The Management System Health Check
Are you realizing the full potential of your Management System?
PwC’s Oil and Gas Centre of Excellence advises major E&P companies globally on how to structure their business and adapt the scale of their organizations to the current business environment.

A consistent observation throughout our work has been how a high quality Management System can generate value for the organization and the importance of a Management System to adapt to change in the current business landscape. We have observed large differences in companies’ ability to realize the potential value of their Management System, and as a consequence, we have developed a Management System assessment to help clients realize the benefits such a system can provide.

In the following pages we present our Management System Health Check service.
Why should you perform a Management System Health Check?

Historically, E&P companies have invested extensively in Management Systems to support their business and generate value. The top performers are able to utilize their Management System to adapt to the current business landscape and increase efficiency and collaboration to reduce costs and save time. However, our experience from working with IOC’s and NOC’s have revealed large differences in Management System value realization and return on investment. Not only do we observe differences across peer companies, we also see that companies have difficulties in prioritizing and objectively assessing their own Management System, resulting in significant amounts of unrealized value.

By the end of the Management System Health Check, PwC provides the following:

• You will have a clear understanding of how your Management System compares to your peers and industry best practice across the assessment dimensions.
• You will get employee feedback on the level of perceived value, adaption and satisfaction towards the Management System.
• System – with the opportunity to do an in-depth assessment of critical parts of your organization.
• You will know how you perform and what areas to focus on in alignment with your strategy and the current state of your organization.
• You will get specific industry examples of how to proceed in order to increase your performance.

The M&A Value Proposition

In an oil and gas industry currently characterized by several strategic M&A’s, performing a Management System Health Check as part of the due diligence process will add valuable information regarding the company’s HSE-, Operations- and Management status. Providing insight into the way a company is managed and governed can reveal issues with significant impact on the profitability of an acquisition or merger.

The Business Value Proposition

PwC is a trusted oil and gas business advisor to major national and international E&P companies. Over the last decades we have assessed, designed and implemented Management Systems for a wide range of clients. The Management System Health Check is based on four value elements: our PwC E&P experience and competency, the PwC Health Check methodology, our Management System Diagnostic (MSD) tool and our E&P best practice benchmark data, providing our clients with an effective and quality assured assessment.

PwC recommends an independent review of the Management System at least every 3-4 years to make sure your Management System reflects the company strategy, the current business landscape and acts as a barrier towards company hazards.

*ISO 9000:2000 defines a Management System as “a set of interrelated or interacting elements to establish policy and objectives and to achieve those objectives”.

PwC uses a standardized method to assess and unlock the potential of your Management System. You will know the current status of your Management System and how to reduce performance gaps to realize value and generate competitive advantage.
What are the benefits of a Management System?

A Management System works as a company’s nervous system, linking together organizational functions to ensure that all parts of the business work together in a consistent way towards common goals. It is an important tool to execute the business strategy, maximize value and minimize risk.

The oil and gas industry is currently facing an increasingly competitive business environment with market uncertainties putting pressure on companies. In a business landscape subject to change, the top performers are able to adapt and handle disruptions smoothly. This requires a Management System that can comprehend business challenges in a safe and efficient manner. A high quality Management System provides benefits to multiple stakeholders, such as providing compliance for the HSE Manager, increasing efficiency and collaboration for Functional Managers and improving governance and control for the Management team. Figure 1 outlines some of the benefits provided by a high quality Management System.

A high quality Management System secures efficient and safe utilization of your organization’s resources. It improves collaboration, enables effective sharing of information and increases efficiency through reduction in wasteful overlaps. This requires proper establishment and alignment of critical aspects i.e. organizational structure, understood roles and responsibilities, culture, process familiarity and availability, as well as necessary technology.

