

Facilitating Collaboration in a High-Tech, High-Risk Environment

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When most people imagine a high-tech business, they picture San Jose or Seattle, not Tulsa or Lafayette or Houston. Those who walk the hallways of the energy business know better. Oil and gas exploration and development has become a world of high technology. While drill bits, pipe, and supplies for the toolpushers are still at the core of the oil and gas business, executives increasingly must manage complex networks of new-technology providers, and of traditional oilfield services that have leapt into a new technological age.

Onshore exploration and development continues to push deeper, applying new science every step of the way. Offshore, rigs push from deep water into ultradeep prospects, demanding technological innovation. As the energy-finding climate changes and risks

grow, the most successful operators and suppliers develop collaborative relationships to deploy new technologies, maintain supply chains, and gain access to technical resources. The pressure to maximize efficiency and get results is intense, even with prices at historic levels. Operators and suppliers are stretching their technical resources, forcing companies to selectively allocate their hardware, software, and personnel. When a supplier bundles services and equipment for a competitor's key project, it may contractually commit specific technical talent, making them unavailable to others for some period of time.

Resources continue to be consolidated into larger, more complex organizations through mergers and acquisitions. New corporate combinations often lose focus on the customer, becoming internally focused for a while after the consolidation. Operators are reducing the number of suppliers they do business with to reduce the expense of managing so many relationships. Some companies have adopted a policy to deal with no more than three vendors in each procurement category. Smaller suppliers and service companies weeded out in that process find it necessary to work as a subcontractor to a larger supplier in order to maintain their access to the business.

Even in its most traditional moments, the energy sector has understood the need for joint ventures and strategic partnerships, as well as the value of collaborative relationships. But as the industry evolves, so must its approach to collaboration. In a time of rapid change, companies cannot afford to have technology acquisition and application struggle through traditional internal layers of approvers, such as

conventionally structured procurement groups and established operations leadership. It has never been more important for operators and suppliers to understand each others business, needs, processes, and potential, and find the most productive common ground. There are good reasons to begin facilitated discussions about new ways of working together.

Communication, Collaboration, Value

Three years ago, a major provider of a variety of oilfield products and services found itself spending millions of dollars in time and money trying to keep track of its equipment and inventory. Eighty percent of the time, bits and tools were moving—from manufacturing to the warehouse, between the warehouse and the field, or from the owner's location to an offsite repair/refurbishing facility. Manual data entry, physical inventory, and asset reconciliation were sapping the company's resources. The company was already using state of the art inventory software, and had a direct relationship with one of the nation's most respected software providers, but there was a critical need for improvement.

The company decided to meet with its software provider to talk about new solutions. It wanted an environment that reached beyond the limits of a typical sales meeting, so it engaged a professional business relationship facilitator to guide their discussions. The results were striking: in the words of the software company's engagement manager, "We weren't solving the problem for the energy services company by pitching technology; we were working in partnership with them to come up with a solution."

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The service company was understandably reluctant to share all of the external and internal problems that it faced, but facilitation prompted the software team to insist that the service company's team put all their cards on the table. "I told [the service company team leader] that this solution would benefit his company and we needed the information to work the problem together. By collaborating, we can enhance business results—for both organizations. It was an 'Aha!' moment for him."

The participants left the meeting with an executable strategy and immediate action plans. The service company and the software provider brought in a recognized hardware expert to develop sophisticated radio frequency identification (RFID) technology. Now, a sensor tag on each drill bit's thread-caps relays information about its location and destination to onsite RFID readers, constantly emitting real-time information that maximizes supply-chain efficiency.

It seems like a small advance. But the software engagement manager explained, "If we can help them find one bit in real time just once a month when they need it—a cheap bit is USD 40,000, the most expensive can run up to USD 250,000—it is nothing but profitable for them. "And," he predicted, "I expect we will probably do that more than once a month."

The Art of "Fierce Conversations"

Collaborative relationships are not built by sending everyone to yet another team-building session and assuming that all will work in harmony. In the real world, collaborative relationships often are a result of well-managed "fierce conversations" that face difficult problems involving diverse company cultures and conflicting best practices. One more conventional meeting between the company procurement team and the technology provider team is not the answer. Without facilitation, underlying problems tend to lurk unexposed.

For example, technology-driven companies tend to underestimate the time needed to develop soft skills to manage complex collaborative rela-

Move from vendor	Move to trusted supplier
<ul style="list-style-type: none"> • Competitive price • Minimum resources • Central contact 	<ul style="list-style-type: none"> • Solving customer problems • Multiple relationships at higher levels • Operational excellence • Adding and measuring value

Fig. 1—Becoming a trusted supplier.

tionships. They may focus on the challenging technical problems, avoiding tough conversations around how to manage the unique challenges of conflicting personalities, cultures, policies, and procedures. Those difficulties are as likely to be internal as external. One technology-provider executive told us that "a large sales opportunity often creates more conflict within our own organization than it does with our customer."

