

Beyond Budgeting; business agility the C-level understand

- the Statoil implementation journey

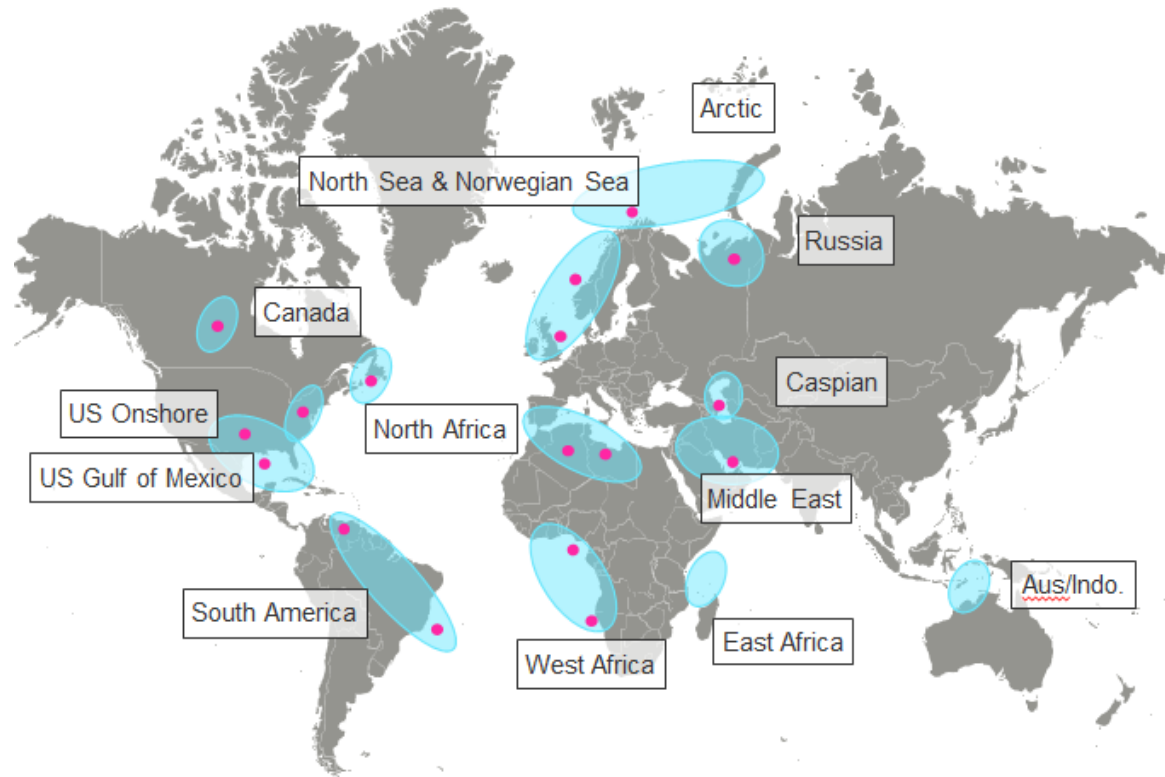
Bjarte Bogsnes

Vice President - Performance Management Development

Chairman - Beyond Budgeting Roundtable Europe

Statoil in brief

- Turnover approx. 50 bn. USD
- 20.000 employees in 33 countries
- World's largest operator in waters deeper than 100 metres
- Second largest gas exporter to Europe
- Large offshore wind player
- Listed in New York and Oslo