Your Management System should provide a shared “one view” of how your organization works to help secure compliance and ensure that organizational learning is implemented as common and documented practices in your organization. It is a key component in preventing and mitigating losses to people, environment, assets and reputation, and act as a critical barrier towards incidents and accidents. It is important that E&P companies regularly update their Management System to ensure it reflects changes in:
- Strategy and goals
- Organizational changes through organic growth, farm in, farm out and M&As
- Joint Ventures
- Industry learnings and best practices
- Political landscape and governmental requirements
- External threats

The PwC Management System Maturity Ladder illustrates and categorizes levels of Management System maturity (Comply, Standardize, Collaborate, Learn, Optimize), as well as responsibilities for implementing and updating the Management System (Top Manager, Line Manager, User). The Maturity Ladder helps our clients visualize the current status and value of the Management System, as well as the potential for improvement. By comparing your Management System against industry top performers in your segment, we can identify critical improvement areas for increased business performance. The maturity stages depicted in Figure 2 and related improvement areas are based on our extensive experience from working with E&P companies, and are covered in detail in the following sections.

We know from experience that the impact and value of a mature Management System is significant and will generate competitive advantage.

The PwC Management System Maturity Ladder

We know from experience that the impact and value of a mature Management System is significant and will generate competitive advantage.

Comply – we are in line with Head Office, Government and HSE requirements

Your Management System is a critical barrier against undesired events and major accidents. Lack of compliance with regulations or Head Office can cause operational downtime and inflict substantial financial losses.

Some companies regard their Management System as a tool to help the organization pass audits (either regulatory or Head Office). Paradoxically, numerous of these companies fail audits. Why? Mostly due to insufficient focus on implementation and adaption, i.e. the culture of using the Management System. If you pass the first step of a Management System audit – having a system in place – you can still fail the second step that looks at employees’ ability to demonstrate how it works and how they use it. There is no point in having a Management System if no one uses it.

In order to get your employees to use your Management System, it must be easily accessible and intuitive, and the employees need to be involved in developing the content. This will secure knowledge and ownership to the Management System. Additionally, ensuring Management System adherence to HSE is critical to secure continuous and safe operations. HSE processes need to be embedded in everything an oil and gas company does – across the assets and across the organization. Having the right Management System implemented and securing top management ownership of HSE activities helps to build a strong HSE culture and focus in the organization.

Figure 1: Examples on Management System benefits

Figure 2: The PwC Management System Maturity Ladder

HSE Benefits
- A barrier against undesired events/major accidents
- Adherence to regulatory standards
- Enhanced risk management
- Increased ability to learn and improve from audits
- Facilitation of behavioral and cultural change
- Reduced reputation risk

Operational Benefits
- A clearly defined way of working, with clear roles and responsibilities to secure handovers
- Reduced silo mentality through more efficient resource allocation, information sharing and collaboration
- Increased focus on continuous improvement
- Increased productivity
- Improved relationship with suppliers and partners

Management and Governance Benefits
- Value creating activities to support company strategy and to achieve objectives
- Improved interaction between Head Office and subsidiaries
- Structured governance and control of critical activities
- Increased ability to adapt to changes – faster response to external and internal issues
- Improved portfolio management

Value
- User driven
- Continuous improvement from lessons learned
- Industry learnings and best practice alignment
- Effective internal and external information sharing
- Clear roles and responsibilities
- One common way of working

Time
- Value driven mindset
- Optimization of resources and activities
- HSE requirements
- Government and HSE compliance
- Head Office compliance
- One common way of working
- Continuous improvement from lessons learned
- Industry learnings and best practice alignment
- Effective internal and external information sharing
- Clear roles and responsibilities
- One common way of working
To achieve the compliance level of maturity, top management must ensure that the Management System is compliant with Head Office, government and HSE requirements. Ensuring compliance builds stakeholder trust and secures the license to operate.

“We have had unrealistic expectations regarding the status, and the usage of our Management System. Establishing the current status has aligned our perception with the actual status of the Management System to help us move forward”
- Quality manager

Standardize – we have a common way of working across the organisation

Many of the Management Systems we encounter lack critical E&P activities, common work methodologies and clear ownership of activities.

Policies, processes and procedures are not properly aligned with overall company strategy, and activities are not standardized across functions. Low efficiency, lack of control and a confusing work environment follows as a result; Ad hoc tasks that fall outside the standard process create unnecessary stress on the organization, unclear roles and responsibilities create micromanagement challenges, and juggling too many activities increases the possibility of critical mistakes.

