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# EMPOWERING PEOPLE BY LOWERING PROCUREMENT BARRIERS

With the resource pool of experts so concentrated, competition for the top talent becomes fiercer and demand for efficient resourcing gets ever greater. Maintaining tight control of human capital is critical to the uninterrupted and effective operation of all oil and gas companies.

Unable to support the weight of under-utilised resources, independents that commission specialist contractors must still remain agile, able to deploy expertise and mobilise resources upon demand. This can only be achieved by being in full control of outsourced contractors.

As well as improving efficiencies and controlling costs, can procurement systems and well defined procurement processes offer independent oil and gas companies a competitive advantage in managing contractors, attracting the best talent and ensuring operational continuity?

Suppliers might perceive formalised procurement to be an unwelcome bureaucracy designed to give buyers total control. On the flip side, well implemented procurement can improve supplier engagement, speed up the buying cycle and highlight potentially costly errors, all of which having their obvious commercial benefits for both parties.

## Defining A Process

The procurement process begins with a clear understanding of budgets - how much items cost, who needs to buy what and when. Once budgets are approved, authorities for purchase approvals can be delegated in a hierarchical chain, ultimately reaching director level. By knowing what's in the budget, who is authorised to order what, and who needs to approve such purchases - process is defined.

Many oil and gas companies overcomplicate procurement with unnecessarily convoluted approval processes, resulting in delays to payments for receipted goods or services. Contractor relationships are key to maintaining productive

operations in the field. Delaying payments or forcing suppliers to wade through treacle are quick ways to lose preference. By pre-approving budgets and front loading the approval process, contractors can be confident that once a purchase order has been raised, the budget has been internally approved, invoices will not be quibbled and payment will be received on time. This might seem like basic supplier management, but it's a fundamental reason for the breakdown of supplier relationships.

## System Implementation

The implementation of a procurement system speeds up the entire process and reduces the risk of overlooking small, yet significant, details. Having immediate access to budgets, commitments, authorities, approval chains and being able to view requisitions, approve purchases, place orders, all within a single portal, puts users firmly in control. Multiple users accessing the same system extends the reach of procurement beyond the walls of the finance department. Operational managers in the field or even directors away from their desk can still remain connected, and combined with automated email notifications and one-click responses, procurement process becomes almost effortless.

Larger oil and gas companies would welcome the opportunity to standardise their procurement, but are often burdened by legacy systems, even no system at all, obtained in acquisitions. Smaller, independent companies have a clear advantage, being able to implement a single system early in their development, benefitting immediately. With the flexibility to expand the system's capabilities in parallel with the company's growth, and the ability to respond quickly to the ever changing demands of oil and gas. For example, during exploration it's, not ideal but, feasible to operate without a system in place. As soon as a company moves into development, a procurement system becomes imperative.

# Operational Benefits

With the generation gap and the average age of experience rising, expertise in oil and gas is an increasingly scarce commodity. Contractors have choices and good ones will stay loyal to companies that treat them well. The motives of contractors are very simple, they want to get on with doing what they do, do it well and get paid accordingly. They don't want to be encumbered by unnecessary processes that they don't understand or have no connection with. Outsourced contractors are the lifeblood of the independent. Opening up the procurement process, while maintaining internal control is empowering for outsourced contractors.

The delegation of authority determines the purchasing capacities of operational managers, field managers, as well as contractors. These capacities are sometimes set nervously low resulting in over-control. Preapproval of budgets, combined with invoice matching, monitoring and reporting, should give the confidence to allocate purchasing capacities appropriately for each individuals' requirements. Empowering individuals with sensible capacities enables them to get things done, saving wasted time and ultimately ensuring operations are productive.

Keeping a site operational requires a long list of parts and materials, many of which are critical to operational continuity. Knowing what's in stock, what's required and the expected lifecycle of such items gives companies an immediate snapshot of their inventory. Integrating asset management with procurement gives individuals in the field a level of control with the added benefit of day-to-day operational detail.

Empowered individuals, satisfied that they're able to order the required resources to perform their role, also take comfort in the knowledge that budgets are preapproved. If they need items or materials, they simply raise a requisition, if it's in stock it will be delivered. If it's not in stock and there's a budget agreed, it will be ordered. If a field manager needs a site survey that individual can just go ahead and raise the order. If the procurement process is understood and there is not an approved budget, individuals are able to push for approval, monitor progress and feel engaged in the process, removing the frustration from procurement.

Oil & gas companies always have at least one operational individual that can raise an emergency order for items that would affect operational continuity or health & safety. With oil and gas fields operating in varying timezones right

around the clock, it's important that orders can be raised at any time of day without the risk of emails getting lost or orders being missed. The authority to raise emergency orders can save a site from wasting hundreds of thousands of dollars in downtime or help prevent avoidable risks.

Orchestrating contractors to deliver long lead items, short lead items, materials and services exactly when and where they're required is not only difficult, but critical. One kink in the supply chain and operations can be shut down or a drilling campaign can be delayed. Procurement systems identify problems before they become operational issues, flagging problems early, discovering potential bottlenecks and highlighting when it might be necessary to find an alternative supplier. No outsourced contractor wants their resources to be incapacitated due to another's failure to deliver.

Typically, with sites being developed in remote locations such as the Falklands, oil and gas companies are likely to commission the same outsourced contractors and queue for resource availability. Failing to manage procurement and ensuring delivery of every critical component can be the difference between contractors getting on with the task in hand or moving swiftly onto the next company waiting in line for their services.

High volumes of transactions are typical in oil and gas. Companies that integrate their procurement and accounting systems can also benefit from improved efficiencies in accounts administration, reducing manual processing and the risk of potentially costly human error.

Managing procurement becomes perpetually easier. Once a company has successfully implemented and operated a procurement system, planning budgets for subsequent campaigns becomes less an art of guesstimation and more a calculated science based upon reports of previous actuals. Knowing how much items actually cost and where delays are likely to crop up enables a company to plan with a greater level of accuracy.

Building a track record for accurate planning, consistent delivery, effective management and ultimately bringing campaigns in on budget, not only pays dividends, but develops a positive reputation. In the close-knit world of oil and gas a positive reputation goes a long way and will certainly help to attract and maintain the very best talent. All suppliers want to be associated with successful campaigns and successful companies. There is absolutely no doubt that well implemented procurement gives independent oil and gas companies an increased chance of successful delivery - time and time again.

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