

# Integrated Business Planning for Upstream Oil & Gas Implementation Overview



# We'll discuss

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- Undesirable impacts of uncoordinated planning and results areas from IBP
- IBP concepts and tools
- Roles & responsibilities
- Tips and traps for implementing



# Nexview Consulting draws from established methodologies and many experiences to help clients achieve alignment and improve performance and results

## Services specific to upstream

- Integrated Business Planning
  - Improve coordinated planning and integrate with the budgeting processes as well as the leadership management system
  - Process improvement in the underlying processes
- Information systems evaluation, selection, and implementation
- Organizational design & change
- Supply chain management
- Change management
- Training & coaching

## Differentiators

- Boutique firm specializing in IBP and supply chain for the upstream value chain
- Holistic approach – emphasize performance improvement, results management, behavior change, leadership development
- Low overhead model and use of only highly experienced consultants strengthens our value proposition; Global network of highly-experienced consultants accommodates multi-geography projects



# We are led by three Principals and supported by a strong peer network of experienced consultants

## Eric J. Tinker, Mng Principal

- 20 years in management consulting leading complex change in the US and internationally
  - Projects have delivered over \$500MM in benefits
  - Client experience ranges from start-ups to leadership of large, complex, multi-geography business transformation for global corporations
- Prior leadership roles at Deloitte Consulting, Celerant Consulting, Plan4Demand, Hughes Aircraft
- Qualifications
  - MBA – University of Southern California -Finance & Entrepreneurship
  - MS – Mechanical Engineering, California State University - Northridge
  - BS – Aerospace Engineering, Syracuse University
  - Certified Public Accountant



## Jonathan Gilbert, Principal

- 25 years improving service reducing cost, and improving efficiency
  - Versatile leader across the supply chain with differentiating expertise S&OP and logistics
  - Industry background in energy, chemicals, retail, manufacturing, and distribution
- Prior consulting roles at MTG, Corven, Denali Group
- Industry leadership and VP level roles in supply chain at BOC gasses and NuCO2
- Qualifications
  - MBA – Stern School of Business, New York University
  - BS – Krannert School of Business at Purdue University



## Roy Zerner, Principal

- 28 years as a consulting and industry supply chain leader
  - Projects have delivered over \$1.1B in benefits
  - Industry background in consumer products, high-tech, chemicals, and industrials
  - Strategic and tactical expertise throughout the supply chain
- Prior leadership roles at Ernst & Young/CapGemini, Accenture
- Industry leadership and Director level roles in supply chain Del Monte, H.J. Heinz, and Allied-Signal
- Qualifications
  - Ph.D. Candidate - UCLA
  - MBA – Indiana University
  - BS – Chemical Engineering, Virginia Tech



Our peer network model enables us to assemble the right senior level consulting team.

# Nexview Consulting helps clients achieve alignment within their organizations to improve performance and results



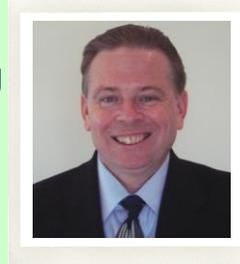
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## Eric J. Tinker – Mng Principal



- 19 years in management consulting leading complex change in the US and internationally
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# Gaps in planning and coordination have mounting consequences



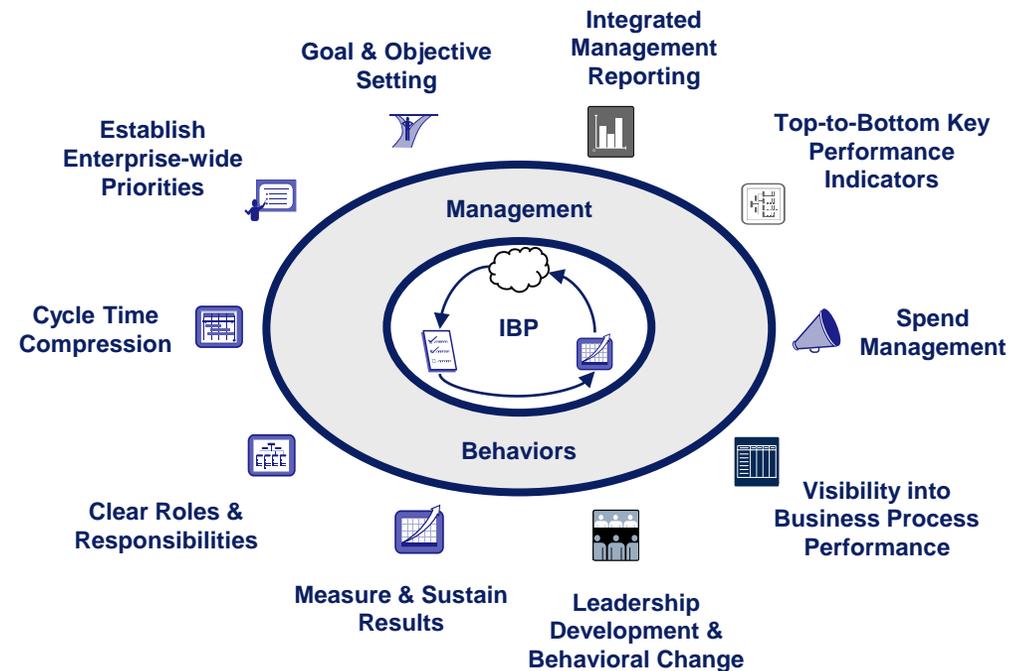
*Improving these areas can often result in tens of millions of dollars!*