• Current production of oil and gas

Shaping the future of energy

Competitive
at all times

Transforming the
oil and gas industry

Providing energy for
a low carbon future

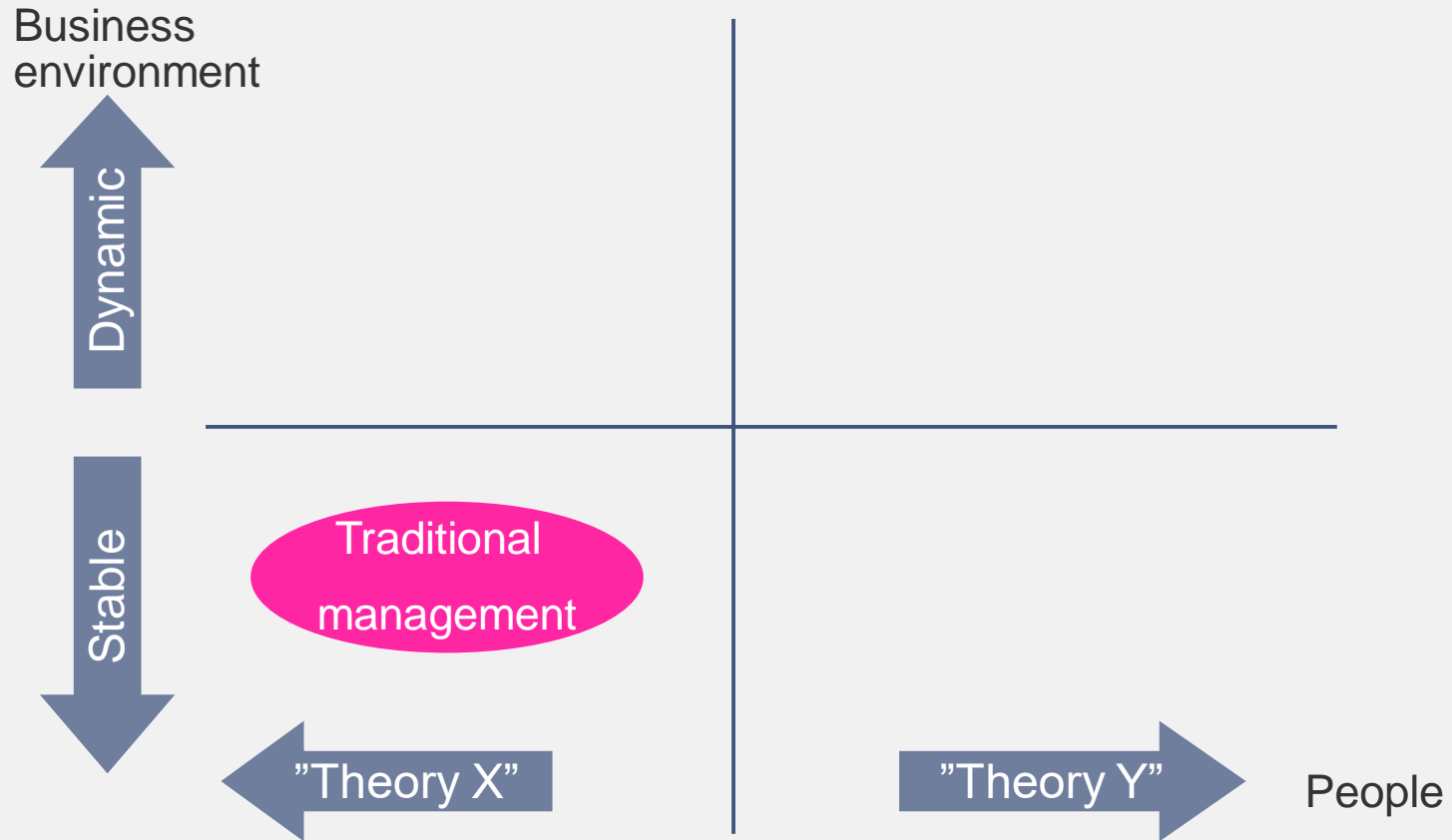


Who is in control?
Based on which information?



In which are **values** most important?

The world has changed - what about the way we lead and manage?



We must change both processes and leadership

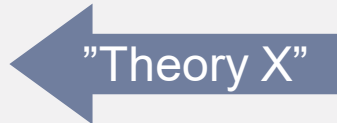
Processes



No traditional detailed budgets
Relative and directional goals
Dynamic planning, forecasting
and resource allocation
Holistic performance evaluation



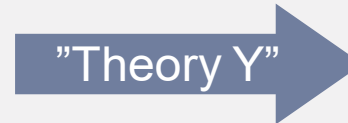
Rigid, detailed and annual
Rules-based micromanagement
Centralised command and
control
Secrecy, sticks and carrots



