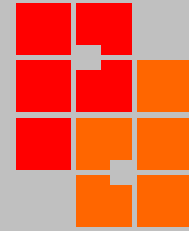


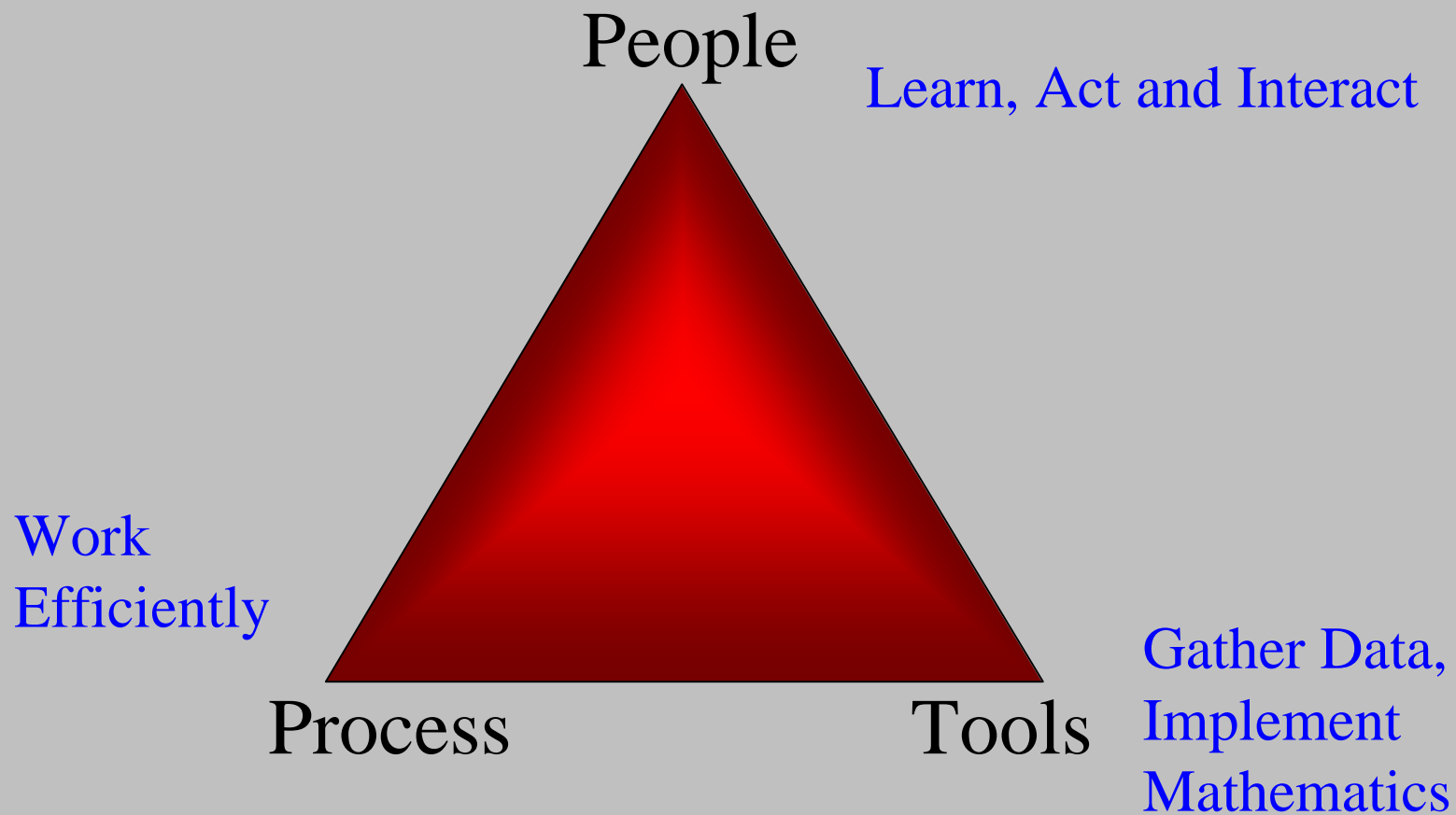
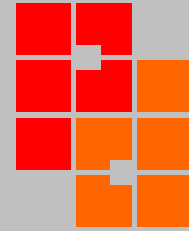
Implementing Portfolio Management: *People, Process, & Tools*