There is a significant potential for E&P companies who are willing to put in an effort towards a common work methodology - a consistent and uniform implementation of policies, processes and procedures, with clear roles and responsibilities. To achieve a standardized work methodology, your management team must be involved in communicating the importance of the Management System, the value it brings to your organization and that its use is not optional, rather a minimum requirement of how we as a company operate. Furthermore, you should clarify the expectations, requirements and degree of involvement of the top management team, as it will be the reference point for the standardized way of working.

A compliant and standardized Management System is one that has: ownership of content by employees, a user friendly and intuitive interface, common work methodologies across the organization and well defined and mapped expectations from top management. The Management System should now be mature enough for functional process owners to manage and govern the system to ensure that the content is updated and valid.

Collaborate – we facilitate external and internal information sharing

Lack of information sharing prevents internal and external collaboration and often increases operational risk

Collaboration between functions and levels in the organizational hierarchy as well as with external parties is important to communicate critical information and ensure efficient and continuous operations. Most E&P companies have a long way to go in this domain. Having the right information at the right time is necessary to reduce uncertainty and make well-informed decisions.

Once your employees refer to your Management System for their own activities as well as guidance in how and when to involve other functions, it has reached the collaborative level of maturity. Your Management System should then provide a logical interface between internal and external parties, and ensure effective information sharing in handover interfaces (between project phases), referral interfaces (between core and support functions) and external interfaces (to contractors and other external stakeholders). To do this, accountability matrices need to focus on interface clarification and functional collaboration to create value. This creates a clear picture of who is responsible, accountable, consulted and informed in the interfaces both internally and externally.

“By identifying our performance gaps we are now able to approach our improvements areas strategically and more efficient”
- SVP Operations

Optimize – we utilise our resources efficiently

“We have always done it this way” can be a blinding mindset and result in non-value implemented processes, which are not fit for purpose.

Old and unchallenged business processes have a tendency to stick with a company even though they do not create any value. Additionally, shortage of talent and skills puts pressure on E&P companies to efficiently utilize resources. The right skills need replacement options to avoid full dependency.

To attain an optimized maturity level, your Management System must be tailored to your organization’s needs and size. Activities and documents are easy to access and update, and employees know how to do it. Furthermore, the content, including processes and guidelines, is mutually exclusive (no overlaps) and collectively exhaustive (in summary it contains all relevant documentation is complete). At the optimized maturity level, every activity in your Management System should create value for your company and/or for company clients, including support functions as well as the core business functions. Furthermore, an optimized Management System increases productivity, improves resource allocation and enhances the organizations’ ability to adapt to change.

Optimize – we utilise our resources efficiently

Learn – we continuously improve from previous experiences and industry learnings

Surprisingly many E&P companies have a strong focus on documenting incidents, but fail to prevent future occurrences from happening by implementing changes in the organization.

To become a learning organization, your Management System needs processes in place to capture, document and communicate continuous improvements from lessons learned to the organization. Incorporating and continuously updating lessons learned in daily operations (by the users), as well as the latest industry learnings helps to prepare the organization against losses to people, environment, assets and reputation. At the learning maturity level, your Management System serves as an important tool to capture individual learnings and transform these learnings into organizational learning – facilitating a paradigm-shift from individual learning to organizational knowledge capturing.
The Management System Health Check

We will help you realize the value of your Management System to generate competitive advantage. You will know the current status of your Management System, followed by recommendations on how to create value and close critical gaps towards industry best practice and leading peer E&P companies.

The Management System Health Check will provide an objective view of your current Management System utilization, and the value it provides to your organization. We will illustrate where your company is located on the Management System Maturity Ladder, and how to maximize the utilization of your Management System to achieve higher business performance. The Management System Health Check is based on four value elements: our PwC E&P experience and competency, the PwC Health Check methodology, our Management System Diagnostic (MSD) tool and our E&P best practice benchmark data, as illustrated in Figure 3.

The Management System Health Check report will include identified key issues and recommendations to close critical gaps and maximize the Management System’s value to your organization.

PwC’s Oil and Gas Centre of Excellence is a trusted business advisor to major national and international E&P companies. Our industry professionals have extensive experience in assessing, designing and implementing Management Systems for a wide range of clients.

