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Real progress – now let's go faster!

UKCS upstream supply chain collaboration survey

December 2017

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About this report

Methodology

The report is based on the results of a confidential, electronic survey conducted with industry participants in the UK Continental Shelf (UKCS) in September and October 2017. The data and analysis of the results are presented in the report anonymously in an aggregated format.

Demography

There were 157 survey respondents to the Survey. There is an even split within functions (finance, engineering/projects, operations, procurement/logistics and strategy) and job titles (board member, executive and senior management, mid-management and others – mainly project managers).

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Foreword

Welcome to the third edition of the UKCS Upstream Supply Chain Collaboration Review and Index.

Three years after oil prices started to decline, businesses have adapted to the lower price environment. Activity is slowly picking up and some oil and gas companies are now starting to post positive financial results – further supported by the recent increase in oil prices. However, operating in the mature North Sea is still challenging and many businesses are still struggling to keep their heads above water. Prudent cost management and a focus on improving operational efficiency continue to dominate boardroom conversations.

The importance and benefits of supply chain collaboration in dealing with the above challenges have received increasing recognition in the last three years. Undoubtedly, industry-wide initiatives to promote performance improvement through cultural change and collaboration have played a pivotal role in raising awareness. These initiatives include the Culture Change Group of the Efficiency Task Force (ETF), which facilitated a series of ETF Roadshows sharing collaboration case studies, and the Engineering Construction Industry Training Board (ECITB), which developed the Project Collaboration Toolkit to provide guidance and best practice for collaboration in the oil and gas industry.

Supply chain collaboration covers a wide range of activities and behaviours because there is no accepted definition of what it means. Our report uses a framework, which we developed to measure and analyse the change in attitudes over time in an oil and gas context.

The third UKCS Upstream Supply Chain Collaboration Survey (Survey), which forms the basis of this Review and Index, was conducted in September and October 2017. It looks at how behaviours towards supply chain collaboration have changed since September 2015.

This year's Survey also included new questions on cost reduction and decommissioning, the results of which may be published elsewhere.

For the second year running, the Survey is jointly conducted with Oil & Gas UK, with the Index serving as the main measurement tool of its Industry Behaviours Charter and providing confidential feedback to companies on its board.

Similar to last year, our report has three main parts:

- **the Collaboration Review** covers the level and quality of collaboration across the UKCS and discusses attitudes towards collaboration as well as cost reduction
- **the Collaboration Index** (Index) measures the effectiveness of companies as partners in collaboration. While individual company scores are kept confidential, the aggregated Index scores published here give an indication of how effectively operators and suppliers collaborate
- **the Framework for Action** provides guiding principles that companies can follow to make collaboration more effective and drive real transformation in supply chain performance.

We would like to thank Oil & Gas UK for their support, along with survey participants for providing us with their views and welcome your feedback.

We hope you find this report of interest and welcome your feedback.

Graham Hollis

Office Senior Partner, Aberdeen

A large, faint, dark blue icon of a person standing with arms at their sides, centered within a large circle. The person's head is represented by a small circle with a dot in the center. The entire graphic is set against a dark blue background with a thin blue border.

Executive summary

Executive summary

The results of the third Survey provide welcome evidence of behavioural and cultural change in the UKCS since our last report.

The data suggests that both the level and quality of collaboration have improved since last year. More than nine out of ten operators and suppliers say that they collaborate daily and their organisations are taking strategic steps to improve collaboration. Nearly all participants also agree that collaboration will be crucial for their company's future success.

More importantly, the results not only show increased awareness about the benefits of collaboration, they also show more action. The results suggest that 43 per cent of survey participants considered their collaborative engagements successful in 2017 compared with 27 per cent in 2015. This improvement confirms anecdotal evidence that a wider range of companies are trying to work with their suppliers or clients differently and achieve better outcomes.

While collaboration continues to be driven primarily by existing trusted relationships with partners, participants confirmed that company strategy is playing an increasing role in bolstering collaboration. This is an encouraging sign of collaboration becoming progressively embedded in company processes and ways of working.

Cost reduction remains the main reason why companies collaborate. However, organisations appear increasingly willing to share knowledge/learning across the industry and are less focused on transferring risk to their partners. Most of the shift is due to operators, whose position in the supply chain and related behaviour is seen as the main drive of collaborative relationships.

In the past two Surveys, we mostly saw small and medium-size operators successfully deliver projects in a collaborative way. Since the last Survey, we are also seeing some of the larger multinationals challenging traditional ways of working and using collaboration to drive supply chain performance improvement.

Such positive change likely reflects the focus on driving collaborative behaviours across the industry since the Wood Review and the influence of good practice guidelines issued by the Oil and Gas Authority (OGA), Oil & Gas UK and Engineering Construction Industry Training Board (ECITB).

Currently, the majority of change appears to be in the project space which lends itself more readily to successful supply chain collaboration – though the opportunity to build on this in operations is substantial and we hope to see this start soon.

The Industry Collaboration Index score has increased from 6.6 in 2016 to 7.1 in 2017. In addition, for the first time since the Survey started two years ago, the Operator Index was higher than the Supplier Index, which suggests that operators are considered to be better collaborative partners by their key suppliers than vice versa. The improved Index scores not only provide further evidence of stronger operator-supplier relationships across the UKCS, but also confirm a welcome change in operator behaviours.

Our data overall suggests that messages and guidance about the benefits of collaboration are reaching a wider audience. But more significantly, more companies are following the advice and beginning to see positive results – whether reduced costs or productivity improvement.

Cultural and behavioural change takes a long time. Most management change programmes take on average five years to embed.

For the oil and gas sector to show increasing signs of behavioural change in three years is very positive. Although the number of examples of successful collaborative engagements is growing and companies are more willing to share and celebrate them, there is so much more to do and the question arises: How can we use the momentum from this positive set of results to accelerate performance improvement across the industry? In addition, if the recent increase in the oil price continues, how is the industry going to ensure that it does not revert to previous, non-collaborative, 'bad habits'?

We believe the positive impact of effective collaborative behaviours has been proven time and time again and that by employing the right tools and techniques, and building on what has been achieved, the oil and gas sector can improve even faster.