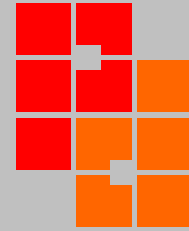
Agenda



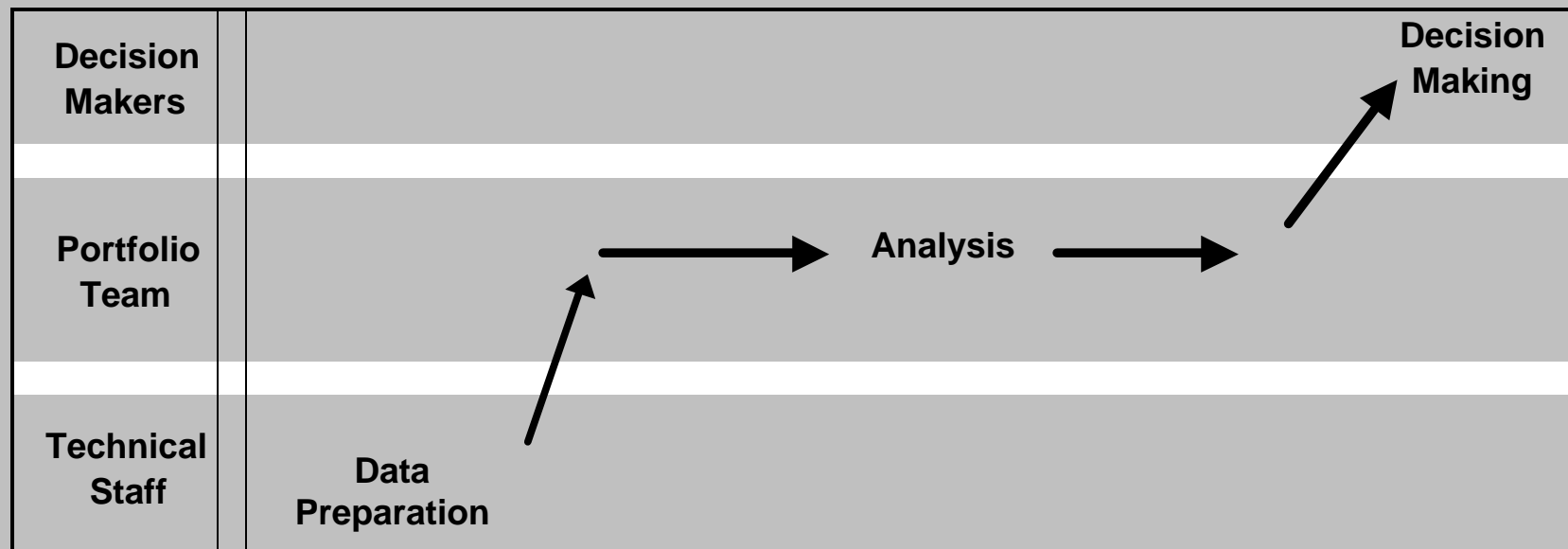
- Context for discussing people, process & tools
- Two case studies
- Comparisons
- Your organization