# IBP Definition

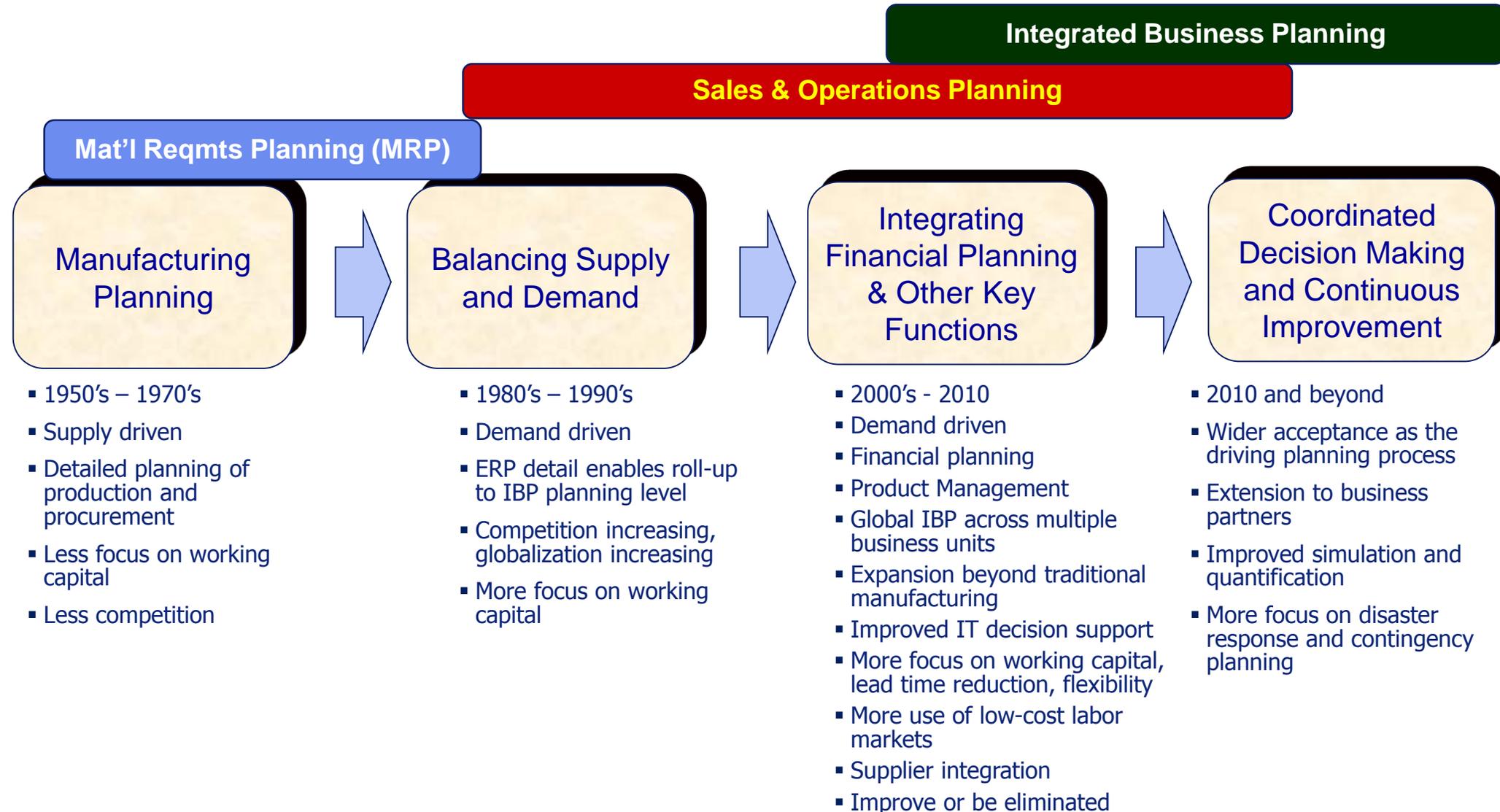
IBP is a structured leadership process for managing the plan on a month-to-month basis that enables cross-functional planning, decision making, and performance management across the business.

## Key characteristics include:

- Alignment of planning and decisions to “operationalize “ the strategy of the company
- One set of consistent plans used throughout the organization
- Layered system of KPIs define accountability
- Reduced time to cash and improved spend management
- Sr. Management led, exception-based
- Management of gaps to plan, while there’s still time for action
- Leadership development and improved teamwork
- Platform for continuous improvement



# IBP is not new, but it is new to upstream



# IBP links the value chain to resolve interfacing issues

IBP

## On-shore



### Common Issues

- Inconsistent throughput capacity across the rig fleet, rig loading, and ready to drill locations
- Process steps out of sync or bottleneck not optimized
- Permitting delays and re-work
- Long cycle times
- Budget and forecast (and revisions) not well communicated
- Lack of visibility and/or communication on lease expirations and /or PUD status
- Frequent changes to rig schedule and drill locations
- Rig types and contracting not synchronized
- Marking infrastructure and contracts not always synchronized with production
- Material and service crews not synchronized
- Production shut-in and/or downtime losses
- Risk assessment not well coordinated throughout organization

## Off-shore



# Examples of situations that can be managed through IBP include

## Scenarios

Assets need to be rebalanced across the field to maximize profitability (well changes)

Changes in execution performance require decisions to balance production, capital spend, and reserves

Constraints in supplied equipment, materials, or contracted services affect the future forecast or require prioritization of development

Corporate allocates more or less capital – how do we adjust? Or how do we proactively plan what we could do with more capital?

Oil/Gas prices change requiring investment and operating decisions

Acquisition/divestiture discussions and implications for investment and operations

Infrastructure discussions (tankage, pipeline vs. truck/rail/ship), outsource vs. build, matching timing with production

Planned production exceeds processing and take-away or infrastructure capacity

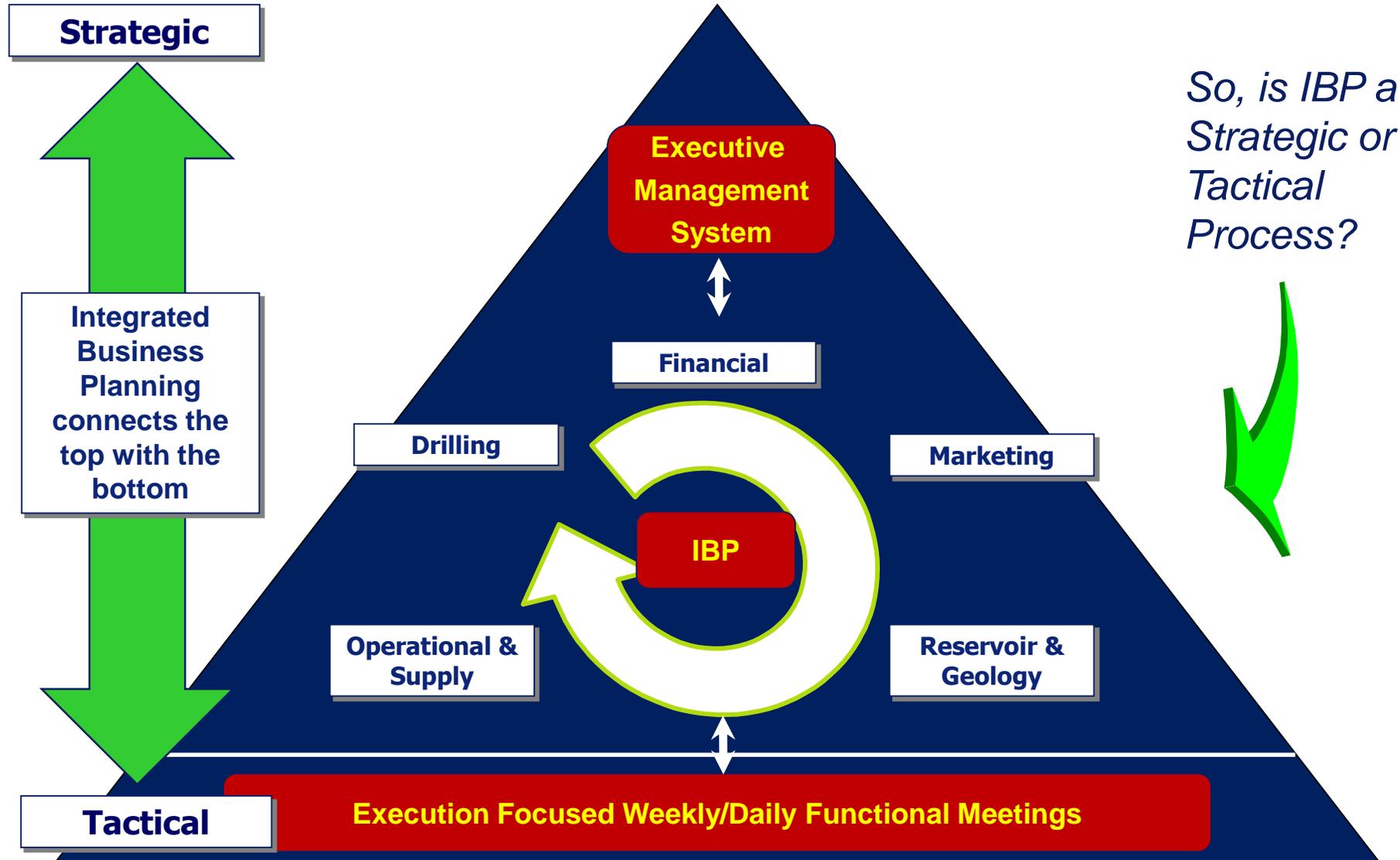
Sales price possible vs. cost for meeting a quality specification