Collaboration Review

Higher level and more successful collaboration in the UKCS in 2017

The results of the third Survey highlight improved behaviours and more evidence of successful collaborative partnerships between operators and suppliers than the second edition a year ago. While the 2016 data showed an increased level of awareness about the benefits of collaboration, there was little evidence of this translating into action suggesting real behavioural change and performance improvement. In contrast, the 2017 results suggest a near-universal acknowledgement by respondents that collaboration is crucial for their company's future success. But importantly, the latest data set shows more evidence of successful collaborative relationships – that is more action.

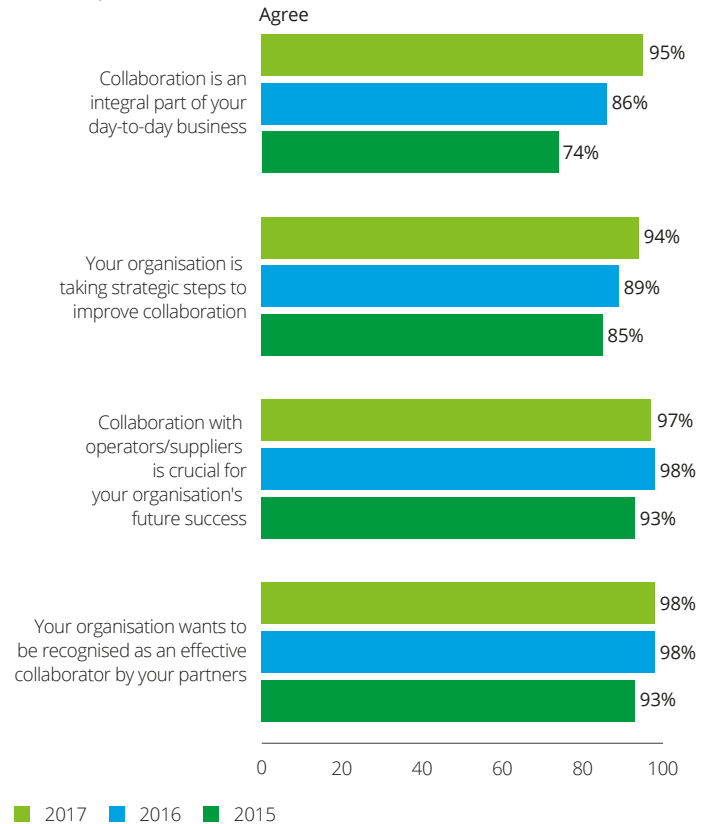
Attitudes to collaboration continue to improve year on year

In 2017, the level of collaboration continued to improve with the vast majority of respondents, 95 per cent, stating that collaboration was an integral part of their day-to-day business (see Figure 1). This is a significant step forward from 2015, when the figure was 74 per cent. Our data suggests that the majority the improvement, similar to last year, came from suppliers.

In addition, more than nine in every ten respondents also say that their company is taking strategic steps to improve collaboration. However, breaking down the data by company type reveals that a higher percentage of suppliers than operators agreed with this statement. Both these data sets confirm suppliers' continued efforts to invest in strengthening their relationships with their customers.

The factor that associates collaboration with future success and the desire to have a reputation for being an effective collaborator remained high for the third survey cycle running.

Figure 1. Attitudes to collaboration
% of respondents

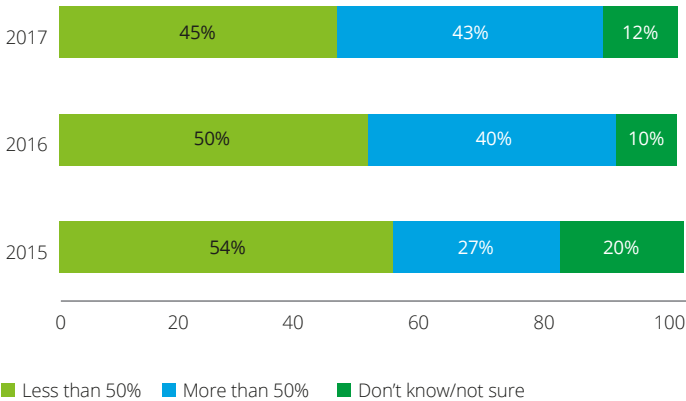


2015 n=58 respondents; 2016 n=107 respondents; 2017 n=110 respondents
Source: Deloitte analysis

Success rates of collaborative efforts also continue to grow

The quality of collaboration also shows continuous improvement in the past three survey cycles (see Figure 2). In 2017, 43 per cent of participants told us that their efforts were successful more than half the time, compared with 27 per cent in 2015. The percentage of those whose efforts were less successful has also fallen considerably across the three years.

Figure 2. Proportion of successful collaboration efforts in the past 12 months
% of respondents

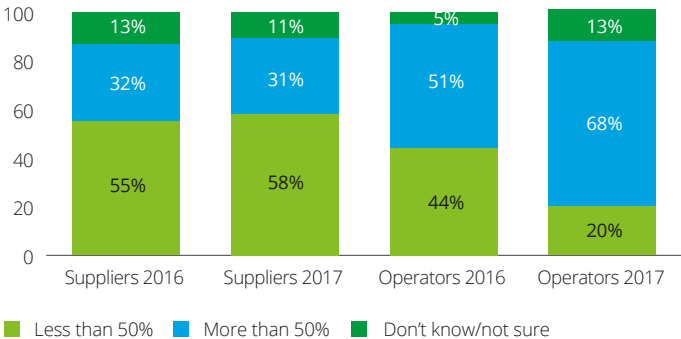


2015 n=55 respondents; 2016 n=101 respondents; 2017 n=121
Source: Deloitte analysis

Operators lead the improvement in success rates on collaboration

Figure 3 breaks down the data in Figure 2 and reveals that most of the improvement came from the operators who report significant growth in the success rates of collaborative efforts from last year (from 51 per cent in 2016 to 68 per cent in 2017). In addition to the Survey results, more operators are also publicly reporting – and celebrating – supply chain collaboration projects that brought them real benefits from changes to the way they execute supply chain processes and manage their supplier relationships. Oil & Gas UK's Efficiency Hub provides a number of examples for successful collaboration efforts focused on efficiency improvement. These cover a range of cost reduction and performance improvement projects.