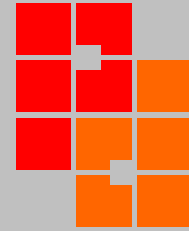
Portfolio Management





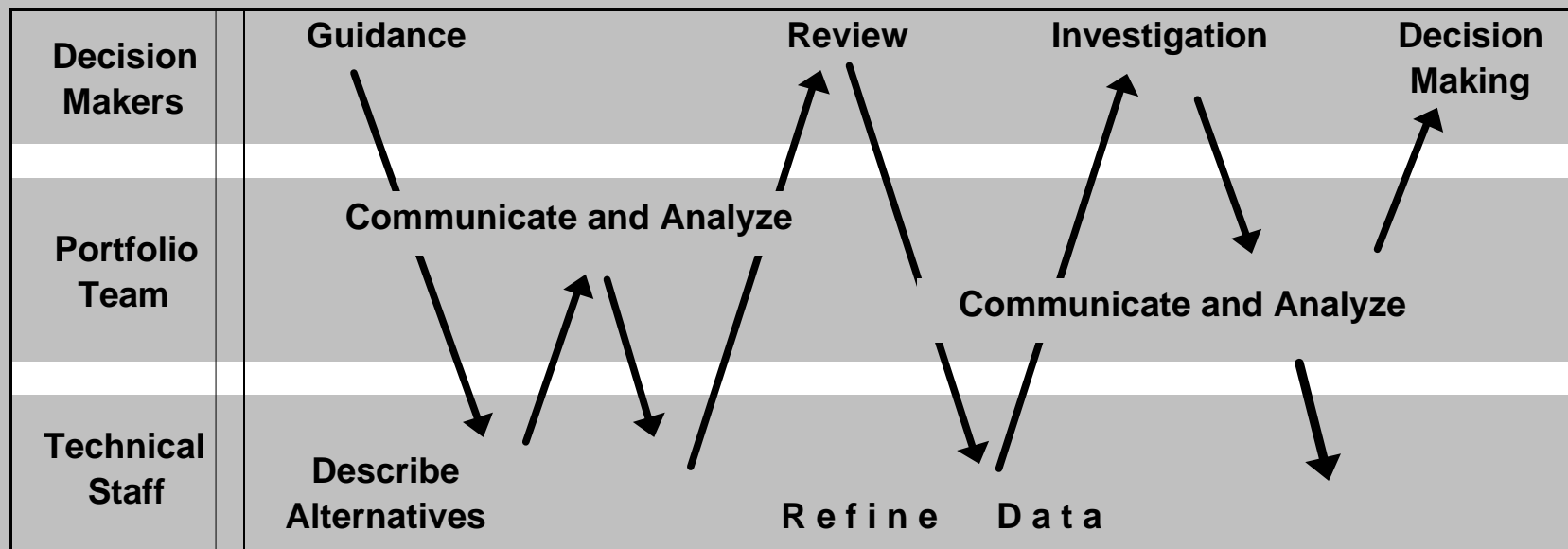
People and Process

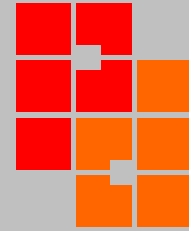




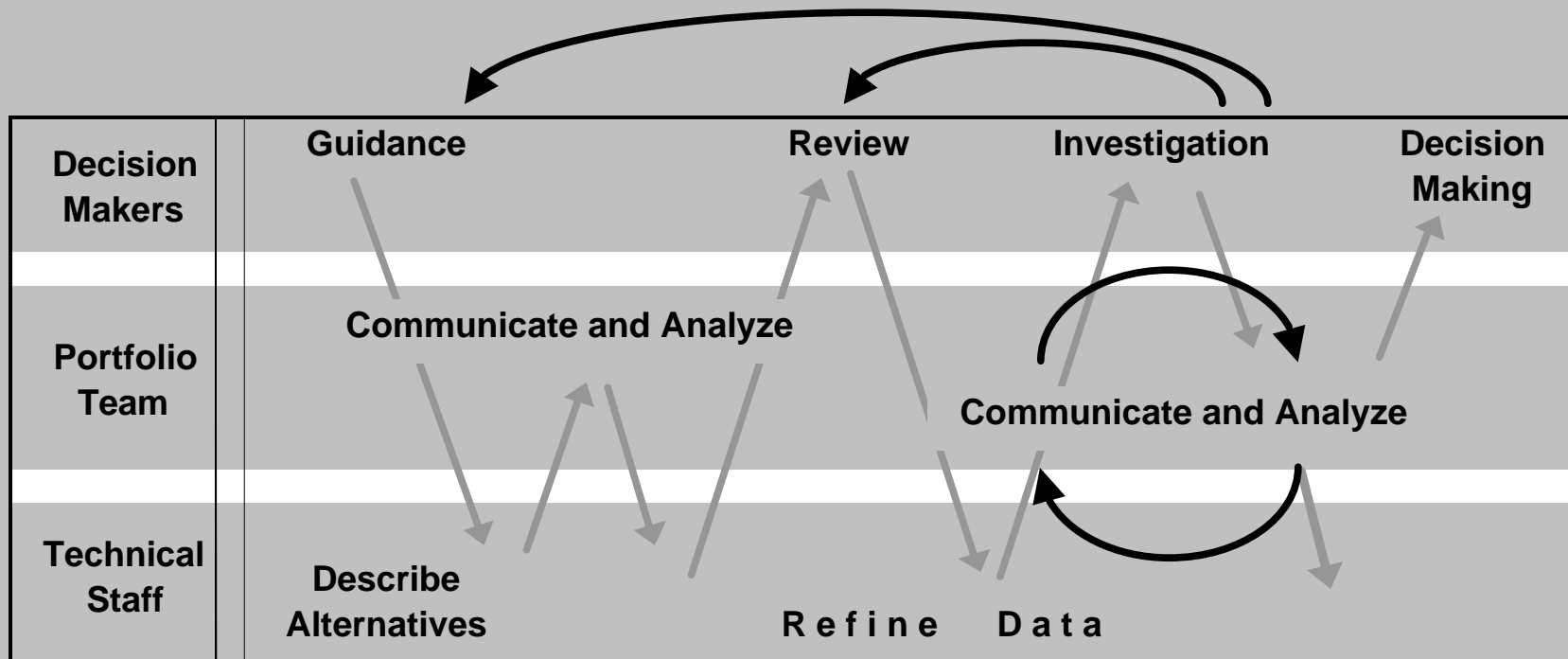
People and Process

Portfolio management roles and interactions



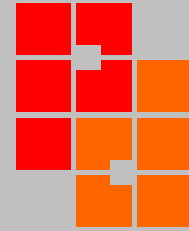


People and Process



Feed back loops build credibility, buy-in, and stimulate learning

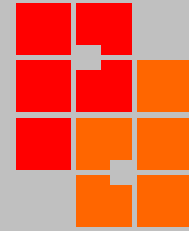
Tools



Not “One Size Fits All”

- Technically robust
- Flexible
- Visual
- Integrated

Case Study “A” - Background



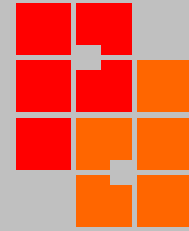