Beyond Budgeting

-more agile
-more human

Values based
Autonomy
Transparency
Internal motivation



Leadership

Companies on the journey



Beyond Budgeting

- the adaptive management model

Leadership principles

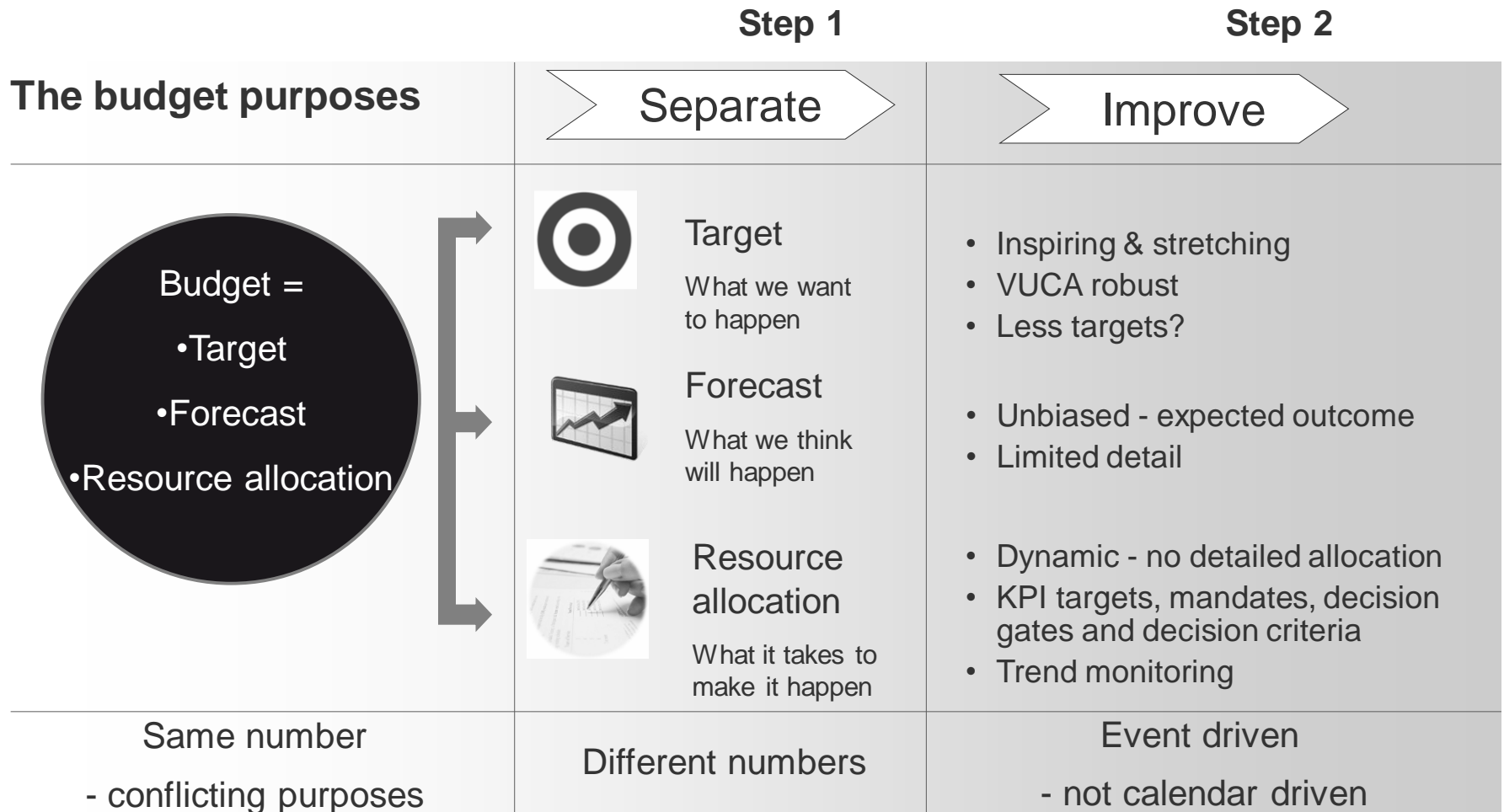
- 1. Purpose** - Engage and inspire people around bold and noble causes; *not around short-term financial targets*
- 2. Values** - Govern through shared values and sound judgement; *not through detailed rules and regulations*
- 3. Transparency** - Make information open for self-regulation, innovation, learning and control; *don't restrict it*
- 4. Organisation** – Cultivate a strong sense of belonging and organise around accountable teams; *avoid hierarchical control and bureaucracy*
- 5. Autonomy** - Trust people with freedom to act; *don't punish everyone if someone should abuse it*
- 6. Customers** - Connect everyone's work with customer needs; *avoid conflicts of interest*

Management processes

- 7. Rhythm** - Organise management processes dynamically around business rhythms and events; *not around the calendar year only*
- 8. Targets** - Set directional, ambitious and relative goals; *avoid fixed and cascaded targets*
- 9. Plans and forecasts** - Make planning and forecasting lean and unbiased processes; *not rigid and political exercises*
- 10. Resource allocation** - Foster a cost conscious mind-set and make resources available as needed; *not through detailed annual budget allocations*
- 11. Performance evaluation** - Evaluate performance holistically and with peer feedback for learning and development; *not based on measurement only and not for rewards only*
- 12. Rewards** - Reward shared success against competition; *not against fixed performance contracts*

