

CUSTOMER CASE:



Strategy implementation in Energy and Utilities industry (oil and gas drilling).

Methodology frameworks used:

- Balanced Scorecard

QPR products used:

- QPR ScoreCard

Integration to other systems:

- Corporate Intranet



CNOOC SES Ltd. is an oil and gas company operating on the off-shore of Southeast Sumatra, on the north of Thousands Island, in country of Indonesia. CNOOC SES Ltd is a subsidiary of China National Offshore Oil Corporation (CNOOC). Founded in 1982, CNOOC is one of the largest state-owned oil giants in China. It is authorized to cooperate with foreign partners for oil and gas exploitation. CNOOC SES Ltd. is one of the largest off-shore producers of crude oil in Indonesia. The operation of the company covers an area of around 8,200 km² in which CNOOC SES has production capacity (average Jan-April 2009) of 56,090 BOEPD, including gas.

CNOOC SES Became a Strategy-Focused Organization with the Help of QPR ScoreCard



"The ability of any company to successfully execute strategy lays on the competence of its people. The critical success factor is to have the right tool to communicate strategy map to them as well as to enable people to collaborate on the results. To this we selected QPR ScoreCard."

*Mr. Fang Zhi
General Manager of CNOOC International Limited*

To optimize its' oil exploration processes, work and environmental safety and – last but not least - to maintain good relations to host nations, CNOOC SES Ltd. needed a tool enabling it to communicate strategic intents to all stakeholders. Among many business benefits is a cost saving of USD 12.6 million due to reduced production losses.

As an oil and gas company, the main objective of CNOOC SES Ltd. is to produce oil and gas in the most cost-effective way, whilst at the same time ensuring that the safety of the working environment is maintained at the highest level. As the area has been exploited for a long period, the challenges that the company faces are how to optimize their throughput by optimizing the exploration process and to ensure optimize their throughput by optimizing

the exploration process and to ensure cost-efficient production by ensuring the integrity of its production plant.

It is also imperative to collaborate with host government for the best interests of both the host nation and CNOOC SES Ltd. To cope with these challenges, the company has formulated the new strategic direction. They, then, needed a tool that would enable them to communicate these strategic intents to all stakeholders.

CNOOC SES Ltd. began its journey toward a strategy-focused organization by developing strategy map and scorecards at company level. This process was led by **Mr. Fang Zhi**, who was at the time the President of CNOOC SES Ltd. (currently, he holds the position of General Manager of CNOOC International Limited).

The Executive Team attended a one-day session to discuss how the CNOOC SES Ltd. strategic direction would effectively be communicated to all employees. The use of strategy map helps to accomplish this goal. They also spent the time to reach consensus on how to measure the success of its strategic journey.

At this point, a lot of candidates for the key performance indicators arose; yet, the Executive Team realized that, for company level scorecard, they must focus only on those Key Performance Indicators (KPIs) that are strategic in nature, leaving the more operational ones to the lower level organizational units.

The strategic objectives and the corresponding KPIs were eventually grouped around two strategic themes, namely **Asset Utilization** and **Operational Excellence**. The objectives that relate to quality, safety, health and environment issues were embedded into both themes, emphasizing that in either theme, they must attain zero-accident standard.

Mr. Fang Zhi, who initiated the Balanced Scorecard (BSC) Project and was also the champion of the process of developing the Strategy Map and Balanced Scorecard, has a desire to have a sustainable system that could create a strategy and performance focused organization. He also shows his great commitment to learning and growth, in terms of people development. He believes that the ability of the company to successfully execute the strategy would lay on the competence of its people.

Creating Value by Fostering Organizational Alignment

The top level Strategy Map and Scorecard acts as a lighthouse for the whole organization. It provides the lower level organizational units (departments) the direction to follow. The next phase in the development of Balanced Scorecard was to cascade down the company level Strategy

Map and Scorecards to Departmental level.



Mr. Duan Chenggang, the President of CNOOC SES Ltd is one of the two top-level officer BSC champions in CNOOC SES Ltd.

This alignment process covers all departments, both core departments and supporting departments alike.

It's during this process that senior team in each department could appreciate the value of crafting organizational alignment. They were able to formulate their own departmental objectives that are critical to the success of company level objectives. On the other hand, the team also must settle on which company level objectives, their department would have significant and critical contribution.

The involvement of senior team served two purposes. First, it facilitated the process of socializing the strategic direction, and the senior team, who acted as the change agent, "was expected to be able to communicate the message further down to people in their own Department. Therefore, they were directly in charge for creating awareness. Secondly, it would create ownership for the Balanced Scorecard implementation, a critical factor for its long-term sustainability. The process would alleviate the so-called "not-invented here" syndrome, a typical resistance that results from not involv-

ing people in developing their own scorecard.

A comment from **Rickson Lumbantu**, Manager of District Exploitation Central, vividly describes the usefulness of Balanced Scorecard in creating value through strategic alignment process. As quoted in the CNOOC Newsletter 2nd Edition 2008, he enthusiastically testified, "Now we have cleared forward company strategy, objectives created well; therefore they are more measurable and transparent, and the interdepartmental interaction also become more solid."

