



A major oil company & a major computer support contractor

Reversing an Operational Failure: From IT Nightmare to “Best-in-Class”

Learning as Leadership Case Study

Imagine the new, highly visible outsourcing contract you spent months negotiating and convincing others it was worth the cost unraveling before your eyes. You're charged with bringing together two companies who've never worked together before, many of the employees recently hired, millions of dollars at stake and suddenly everything spirals down into an operational quagmire. Your career and those of your team members are on the line. What would it take to step out of your own justifiable powerlessness and frustration to turn the situation around and create a single high-performing team with stellar results?

A Joint Venture Goes Awry

The service department of a joint venture between 2 major oil companies was living just such a nightmare. They had outsourced their IT needs—administration, maintenance, and project development (called “Infrastructure”)—to a prominent computer contractor. The contractor, on its end, had the additional challenge of staffing over 400 positions from scratch and mastering an unsettled environment recently forged out of the blend of two different organizations and cultures. As server shut downs and skyrocketing costs disrupted business and ravaged budgets, tensions mounted between the contractor and the service department's employees, resulting in further instability in the organization. Millions of

business dollars were lost as the service department's data networks and information systems went down frequently and unpredictably.

Assigning blame for the failure wasn't easy. High performers on both sides were overwhelmed by the sheer complexity of operational issues,



interpersonal tensions, and the pace of the new environment. Project scope creep and implementation breakdowns caused the contractor's Project Management Office delays and budget overruns. A highly-resourced “red team” of top IT and operational experts temporarily

stabilized operations, but at dramatic costs. “Us vs. Them” dynamics reached a crisis level; finger-pointing dominated meetings and clean-up efforts. Resentment and emotions flared to the point that discussions of operational and technical issues could not proceed calmly, and few dared to accept responsibility for anything for fear of being scape-goated.

Nine months into the partnership, the contract was \$12 million over budget, creating disputes between the service department and the contractor regarding payment and invoices.

In my 30+ years of experience in large organizations, I have never seen an “Us vs. Them” downward spiral between two groups anywhere near this extreme. It seemed impossible to reverse. To my amazement, the team transformed their relations and performance. They have a lot to be proud of.

Director of Major Oil Company

Seeing no way out of the dilemma, the oil company's CIO faced having to pull out of the agreement and writing off the \$30 million invested to date. The relationship was so broken that the two sides could no longer fix, let alone discuss, problems – and yet the prospect of finding another vendor and facing tens of millions of dollars in transition costs was unthinkable.

***Phase 1: Learning as Leadership (LaL)
Brings Stabilization and Collaboration***
February 2001 to July 2002

In early 2001, in a last ditch effort to salvage the project, the service CIO engaged key leaders from both companies to participate in Learning as Leadership's 4-Mastery program. Scared, angry and righteous about their own versions of the facts, group members were unable to see the big picture - what was going wrong and what their part might be. Through its leadership training and coaching, LaL supported team members to step out of their defensiveness and confront their counterproductive behavior of blaming the other side. As the leaders learned skills to engage more constructively, they were better able to examine operational breakdowns when they occurred. LaL's coaches consistently



held each side accountable to proactively disclosing their part in a failure, and leveraging – instead of condemning – when others

followed suit. Stress levels decreased dramatically as the work environment no longer felt like a war zone.

Next, Learning as Leadership facilitated an on-site Root Cause Analysis Session with both teams to systemically understand the operational problems the two groups faced. Together, the joint leadership team surfaced and mapped out the issues in a way that allowed them to see these problems as symptoms of organizational and cultural breakdowns instead of examples of incompetence or ill intent on one side or the

other. For example, it was a shock for Service Infrastructure leaders to realize that many of the server shutdowns they had attributed to the contractor's ineptitude were actually due to their own lack of coordination with their sister department, Applications. The Applications group would regularly develop and install software requiring intensive server capacity, without working with either the contractor or the service Infrastructure group to ensure that the targeted server could handle the additional workload. Organizational leaders saw how siloed work flow, combined with hostile finger pointing, had made it nearly impossible for anyone to find out what was actually causing the operational problems.

Buoyed by their insights, the two organizations were able to dramatically improve their ability to develop and implement long-term solutions. As collaboration increased, results improved remarkably – reinforcing the budding sense of trust.

Phase 1 Results

- Pervasive operational problems were surfaced and addressed constructively. Operations stabilized and consistently met key Service Level Agreements.
- Relational problems abated significantly, causing a huge decrease of stress in the organization. Morale recovered.
- Leaders crystallized around a vision of creating a “model outsourcing arrangement.”
- The number of network outages declined dramatically from 130 per month in July 2001 to an average of 13 per month a year later; they eventually averaged only 3 outages per month, saving millions of dollars.
- Contractor's Project Management Office dramatically improved its performance and collaboration with its client, transforming a “lost cause” contract into a profitable account.
- Seeing its own role in the problem lead Services to implement a significant reorganization that alleviated many issues.

Phase 2: Beating Impossible Budget Cuts With Optimized Performance

Just as the two leadership teams were beginning to master the environment, the world dramatically changed around them. A merger between two other major oil companies resulted in a newly christened entity embarking on global standardization and streamlining efforts. The Infrastructure budget alone was slashed from \$160 million to \$90 million in one year, provoking anxiety throughout the organization. Voluntary and then involuntary reductions in force were implemented.

The contractor had to continue to provide the same maintenance and administration IT services for half the cost. This seemed particularly insurmountable in light of the partnership's tumultuous past. At the very time it was most critical for the decision-makers to work together to renegotiate their contract, the rumor mill churned out of control. LaL coaches reengaged closely to help members of both organizations dial back their angst and frustration, bringing them back to a central question: how can this crisis be an opportunity to strengthen rather than erode the trust built during the previous two years?

Under such tight margins, anything that could undermine performance needed to be identified and fixed. Nothing – operational issues, cost decisions, interpersonal conflicts – could languish, not even for a few days. LaL coached more than 30 leaders spread throughout the two companies. They recognized that the team members needed to raise their ability to resolve knotty, 'undiscussable' topics to a new level of proficiency. The CIO christened these "Moose Topics," too charged to address openly, they dominated hallway conversations at the water-cooler. The organizational churn was severely disrupting workflow, so LaL developed a communication framework for conducting "Moose Meetings."

*The cost of this training was pennies compared to the operational dollars at stake – and **what we saved** – in fixing our performance problems and optimizing our joint operations.*

The CIO

In the kick-off meeting, the team identified 19 major "Moose" issues. LaL shepherded the apprehensive team through tackling the two most difficult and sensitive topics. Encouraged by their success, the team progressively became self-sufficient, calling and facilitating Moose Meetings as soon as they identified a problem. The strategy worked. Instead of simply functioning well, the team learned to surpass its previous high level of activity. As fundamental, long-standing issues surfaced and were dealt with, impossibilities became possible and team members' faith in the partnership was renewed. Remarkable results illustrated the successful transition.



Phase II Results

- An "unachievable" annual budget was successfully cut by \$70 million while surpassing previous performance marks.
- When the contract expired, the service company opted to continue what had become a very successful partnership.
- The CIO presenting the success story at a national CIO conference as a best-in-class example of a high performing IT outsourcing arrangement. Three years earlier, no one on the team could have dreamed such major recognition remotely possible.