Start of the Statoil journey

- solving a serious budget conflict



Performance evaluation

- from narrow measurement to a holistic assessment



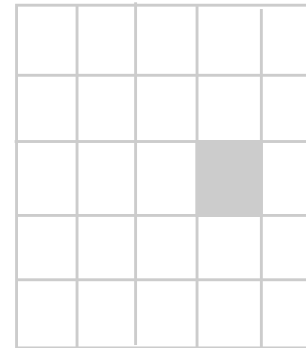
Ambition to Action

Strategic Objective	Key Performance Indicator (KPI)	Target	Actual	Status
Strategic Objective 1	KPI 1.1	Target 1.1	Actual 1.1	Green
Strategic Objective 1	KPI 1.2	Target 1.2	Actual 1.2	Yellow
Strategic Objective 2	KPI 2.1	Target 2.1	Actual 2.1	Red
Strategic Objective 2	KPI 2.2	Target 2.2	Actual 2.2	Yellow
Strategic Objective 3	KPI 3.1	Target 3.1	Actual 3.1	Green
Strategic Objective 3	KPI 3.2	Target 3.2	Actual 3.2	Yellow
Strategic Objective 4	KPI 4.1	Target 4.1	Actual 4.1	Red
Strategic Objective 4	KPI 4.2	Target 4.2	Actual 4.2	Yellow



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50/50



- Development plan
- Rewards

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Pressure testing KPI results:

- Deliver towards the strategic objectives?
- How ambitious KPI targets?
- Changed assumptions, with positive or negative effect?
- Which risks were taken?
- Delivered results sustainable?

Living the values

- Day-to day-observations
- 360° / 180° / 90° surveys
- People survey

Thank you
for listening!

Questions or comments - now or later?

Bjarte Bogsnes

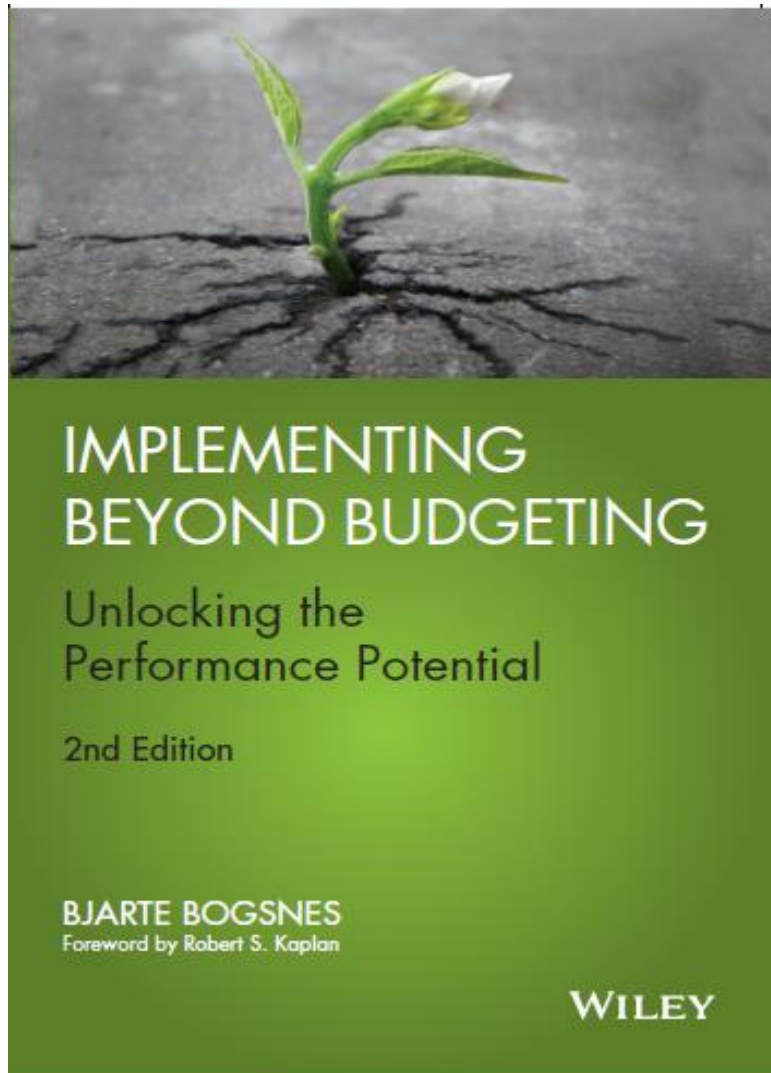
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Beyond Budgeting Round Table

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Want to hear more?

