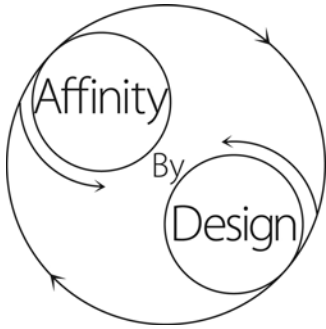


Affinity News

Volume 7, Issue 3

May, 2010



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Greetings:

I hope you are well as we prepare for the Memorial Day weekend. The Memorial Day weekend always serves as a reminder of the need to take action if we are going to enjoy all of the gifts a well tended garden can provide. The holiday provides us with a great opportunity to work, play, and reflect.

The feature story in this issue of the Affinity News was inspired by the on-going disaster in the Gulf of Mexico. The catastrophic failure of a single safety device on the ocean floor will likely have an impact on the Gulf region for decades to come. The story is a reflection on a few of the lessons to be learned from this sad situation.

As always, I am grateful for the opportunity to be a part of your day. I appreciate the kind feedback people share with me. Please let me know if I can be of any assistance to you or your organization.

Dan Lococo

Mission, Methods and Tools:

The mission of Affinity By Design, LLC is to help organizations meet their goals by overcoming obstacles. The method for accomplishing this mission is the intentional bringing together of a community of people to pursue a common interest based upon mutual trust and understanding. The primary tools employed by Affinity By Design, LLC are founded in the disciplines of group facilitation, Systems Theory, and project management.

Looking for Disaster:

On April 20 an explosion on the Deepwater Horizon, an oil drilling platform leased by British Petroleum (BP), killed eleven people and led to the biggest man-made disaster seen in the Gulf of Mexico. In addition to the explosion on the drilling platform, the Deepwater Horizon experienced a catastrophic failure of the blowout prevention valve located almost a mile below the floating platform. BP initially indicated 5,000 barrels of crude oil was leaking into the Gulf of Mexico each day. Independent experts have estimated the leak to be closer to ten times as much as BP's original figure.

The blowout prevention valve consists of two major components: a single valve mechanism, and multiple valve activation systems. (Note: I claim no knowledge of oil drilling equipment other than what is freely available through publically accessible news sources.) In the case of the Deepwater Horizon, all efforts to activate the valve mechanism failed. Despite multiple valve activation systems the valve itself represents a single point of failure.

A single point of failure is never a good idea but sometimes they cannot be avoided. In the Lococo household we have adopted this philosophy: Success is how you handle plan "B". We are not afraid to go to plan B but try to stay very aware of when we don't have one. In a business setting the importance of plan B is frequently a function of the costs associated with the failure of plan A. In the case of the blowout prevention valve used by the Deepwater Horizon, there was no plan B.

There are a number of factors which may have contributed to BP's lack of a backup for the blowout prevention valve:

- BP may not have been able to imagine a situation in which the valve could fail.
- Given average daily profits in excess of \$50M over the past 9 quarters and a liability limit of \$75M, BP may have not seen a failure of the valve to be a material threat to the company.
- The Interior Department and the Minerals Management Service had issued an environmental impact waiver during the planning of the Deepwater

Horizon platform. BP may have actually believed the drilling operation posed minimal or no environmental risk.

There are many ways to characterize the assertion the drilling platform posed minimal or no risk to the environment but few of them are kind. Given the expanding scope of the disaster resulting from the April 20 explosion it seems unlikely BP's liability will be limited to \$75M. At the same time, it is hard to imagine BP will be held accountable for the full extent of the damages caused by the deepwater horizon disaster. Even if a dollar amount could be identified and paid by BP, the people and industries which rely on a healthy Gulf environment may not recover for many decades.

Lessons Learned:

There are two issues which have implications far beyond BP and its Deepwater Horizon drilling platform: the fact the blowout prevention valve was a single point of failure, and the fact the drilling operation was considered to pose minimal or no environmental risk.

We regularly encounter situations where there is a single point of failure: a critical structure or function for which there is no work around. For most people, electrical power is an example of a single point of failure. When we lose electrical service we simply find something else to do until the power comes back on. We rarely experience power outages which last very long and often find the disruption to our day a chance to pause and get a different perspective on our daily routines. In those environments where a power outage could create a dangerous situation (hospitals, air traffic control, etc.) emergency generators are often used as a backup system, eliminating the single point of failure.

The key to the single point of failure situation is the question "What if?" If the answer to the question "What if?" is "There may be an annoying disruption to our day." a backup system may not be justified. If the answer to that question involves injury, death or irreparable damage; elimination of the single point of failure becomes a preferable alternative. It is likely most reasonable people would have determined the unfolding disaster in the Gulf of Mexico as a situation where a single point of failure was not an option.