Figure 3. Proportion of successful collaboration efforts in the previous 12 months
% of respondents



2015 n=55 respondents; 2016 n=101 respondents; 2017 n=121 respondents
Source: Deloitte analysis

Collaboration is still led by 'heroes', but business strategy is starting to play a more significant role

The results of the Survey in the past two years revealed that successful collaboration was mainly driven by behaviours – a collective term we use for favouring relationships based on trust, ensuring that projects are beneficial for both parties and being proactive to find opportunities to collaborate (see Figure 4). These three factors together accounted for 65 per cent of the main reasons for successful collaboration in 2017 and as such they continued to drive collaboration for the third survey cycle running.

This means that collaboration, similarly to previous years, still depends on a limited number of individuals with trusted relationships, who have the authority to ensure that the benefits of collaboration are shared equally and who are proactive enough to pursue opportunities to collaborate. We called these individuals 'heroes'.

The combined figure for behaviours was reduced to 65 per cent in 2017 from 74 per cent in 2015 by more respondents reporting that successful collaborative efforts were encouraged by their company's business strategy (up from 9 per cent in 2015 to 14 per cent in 2017).

In our view, collaboration should be part of how a company works with a set of key suppliers and customers on a day-to-day and project-by-project basis. Collaboration should be encouraged to become a standard way of working across the industry rather than something that only happens in limited situations where a high level of trust exists between individuals.

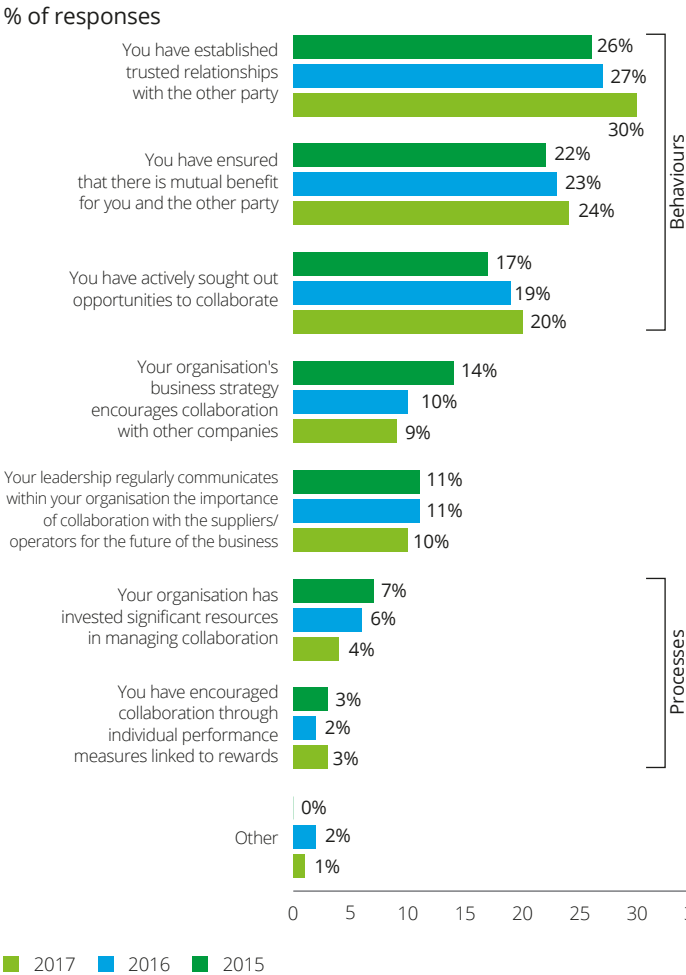
This can be achieved by real changes in both the culture and ways of working through a combination of investment in supply chain relationship management, support from leadership, process changes, and integrating individual and team performance measures.

As we start to see more collaborative ways of working in the UKCS, supported by leadership at all levels, and real cultural change, we would expect the impact of collaboration to become more effective and widespread.

Business strategy encouraging more collaboration also brings the 2017 UKCS results closer to the 2016 Dutch data set. The 2016 edition of our Survey included a comparison of the results of the same Survey conducted in parallel in the Netherlands.¹ The Dutch results showed higher levels and more successful collaborative relationships between operators and suppliers. The data also suggested that collaboration in the Netherlands was driven by business strategy, closely followed by proactivity to find opportunities to collaborate. Trust and mutual benefits were a given in the Dutch oil and gas sector as the long-term relationships and efficient ways of working focused on optimising skills and capabilities, rather than on reducing costs. We are hoping that these results show that the UKCS is moving in a similar direction.

¹ <https://www2.deloitte.com/uk/en/pages/energy-and-resources/articles/collaborating-for-success-making-the-most-of-UKCS.html>

Figure 4. Principal reasons for successful collaboration in the UKCS



2015 n=100 responses; 2016 n=216 responses; 2017 n = 277 responses;
Source: Deloitte analysis

Cost reduction is still the main driver, but more focus on learning and less on risk

The past two years have seen most efficiency efforts focusing on cost reduction in the oil and gas sector globally. Cost reduction has also played an important role in the first two editions of the Survey. The latest Survey included questions specifically aimed at Continuous Improvement Managers to help us better understand the relationship between supply chain collaboration and cost reduction, and the balance of tactical and strategic cost reduction methods in the past 24 months in the UKCS.

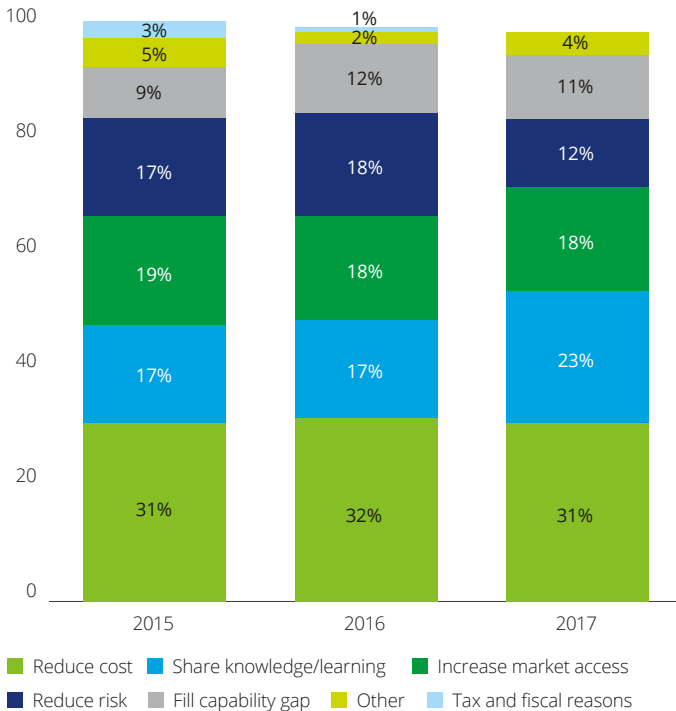
After eliminating all costs that could have been easily cut, we expect supply chain collaboration in the near future to shift from cost reduction to finding more innovative ways to efficient production. This is likely to lead to a natural shift from tactical to strategic cost reduction.

