

KEY LEARNING POINTS

1. Oil and gas drilling industry is risky
 - a. Because of the high risk, HSE leadership is critical to a successful business model
 - b. Financial risk (boom and bust cycles; increasing demand, uneven supply)
 - c. Physical risk (health, safety, environment)
 - d. Noble's risks are particularly high because they drill in deepwater in harsh environments

2. Noble seeks to reduce risk through outstanding HSE management and rigorous operating discipline
 - a. Financial (minimize debt...which is key because debt confers control to other parties; finance with equity; buy/acquire during downturns to avoid overpaying...get bargains)
 - b. Physical (minimize risk by investing in HSE)

3. Reputation is a key asset
 - a. Being fastest/deepest/safest leads to advantage in marketing, attracting new clients and entering new markets
 - b. Customers face less risk when contracting Noble (less likely to have accidents, disruptions, bad PR, regulatory problems)
 - c. Experienced employees of firms to be acquired are attracted to Noble and will stay if asked.
 - d. Attractive financing for deals (joint venture partners, equity investors; don't pay premiums for financing)

4. Profit chain (causal framework)
 - a. Misconception: Noble is highly profitable, therefore it can afford to invest in safety (or HSE generally).
 - b. Reality: Noble is safe and therefore is profitable
 - i. Noble uses an integrated systems-based approach that builds HSE commitment into all they do
 - ii. Constant self-analysis and data-driven decision making lead to clear understanding of engineering, operating, and other risks

- iii. Continual learning aids efforts to mitigate risks
 - 1. Use of new technology and practices to improve HSE, operations
 - 2. Spot trends earlier, move into new markets faster
 - 3. Anticipate regulatory changes (be prepared)

- 5. Culture at Noble is a source of long-term competitive advantage
 - a. It is hard to mimic
 - b. Is based on long history
 - c. Assets are so expensive that there are numerous barriers to entry (human, technological, financial)

- 6. Noble's strategy changed over time (land to offshore to deepwater); therefore, some Ss had to change (systems, skills, staffing, etc.); others stayed the same (shared values!, style, structure) and that provided certainty/security during change.

- 7. Excellent implementation of strategy (careful alignment of 7S) leads to high shareholder value (superior stock returns)

RECOMMENDED CASE DISCUSSION DEVELOPMENT

1. Start the class by taking a vote
 - a. How many of you recommend that Noble acquire Neddrill?
 - b. How many of you recommend against the acquisition?

2. For those of you recommending against the acquisition:
 - a. What are your major concerns?
 - b. How has Noble dealt with these issues in the past?
 - c. What is the probability this acquisition can be successful?
 - d. What are the key factors to determine its success?
 - Be sure to allow those in favor of the acquisition to engage in this discussion. Simply get it started by asking those against it to outline their concerns.
 - Capture the main ideas for/against on the whiteboard/chalkboard in class.

3. After this discussion, are there any of you who want to change your vote?
 - a. If so, what new ideas persuaded you?
 - b. What arguments seemed most compelling?

4. Show video: "Welcome to Noble" (7:72 minutes)

5. Use the PowerPoint presentation "Noble Corporation - Project Windmill" to discuss the following:
 - a. Noble's 7Ss
 - i. Strategy
 - ii. Structure
 - iii. Systems
 - iv. Staffing
 - v. Skills
 - vi. Style
 - vii. Shared values

- b. Noble's Results
 - i. Post-acquisition (1998-2004)
 - 1. HSE
 - 2. Operating results
 - 3. Profitability (return on capital)
 - 4. Shareholder value (dividends, appreciation)
 - ii. Compared to competitors/industry (1998-2004)
 - 1. HSE
 - 2. Operating results
 - 3. Profitability (return on capital)
 - 4. Shareholder value (dividends, appreciation)

- 6. Show video: "Interview with Noble Corporation CEO, James Day" (6:45 minutes)

- 7. How could the lessons learned from Noble be extended to other industries and organizations?
 - a. What are other organizations/industries that could create competitive advantage by developing a strong HSE culture?
 - b. What are other organizations/industries that have failed/struggled because of a lack of HSE excellence?

RECOMMENDED QUESTIONS TO GUIDE STUDENT ANALYSIS

1. What are the risks inherent in the oil and gas drilling endeavor?
2. How does Noble seek to reduce these risks?
3. What are the key messages from the Harvard Business Review article (7S Model)?
4. What is Noble's strategy?
 - a. How does structure support the strategy?
 - b. How do the systems enable the strategy?
 - c. How does staffing affect the strategy?
 - d. What skills are required to implement the strategy?
 - e. How does the management style impact execution of the strategy?
 - f. What are Noble's shared values?
5. How does the HSE culture at Noble create competitive advantage?
6. Is Noble safe because it is profitable? Profitable because it is safe?
7. Do you think they will be able to integrate Neddrill into their operations effectively?
 - a. Why?
 - b. Why not?