At the March International Association of Drilling Contractors' Deepwater Drilling Conference in Rio de Janeiro, the hot topic was "the big crew change." Sweeping retirements of senior personnel bring surges of new talent into the industry, and layers of management shift up the ladder. The change brings new ideas and perspectives, but it also brings a lack of experience at creating and managing collaborative relationships—and creates discontinuities in existing collaborations.

With the industry in this fluid and challenging state, creating, re-examining, enhancing, and expanding collaborative relationships is more important than ever. To remain competitive, three process components must adopt new points of view that enhance collaboration.

Selected vendors of goods and services must present themselves as—and truly become—trusted strategic suppliers (Fig. 1). Here are some ways they can move in the right direction:

- Open regular, candid lines of communication between supplier executives and the customer's end user, procurement, and technical leadership.
- Position their business-development and technical teams as best-practice experts within a specialty that serves the end user and its procurement/technical groups.
- Ensure operational delivery dependability to build confidence.
- Understand and communicate how their company's solution augments and complements their customers' knowledge and capabilities.
- Take actions to streamline and customize their solution to reduce the customer's investment in supervision and management.
- Measure and communicate how their internal knowledge and technology enhances their customer's business.
- Train business development teams on their changing roles and responsibilities.

With some operating companies, procurement groups are moving from contention-based competitive bidding

Move from contention-based bidding	Move to collaborative buying
<ul style="list-style-type: none"> • By product/service • Responsive mode • Price focus • Report card 	<ul style="list-style-type: none"> • Jointly develop solutions for groups of products/services • Proactive approach • Total cost of ownership • Value measurement

Fig. 2—Procurement group move from contention-based competitive bidding to a collaborative buying process.



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<p>Re-examine traditional relationships</p> <ul style="list-style-type: none"> • This is the way we are going to do it • These are my vendors • What is the lowest cost 	<p>Move to value recognition</p> <ul style="list-style-type: none"> • What specific value can each supplier bring? • Where are the gaps? • How can we make it work? • Cost sharing
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Fig. 3—Operators must change how they view relationships.

to a more collaborative buying process (Fig. 2). This change requires creativity, value recognition and measurement, and win-win negotiating skills. Here are suggestions on how to start the transition:

- Recognize that customer–supplier collaboration is not the same as a formal strategic partnership or alliance.
- Get the right people at the right level involved from both organizations.
- Focus on key areas that will produce business-unit results for the customer and the supplier.
- Clearly document expectations and commitments.
- Establish mutually agreed measures for success.
- Regularly review the agreed expectations, commitments and success measures.
- Solicit candid performance feedback from all collaborative elements.
- Train procurement teams on their changing roles and responsibilities.

Operations (shorthand for the E&P decision makers who rely on the procurement group) must expand existing relationships, develop new relationships, and be willing to consider doing business with multiple suppliers, some of whom may be new and somewhat unproven but whose

technology and resources are of value (Fig. 3).

- Recognize the increased responsibilities and involvement of procurement groups.
- Identify key technologies and potential partners in collaboration with procurement groups.
- Develop value measurements in all critical areas.
- Develop regularly scheduled communications.
- Hold all parties accountable.
- Focus on solutions.
- Train participants on their changing roles and responsibilities.

There is a fourth participant in the process of shifting toward the new collaborative model. A professional outside facilitator helps each party see the potential value of collaboration, opens new relationship paths, and coordinates the achievement of a new business paradigm. The facilitator leads a process that drives the development of an actionable business plan, including the evaluation, selection, and prioritization of critical initiatives.

The documentation and packaging of the business plan—and an associated communications strategy—ensure accountability. A skilled outside facilitator drives the agenda, keeps all parties on track, stays focused on the

objectives and often acts as a mediator to help resolve conflict.

Fig. 4 outlines the complexity of the relationships in a collaborative model, revealing why these relationships take time and often require sophisticated management skills (such as emotional intelligence) to be successful. The most logical place to start the process is to examine the relationship between procurement and operations. Because these are internal constituencies, they may already be working collaboratively and cohesively. Still, a review is appropriate to identify what, if anything, needs to change to meet the standards outlined above. Assuming, as is usually the case, that there is room for improvement, their joint task is to quantify the gap between where their relationship is today and where they would like it to be within a given period of time (e.g., 12 months out). Once the gap is understood, the groups can identify potential joint projects (or key initiatives) that bridge the gap and move both groups toward desired results (Fig. 5).