Cost reduction is still the main reason to collaborate, now followed by sharing knowledge/learning and there is less focus on risk

The need to reduce costs has been the leading cause for collaboration since the Survey started three years ago. In 2016, two years after oil prices started falling, the data showed hardly any behavioural change compared with the year before: oil companies were doing what they always did when oil prices slipped – they delayed or cancelled projects, reduced headcount and asked their suppliers to cut prices. Then, we asked for radical steps to ensure the sustainability and longevity of businesses.

In contrast, the 2017 Survey results reveal a welcome shift. While the leading role that cost reduction plays has hardly changed since last year, the willingness to 'share knowledge/learning' factor has jumped to second position among the reasons to collaborate (see figure 5). At the same time, the focus on risk reduction has fallen from 18 per cent in 2016 to 12 per cent 2017.

Figure 5. Principal reasons for collaboration in the UKCS
% of responses



2015 n=108 responses; 2016 n=191 responses; 2017 n = 236 responses;
Source: Deloitte analysis

Operators account for most of the shift in reasons to collaborate. Suppliers show similar change, albeit on a smaller scale

Figure 6 breaks down the data in Figure 5 and shows that the shift noted in Figure 5 is mostly down to operators. While reducing cost as the main reason to collaborate has accounted for 40 per cent of all operator responses (up from 36 per cent last year), sharing knowledge/learning has firmly overtaken risk reduction since last year.

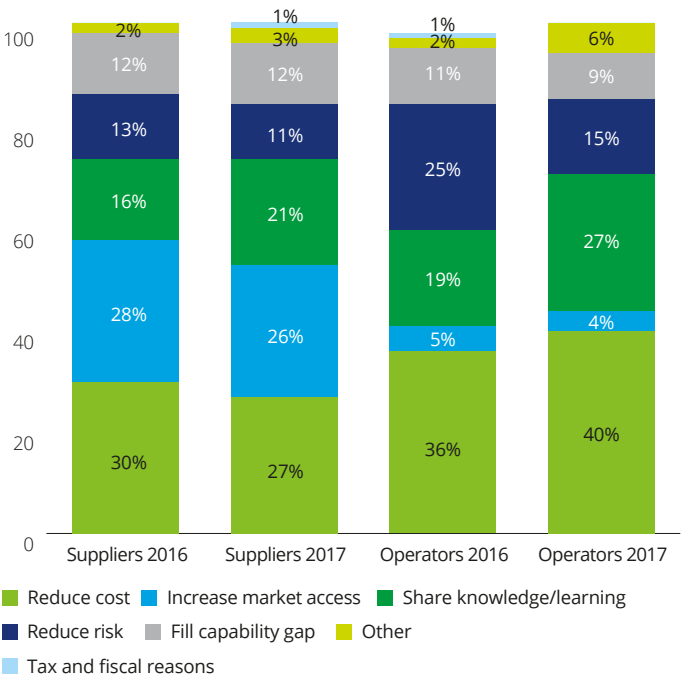
In previous surveys we reported that mostly small and medium-size operators delivered successful collaborative projects. In 2017, we are also seeing some of the larger multinationals challenging traditional ways of working and using collaboration to drive supply chain performance improvement. This is likely to show the impact of good practice guidelines provided by the OGA on asset stewardship and project delivery optimisation, the Oil & Gas UK's Industry Behaviours Charter or ECITB's Project Collaboration Toolkit.

We already noted last year that a number of operators became less interested in transferring risk to their suppliers, and instead encouraged them to provide innovative solutions to increase their chances of success in the tendering process. This trend has grown even stronger in 2017, with the requirement for new ideas becoming a standard part of tenders for many operators now.

Cost reduction also remains the main reason to collaborate for suppliers, but with the oil and gas sector stabilising rather than improving significantly, being innovative, sharing knowledge/learning or simply doing things differently is becoming a necessity to tender successfully for new projects. While some suppliers we interviewed said this trend presents them with a welcome creative challenge, others admitted that it also exposed them to a potential loss of intellectual property and increased costs when they failed to win the tender.

For this reason, some suppliers make the strategic choice to not bid for projects with particular requirements for new solutions, but rather focus on a range of solutions/products they know they can provide profitably. Thus, for some, the standard requirement for new ideas may become a potential obstacle to innovation.

Figure 6. Principal reasons for collaboration in the UKCS
% of respondents



2015 n=108 responses; 2016 n=191 responses; 2017 n = 236 responses;
Source: Deloitte analysis

The role of business transformation in cost reduction is considered important

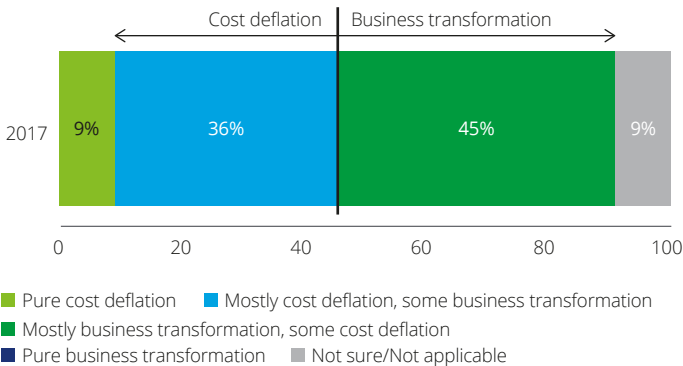
More than three years into the lower oil price environment, prudent cost management and cost reduction are still high on the agendas of oil executives. With most opportunities for traditional cost reduction methods exhausted, we expected to see efforts to find more innovative ways to structural cost reduction by now.

