



## Case Study

# Accelerating the Deployment of Technology in the Oil and Gas Sector

*The heavy oil portfolio manager faced pressures to get more return from his R&D investment.*

## Overview

In the oil and gas industry, it is common knowledge that heavy oil reserves are plentiful. However, extracting and processing the oil is a costly and risky business—it is difficult to extract and requires special processing to create a valuable end product.

Deploying technologies is key to reducing costs and increasing production. That's why one of the largest oil and gas companies in the world invests more than \$40M per year on an R&D portfolio of about 40 heavy oil projects, in all stages of development.

## The Challenges

Like portfolio managers in all industries, the heavy oil portfolio manager faced pressures to get more return from his R&D investment—specifically improving the time it took to deliver technology. His challenges included:

- **Aligning technology more closely to creating business value.** Technologists were adept at exploring and creating great technology and ideas, but they had difficulty selecting relevant ideas that would create business value for the company.
- **Tight budgets and long development cycles.** Corporate growth objectives were demanding more for less, and business needs for technology were not being met soon enough.
- **Inconsistent project evaluations.** To justify projects, managers developed individual business cases, with a bias toward optimistic projections. Coupled with technical diversity this made it very difficult to objectively compare projects. Management was forced to make “thumbs-up, thumbs-down” decisions.
- **Low pipeline through-put.** Too many projects were languishing in the pipeline long after they should have been killed. This used valuable resources that could have been applied to more valuable projects, and reduced the number of new ideas they could consider.

*"In the first year of deployment, we reported a 100% increase in the value returned from our portfolio—from \$40 to \$80 million."*

*Portfolio Manager*

## The Solution

The portfolio manager needed a way to compare the value of each project in his portfolio, so decision teams would have clear visibility to results and could make more informed decisions. His goals were to:

- Accelerate development to create earlier business value.
- Continuously improve the value created by the Heavy Oil portfolio.
- Ensure that his organization was working on projects that aligned tightly with corporate business objectives.

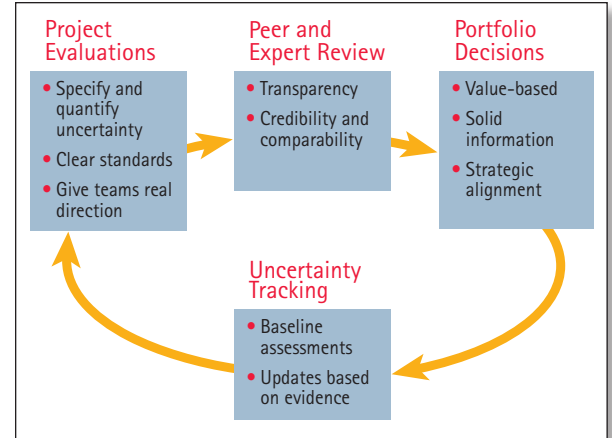
To tackle these issues, the portfolio manager implemented a transparent, value-based management solution using Portfolio Navigator™. Portfolio Navigator is Web-based decision process and evaluation software that helps R&D apply value-based management processes to projects and portfolios.

Portfolio Navigator helped:

- Standardize evaluations of the economic value of projects.
- Improve understanding of risk and uncertainty.
- Increase transparency, credibility and comparability of project information.
- Make decisions based primarily on project value.
- Create a closed-loop management process that tracks project and portfolio value.

Portfolio Navigator also gave them the ability to track value over time, as both technical and commercial conditions changed.

This "Instant Value Tracking" identified projects that were getting into trouble early on, providing decision-makers with the information they needed to kill projects before they drained valuable resources.



By implementing a value-based management process enabled by Portfolio Navigator, the company addressed the challenges posed by its former process and created impressive results within one year.

## The Results

In the first year of deployment, the portfolio manager reported impressive results gained through use of Portfolio Navigator and SmartOrg's value-based management process:

- 100% increase in the value returned from his portfolio—from \$40 to \$80 million.
- 100% improvement in projects moving from the lab to implementation.
- 100% increase in the number of projects terminated early.
- 50% increase in the number of new projects initiated.

## About SmartOrg

SmartOrg's value-based management (VBM) approach helps organizations drive profitable growth by focusing their attention and resources on high-value opportunities. We help companies evaluate and assess current and future projects and answer the fundamental question: "should we do it?" SmartOrg's software tools, training, and coaching help organizations bridge the gap between business and technology by managing risk and uncertainty, selecting the best projects in their portfolios, setting project strategy and accelerating deployment. SmartOrg headquarters are in Menlo Park, California with regional offices in the eastern and western United States, the United Kingdom, and Asia.

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VALUE-BASED MANAGEMENT SYSTEMS

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