



## The Business Case for Digitally Transforming Operational Risk Management (ORM)

7-minutes with Scott Lehmann, Sphera's VP Product Management - ORM

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According to independent analyst and consultant, Verdantix, over the last 20 years, the Operational Risk Management (ORM) software market has grown to a value of \$1.3 billion - with spend allocated to digital transformation providers offering barrier management and control of work software.

In this interview, Scott Lehmann Sphera's Vice President Product Management – ORM describes the benefits and reasons why companies are making the move to invest in ORM software solutions, the level of technical maturity required as well as the standard implementation timelines and the ROI that it could deliver.

### What are the biggest benefits derived from ORM software/implementation?

We hear a lot about how today's digital innovation is reshaping industries. Indeed, it's disrupting business models, operating practices, and transforming business ecosystems. But the thing to keep in mind is that it's not necessarily about digitizing what we do today, meaning putting paper on glass, or optimizing around the edges. And it's not just about throwing some advanced analytics at it hoping the right answer pops out the other end. It's about connecting disparate data, systems, and people to enable new end-to-end business processes to help people shift from being "hunter-gatherers" of data to enabling operators with real-time, actionable insight. That's a big paradigm shift.

Typically, we work with customers in hazardous industries with complex operations. Their operational risk landscape on their assets can change as fast as their operational reality. This is because the reality of their operations is neither simple nor static. When well-designed and well-specified processes and equipment enter service, things begin to change. Assets age. We need to intervene in the plant. And change happens. Risks are often managed in different parts of the organization. Information is siloed. Dots are not connected. And decisions are made without the full context.



- Widely varying or lack of standardized control of work practices
- Operational efficiency/productivity challenges
- Unclear understanding of operational risks across an asset or an organization and therefore inability to manage
- or a combination of the above

When organizations approach any software implementation, they should look at where they can achieve the biggest impact or value with the least change management.

In the case of Operational Risk Management – this means focusing on risk reduction, cost and productivity. In order to drive tangible benefits, you need to start with transparency and visibility. This starts with a single shared view of the operational reality where everyone can understand what's happening, where it's happening, when it's happening, and what is driving the risk.

Through the standardization of control of work policy across assets, provision of tools to enable better scheduling at the frontline, and proactive management of SIMOPS organizations can realize significant and tangible benefits such as:



Improved safety performance



Improved time on tools – frontline worker productivity



Reduced risk through proactive risk management of SIMOPS



Reduced unplanned downtime



Improved prioritization of maintenance

Steve Rae the executive director at *Step Change for Safety* suggests, industry needs to have “almost a relentless pursuit of not just safe operations but effective and efficient operations because they are very much connected<sup>1</sup>.”

Sphera’s [Control of Work](#), [Integrated Operations Management](#), and [Process Safety Barrier Management](#) software help organizations reduce costs and risk and improve productivity overall.

## Is there a certain level of technical maturity required before implementing/investing in ORM?

Business process maturity is key and maybe even more important than technical maturity. This is especially true as Industry 4.0 brings together business processes in a way that’s really never been done before – especially in the Operational Risk Management space. According to the [2018/2019 Operational Excellence Index \(OEI\)](#),

**53%** of companies are still trying to figure out what digital transformation means to them

**52%** are still focused on deploying new technologies at an individual plant/asset-level or on an as-hoc/case-by-case basis

Culture (**47%**), investment priorities (**38%**) and lack of digital expertise (**31%**) are the top three barriers to advancing digital transformation projects

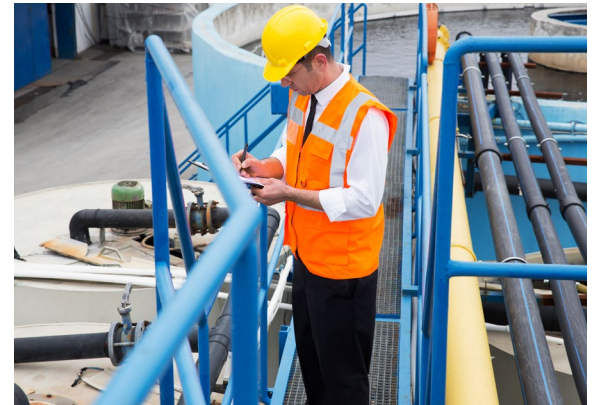
Digitalization requires investments in skills, people, and infrastructure. It needs to be led from the top and focused on how it can empower people with insight, new processes, and context to make better decisions.

Re-imagining the way people, processes, and technology interact requires thought about the broader ecosystem. In addition to building a digital culture that bridges functions, it means designing infrastructure around interoperability and open standards.

In ways, it requires pairing the institutional domain IQ of an organization – with a digital EQ that’s flexible, adaptable, and able to create an

environment that supports new business models and disrupts the status quo.

Managing change is perhaps one of the biggest challenges. You’ve got to make sure people clearly understand what they need to do. Get rid of low value work to focus people on higher value. Give people the tools to change the operating culture. Arm them with the insights they need to do their jobs more efficiently, effectively, and safely.