Indeed, nearly a dozen Continuous Improvement Managers surveyed this year told us that overall business transformation – i.e. implementing new ways of working with suppliers, substantial process, organisation and technology changes, new operational excellence techniques or new digital technologies – plays an important role in their cost reduction strategies.² Figure 7 shows that 45 per cent of respondents reduce cost mostly through business transformation. However, this also means that a similar number of respondents are still using cost deflation methods, i.e. no process, organisation or technology changes with the entire focus on simply reducing costs from suppliers, deferring spending on projects and/or eliminating temporary workforce.

² Given that a limited number of Continuous Improvement Managers responded to the Survey, the findings are only reflective of the opinion of a small proportion of the industry and should not be considered as the wider sector view.

Figure 7. The overall nature of cost reduction over the past 24 months

% of respondents

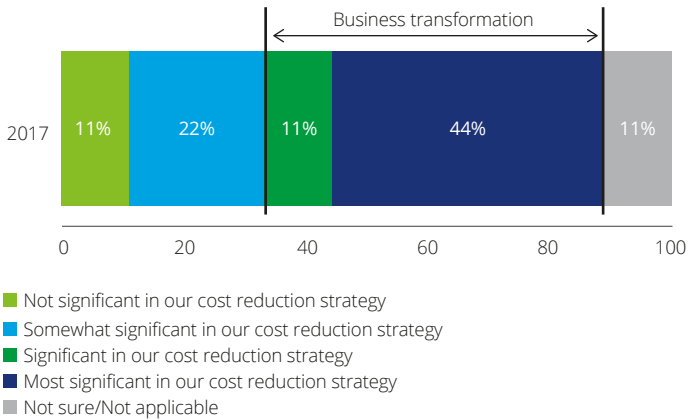


2017 n = 11 respondents
Source: Deloitte analysis

Figure 8 shows that just over half of respondents examine projects from end to end to find structural waste to eliminate rather than ask suppliers to reduce the unit price of products or services. While, again, Figure 8 paints a positive picture, it is clear that about a third of Continuous Improvement Managers who contributed to the Survey still do not consider projects end to end, or they do it to a limited extent only to reduce costs.

Figure 8. The relative importance of focusing on end-to-end business process transformation in your cost reduction strategy

% of respondents



2017 n = 9 respondents
Source: Deloitte analysis

In reality cost reduction remains mainly tactical

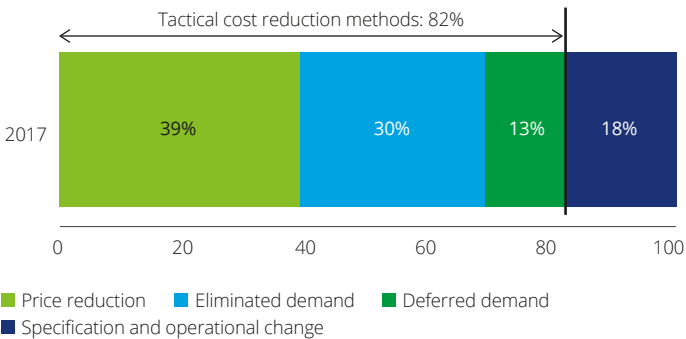
While Figures 7 and 8 present an optimistic view of the role of business transformation in cost reduction among respondents in the UKCS, the reality could be different.

When asked specifically about the most common method used to realise cost savings, only 18 per cent of respondents said that they used specification or operational change in their efficiency improvement programmes over the past 12 months (see Figure 9). Specification change in this instance means increasing the interval between preventative maintenance cycles for equipment through the use of advanced planning and analytical tools and techniques, and using standard rather than bespoke equipment or material.

Eighty-two per cent of responses fell into the category that we consider ‘tactical’ cost reduction methods, covering price reduction, eliminated and deferred demand. While this suggests that business transformation in cost reduction is more of an aspiration than reality for most oil and gas companies, discussions with operators helped put these numbers in a somewhat different context. For some operators, project-related costs make up approximately one-third of total company costs. According to their views, new projects provide more opportunities for innovative project management techniques, strategic cost management methods, new ways of working, as well as the chance to use new equipment and material. In contrast, it is more common to use less creative solutions and more commoditised tools, equipment and services for assets already in operation. Therefore for operational assets, tactical cost reduction methods – where procurement typically plays a more important role – are used more widely.

The North Sea has settled down to a long period of lower, but stable and recently improved oil and gas prices. However, the level of exploration, appraisal or development well drilling has continued to follow a downward trend for a number of years now. While there is a considerable amount of new activity in the basin, in particular around late life assets, few in the industry expect to see a surge in large-scale projects in the UKCS anytime soon. This makes it more difficult to use new methods or even change behaviours when managing decades old assets.

Figure 9. The relative importance of various cost reduction approaches in efficiency improvement over the past 12 months
% of respondents



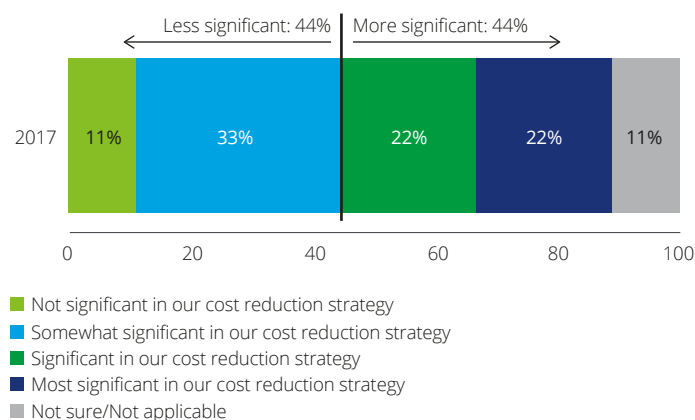
2017 n = 9 respondents
Source: Deloitte analysis

Opinion is split on changing the ways of working with suppliers

Figure 10 shows the importance of changing the ways of working with suppliers to reduce costs. Given the level of costs that suppliers account for in the overall annual expenditure of a typical oil and gas company, it is surprising to see that half of respondents consider it less important to work differently with suppliers.