The PwC Health Check methodology will secure the quality of project deliverables by using a well-proven and adaptable framework. Using a standardized framework, accelerates work and provide our clients with maximum value within given project constraints. The framework is structured around a set of critical Management System dimensions, illustrated in Figure 4, to ensure that all value driving aspects of the Management System are assessed.

The PwC Management System Diagnostics tool supports the project team in interaction with the client and key stakeholders to ensure a consistent and efficient assessment. It contains templates with predefined questions and rating criteria’s to support the project team in collecting information and data from multiple sources. The MSD tool also comes with multiple presentation templates, used to illustrate critical gaps in engagements with key stakeholders.

PwC E&P best practice and benchmark data (including E&P blueprints) gathered from the oil and gas industry over the last decades, provides us with a solid foundation for an in-depth analysis of your Management System. Our benchmark data is structured based on the framework dimensions to secure consistency and comparison between peers.

Figure 3: The Management System Health Check Value Elements

Figure 4: The Management System Health Check Methodology and associated dimensions.

"The oil and gas industry is subject to a rapidly changing business landscape. Now is the time to capitalise on our Management System and realise the potential value necessary to stay competitive."

- General Manager Production and Operations
Selected references

Evaluating and improving the company’s Management System

Context
A National Oil company had a future vision of a shared Management System across subsidiaries in the up, mid and downstream parts of the oil and gas business.
We helped the client assess the maturity of the current Management System and identifying gaps as part of developing and implementing a shared Management System across subsidiaries. The team used our Management System Diagnostic (MSD) tool, including our E&P Blueprints, to speed up the project and secure quality in all parts of the project. The project involved a working team with members from all 10 subsidiaries to secure input and prepare for corporate Management System change.

Challenges
- The Management System, implemented in 2002, was not fit for purpose and did not provide alignment between corporate and subsidiaries.
- The client organization had “Chinese walls” between the departments, resulting in non-aligned objectives and limited collaboration.
- 10 subsidiaries were to be involved in the process of establishing a shared Management System, entailing challenges related to participation, alignment and communication.

Results
- The project established a corporate Management System that enhanced efficiency and collaboration.
- The Management System complied with National laws and regulations.
- The corporate structure aligned corporate and subsidiary entities—a top-down alignment widely accepted throughout the different subsidiaries and in accordance with leading industry practice.

Assessing the Management System of an E&P company (Management System Health Check)

Context
The E&P company, with upstream operations in multiple countries across Europe, had an ambitious growth strategy on the Norwegian Continental Shelf and was looking to develop exploration prospects in their portfolio. They needed support in assessing the maturity of their Management System and structure their E&P business to support future growth.
We utilized our Management System Health Check methodology in order to help the client get a holistic view on the current state of the Management System. The report included an objective status of the Management System as well as a number of improvement suggestions to support the company strategy and was looking to develop exploration prospects in their portfolio.

Challenges
- Insufficient use of the Management system due to inadequate knowledge about existing requirements.
- Highly varying level of detail and quality of existing processes.
- Rigid structural requirements from Head Office.
- Unintuitive and unnecessary complex process structure.
- Lacking support information in critical parts of the Management System.
- No definition of what is expected from decision makers at critical decision points, resulting in organizational frustration and micromanagement from leaders.
- Decreased reliability on individuals as learnings are embedded in work processes.
- Increased having clarity of own objectives, activities and roles/responsibility across all regions (departments).
- Established expectations as how to they interact across borders to support each other.
- Clarification of management teams’ expectation to collaborate.
- Functional (process) ownership.
- Increased use of the management system as participation in developing the system was created amongst employees.