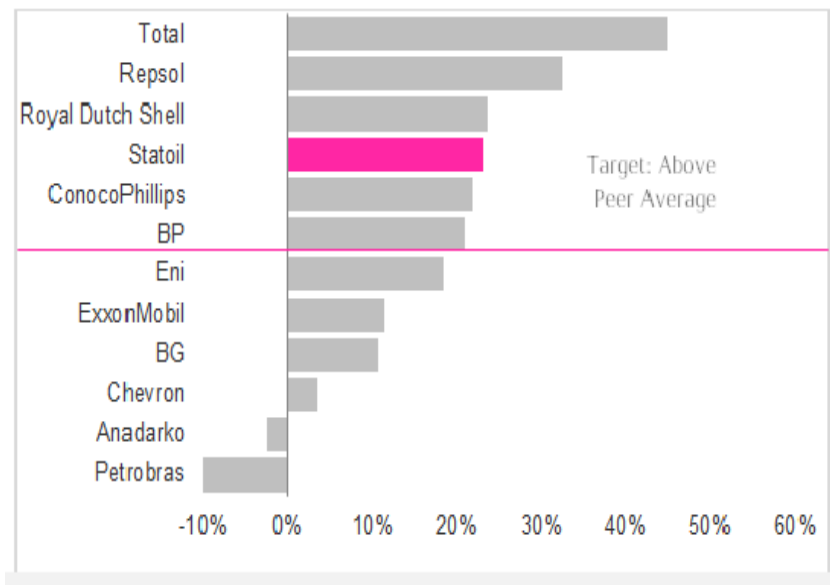
1. The problems with traditional management
2. The Beyond Budgeting model
Cases: Handelsbanken, Miles, Reitangruppen
3. The Borealis case
4. The Statoil case
5. Beyond Budgeting and Agile
6. Implementation advice

Out on Wiley (US). Available on Amazon.