Figure 10. The relative importance of changes in the way of working with suppliers

% of respondents



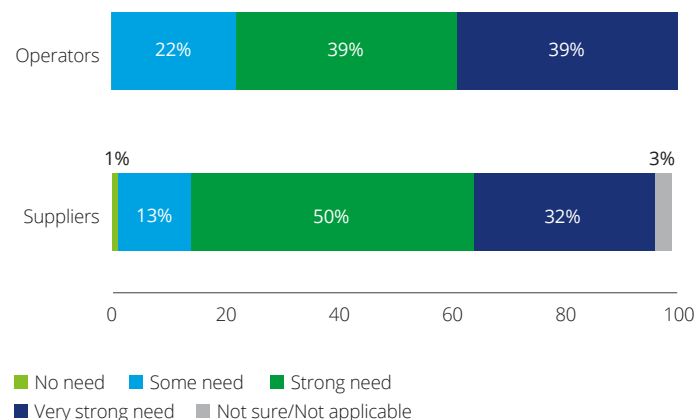
Both operators and suppliers stress the importance of collaboration to reduce the cost of decommissioning

Figure 11 shows that 78 per cent of operators believe that there is either a strong or very strong need to collaborate to improve the economics of decommissioning and 82 per cent of suppliers agree with this view.

Finding effective and efficient ways of working together for operators and suppliers to reduce the cost of decommissioning is imperative given the future costs associated, which according to Oil & Gas UK estimates could reach £17 billion through to 2025.³ Decommissioning is free of the historical legacy structures, systems and processes that large international oil and gas companies are grappling with, and therefore new, efficient ways of working should be easier to establish.

Figure 11. The need to increase collaboration to reduce the effective cost of decommissioning

% of respondents



³ <http://oilandgasuk.co.uk/wp-content/uploads/2017/09/Economic-Report-2017-Oil-Gas-UK.pdf>



A large, faint, dark blue circular graphic is centered on the page. Inside the circle is a stylized icon of two hands shaking, representing collaboration or agreement. The lines of the hands and the circle are thick and dark blue.

Collaboration Index

Collaboration Index

What is the Collaboration Index?

The second part of the Survey is called the Collaboration Index (Index), where survey participants confidentially rate their partners as collaborators.

The Index consists of 12 positive statements that participants were asked to agree or disagree with across three main domains: Openness, Incentives and Business Processes. Participants could provide feedback on the twelve operators and nine suppliers of the Oil & Gas UK Board plus five additional operators and eight suppliers to provide greater industry coverage.

The ratings were aggregated to provide a numerical Index score for each company ranging from 1 to 10. The higher the Index score, the better collaborator a company is considered by its partners. These scores form the league tables of peers: the operators league table and the supply chain league table. These league tables and the individual company Index scores remain confidential. However, in Figure 12 we provide the aggregated scores for the industry for each question as it appeared in the Survey. In Figure 13 we break the industry scores down to operator and supplier overall scores.

At confidential meetings Companies are given their individual Index scores and their position in the league table of peers – without the scores of others being revealed, in one-to-one meetings.

Why does the Index matter?

The Index can be viewed as a measure of supply chain collaboration and efficiency because successive surveys can be used to assess the impact of measures taken. Operators that are consistently voted leaders in successive Indices also have some of the lowest operating unit costs in the UKCS. Production costs depend on a number of factors, many of which are outside the control of an operator. However, leading operators in the Index work with the same suppliers and use the same tools and technology as everyone else in the UKCS, yet a number of their

field development projects were completed below budget and finished ahead of schedule. We believe that this is primarily due to the effective project management principles they follow, part of which is reliant on the strong, long-term relationships they have built with their suppliers.

The Index highlights areas of underperformance and helps companies assess their own position against their peers. This in turn can help organisations identify areas where closer collaboration with the supply chain/operators can help improve their performance.

Collaboration Index 2017 results

The industry-wide Index 2017 score has improved from 6.6 out of 10 to 7.1 as shown in Figure 12. This is the third successive annual improvement in the Index scores since the Survey started in 2015.

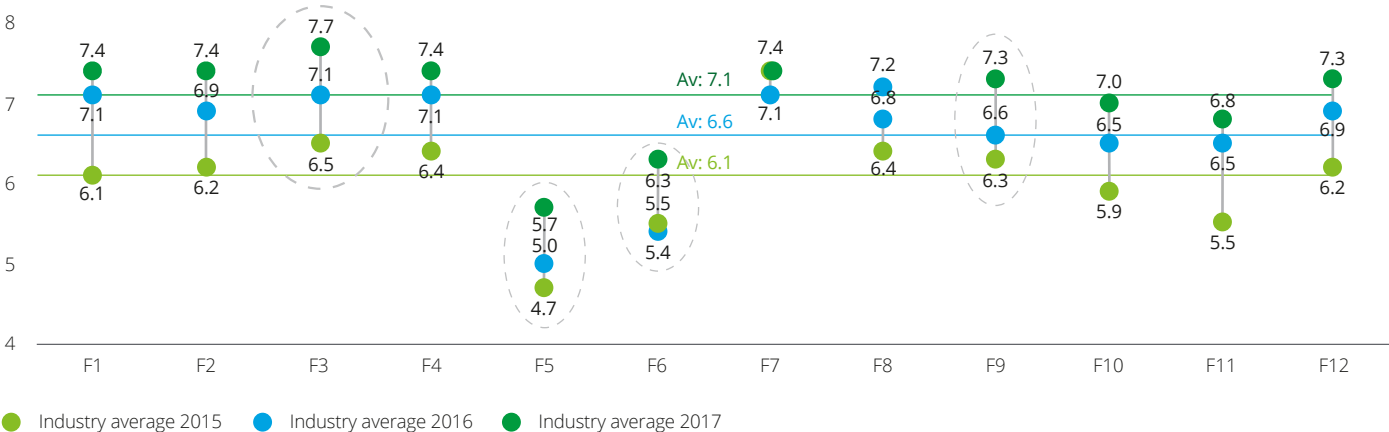
Similar to the two previous years, encouraging collaboration by financial as well as contractual means remain the two lowest scoring areas and suggest opportunities for further improvement.

Factors relating to openness have seen the largest improvement since 2015. More industry awareness is the most likely reason behind the higher scores and trust has now become the highest scoring factor across the Index (F3 in Figure 12).