Sustaining the Strategic Governance Process

The sustainability of Balanced Scorecard implementation depends heavily on the commitment of the Senior Management Team. They would like to see that BSC is monitored and evaluated regularly. The periodic cycle consists of, typically, collecting the KPI data, reporting the KPI data, analyzing the scorecard result and creating action plan. It comes to the notion of Senior Management Team that they would need assistance from a permanent unit, typically called as Strategic Management Office (SMO), to ensure that the cycle is up and running.

During the development phase of the scorecard, there was a BSC Project Team whose main role was to manage and to supervise the process of building and cascading the strategy map and BSC. It is this Project Team who will subsequently transform to become the SMO. CNOOC SES Ltd. labels its SMO as BSC Team.

The BSC Team consists of **Mr. Yohanes Abdullah**, **Mr. Bambang Setiawan**, **Mr. Rudiricus Yoseph** and **Ms. Beriozka Anita**. During both the development and implementation phases, they have been persistently driving the communication and buy-in from other managers. The BSC Team is in charge of supervising the governance cycle on day-to-day basis.

As with all deployment of management systems to improve organizational

performance, it is imperative to have high-level support to ensure that the system keeps running. There are two top-level officers who currently act as the BSC Champions; they are **Mr. Duan Chenggang**, the current President of CNOOC SES Ltd., and **Mr. Rudi Simamora**, the Managing Counsel of CNOOC SES Ltd. Together, they show strong commitment to keep the initiative alive and to make it as management system that ensures that strategy becomes everyone's day-to-day job.

Gauging Internal Customer Satisfaction On-line

When developing the scorecard for the supporting departments, the Project Team and the Department Representative (KPI Officer) realized that they needed a measure that reflects the satisfaction of their internal customers.

For this purpose they built the corresponding measurement, called Customer Satisfaction Index. Its content and the scope of satisfaction criteria will depend on the Supporting Department who owns the KPI. The team ran a special session to learn how to build the right questionnaire, including how to design the content and to set the right number of questions.

Subsequently they also learnt that they must seek to find the best way to distribute the survey and to capture the response. They decided that this can be accomplished by conducting a web-based survey, utilizing the existing company intranet infrastructure. This web-based survey is also designed as such that no respondents will receive more than two surveys to respond to, ensuring a more objective response.

Sharing Balanced Scorecard Results through QPR ScoreCard

Another critical success factor to sustaining Balanced Scorecard initiative is to have the right tool to communi-

cate strategy map and scorecards as well as to enable people to collaborate on the results. To this point, CNOOC SES Ltd selected QPR ScoreCard as the performance management dashboard.

The QPR software's easy-to-use feature is the main reason of its deployment. The web-based dashboard enables the management team to review, monitor and analyze the critical gap in performance.

Using the software, it is easy to consolidate the data from lower level to higher level. This allows user to focus more on data analysis and not so much on data collection. Also, because QPR Software is an open application, in the future it is possible to integrate the software with existing applications that are able to supply the required actual data to some KPIs. For all phases in BSC development process at CNOOC SES Ltd., GML Performance Consulting acted as the consulting facilitator.

Business and other benefits

CNOOC SES Ltd. has enjoyed some benefits resulted from the process of articulating company-wide strategy through strategy map and scorecarding. These include clarity of strategy, transparency of performance management, and development of individual performance measures tied with reward and recognition systems.

The development process also allows the individuals to see how their day-to-day operations could contribute to the achievement of company objectives as well as the Department objectives. They can now understand how to create synergy amongst the Departments to produce optimal result at the company level.

CNOOC SES has identified the following business benefits:

- Strategic Initiatives forced some Business Process Improvement to reduce cycle time of process, minimize bureaucracy, and eliminate non-added value activities.

- Be able to develop scorecards for all staff level (around 500 individual scorecards built) which reduce cycle time of PMS (individual appraisal).
- The Strategy Map and KPI were then automated to develop dashboard management system (BSC Portal) for performance monitoring, evaluation, and corrective action.
- The BSC Portal allows all employees to see how their day-to-day operations could contribute to the achievement of company and department objectives.
- Service quality improvement by having KPI internal customer satisfaction index which never been considered before.
- BSC Company level forced to decrease 2010 Target of oil production losses by 10% which impact to net cost saving of USD 12.6 million.
- Alignment of KPI from Support Department by accommodating expectation from the respective internal customers. Changes of KPI PGF, Drilling, Logistics as requested by their internal customer.
- Introduce a monthly department meeting that focus on strategy and performance which using BSC Portal as meeting dashboard.

Download free webinar

For more details of the venture and achieved benefits, download the webinar hosted by Mr. Yohannes Abdullah, Senior Head of Organizational Capability Development. Download the webinar at: <http://www.qpr.com/News%20and%20Events/archived-webinars.html>