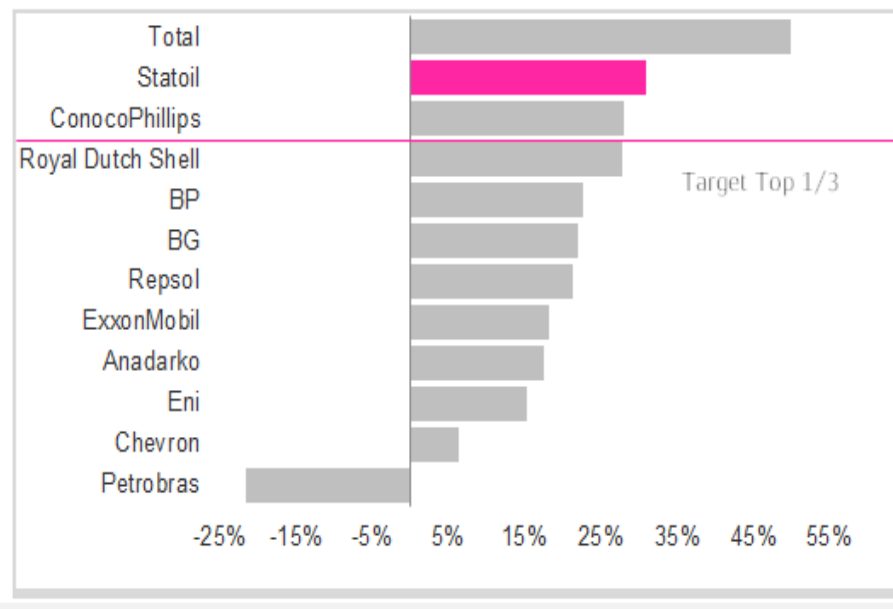
Back-up

Financial performance - as we define it

Shareholder Return

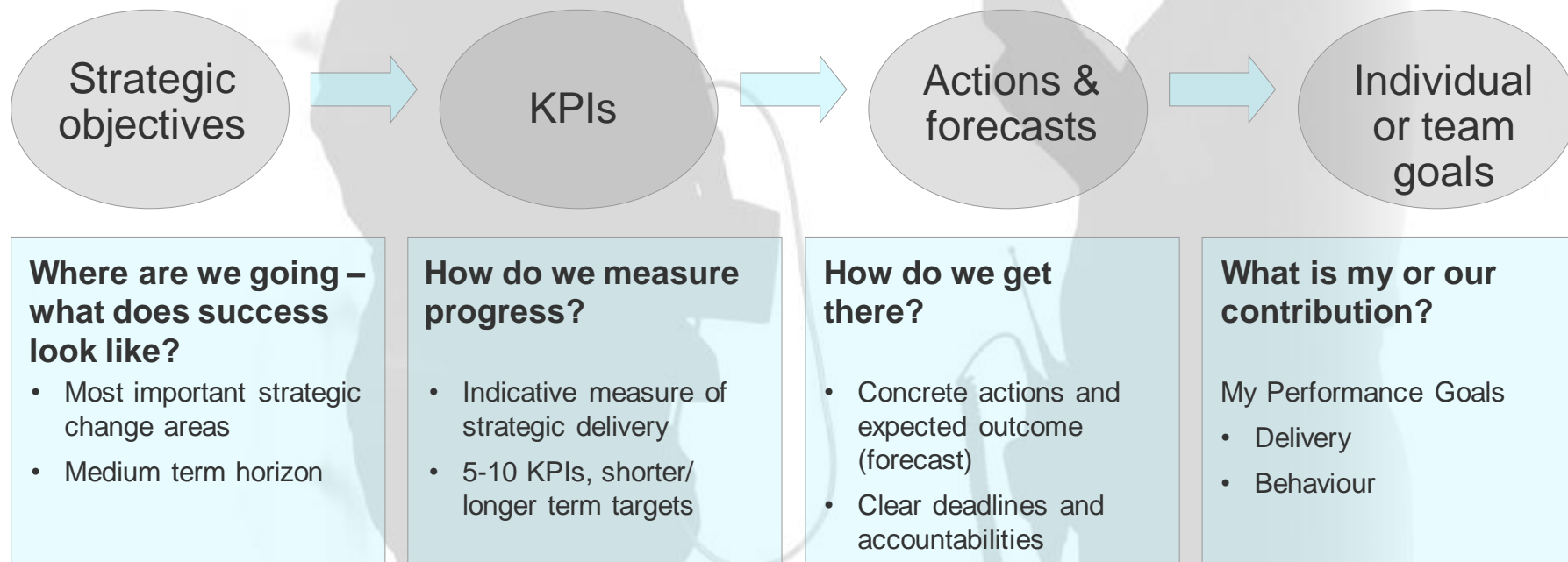


Return on Capital



Ambition to Action - purpose and process

- Translating strategy - from ambitions to actions
- Securing flexibility - room to act and perform
- Activating values and leadership principles



Ambition to Action example

People & Organisation



HSE



Operations



Market



Finance

Globally competitive – an exceptional place to perform and develop

Strategic objectives	Key performance indicators (*: linked)	Actions (top 5 in period)
People and organisation		
A values-based and performance driven organisation	Living the values	Accelerate performance, people development and mobility (31.12.11)
Secure compliance and learning	P@S process	Secure strong ownership to compliance and ethics on all levels (30.12.11)
Health, safety and environment		
Industry leader in environmental performance	Serious incident frequency	Implement learning from major external and internal incidents (31.12.11)
	Climate	Improve the quality of HSE risk management at all levels (01.12.11)
	TTS Observations and actions	Ensure technical integrity for major fields and wells (15.12.11)
		Fully implement our health and wellbeing environment strategy (25.12.11)
		Operationalise climate
Operation		
Operational and functional efficiency	PE NCS (Regulatory)	Deliver ramp-up of Leismer demo, Peregrino, Marcellus and Eagle Ford according to milestones (del.) (30.11.12)
Business and operational excellence and innovation development	Production of StatOil Share	Ensure sufficient quality in the decision base for Shtokman Final Investment Decision (30.11.12)
Competitive cost and quality project design and execution	Cost efficiency DG3 (IPA) *	Deliver on technology programme to enhance value in the oil sands and Paleogene (01.03.12)
	Relative unit production	Sustain NCS production though improved regularity, optimised rig capacity, well deliveries, IHR and the fast-track initiative (30.11.11)
Market		
A trusted company	Reserve replacement ratio (RRR) *	Secure petroleum activities in Northern NCS areas and high impact exploration opportunities globally (30.06.12)
Ensure quality and efficiency from our suppliers	Downstream NOI (NOK)	Mature new resources to booking, including Mariner Bressay, Luva and commercialisation of Shah Deniz (30.11.12)
A recognized and value creating exploration company	Finding cost	Deliver onshore manufacturing improvement programme (01.03.12)
Maximise value creation through our value chains	New Resources from Exploration	Secure cost efficient procurement and project deliveries (01.03.12)
Secure early phase and value enhancing business development options		US bond issue (15.12.11)
Finance		
Retain financial robustness	Relative RoACE	Implement and deliver on the seven corporate initiatives listed under "Improvement initiative Safety and Operations" (25.03.12)
Competitive shareholder return and value	Relative Shareholder Return	Building a commercial and cost conscious mindset (31.01.12)
		Improve exploration cost efficiency (31.05.12)

Where are we going?