In terms of incentives, financial encouragement of collaboration continues to be the lowest scoring area, although there has been some significant improvement since last year (F5 in Figure 12). While the aggressive cost reduction programmes of 2015 and 2016 have levelled off, cost deflation, especially for more commoditised products and services, still continues in the UKCS. This could explain why the financial incentives score remains below other scores. Similar to previous years, operators who continue to share the benefits of collaboration equally consistently score high on this factor.



Figure 12. Collaboration Index: 2015-2017 industry averages



2015 n=105 responses; 2016 n=464 responses; 2017 n=584 responses;
Source: Deloitte analysis



Openness

- F1 Is a partner that communicates well with you.
- F2 Are willing to collaborate with you.
- F3 You can trust them when working together.
- F4 Overall, a good level of openness exists between you and them.



Incentives

- F5 They incentivise you financially to collaborate.
- F6 The terms of your commercial agreement with them effectively promote collaboration.
- F7 Collaborating with them enhances your reputation.
- F8 Overall, they help you improve your business.



Business processes

- F9 They encourage input from you early in the project.
- F10 They proactively seek out new ideas and solutions.
- F11 They have a track record of implementing change effectively.
- F12 Overall, it is easy for your organisation to work together with them.

The most improved factor in 2017 was ‘encouraging collaboration by contractual means’ (F6 in Figure 12). We are now seeing a more widespread recognition of the business benefits of collaboration, which requires a different approach to contracts to encourage the right behaviours.

All business processes factors, and in particular the ‘encouragement early in a project’ factor (F9 in Figure 12), have increased significantly over the past year. A breakdown of this figure reveals that it was driven by improvement in operator scores, suggesting that a higher number of suppliers feel more involved in projects from an earlier stage, giving them more opportunity to influence the project’s development over its lifecycle.

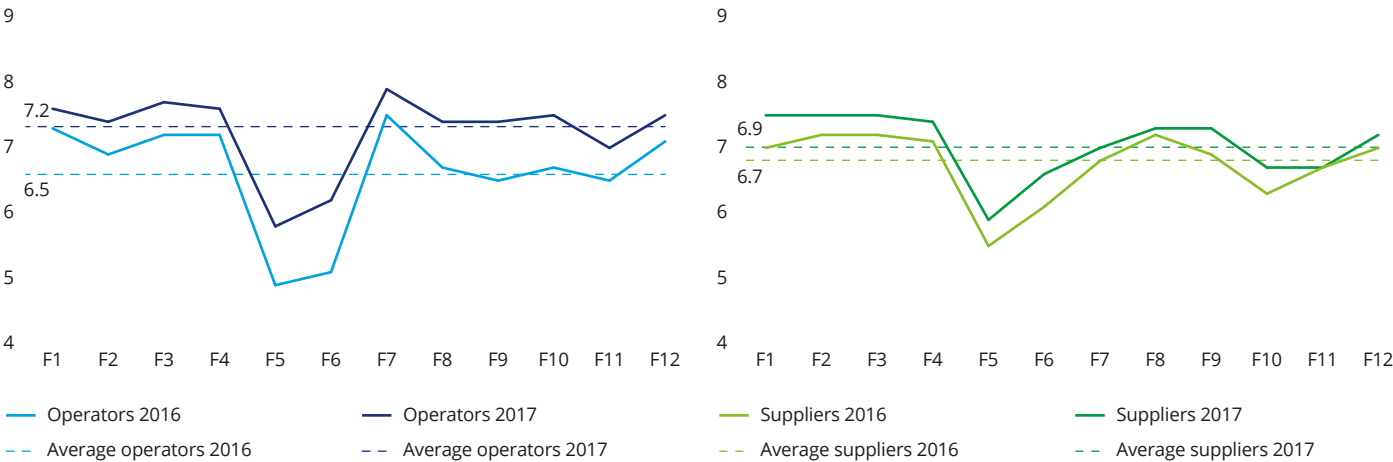
Operator and supplier Index 2017 averages

For the first time since the Survey started, operator averages are higher than supplier averages.

The operator Index average increased from 6.5 in 2016 to 7.2 in 2017. This is a significant improvement and reflects the progress that operators are making in strengthening their relationships with their strategic suppliers. Clearly, momentum is building, with more operators across the spectrum reporting more examples of successful collaborative projects with their suppliers, whereas three years ago such examples tended to be fewer and niche in nature.

The supplier Index average has also increased from 6.7 in 2016 to 6.9 showing that operators are recognising the efforts that suppliers are making in developing these relationships.

Figure 13. Collaboration Index: UKCS operator and suppliers averages



Operators 2016 n=281 responses; Operators 2017 n=395 responses;
Source: Deloitte analysis

Suppliers 2016 n=183 responses; Suppliers 2017 n=189 responses;
Source: Deloitte analysis





Framework for action

Framework for action

The Review and Index show that a lot of progress has been made in the past year: awareness of the benefits and importance of supply chain collaboration is near-universal. While we found more examples of successful collaboration among international oil and gas companies in 2017 than the year before, there is still a long way to go for the practice to become the industry norm.