Weather/disaster planning & recovery

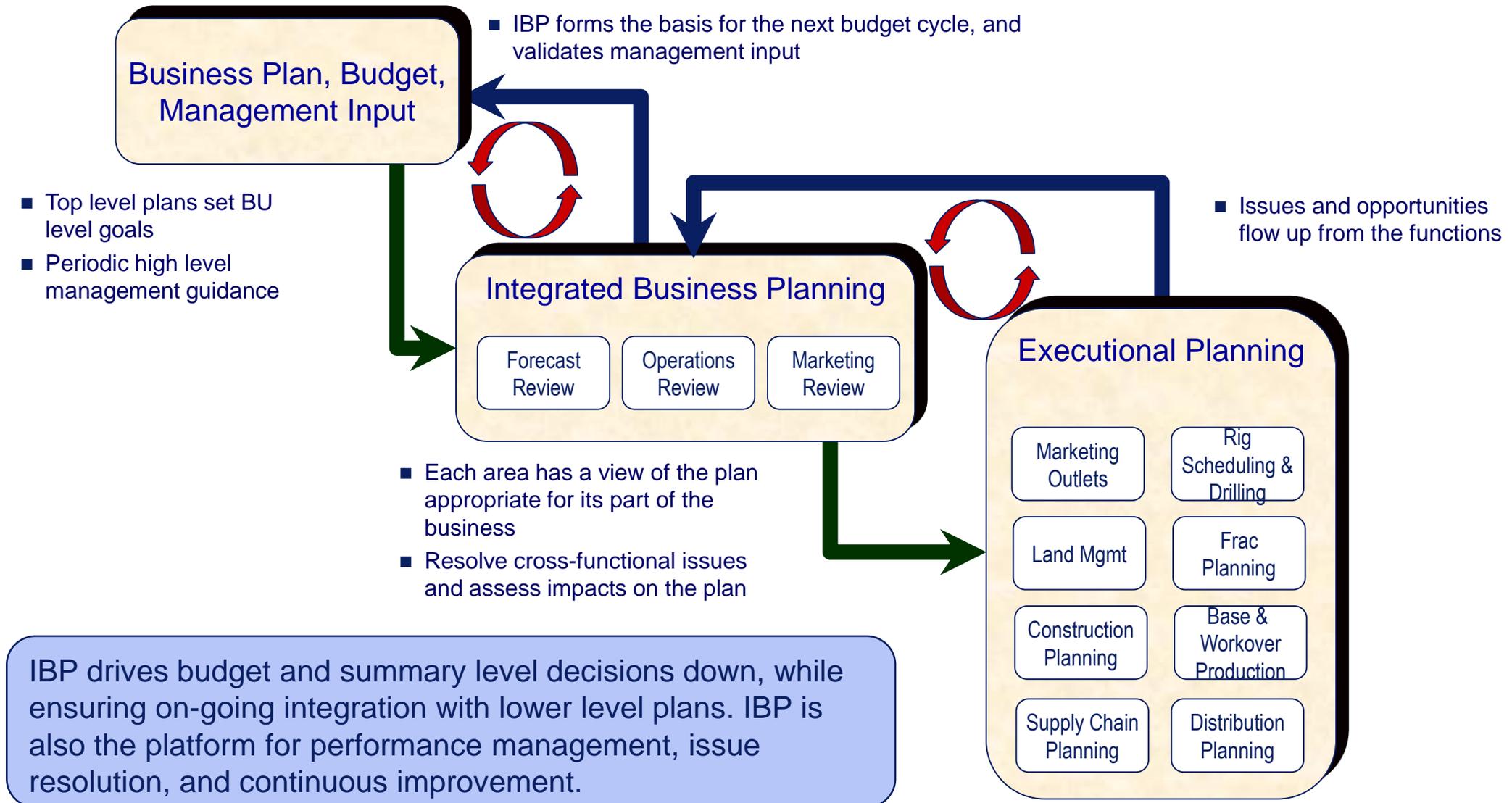
Work-over and recomplete decisions

Use of processing capacity for others vs. use for own development

# Integrated Business Planning links the executive management system to the tactical processes and execution

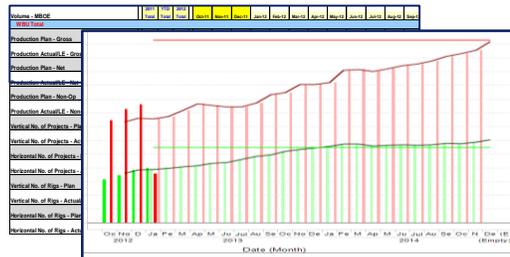


# IBP connects the higher level business plan with lower level execution



# The idea is to manage the whole of the business, by managing the parts, then bring them together for cross-functional collaboration and issue resolution

The specific IBP design would align with your budget, organizational, and data structures.



		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Production Plan - Gross														
Production Actuals E - Gross														
Production Plan - Net														
Production Actuals E - Net														
Production Plan - NonOp														
Production Actuals E - NonOp														
Vertical No. of Projects - Plan														
Vertical No. of Projects - Actual														
Horizontal No. of Rigs - Plan														
Horizontal No. of Rigs - Actual														
Horizontal No. of Rigs - Plan														
Horizontal No. of Rigs - Actual														

Each meeting has a supporting numerical view of the plan most meaningful for them as well as supporting charts and/or scenario summaries to support decision making.

# Each component IBP meeting has 3 main parts



Linking leaders through IBP builds winning teams.