## Is there a standard implementation timeline?

Digitalization done right is an ongoing process that will change the way businesses operate. It’s not something to bolt on or optimize around the edges. It’s about differentiation, not the generic use of cloud, SaaS, analytics, and the IIoT. Digital Operational Risk Management is a journey.

I’ve shared about the big benefits that can be expected as a result of digital implementations. While the transformation can be big, the journey to get there can start small - in one plant or in one unit of a plant, one region or across the enterprise. Or even in one department or function. The benefit of deploying platform technologies like SpheraCloud means it’s easy to roll out additional capabilities to deliver the increasing benefits – and ROI – of ORM 4.0.

From the get go, it’s helpful if operator is clear about where they want to journey even if they don’t fully understand the milestones. A digital roadmap can be developed to support the journey - ensuring ROI can be achieved at each step to ensure continued buy in from upper management.

When implementing ORM software, the provider must come with their A-game. They should be able to deliver based on a proven, trusted deployment methodology that reduces project risk – without excuses as a result of an unrealistic or incomplete plan. And there should be no need for long configuration cycles and customized coding. While customers generally favor out-of-the-box workflows, forms and templates – they also prefer the flexibility

<sup>1</sup> [Piper Alpha Survivor ‘Takes Nothing for Granted’ in New Role](#), The National, Accessed August 19, 2019

to make changes to suit their organizational needs and structure without having to revert to the vendor for every need. This is important from both a timeline and total cost of ownership perspective – and it's no wonder why **76%** of ORM software buyers rank software configurability a high priority, according to independent analyst and consultant, Verdantix.

We've found that by providing our customers with the ability to access and make direct configurations to the product using both a pre-deployment delivery toolkit as well as a runtime admin console, with capabilities to test and deploy to their live environments, they've been able to have their software installed and up and running in as little as six weeks.

## What is the ROI of ORM?

Digitalization should never be about the technology. It should be about driving transformative change that has practical and tangible ROI. All organizations need to ensure they can show ROI at different stages of their digitalization journey, because even the most visionary CIO/CDO has limits to their patience for results.

For one Sphera customer, by enabling transparency and visibility of how everything comes together in their distributed frontline operations they were able to better understand SIMOPS and the tradeoffs they needed to make as part of their operational decision-making – specifically around activity planning. This resulted in strong digital ROI:

- **\$6,500,000** in annual frontline efficiency savings
- **50%** reduction in supervisor wait time
- **75%** reduction in crew wait times
- **47%** reduction in annual downtime
- And importantly a **20%** reduction in recordable safety incidents

I think back to a 2006 CCPS report that suggested a strong process safety culture gives organizations a greater degree of business flexibility. At that time, the United States was contending with major industrial incidents that were disrupting business operations, challenging the license to operate and resulting in hefty costs and fines.

- Major industrial incidents cost an average of \$80 million
- Business interruptions can amount to four times the cost of the property damage from an incident
- Loss of market share and company reputation can be diminished with insurmountable effect
- Litigation costs can total five times the cost of regulatory finds
- Regulatory penalties following litigation can total over a million dollars and following an incident, organizations can expect increased regulatory audits, inspections and costs

Now 13 years later, companies have made significant investments in process safety and operational risk management: **72%** believe industry regulations have helped companies reduce their vulnerability to high-potential incidents, and **85%** say technology has helped keep their work teams safer.

While process safety incidents have not yet been eliminated, the promise of Industry 4.0 Operational Risk Management systems, offer the opportunity to deliver improved flexibility with better insights to support better operational decision-making resulting in,

- Increased productivity
- Decreased production costs
- Decreased maintenance costs
- Lowered capital budget required
- Lowered insurance premiums

The ROI can be measured in wrench time efficiency and asset uptime improvements – which you can measure using [Sphera's ROI calculator here](#) - as well as the safety gains experienced as a result of the potential to reduce LTIs (lost time injuries), leaks, emissions, near-misses, incidents, property damage, business interruptions, loss of market share, litigation, incident investigation costs and regulatory penalties.

By enabling a single version of the truth, teams can make better, more informed decisions that reduce risk, improve frontline productivity and lower costs.



Scott Lehmann, Vice President Product Management – ORM

Scott has responsibility for defining the market-driven direction, roadmap, vertical segmentation, and delivery for Sphera's Operational Risk Management solutions. He has more than 25 years of enterprise software experience with small, mid-size and large companies - as well as his own venture-backed start up in the U.S. and Europe. His focus is on empowering organizations to unlock the potential of digital transformation through forward-thinking software solutions that enable the journey to digital operations. He is regularly published in top-tier industry and technology journals including, *Hydrocarbon Processing*, *Harts E&P*, *Oil & Gas Journal*, and *Plant Services*. Scott has a bachelor's degree from Tufts University and a master's degree from Georgetown University.

### ABOUT Sphera

Sphera is the leading global provider of Integrated Risk Management software and information services with a focus on Environmental Health & Safety (EHS), Operational Risk Management and Product Stewardship. Sphera has advanced Operational Excellence for more than 30 years, serving companies and customers across the globe to create a safer, more sustainable and productive world.

Contact us for more information at:

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