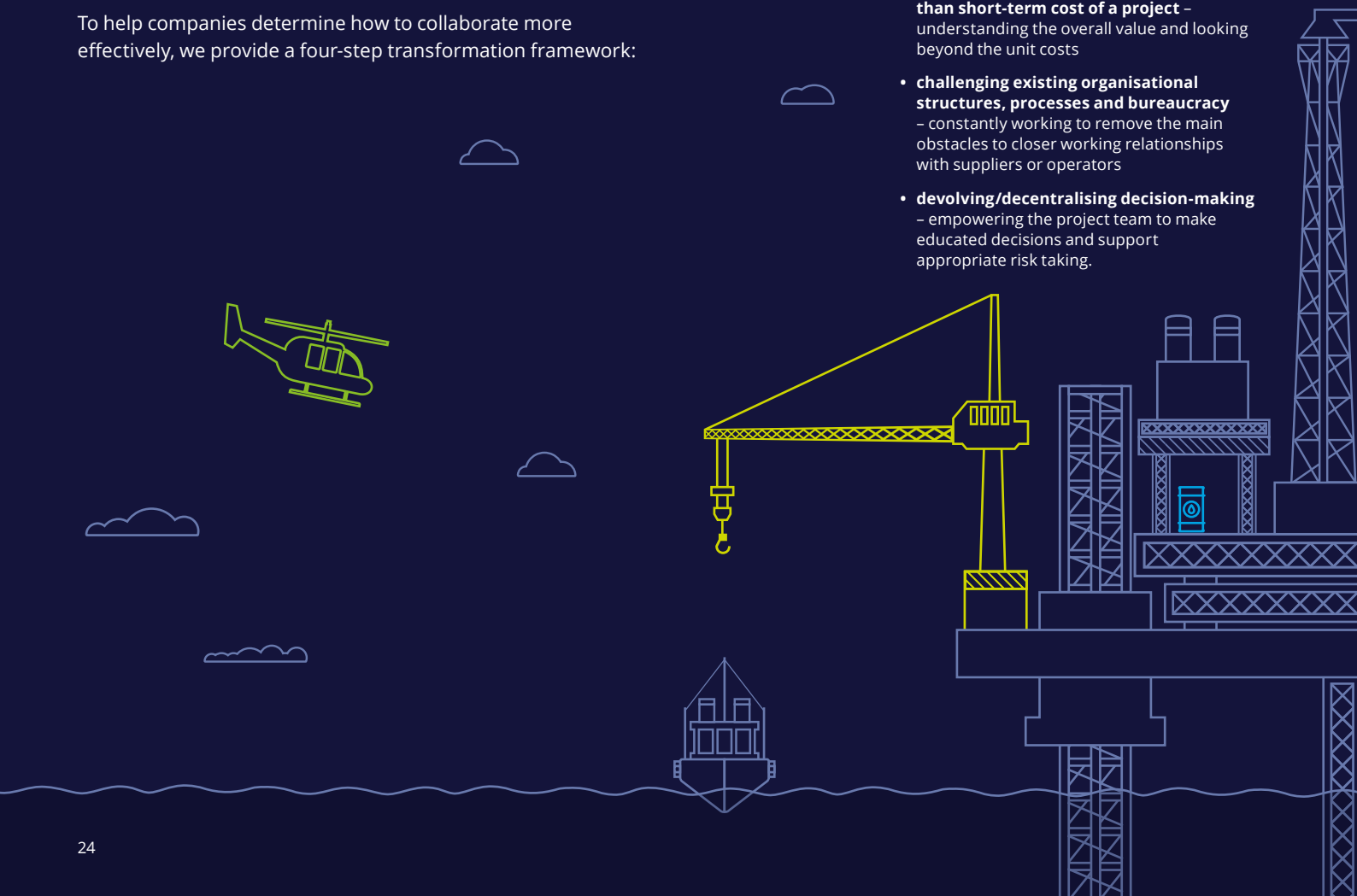
To help companies determine how to collaborate more effectively, we provide a four-step transformation framework:

Leadership:

Change must start at the top
Take early responsibility and lead by example.

Leadership is about:

- **setting the course** – setting the overall direction and encouraging collaborative behaviours
- **focusing on the long-term value, rather than short-term cost of a project** – understanding the overall value and looking beyond the unit costs
- **challenging existing organisational structures, processes and bureaucracy** – constantly working to remove the main obstacles to closer working relationships with suppliers or operators
- **devolving/decentralising decision-making** – empowering the project team to make educated decisions and support appropriate risk taking.



Goals:

Pick a small but important project, do it and expand

Be clear on the goals and objectives. collaboration needs to:

- **focus on the outcome** – be clear on what success looks like, how you are going to measure it and communicate consistently
- **start with a small but important project** – identify a project or part of the business that would benefit most from collaboration. Think about potential pilot activities – i.e. lean supply chain, targeted operational excellence, data-driven supply chain/maintenance
- **consider widening the project** – once you have demonstrated success and gained some experience.

Alignment:

Build systems and processes around the goal

Identify how operations, processes and systems need to change to support new ways of working at scale. This should include:

- **identifying the core changes** to key systems and processes you need to establish for the new ways of working
- **building a small, but integrated team** of both supplier and operator; every team member should be clear on their responsibilities and able to see the direct impact of their actions on the final deliverable; motivate team members to make timely decisions and be focused on commercial discipline
- **keeping things simple** and closely aligned to your defined goals, eliminate duplication, e.g. in documentation and testing; use standard solutions, avoid bespoke systems and products if possible
- **building simple, focused governance** – a short contract should focus on the intent of the project rather than the detail
- **avoiding unnecessary bureaucracy** – keep documentation only necessary for the completion of work, reduce documentation reviews and sign-offs.

Results:

Measure, feedback, improve, repeat

Make sure you measure the right factors and support continuous improvement. Remember to:

- **collect data that will help you understand how the project is progressing** towards its ultimate goal, where the hidden costs are and how you can enhance the value of the project
- **collect and share data with everyone**, including the suppliers
- **develop and drive a culture of constant analysis, feedback and continuous improvement** across the supply chain – data should be constantly analysed and both the operator and supplier should be incentivised to make suggestions for improvement.







Industry Behaviours Charter

Industry Behaviours Charter



OIL&GAS^{UK}

In support of the Efficiency Task Force for maximising economic recovery

This industry charter, signed by members of Oil & Gas UK and supported by the Oil and Gas Authority, is a collective commitment to work effectively, efficiently and co-operatively.

It will be applied by every company, and to all activities, in order to achieve transformational change for the UK's offshore oil and gas industry.

Our vision

To promote the behaviours that will deliver a safe, competitive and sustainable industry capable of maximising economic recovery in the UK Continental Shelf and therefore best serving its stakeholders.

In pursuit of this, my business will:

1. **Be an early adopter** of efficiency initiatives and new technology, sharing learnings with others
2. **Provide access to decision makers** through a specific, fast access point, in order to escalate issues
3. **Strengthen industry co-operation** through continual improvement in and support for, industry codes of practice, forums and standards
4. **Contribute to performance improvement** by ensuring transparent and time-bound legal, commercial and contractual engagements
5. **Commit to continuous improvement** through regular review of the delivery of this Charter, across all levels of my business.

For further information and to sign up please go to <http://oilandgasuk.co.uk/industry-behaviours-charter.cfm>

A stylized graphic of a smartphone is centered on the slide. It consists of three concentric rectangles representing the phone's frame, with a small circle at the bottom center representing a home button. This entire graphic is enclosed within a larger circle.

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Notes





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