# Oh no! This sounds like more meetings, do we really need more of them?

- **Yes** – if you want to have a regular structured format to coordinate planning and make decisions
- **Yes** – if you want everyone to get the same message and get common agreement
- **Yes** – if you want to resolve business problems collaboratively to maximize the whole
- **Yes** – if you want to have a discussion about business performance with key team members in the room
- **Yes** – if you want to generate ideas, develop leaders, and make informed decisions while there's still time to right the ship
- **Yes** – if you want to eliminate many of the “informal” meetings and decisions that happen as a result of not doing this

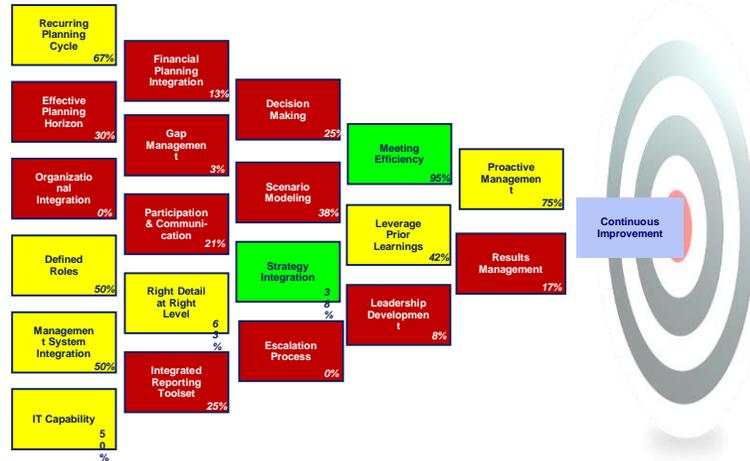


The existing meeting structure should be reviewed and perhaps updated to integrate with an IBP design.

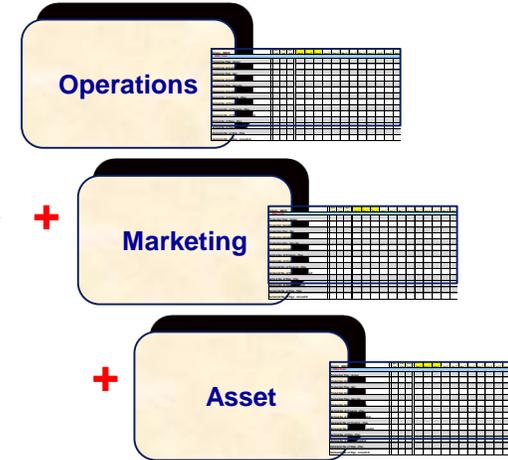
# It's just not just about the meetings, the elements of IBP work together to create the foundation for continuous improvement

Nexview Best Practice Performance Arrow

An evaluation of planning processes, identifies opportunities for improvement



A series of monthly meetings are grounded in the part of the plan and business each are accountable for



Meetings and plans build upon each other showing more detail in prep meetings prior to the Asset Level meeting

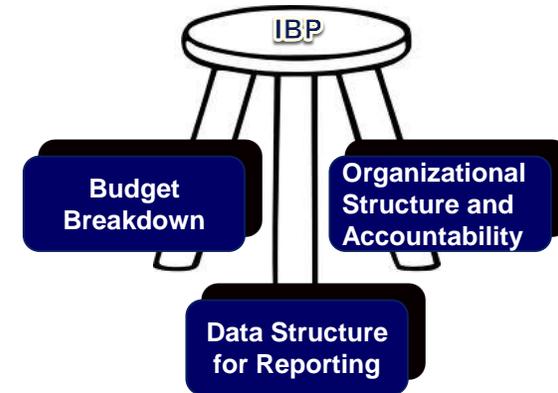
The plans and discussion build up to a consolidated operating and financial plan

Volume - MBOE	2011 Total	YTD Total	2012 Total	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
WBU Total															
Production Plan - Gross															
Production Actual/E - Gross															
Production Plan - Net															
Production Actual/E - Net															
Production Plan - Non-Op															
Production Actual/E - Non-Op															
Vertical No. of Projects - Plan															
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Vertical No. of Rigs - Plan															
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Horizontal No. of Rigs - Plan															
Horizontal No. of Rigs - Actual/E															