The second relevant issue in the Deepwater Horizon disaster is the environmental waiver issued by the Interior Department and the Minerals Management Service. The waiver was granted on the assumption the Deepwater Horizon drilling operation posed minimal or no environmental risk. It is hard to imagine a definition of the word "environment" where the failure of the blowout prevention valve could be seen as having minimal or no environmental risk. The damage done by the Deepwater Horizon disaster is likely to impact all aspects of

life in the region for decades to come. If the various constituencies that will be impacted by this disaster in the coming decades had knowledge of the potential impact on the natural, social and economic environment of the region it is likely the blowout prevention valve would not have been relied upon as a single point of failure.

Applying the Lessons:

The disaster in the Gulf of Mexico provides us with an opportunity to look at threats we face in our personal and organizational lives. In assessing these threats it is important to look at three broad areas:

1. Tolerance for the risk that goes with a single point of failure.
2. Sources of threats to our organizational/personal survival.
3. Responses to threats.

The following questions should be reviewed by every organization on a periodic basis:

How long can our organization survive if a catastrophic failure (within or outside of our organization) occurs?

This question has operational, economic, and social implications to it. If an organization cannot provide its primary services to its customer base it has three options: out-source services to another organization, shut down, or offer a different set of services. If the revenues an organization receives are interrupted significantly there will likely come a time when the organization will have to close its doors. If an organizations operations are disrupted long enough it will become irrelevant in the market place.

Where do single points of failure occur in our organizations?

Where do single points of failure situations occur, which have a significant impact on our organization, but are outside the organization's immediate control?

These questions require us to look at the situations that could cause a significant disruption to the operation of our organization. The challenge is to look at both internal and external threats to the organization. Internal threats can be addressed through sound management practices. External threats can only be addressed through sound relationships with people and institutions outside the organization's control.

Most threats have a work around, so they don't qualify as a single point of failure. Other threats have obvious work arounds but those work arounds cannot be implemented on a timely basis. In these situations it is valuable to explore

what is required to overcome the threat before the organization is significantly impacted by the threat. Still other threats have a work around but, as in the Deepwater Horizon disaster, significant irreparable damage will have been done before the problem can be addressed. In these situations the stakes are much higher and a specific focus on preventing a damaging situation must be emphasized. In all situations efforts to avoid disastrous results should be consistent with the potential impact of the threat.

If a catastrophic failure occurred outside of your organization, who else would be significantly impacted in a similar way? When did you talk to them last? How does your organization, community, industry, etc. connect with those organizations which would have primary responsibility in the case of a catastrophic failure? When was the last time this cohort was face-to-face?

These questions help identify allies, adversaries, and advocates. In the Gulf region; environmental groups, the fishing industry and tourism industries may have little in common and may even find themselves on opposite sides on some issues. All three find their best hopes for the region currently in jeopardy as a result of the BP disaster. Both the Interior Department and the Minerals Management Service could be expected to act as arbiters of the long term goals of all parties involved but have miserably failed this expectation. The Deepwater Horizon disaster has served as a reminder of the interrelationships between the many interests in the gulf region and how easily the catastrophic failure of a single piece of equipment can jeopardize the future of the region.

Sources: UPI, New York Times, British Petroleum, National Public Radio

Add Your Comments:

The story above has been published on the Affinity By Design blog. You can become a part of the story by going to: <http://affinitybd.blogspot.com/>. You'll also find web-only content there.

How Affinity By Design, LLC Can Help:

Is it time to take a look at the threats your organization is exposed to? You might be surprised at what you'd find. You'll also be surprised at how Affinity By Design, LLC can help your organization focus its talents and resources.

Dan Lococo brings many years of experience in business process analysis, finance management, and group facilitation to Affinity By Design, LLC.

There are a number of ways your organization can take advantage of these skills and experience as it becomes more effective in the delivery of its mission.

- **Structured brainstorming:** A facilitated brainstorming session can help your organization reach a consensus on how to measure what is most important.
- **Model building:** A business model can quickly and effectively communicate important information. The integration of analysis tools and graphics allows for the communication of sophisticated information with a minimum of data collection.
- **General consulting:** Affinity By Design, LLC can provide a customized combination of facilitation, analysis and consultation to meet the needs of your organization. General consulting engagements are based upon a mutually agreed upon project charter.
- **Group presentations:** As an experienced public speaker, Dan Lococo can address your organization or professional association on a wide variety of topics.

Why You Received This Message:

You have received this newsletter because I have had either direct, or indirect, contact with you regarding the work of Affinity By Design, LLC. If you do not want to receive this newsletter, please let me know via e-mail. Include the words "Take me off your list" either in the subject or body of the message.