

## Challenging the Status Quo

### Proudfoot Helps Drive a Business Turnaround at a Pipeline Management Company



**Industry:**

Pipeline Management

**Location:**

United States

**Function:**

Operations

**Business Challenges:**

Contractor Management  
Procurement

*"Your work in my areas with contract definition and contract negotiation has turned us around. My people have greatly improved attitudes and understanding of what is expected of them."*

— Chief Financial Officer

### RESULTS

- New proactive management behaviors
- Redesigned procurement process
- Improved employee productivity

#### The Challenges

Transforming a company's prevalent thinking can be a challenge. The operational management service for one of the world's largest pipeline systems was dealing with various political, cultural and financial issues. The pipeline system accounts for more than 20 percent of the United States' domestic crude oil production, transporting more than one million barrels of oil a day. The pipeline is under constant scrutiny from the National Security Agency, Congress and the media; yet the management service had a diminished sense of urgency and concern about costs. The pipeline managers decided to partner with Alexander Proudfoot to challenge the status quo and introduce more systematic controls and management systems.

Proudfoot conducted an extensive review of the pipeline management service's operations to better understand what was holding the company back from achieving its long-term objectives. Significant challenges existed within the sourcing departments; because of the pipeline's remote location, competition for contract work was scarce, resulting in significantly higher wage outlays and limited control over contractor performance. Proudfoot found that rework, poor work definition and inadequate skill sets contributed to considerable contractor downtime, with 47 percent of their time spent on non-value added activities. Timelines and needs drove contracting work efforts with little consideration for commercial aspects. Overall, strategic sourcing lacked a strategic plan and cost saving targets.

Proudfoot also found deficiencies within the commercial, maintenance, engineering and vehicle operating systems. Up to 75 percent of system elements were deemed ineffective. The deficiencies centered on planning workload, estimating orders, assigning work tasks, controlling performance, addressing backlog and taking corrective action to eliminate barriers and improve departmental interactions. Within the vehicle, maintenance and warehouse areas, Proudfoot found a staggering 24 to 62 percent in lost time.

#### The Approach

Proudfoot worked alongside the pipeline managers to tackle these obstacles and turn them into opportunities for a more efficient, productive operation. Newly created management operating systems focused attention on work order estimate accuracy, scheduling optimization and backlog development. Short interval follow-up, daily review meetings and corrective action plans created a sense of urgency and accountability when faced with operational or material delays. The new system led to a decrease in process obstacles like permit delays, rework and disorganization. Proudfoot also identified skill flexibility chokepoints to allow the pipeline managers to put the right people in the right areas.

Proudfoot redesigned the procurement process for defining and awarding contracts to include more clearly defined expectations as well as financial and performance metrics. The existing roles were restructured and assigned responsibilities more in line with the strategic direction of the company.

To ensure the existing managers and contractors supported the new systems and processes, Proudfoot conducted a series of training workshops about proven management techniques. Co-mingling the two groups made a tremendous impact on the participants, helping them understand the broader picture and developing more regard for 'the other side of the fence'. Many people remarked that it was the first formal management training they received as part of the pipeline operations.

#### The Results

In fewer than five months, the pipeline management service experienced a significant turnaround. The traditional reactive way of thinking and resistance to change was challenged through the use of improved processes and systems. The project's 130 percent return on investment came from a reduction in required maintenance hours, an increase in productivity and improved contract terms. ■

*"I am impressed. My people have been working on this for 13 years and it was still a mess."*

— Chief Executive Officer