**Integrated View of Critical Planning Drivers**

- Production
- Rigs
- Projects
- Capital
- Well counts
- LOE

IBP helps to align and distribute accountability throughout the organization

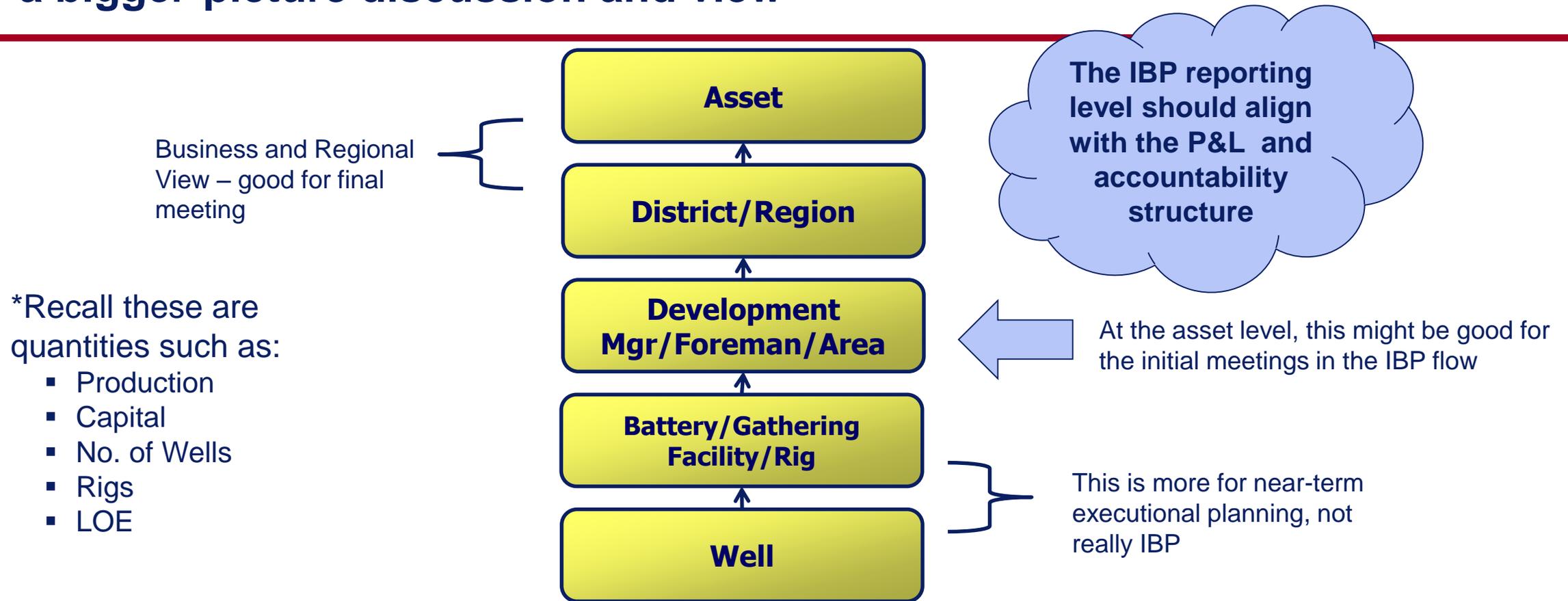




# For the executive review, business unit level plans should be supplemented by scenario summaries for decision making

IBP Scenario Summary										
<b>Background</b>	Our spud to spud performance improvement has created/is creating options for us: Reduce our rig fleet to meet our capital budget, or increase production.									
<b>Timeframe</b>	Recommendation Req'd by			Jan 15		Action Required by			Apr 1	
<b>Planning Drivers</b>		Rigs		No. Wells Spud		Production		Capital		
<b>Scenarios and Impact</b>		<u>Budget</u>	<u>New</u>	<u>Budget</u>	<u>New</u>	<u>Budget</u>	<u>New</u>	<u>Budget</u>	<u>New</u>	
	▪ Reduce rigs all at once	X	Y	X	Y	X	Y	X	Y	
	▪ Reduce rigs – ramp down	X	Y	X	Y	X	Y	X	Y	
	▪ Drill more wells	X	Y	X	Y	X	Y	X	Y	
<b>Recommendation</b>	Insert									
<b>Impacts of Recommendation</b>	<ul style="list-style-type: none"> <li>▪ Rig contracts - insert</li> <li>▪ Drilling &amp; Completions - insert</li> <li>▪ Land – insert</li> </ul>					<ul style="list-style-type: none"> <li>▪ Construction - insert</li> <li>▪ Infrastructure &amp; outlet planning – insert</li> </ul>				

# Our planning quantities\* and discussion should be at a level that enables a bigger-picture discussion and view



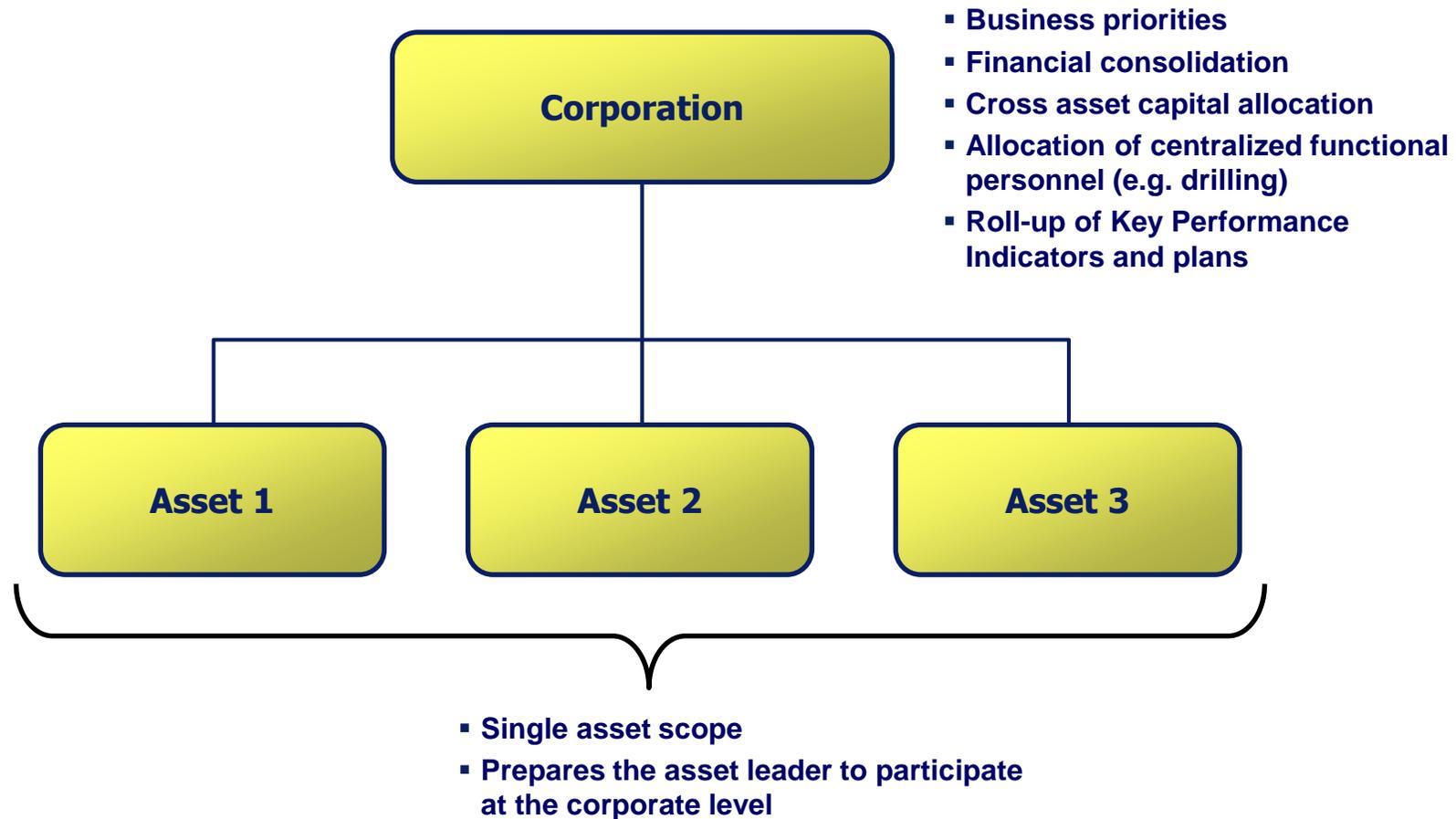
\*Recall these are quantities such as:

