



## **Industry** – Oil and Gas Drilling Pipeline Supply

**Engagement** – An Oil and Gas Drilling & Pipeline Supply Company had an interest in making significant changes in how it operated its business in response to increasing competitive pressures and depressed business environment. The implementation of an ERP was identified as one of the key components in the change strategy. Brightwater was engaged to perform a readiness assessment of the company’s ability to implement the ERP and process changes. Brightwater’s focus was on the gap between the current state ability of the company (Headquarters and Retail Outlets) and the changes that were required to successfully implement and operate the ERP.

*Background* – The company was a \$250 Million privately held business operating in the Great Plains and Southwest oil and gas (basins) regions of the U.S. Its original purpose was to serve as an internal supplier to the parent company’s drilling and pipeline operations business in order to better ensure favorable pricing and ready availability of key drilling and operational equipment. As such, the business’ main focus was cost control rather than profit. Over time, the parent company realized that the locations of their supply depots positioned them to potentially also serve other companies in view of the rapid growth that was being experienced in the oil and gas pipeline drilling industry. The business model then shifted from cost control to revenue generation. They saw that the local/regional knowledge that had been gained to support their own operations presented potential competitive advantage. The process, procedures, and staffing that were needed to operate this significant change in the business model, however, were not made. Over time as competition increased (domestic and international) and the industry business environment became depressed, what once worked reasonably well no longer did and it became clear that the locally focused, business operations had to significantly change in order to remain a viable business.

## **Work Performed** –

Conducted a series of detailed interviews with functional leads and key operational staff for the key business processes (Sales, Order Management, Purchasing, Warehouse Management, and Shipping/Receiving) to gain a full understanding of current state operations. Analyzed and documented the information for current state as well as best practices future state (strategic operation) that would support the new business direction.

- Deliverable – A written report identifying the current state ability to make the significant shift in business processes and operations to successfully operate the new model as well as the ability for the existing staff to make the transformation that had, as its foundation, a new ERP. The report included fit of the current state business model and staff ability to make the required transformation to the new business model.
  - Findings
    - The current business model was found to not be a fit with the stated intent of the business to successfully and profitably operate as primarily a retail operation serving the oil and gas industry in the West, Mid-West, and Southwest basins.



- A recommendation was made to shift to a true distribution model to support volume-based purchasing with a few, preferred suppliers. The ACE Hardware model was identified as a best practice to be used in the shift.
- The staff were seen as largely in need of significant training in basic business operations and basic business fundamentals. Further they had minimal knowledge of best practices business processes.
  - An assessment tool was used to better determine the capabilities and needs of every staff member which served as the foundation for tailored training of each individual.
- There was virtually no written documentation regarding current business requirements and SOPs.
  - A series of business workflows, SOPs, and detailed Work Instructions were prepared to enable the transformation, implementation of the ERP and core processes.
- The orientation of the retail outlets was to 'make the customer happy' regardless of whether the local outlet actually made a real net profit. In fact, some of the outlets literally operated at a net revenue loss. Almost all purchasing was done locally with little to no attempt to leverage the significant volume purchasing for lower, more competitive costs. This meant that there were massive numbers of old, never sold inventory on the shelves totaling tens of millions of dollars.
  - The concept of common or core inventory that was to be retained in each location's warehouse was defined. This was developed in a manner that was fully supportable by the new ERP's MRP process. This would work in conjunction with the centralized purchasing concept (ACE Hardware).

**Outcome** – The recommendations were presented to the customer and were fully accepted. Brightwater was then engaged to work directly with senior leadership and all outlet locations to both help with the implementation of the ERP and transform the business to the new, distribution based model. In addition, we were asked to play a 'shadow' Project Manager role with the company's Project Manager as well as operate as an executive coach to the Managing Director who had little formal business training. During the initial stages of implementation, Brightwater worked with the ERP provider to design and utilize a progressive implementation plan that allowed for a lengthy transition of staff from the local, non-profit making orientation to one of centralized, profit making which actually provided enhanced Customer Service through the centralized procurement and distribution operating methodology.