Exploration capital allocation was cumbersome & labor intensive

- Portfolio management sponsored by expl. planning executive
- Wanted to reduce time and improve consistency
- Wanted to integrate risk and uncertainty

Other expectations

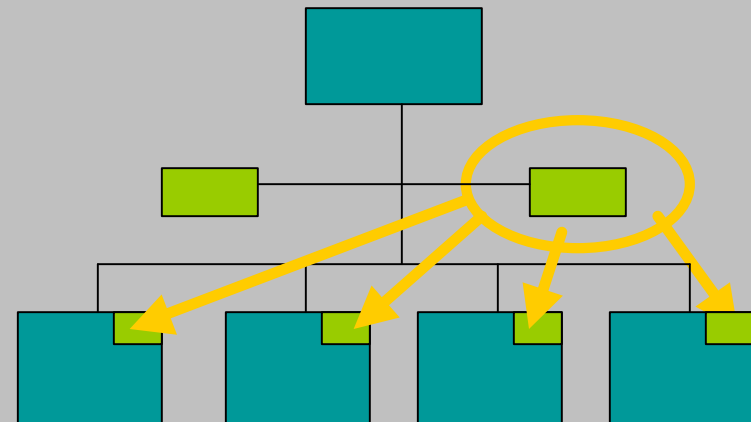
- Proactively adjust to mid-year changes
- Extend use of portfolio management to peer planning group
- Facilitate discussions with executives

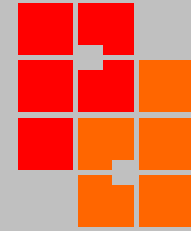
Case Study “A” - Process



Not perceived as changing the process

- Some new data needed





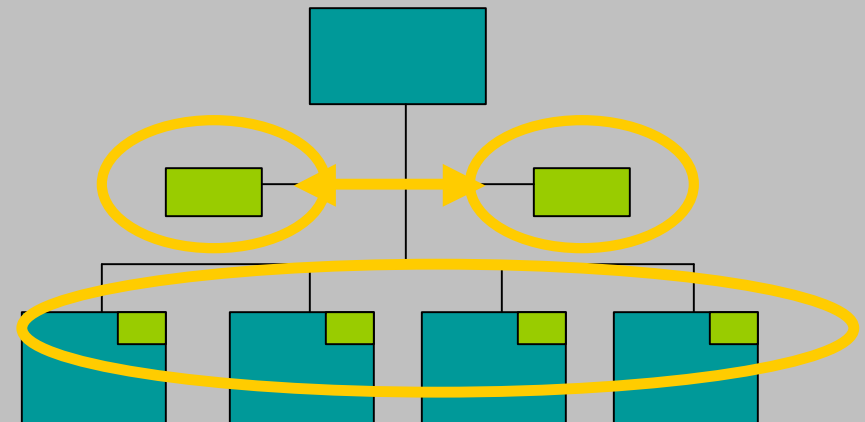
Case Study “A” - People

What was peer planning group thinking?