As part of this process, an outside facilitator/consultant can help steer the joint team toward more productive collaboration between the customer and a key supplier. Meetings among procurement, operations, and the supplier should begin with a similar gap analysis and the initiatives needed to move toward collaborative relationships should be established. Ultimately, it is a business unit that will assume the overall responsibility for managing the supplier teams involved in crafting and delivering solutions, but it will do so with the cognizance of, and participation by, procurement and other support groups, which hold significant responsibility for enabling the success of the overall endeavor.

Prepare, research, and enroll	Develop strategy and select initiatives	Develop business plan	Execute and measure
<ul style="list-style-type: none"> • Frame project • Develop agenda • Interview stakeholders • Synthesize interviews 	<ul style="list-style-type: none"> • Conduct session • Select and develop plans for key initiatives • Establish accountability 	<ul style="list-style-type: none"> • Document the plan and accountability • Establish metrics for success 	<ul style="list-style-type: none"> • Execute initiatives • Measure progress • Report results

Fig. 4—The collaborative model.

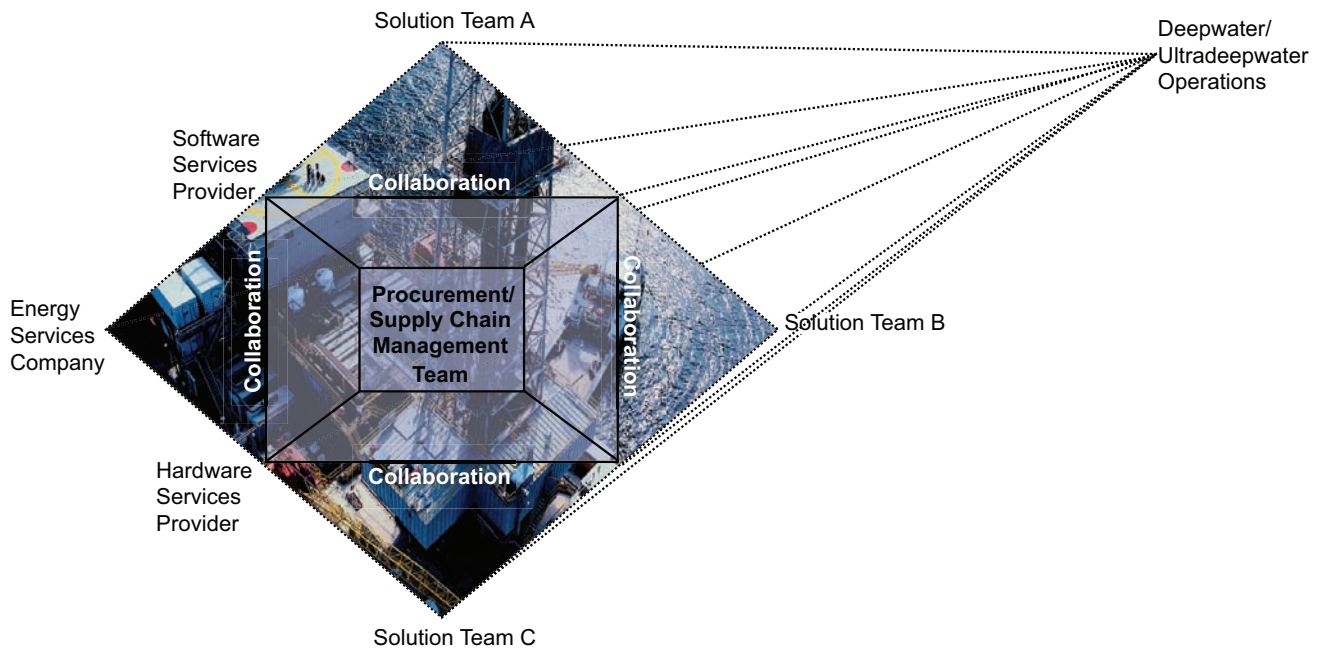


Fig. 5—A model of facilitated collaboration.

In addition to working with the joint leadership, these meetings among supplier, procurement, and operations are where an outside facilitator can typically add significant value. With no turf at stake, with no investment in following tradition or standing policy, and with a background in helping people recognize common purposes, the facilitator can keep the meetings on track, focus the participants on productive engagement, and spot openings that might be less obvious to the principals involved. A nudge, a suggestion, or a bit of experience in building relationships can multiply the potential for value-driven collaboration. The most successful business relationships grow from carefully identified, carefully structured, and carefully nurtured collaboration based on clearly established understandings, joint goals, and values.

Today's deepwater drilling programs are incredibly complex. They require the collaboration of multiple companies, employing unique technologies, to design and deliver integrated solutions in remote and extreme environments. One energy executive put it this way: "Average daily deepwater rig rates have surpassed a half-million dollars. Facilitated collaboration is not a luxury; it is a necessity." **JPT**

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