

# 5 changes that will make you more cost effective



**Low oil prices have brought talk of cost savings, efficiencies and the possibilities of pooling resources. You only have to google 'low oil price' to see a host of E & P companies embarking on cost reduction exercises. However, you still need to keep producing, and the back office support functions still need to operate – you need to be analysing financials, managing and maintaining your assets, producing reports for shareholders and demonstrating control of your resources.**

There are a host of off-the-shelf packages that provide solutions for finance, procurement, supply chain management and inventory for tens of dollars a month. In our experience, these provide little more than the basic functions, and you are still left with hours of work to get the information you want in the way that you want it. Yes, low cost, but not cost effective.

Traditionally, investing in more robust solutions to properly support back office functions has involved significant upfront costs, justified by a business case of projected efficiency benefits to be realised years down the line. Right now, that kind of financial outlay is unpalatable for most oil & gas companies.

So how do you get all the benefits of a solution without the cost? Here are some options...

## **Automate, stop doubling up and look after what you've got**

Any automation of manual activity or reduction of task duplication in process creates time efficiencies, which ultimately have an impact on costs. Financial reporting, for example, is often an area where we see clients making significant savings. Hours of cutting and pasting information from spreadsheets to collate into reports can be replaced with reporting templates filled with the information you need with little or no manual effort.

Purchasing items and managing assets also has cost saving potential. For example, if you don't have good inventory management, people often buy new when what they need is sitting in stock because they can't find what they want. A good asset management system will enable you to proactively schedule maintenance on your kit - you can do any repairs during downtime and prevent a degree of reactive maintenance, increasing operational time and having a positive impact on your costs.

Even if you already have systems in place, this is still an area worth revisiting. Process reviews can highlight areas of duplication, intensive manual effort or where processes just aren't working the way they were designed. The solution can be as simple as reconfiguring part of the system, or simply adding or switching on additional functionality. Hey presto – information at the touch of a button!

## **Hop on a Private Cloud**

A Private Cloud enables you to leave the safe and secure management of your IT infrastructure to the experts, with no upfront costs for expensive hardware. All of your system and application requirements can be provided to you as

a service, with just a licence cost. Not only will you benefit from ongoing support and managed updates, you will also have a fully flexible service that can instantly be scaled up or down based on your current business needs.

### Stay 'vanilla'

When designing and implementing business solutions, a significant amount of the upfront time is spent on the non-standard requirements, where specific aspects of the solution need to be configured or custom built. When planning and designing a system implementation or upgrade, really think about whether you need to continue to do things the way you do them, or whether you can adapt to a standard process around which your chosen solution is built.

Clearly there are specific activities and ways of working that will need to be accommodated. If you chose a supplier who has strong E&P experience, you should find they already have builds and templates that meet your needs. At Progressive for example, we have ready built templates for oil & gas accounting practices, including joint venture accounting, supply chain, inventory and maintenance management, which can quickly and easily be implemented as part of a client solution.

### Outsource

Another cost effective option is to outsource some of your back office operations – it is not just for big companies! By outsourcing, you get a totally flexible resource pool with specific skills and expertise. You can increase or decrease the amount of support you need at any given time, and cost savings can be realised through reduced staff costs.

Many providers now offer flexible services on both short and long term contracts. For example, at Progressive we provide outsourced services to cover month end, maternity and sickness cover, as well as ongoing support.

### Share Resources

A recent article in British newspaper 'The Times' stated that 'unitisation' was a solution to slashing costs. They suggested that '...oil companies pool their North Sea assets into a single business to collaborate more effectively and aggressively attack costs.' Whilst talk was of sharing warehouses, pipelines, support vessels and the like, back office functions have long been a favourite in the shared services market place.

Many routine tasks are easily extracted from an in house team and handed over to a 'service centre'. Again, this does not have to be large scale for big companies – it can be as simple as one company's small finance team providing financial support for the company next door, subject to confidentiality requirements. Strategy and decision making always needs to stay within the company, but transactional processing with clear inputs and outputs is easily transferable.

About the author

Marianne is founder and COO of Progressive - the only Consultancy dedicated to providing Business Systems to the oil & gas sector. She has worked exclusively within the oil & gas sector since 1988, and has led more than 40 projects delivering business solutions worldwide since 1998. Prior to founding Progressive, Marianne worked with Enterprise Oil Plc for 14 years as Global Finance Systems Manager.

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