"Strategic objectives"

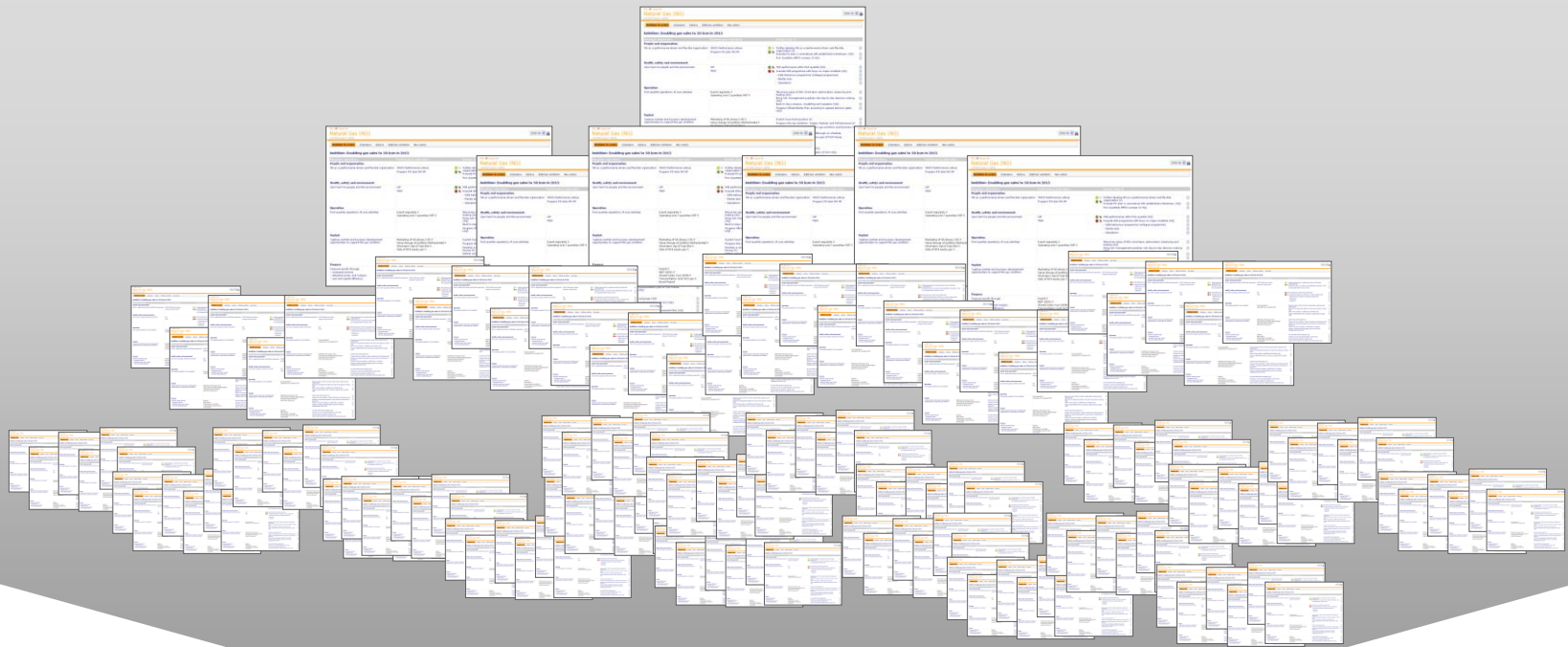
How do we measure progress?

"Key Performance Indicators"

How do we get there?

"Actions"

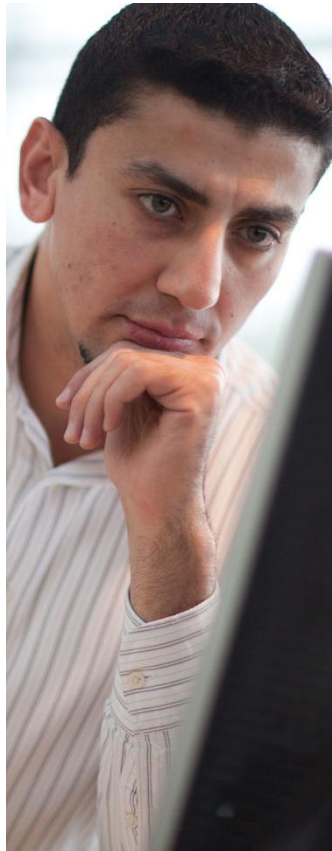
More than 800 "Ambition to Actions" across the company



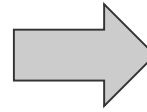
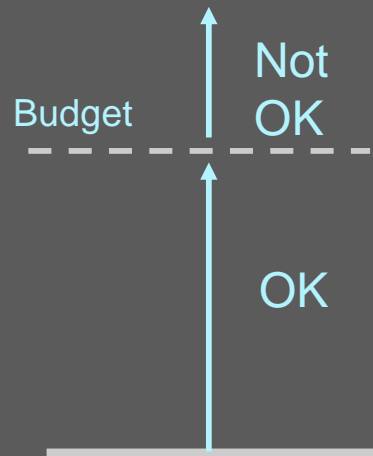
.....and more

Managing cost - the mindset required.....

