

Creative Cooperation Results in Enhanced Strategic Value

*Tapping into an Organisation's Collective
Intelligence*

Survival in a rapidly changing, increasingly complex environment requires companies to be more agile and to interact in different ways. Making better decisions requires access to the collective knowledge of the organisation and workers at all levels must cooperate to share this knowledge.

In the past, creating a competitive environment within an organisation was thought to deliver continuous performance improvements. Increasingly, as the external environment becomes more complex these improvements are proving illusory. Experts and knowledge workers now need to work together in new ways that emphasize more than just collaboration but actually facilitate a process we call **cointeraction** – interacting to create a shared understanding.

This case study shows how by employing the cointeraction process for strategic decision-making, a global energy company was able to transform the way decision-makers interact. By moving from a confrontational to a cooperative process, the company demonstrated how very significant increases in long-term value could be achieved.

To achieve these gains in practice requires that enterprises must make significant investments in decision-making infrastructure that enable decision-makers to continually cooperate across organisational and global boundaries. Only under these conditions can strategy move from an annual exercise to a continuous process adapting to changes as they occur.

CASE STUDY: E&P ASSET ASSESSMENT FOR PORTFOLIO ANALYSIS PROCESS

The Exploration and Production Division of a global energy company, responsible for approximately 40 worldwide affiliates and a business worth in excess of \$40 billion managed their total portfolio of assets through an ongoing asset assessment process. This process involved collecting analyses of each affiliate's future performance, broken down into assets representing each major oil and gas field and new opportunity - in total about 400 assets.

This process gave a means of assessing the total portfolio of assets and by which different alternative combinations of new opportunities and investments and sale and purchase of assets could be compared under differing assessments of external economic and market conditions. The process was



managed by a central planning group, consisting mostly of the corporation's rising stars, and analysis for each affiliate was supplied via an affiliate coordinator.

Over the few years prior to Indeva's intervention, while the analysis process had worked well, much of the actual asset selection process relied on a more traditional approach; at an annual meeting the general managers of the affiliates or other senior representatives would make presentations on candidate opportunities to a senior corporate manager. Based on his assessment of the opportunities from the presentation, the senior manager would select those opportunities that he subjectively assessed to be preferable.

Although the existing process was supported by economic analysis presented for each opportunity, the actual decisions on which opportunity to follow were often based on the quality of presentation as much as a rational assessment of the quality of the opportunity. The process resulted in a confrontational approach where managers acted as salesmen

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for their assets and saw themselves competing with other managers for corporate funds. The process and the culture surrounding it was one that valued behaviour from the affiliates that was autonomous and proactive - beneficial in an operational sense but not appropriate in the context of creating interdependent policies to generate value across the organisation as a whole.

With the guidance of Indeva consultants, a different approach was implemented. Prior to the annual general manager's meeting, a quantitative analysis was performed using the economic information from each affiliate to determine the combination of opportunities that maximised total value while meeting certain corporate targets to deliver cash flow and income over the intervening period.



This showed a theoretically optimum portfolio given the available assets and was able to show a possible increase in corporate value of between 10% and 20% when compared with the traditional confrontational approach.

Rather than asking the general managers to make individual presentations, they were divided into three groups (based on geographic regions) and given a simplified portfolio model which enabled them to change the selection of opportunities in their region of responsibility, and to adjust the priority of the opportunities in the plan. The portfolio model had been set up with the combination of opportunities that gave the maximum portfolio value while meeting other objectives for delivery for shorter-term cash flow and income. The managers were asked to adjust the selection of projects within their sphere of influence using their own knowledge of the projects.

Initially, the managers approached this activity from their normal competitive stance, each trying to champion their own projects. They began by each modifying the model according to their own preferences but as they did this they discovered that they inevitably either reduced the portfolio value or removed the ability to meet the short-term objectives (or more commonly both).

During the course of the meeting Indeva consultants observed that the managers, gradually changed from their traditional competitive and confrontational approach, which clearly wasn't meeting the challenge they had been given, to one where they were cooperating to try to fit the best opportunities regardless of perceived individual responsibility to meet the strategic portfolio objectives they had been set.

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This remarkable change in behaviour pattern was observed to a greater or lesser extent, in all three groups.

Following the meeting, the managers returned to their far flung businesses and went back to their operational challenges. For a variety of reasons, not least the fact that the company, shortly after, merged with another, this exercise was not repeated or the lessons from it built upon. Nonetheless, even today, several years later, the managers involved remember this meeting and discuss it as one in which they glimpsed a new way of doing business. The managers briefly experienced a truly generative learning culture and were able to integrate their experience and knowledge together to create the collective knowledge required to feed a balanced, effective strategy.

Over the last twenty years businesses have achieved control over operations and significant efficiency improvements. At the same time strategic and planning processes have remained in their infancy. If organisations are to achieve strategic effectiveness they must move from a static, hierarchical planning environment which breeds competition and subjective decisions, to interactive processes that leverage and integrate the intelligence that exists within the organisation to make better policy decisions.

At Indeva, we believe the future of the enterprise lies in approaches that create dynamic, integrated models that incorporate uncertainty and reflect reality whilst capturing and integrating the expert knowledge that exists at all levels of the organisation. At every level, employees should be focused on adding business value based on a common set of strategic objectives that every one can relate to and balance against short term operational objectives. They should understand that the future is uncertain and that by embracing and understanding the bounds of this uncertainty they can allay fears, confidently set policies and adjust their actions to manage risk, both at an operational and at a strategic level and hence increase business value.

As in this case, Indeva can help your company achieve this by creating representative balanced models of your business and facilitating the interaction of experts with these models to create the intelligence needed to make decisions in today's turbulent environment.

For more information on our consulting services and to discuss how we can help your company make better decisions, contact us at decisions@indeva.com