them with a sense of purpose and belonging by showing how each employee fits into the organization's success. Research shows that transformational leadership results in work groups that are rated as more productive and flexible, attracts and retains desirable people into the organization, and contributes more leaders into the pipeline.

Times of financial disruption are particularly opportune to develop and practice transformational leadership. In particular, the need for discretionary effort from workers is often at its peak during financial disruptions as the organization is forced to try to do more with less in every aspect of operations. Having workers exercise discretionary effort, going above and beyond the call of duty, can be valuable for safety as well as production.

Leaders that practice transformational leadership have been found to be more effective at generating this beneficial discretionary effort, using behaviors such as:

- Promoting original thinking
- Encouraging others to take initiative
- Coaching and counseling others
- Helping followers achieve levels of performance beyond what they felt was possible
- Expressing optimism about goal attainment
- Helping followers develop emotional acceptance of challenges
- Sacrificing self-gain for the gain of others
- Creating a sense of joint mission and ownership

Developing and practicing this transformational leadership skill set is not only beneficial during financial disruptions but will also help the leader and the organization reach new heights when economic conditions improve.

4. Work on the fundamentals.

Financial disruptions force each core function within an organization to operate efficiently with fewer resources while continuing to deliver key results. In safety, the most important task is to identify and control exposures.

With limited resources at their disposal, it is worthwhile for an organization to focus on those exposures with the potential to cause a SIF.

Though it might sound counterintuitive, it is possible for organizations to spend too much time investigating incidents with low SIF potential. Investigating all incidents equally would be inefficient and drain resources quickly. For example, an organization that spends its limited resources

on controlling exposures with low SIF potential might not be able to control exposures with high SIF potential. This would leave workers vulnerable to exposures with high SIF potential that could become an actual SIF incident at any moment, leaving the door open to causing life-altering harm to the worker and deep financial repercussions on the organization. Even though it is important to address all exposures with the potential to cause harm to workers, the priority should be controlling and reducing exposures that could lead to a SIF.

Make safety a constant in an uncertain world

Leading with safety can help an organization navigate the certainty of uncertainty in the business world. In oil and gas extraction, financial disruptions are inevitable, but compromising safety should never be. An organization that prioritizes safety as a non-negotiable value will thrive during financial disruptions as well as economic booms. At all times, a systematic approach to safety will yield improvements in efficiency, reductions in costly incidents and downtime, and a more engaged and focused workforce.

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