– cost conscious from the first penny



Do I have a budget for this?

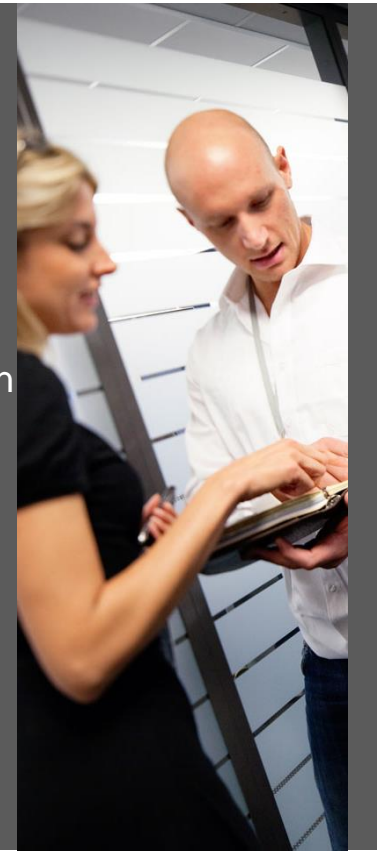
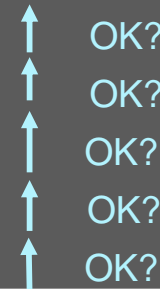


Is this really necessary?

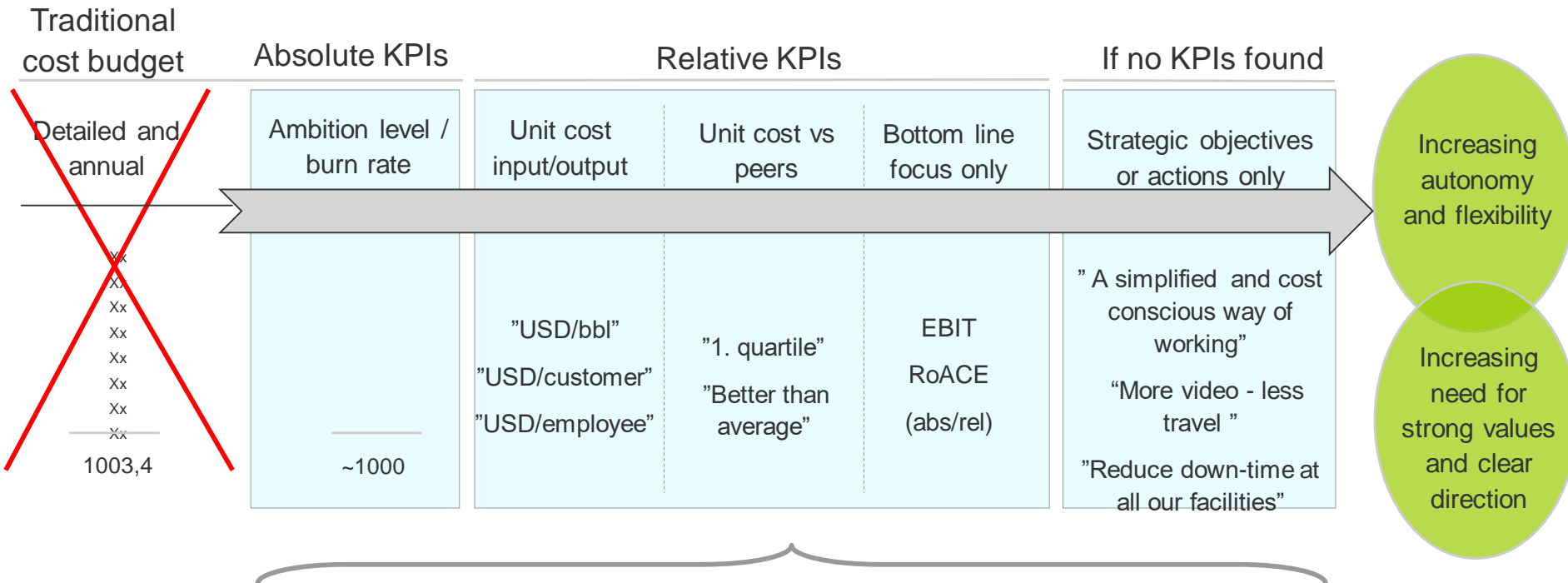
What is good enough?

How much value is this creating?

Is this within my execution framework?



.....and the tools available



Select based on what works best in your business

Monitoring of actual development, intervention if needed only