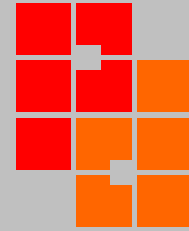
- No need for change
(seen as discounting their intellectual capital)
- Why complicate things?

What were the BUs worried about?

- More work
- Reduced authority
- Less budget



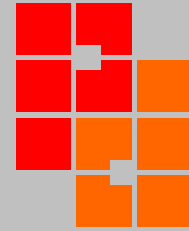
Case Study “A” - Tools



Tools

- Technically robust
 - Integrate risk and uncertainty
 - Explore multiple business questions (strategic questions)
- Flexibility
 - Easily customized for their metrics
- Visual
 - Customize graphics to look familiar to management
- Data Integration
 - Pulling in data not a issue
 - Stayed at appropriate level of accuracy and precision

Case Study “A” - Results



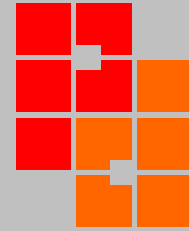
Positive Results:

Faster more thoughtful annual planning for exploration

However...

- No mid-year adjustments incorporated
- Portfolio management did not spread to peer group
- Discussions with executives did not change

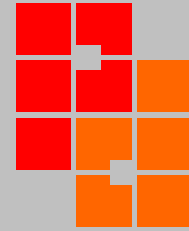
Case Study “A” - Results



Why?

- Lacked agreement on focus and priority
(What business problem are we trying to solve, what areas of the organization are involved, and how important is it)
- Planning felt that benefits were obvious
- Crossing organizational boundaries increases complexity
- Failed to gain executive buy-in above planning exec.
- Lacked proactive communications
- Project manager changed

Case Study “B” - Background

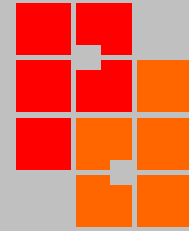


Management knew existing decision process was not effective

- Company formed through mergers
- Plan resulted from ranking / rollup of “best” assets
- Needed more structured decision making process
- Wanted to ensure that capital allocated efficiently

Company-wide, multi-year portfolio management initiative

- Sponsored by corporate planning executive
- Active endorsement from member of executive committee
- Initial portfolio investigation conducted in Exploration
- Separate effort in parallel at corporate



Case Study “B” - Process

Integrated into existing planning & budgeting process

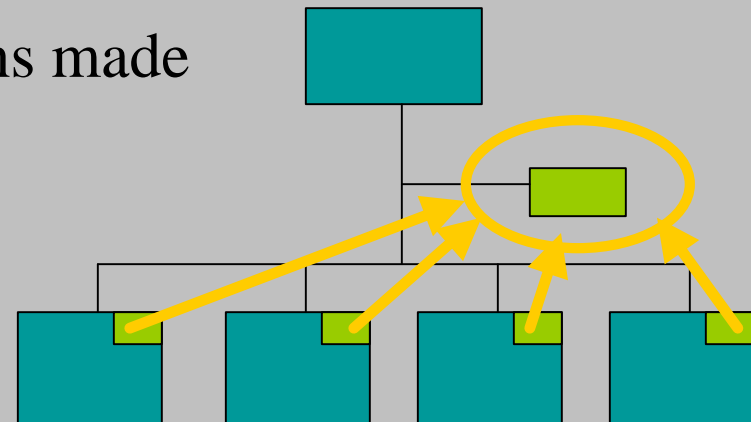
- Each BU planning group responsible for supporting the effort

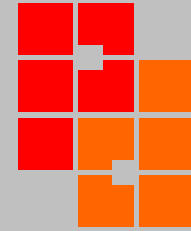
Supplied input on the process, metrics

- New simpler data requests
- Issues remained, slowing data flow

Suspected a shift in how decisions made

Resolved with communication





Case Study “B” - People

Culture open to new ideas, “better ways”

