



Santos, Australia

Contractor Management Improvement Project

“The major benefit from the project was the shift to a costing and value based focus in our work.”

Santos has been an Australian energy pioneer since 1954, it is one of the country’s leading gas producers, supplying Australian and Asian customers. Santos has been providing Australia with oil and natural gas from the remote outback for more than 40 years.

The company today is the largest producer of natural gas to the Australian domestic market, supplying 18% of the nation’s gas needs.

ANALYSIS

Renoir was invited to conduct an assessment of Eastern Australian Business Unit (EABU) with the view to identify opportunities for operational and cost improvement to support the, Santos initiated, Profit Improvement Team objectives.

The survey highlighted some areas for improvement regarding the management systems, processes, structures and behaviours within the EABU.

Amongst the many areas of identified opportunities the Contractor management project was developed. This project would focus on four key service provider contractors selected by Santos. Operating in the well construction area, with the objective of identifying and realising an improvement in the order of 10% of the impactable spend for these contractors. In addition, the project was to implement a Management Control System around the 4 contractors and examine into the Contractor Engagement as well as the Cost Control processes.

The Renoir Focus Process was utilised. This process engaged all stakeholders, both Santos and Contractor, to identify issues and develop solutions and targets. The project lasted 43 weeks.

PROJECT APPROACH

The Project Team comprised of x1 Renoir Project Manager (Full time), x4 Renoir Consultants (Full time) and x4 subject matter competent SANTOS Taskforce Members (TFM) (Full time), selected in agreement between Renoir Operations Project Management and Santos Management. The project was further supported by the Renoir Operations Manager (Part Time).

This setup allowed for optimal co-operation, & co-ordination, between Renoir and Santos, as well as facilitates the in-depth implementation and buy-in from Santos to ensure sustainability.

The ultimate objective of the program was to define, develop and implement changes to the current Santos management practices to improve control over costs.

- Developing and installing an improved Contractor Management Control System with refined roles in the business specific to the management and facilitation of all contract work.
- Developing and installing changes to the procurement system and processes to better manage vendors and reduce procurement costs.

KEY RESULTS

*Increase in productivity of
\$4,700,000*

*Cost avoidance of
\$7,200,000*

Direct savings of \$500,000

*Enhanced daily review
meetings*

Scheduling meetings

*Monthly management
meeting*

Improved road monitoring

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Renoir's commitment was to deliver total cost reductions to the magnitude of \$7,500,000 - \$11,300,000 AUD (12% -20% in spend on contracts). After the baseline was agreed the VP of the EABU had committed the project to a minimum stretch target of \$11,300,000

Baseline Analysis:

As part of the Focus Process the baseline operational and financial data for the nominated four contractors was forensically scrutinised for spend and function for a period of up to eight weeks by the nominated taskforce team (1 x Renoir Consultant & 4 x Santos TFM).

The general approach taken by each of the teams was to look at the processes and management of the contractors and their work practices with the view to eliminate waste and consequently improve productivity.

The final Baseline was agreed by the Finance department and the Management Action Team endorsed the identified initiatives. All savings were to be reflected against this baseline. This was also a Key Milestone Deliverable.

Stakeholder Engagement:

In addition to the desktop based baseline analysis of the process, the Task Force Teams engaged the broader Santos stakeholder community utilising a spectrum of approaches.

These approaches included Project Launch events, Communiqués and regular Newsletters, Focused interviews, consultative process mapping and critique exercises and regular site and stakeholder visits.

The Contractor Management Project was supported by the Management Action Team (MAT) and the Steering Committee.

The charter of the MAT was to endorse the initiatives and facilitate the implementation and overcome barriers. They are the owners of the project.

Initiatives:

Project initiatives focused on elimination of downtime and penalties, improvement of productivity, substitution of high cost to lower cost alternatives, improved logistics solutions and improved scheduling and management.

This was supported by an enhanced Management Control System that includes value based KPI's and performance tracking and pro-active management to resolve nonconformance issues down to Root Cause.

PROJECT RESULTS

The Contractor Management Project delivered \$11.97m which was in excess of the revised stretch target of (\$11.3m) and a significantly enhanced Management Control System. Of significant note a measurable positive behavioural shift has taken place. The operation has shifted from being task focused to now being value focused. There is now a strong sense of pursuing value based outcomes and adherence to schedules and plans.

THE RENOIR GROUP

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