- Production
- Capital
- No. of Wells
- Rigs
- LOE

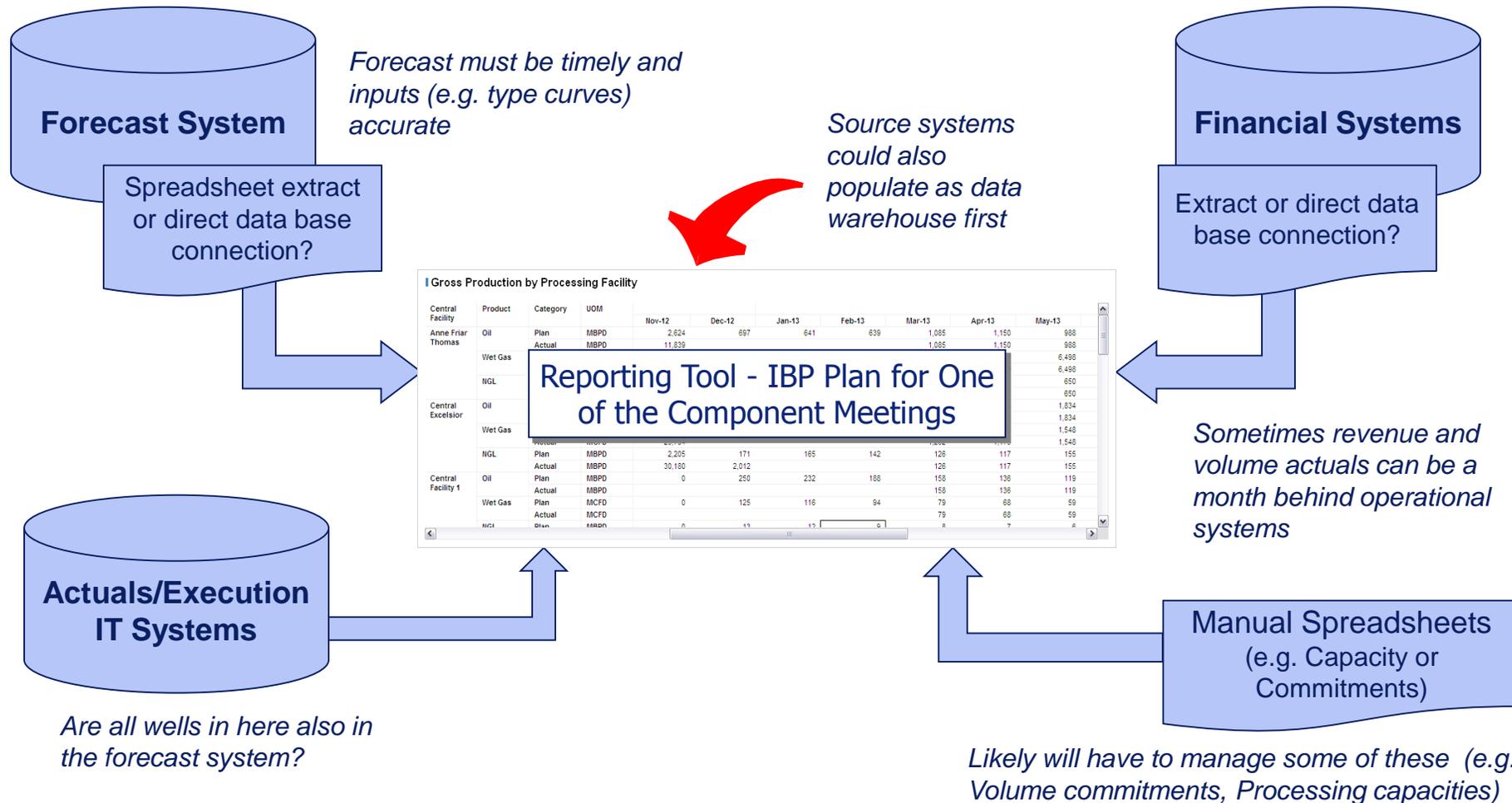
The underlying detail must roll-up to the high level view, and when a high level change is made, it needs to cascade down to the detail.

# IBP can be done at both the Asset and Corporate Levels

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# IBP reporting systems usually pull from several systems throughout the company and an architecture needs to be defined

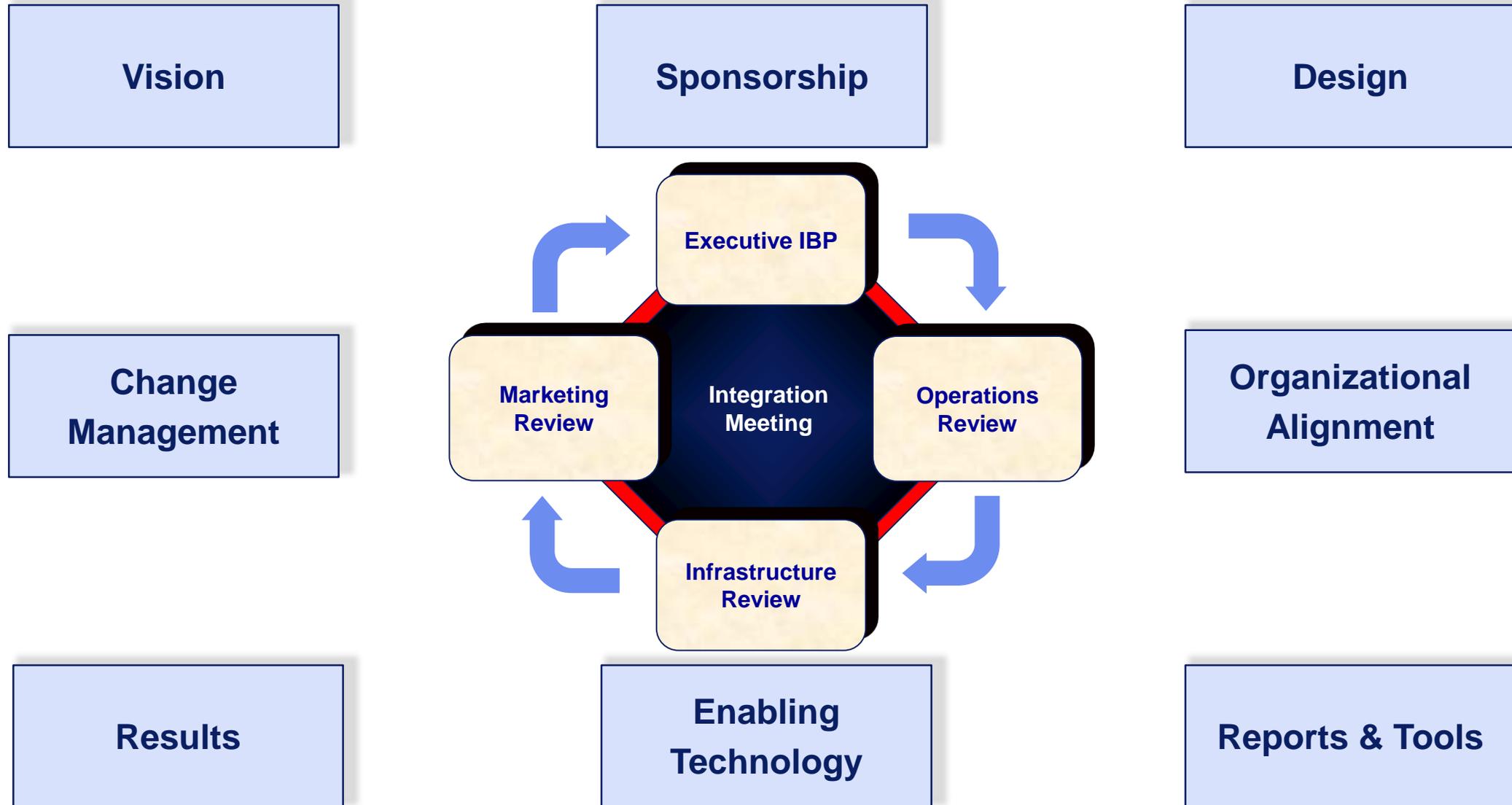


Ability to relate data through a common well → rig/facility → sub-asset hierarchy is needed to relate the data on one report.