Project manager very credible to senior management

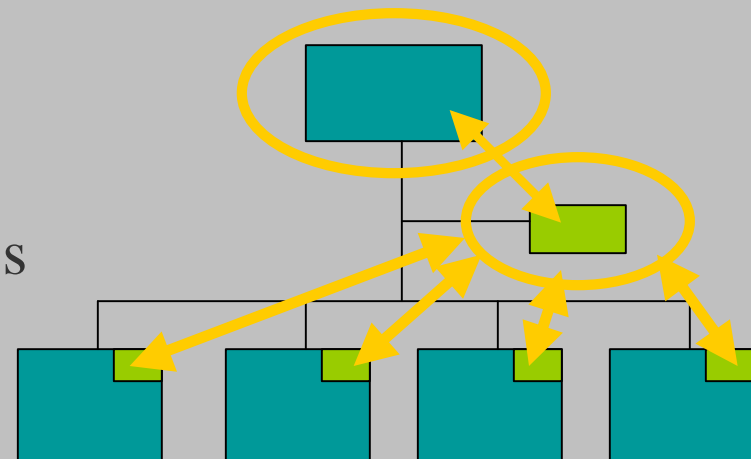
Active sponsorship from executive committee

Management made time

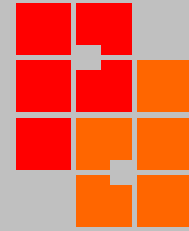
- portfolio briefing
- defining the business questions

Effective communications with O.U.s

- Initial input
- Saw results first
- Shared in message to exec.



Case Study “B” - Tools



Technically robust

- Integrate 10 diverse stand-alone business units into one model

Flexibility

- Adapted model as necessary for each individual business segment
- Capture the key financial elements in their model
- Model operational need to meet gas delivery obligations etc.

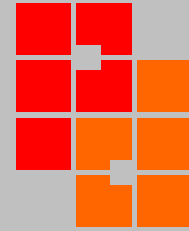
Visual

- Custom graphics that looked familiar
- Refine format to engage individual business segments / mgmt

Integration

- B.U.s had responsibility to provide data from a variety of sources
- Format standardized when possible, other times minimized work on B.U.

Case Study “B” - Results



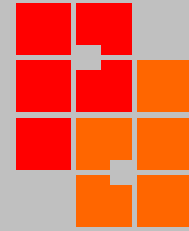
Used by the executive committee

- Evaluation of options for operational strategy
- Clearly stated goals and objectives
- Shift resources to areas with the greatest impact to performance

Business unit support

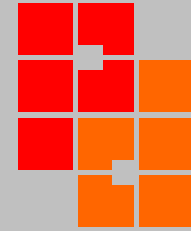
- Engaged, saw process as empowering & helpful
- Want to bring portfolio management into their organizations

Case Study “B” - Results



Why

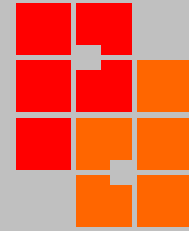
- Open to “better ways”
- Clear, agreed upon, focus and priority
- Active endorsement from within executive committee
- Respected project manager
 - Technical & business background
 - Continuity with program
- Worked to meet needs of corporate, AND each individual B.U.
- Proactive, face-to-face communications



Comparison

		“A”	“B”
Tools	Match to the business problem	●	●
Tools	Appropriate data vs. “precision”	●	◐
Process	Sensitivity to impact of changes	○	●
Process	Seek input	○	●
People	Executive buy-in & engagement	◐	●
People	Agreement on focus & priority	○	◐
People	Double check for perceptions	◐	●
People	Communicate	○	●
People	Turn into a win /win	○	●

Your Organization



Is there agreement on focus and priority for portfolio management?

Efficiency of the planning process, or effectiveness of capital allocation?

What does “top priority” mean?

What are expectations & perceptions for portfolio management?

Might it be perceived as shifting the balance of power?

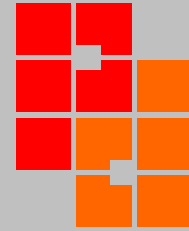
Do some expect it to be something it isn't?

What are your plans for improving your probability of success?

How can you build a better baseline “picture”?

What's the best way to build consensus & ownership?

What are your plans for communicating?



People, Process, & Tools