Results
- All processes in place at the end of the project with correlating accountabilities mapped out using RAG charts.
- Important interfaces mapped out and involved, improving collaboration and communication.
- Structured governing mechanisms in place serving as quality assurance points from exploration to operations phase (decision gates, check points, etc.), enabling management to focus on portfolio optimisation and governance by removing micro management.
- Increased having clarity of own objectives, activities and roles/responsibility across all regions (departments).
- Established expectations as how to they interact across borders to support each other.
- Clarification of management teams’ expectation to collaborate.
- Functional (process) ownership.
- Increased use of the management system as participation in developing the system was created amongst employees.
About the authors

Eirik Rasmussen
Director PwC Oil and Gas Centre of Excellence, Norway
eirik.rasmussen@no.pwc.com / +47 952 61 153
Eirik Rasmussen has more than 22 years of experience as strategy and business advisor. He has in recent years been working with national and global Oil and Gas companies as an advisor and subject matter expert on Business Management System and Governance projects.
He has an executive MBA in strategy and management from Norwegian School of Economics and Business Administration (NHH) and a Strategic Management Program from National University of Singapore.

Jens Erich Jenssen
Senior Associate PwC Oil and Gas Centre of Excellence, Norway
jens.erich.jenssen@no.pwc.com / +47 952 61 158
Jens Erich Jenssen has extensive experience as a business advisor for clients in the Oil and Gas industry. In recent years, Jens Erich has worked exclusively with operators in the upstream segment focusing on analyzing and improving efficiency in all business areas for clients across Europe, the Middle East and Africa.
Jens Erich is a certified PRINCE2 Practitioner and has a green belt Lean Six Sigma. He holds a Master of Science degree in Petroleum Technology from the Norwegian University of Science and Technology (NTNU) specializing in operational efficiency and cost reduction, and a Bachelor’s degree in Petroleum Technology from the University of Stavanger.

Tore Rudlang
Associate PwC Oil and Gas Centre of Excellence, Norway
tore.rudlang@no.pwc.com / +47 478 45 417
Tore Rudlang has experience as an advisor for Pan European Energy companies, by assisting clients in structuring and improving their E&P business with emphasis on increasing efficiency and collaboration.
Tore holds a Master of Science in Industrial Economics from the University of Stavanger with specialization in Project and Risk Management, and a Bachelor’s degree in Construction Engineering.

Helping energy companies succeed

PwC is a leading advisor to the global energy industry, working with every segment of the business, to provide solutions tailored to meet your needs. Our strength in serving this global business comes from our skills, our experience and our team of industry specialists. For more than 100 years, we have helped energy companies succeed.

We help companies confront the industry’s most challenging issues and changes by developing effective solutions and strategies. PwC can help energy companies evaluate priorities, assess risks, and build stakeholder confidence. Our global energy practice focuses on delivering professional services to companies of all sizes, across all segments of the industry. We provide industry specific solutions in the fields of audit and assurance, tax, deals and consulting services to help companies address their business and stakeholder issues.

We are not only watching the current industry trends, but we are analyzing these changes from the perspective of how they will impact our clients, and how we can best help companies prepare and manage the changes. On an annual basis, our practice gathers to hear from industry executives and experts, such as the Executive Director of the International Energy Agency, to learn more about the opportunities and obstacles that lie ahead. We examine the issues, and build teams of subject matter specialists who develop appropriate solutions through our assurance, tax and advisory services.

The Management System Health Check is an advisory service developed to assist clients in confronting current industry challenges. The service helps our clients to understand the potential value of their Management System – to start capitalizing on their investments by utilize their Management Systems more efficiently to create value and adapt to a rapidly changing industry environment.

We look forward to the opportunity to work with your company.

Our worldwide Presence

A global oil and gas industry need a trusted business partner with a global perspective.

PwC understands the global nature of the oil and gas industry, and the importance of having our audit and assurance, tax and consulting professionals everywhere that our clients operate. Through our global network of firms, we serve 422 of the Fortune Global 500 companies, and 439 of the FT Global 500 companies - more than any other professional services firm. We have over 2,500 energy and utilities clients around the world with more than 400 partners and 5,300 professionals solely dedicated to serving energy companies. With professionals on the ground in 158 countries, we provide our clients with local knowledge and a global perspective that is crucial to their success.

Industry thought leadership

Our commitment to the energy industry goes beyond our services. We stay in touch with our clients through thought leadership and sponsorship activities. PwC is a Patron member of the World Energy Council, and a long-time sponsor and participant at the World Energy Congress.