# Roles need to be defined and supported

Role	Business Responsibilities	Project Responsibilities
<b>IBP Sponsor</b>	<ul style="list-style-type: none"> <li>■ Member of the executive team</li> <li>■ Ensures participation and decisions are made through IBP</li> <li>■ Drives and demands results</li> </ul>	<ul style="list-style-type: none"> <li>■ Communicates the vision and provides executive guidance</li> <li>■ Allocates resources</li> </ul>
<b>IBP Leader</b>	<ul style="list-style-type: none"> <li>■ Leads monthly process and provides continuity across IBP components</li> <li>■ Coaches component leads and sponsors</li> <li>■ Manages agenda and coordinates executive IBP meeting</li> <li>■ Often a planning leader</li> </ul>	<ul style="list-style-type: none"> <li>■ Project manager and change leader at all levels</li> <li>■ Leads training and design efforts</li> <li>■ Interface definition &amp; coordination</li> </ul>
<b>Component Meeting Sponsor</b>	<ul style="list-style-type: none"> <li>■ Executive leader of a function</li> <li>■ Owns the output and results of area performance</li> </ul>	<ul style="list-style-type: none"> <li>■ Executive guidance for their IBP component</li> <li>■ Assists with peers as required</li> <li>■ Resourcing in their area</li> </ul>
<b>IBP Component Lead</b>	<ul style="list-style-type: none"> <li>■ Up and coming executive leader</li> <li>■ Key role in their area</li> <li>■ Coordinates inputs and facilitates their IBP component</li> </ul>	<ul style="list-style-type: none"> <li>■ Project Lead for their area</li> <li>■ Develops reports, KPIs</li> </ul>
<b>Team Member</b>	<ul style="list-style-type: none"> <li>■ Supports IBP Component Lead in preparation, analysis, and resolving exceptions</li> </ul>	<ul style="list-style-type: none"> <li>■ Supports Team Leads</li> <li>■ Could be IT support</li> </ul>

# Nexview's experience shows there are 8 key levers to focus on for IBP success



# We recommend defining a set of maturity characteristics for your growth path

## Maturity Dimensions

- Mechanics
- Design and Best Practices
- IT Enablement
- Behaviors
- KPI Management & Results

### Lagging (Not IBP)

- Discussion of plans and operations is month to month – react to changes in the business
- Plan updated on an ad-hoc basis, not well communicated
- Planning horizon shorter than lead times needed by operations and marketing
- Decisions made informally without quantitative impact on whole

### BASIC

- IBP components aligned with org structure and how the asset is managed
- IBP roles in place, meetings occur
- Planning horizon covers longest lead time items
- Summary/basic reports manually prepared, available centrally
- KPI scorecard measured against targets
- Leadership owns

### FUNCTIONAL

- Discussion balance between review and forecast
- Plan updated to match frequency of changes in the business
- Exception focused and sub-process gap discussions not excessive in IBP
- IBP plans are the single plan of record
- IBP used as the process for making decisions
- IBP meetings confirm results of underlying planning and decisions are rolled down
- Data hierarchies consistent in source systems

### MATURING

- Cross functional scenarios presented in IBP for further analysis
- Plan updates cover constant rolling period
- IBP plan serves as the key input to next budget
- Gaps addressed in time to act
- IT automation enables focus on analysis
- Root causes on KPI variance
- KPI results improving
- IBP supports interactions with Corporate Sr. Mgmt

### LEADING

- Scenarios analyzed beforehand and summarized in IBP meetings with financial implications
- Leaders collaborate within IBP process on best decision for the whole
- Broad understanding of decision limits/escalation process
- IT systems support scenario analysis and flexible hierarchy changes
- Planning horizon extended as needed
- Actions drive KPI performance



We suggest a scorecard to measure progress

# Maturity stages can be tracked over time for continuous improvement

## IBP Maturity Schedule

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Component 1	Plan	0	1	1	1	2	2	2	3	3	3	3	4
	Actual	0	0	1	1	1	2	2	3				
Component 2	Plan	0	1	1	2	2	2	2	3	3	3	3	4
	Actual	0	0	1	1	1	2	2	3				
Component 3	Plan	0	1	1	1	1	2	2	3	3	3	3	4
	Actual	0	0	1	1	1	2	2	3				
Component 4	Plan	0	1	1	1	1	1	2	2	3	3	3	4
	Actual	0	0	1	1	1	2	2	3				
Component 5	Plan	0	0	0	1	1	1	2	2	2	3	3	3
	Actual	0	0	1	1	1	2	2	3				
Overall	Plan Tot	0	4	4	6	7	8	10	13	14	15	15	19
	Plan %	0%	21%	21%	32%	37%	42%	53%	68%	74%	79%	79%	100%
	Actual Tot	0	0	5	5	5	10	10	15	0	0	0	0
	Actual %	0%	0%	26%	26%	26%	53%	53%	79%	0%	0%	0%	0%



# Before jumping into an improvement project, it's important to conduct an assessment

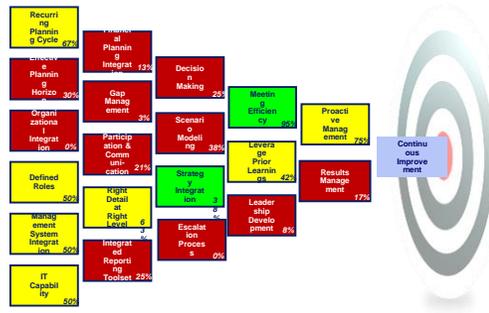
- Assessments serve four vital purposes by enabling the team to:
  - Create a common understanding of the as-is
  - Create a common vision of where to go and what the gap is
  - Define the metrics to show results
  - Invest stakeholders and generate momentum for change

*If the assessment is skipped, you may lose momentum when a challenge arises in the project, or when the next “urgent” matter arises.*

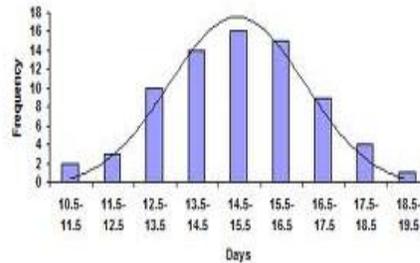
## Key steps in an assessment include:



Interview stakeholders



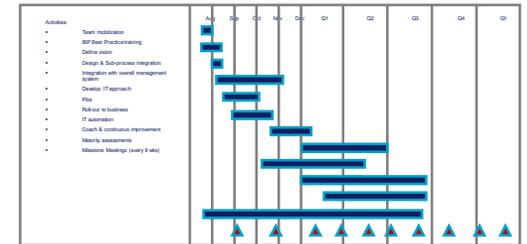
Assess as-is processes/capabilities relative to best practices and determine gaps



Complete quantitative studies on potential improvement areas

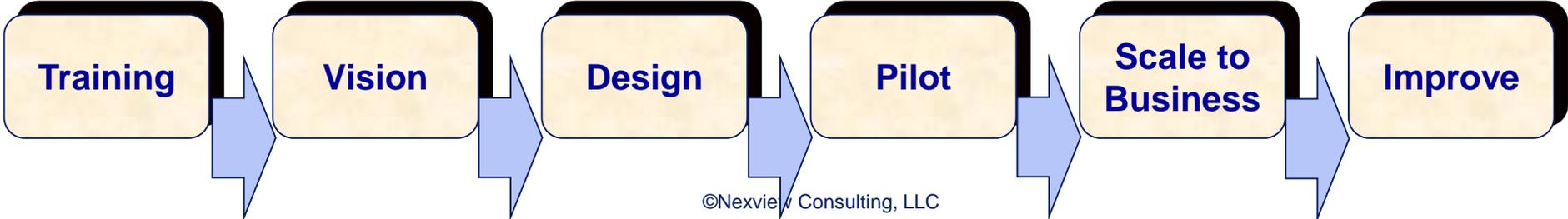
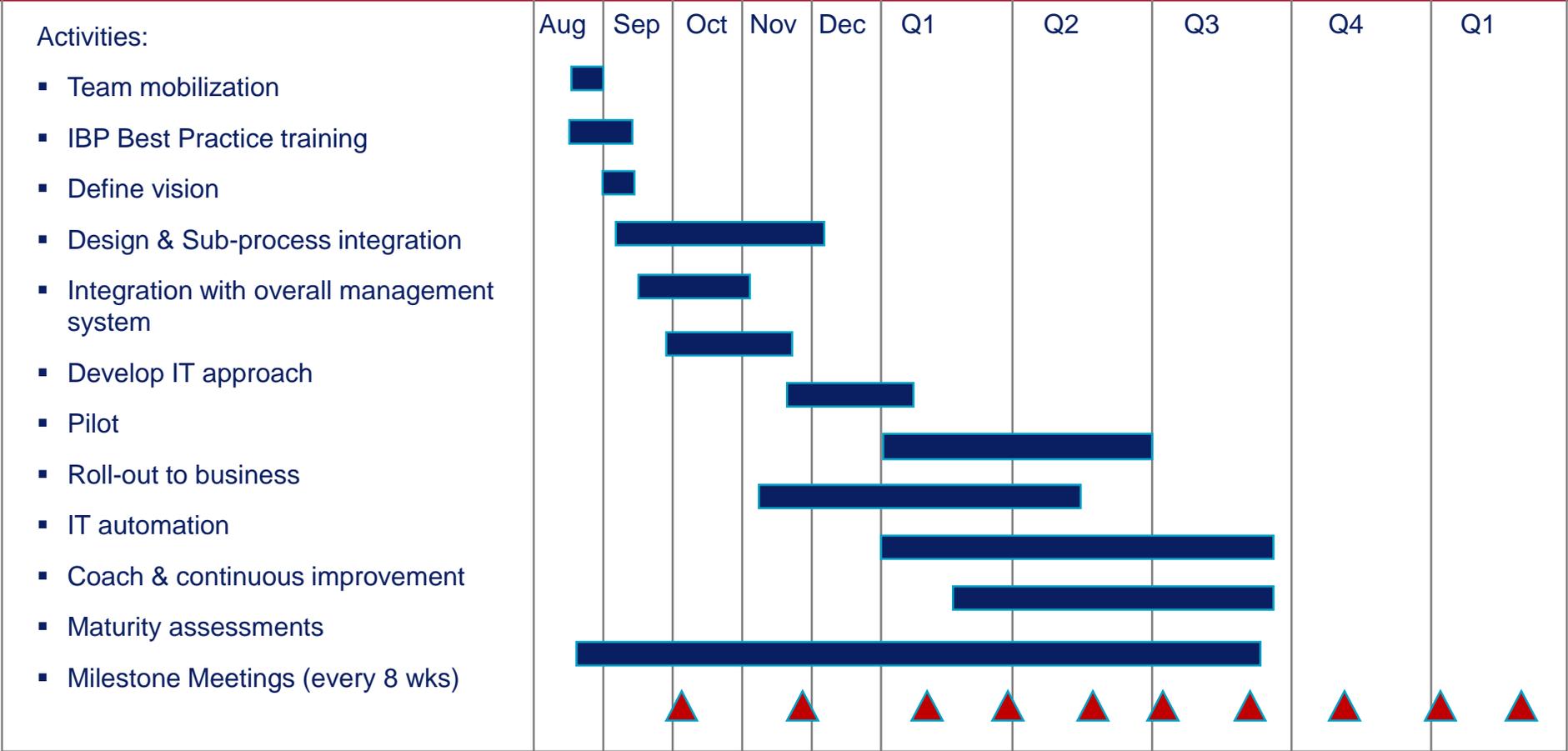


Quantify improvement opportunities



Define scope and project

# While specific project timelines vary, we recommend an overall sequence that has shown to be successful



# Both tangible and intangible Change Management practices need to be tailored to the specific situation



## Methods for Leading and Managing Change

Coaching at all levels – “WIFM”

Celebrating wins, Root-causing missteps

No surprises

Communicating the Vision

Communication Plans

Stakeholder Analyses

Defined Roles & Responsibilities

Project Structure (e.g. Team Charters, Milestones, Project Plans)

Project Reviews

Results Management

IBP Meeting Effectiveness Reviews

Action Logs

Team Effectiveness Reviews

Change Implementation Schedule

## Desired Outcomes

- People are communicated to
- People are bought in
- People know what to do
- People got what they thought they were going to get
- People feel successful
- The “old way” disappears
- Results
- Sustainability
- Culture change

# Tips and traps when implementing IBP include:

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- Remember the 8 levers
- Conduct an assessment first and commit improvements to measurable results
- Plan for training and roll-out sessions
  - Executive session during design phase, set expectations
  - Wider communication meetings to those perhaps not directly involved
  - Just in time training during the roll-out of the meetings
- Pilot the roll-out with a “friendly” business unit or area of the business, we want to show a quick wins and success up front
- Roll-out to other areas in a manner that matches your capacity to support (meetings, data preparation, training stakeholders)
- Start the Executive IBP meeting in month 2 or 3 of the rollout
- Don't underestimate the data assembly/IT requirements
- Measure operational and financial results
- Projects need communication plans, project management, and change management
- Get it 60-80% right, launch, and fix the rest as you go
- Each group takes about 3 cycles to be able to discuss the full scope of their business

# If you'd like some more information on IBP

## See the website

- Case studies
- Articles and blog postings
- Survey results
- Video on the 3 day training course

[nexviewconsulting.com](http://nexviewconsulting.com) 

## Join our group on LinkedIn

- Exchange ideas with like minded professionals
- Keep connected with IBP thought leadership
- Access to experienced IBP professionals for specific issues



## Contact us

- We are happy to answer questions and exchange ideas

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