



Which companies lead when it comes to oil and gas supply chains? Boston Strategies International picks the world's top players

**B**oston Strategies International (BSI) recently held its 2010 Oil and Gas Supply Chain Awards in Houston, following its annual in-depth global oil and gas supply chain benchmark study in which diverse companies respond from countries as widespread as Australia, Germany, India, Italy, Nigeria, Norway, South Africa and the United States. Winners are evaluated based on their demonstrated supply chain processes and performance on nine dimensions: supply chain strategy, supply chain organisation, demand and capacity planning, procurement, production, maintenance and engineering, logistics and materials management, information systems, performance feedback and manage-

ment. Previous years' award winners include Qatar Fuel (Qatar), Bharat Petroleum Corporation Limited (India) and FMC Kongsberg Subsea (Norway). The 2010 award winners are:

#### **Shell**

Shell won based on its high-performing standardisation program, which allowed it to reduce purchase prices by 30 per cent for valves, cut variety by 50 per cent, through use of its extensive Materials and Equipment Standards and Code (MESCC) catalogue. The catalogue, which is based on ISO and IEC standards to ensure interoperability, integrates 370 Design and Engineering Practices (DEPs) that standardise tools and facilities, reducing recur-

ring engineering and design work and consolidating spend on standard items. In addition to reducing purchase cost, the practice also reduces delays due to supplier confusion and costs related to unnecessary rework. Continuous feedback from users and participation from external standards bodies keeps specifications up to date. Shell more than doubled the number of DEPS between 2000 and 2010, and is aiming for a DEP age of 3.5 years.

Alfred Kruijjer, Principal Technical Expert Piping & Valves, accepted the award saying, "The benefits of standardisation and interoperability accrue to many parties in the supply chain. Our internal team has been able to achieve truly meaningful results thanks to the efforts of our suppliers and organisations such as ISO. I am proud that our collective effort has been recognised by Boston Strategies International."

### Chevron

Chevron Corporation (USA) won for its effective in extending its internal Lean Six Sigma techniques to its suppliers. The first pilot project in 1999 reduced operat-

ing costs at a California water treatment plant by 30 per cent. Lean Sigma, which officially started as a grass roots initiative in year 2000, validated financial benefit of US\$250 million in 2008, US\$400 million in 2009 and is projected to exceed US\$500 million in 2010. Hundreds of projects across the US, UK, Angola and Indonesia contributed to the achievement. An internal consulting group led by Stephen Turnipseed helps facilitate the Chevron businesses in starting and maturing their programs. As the SBU programmes mature, Chevron actively engages its suppliers and contractors in improvement projects and in development of similar continuous improvement programmes.

Examples of improvement projects include the streamlined truck routing for KS industries (a piping installer), affecting more than 200 employees, and standardising the vehicle fleet for Braun Electric Co., which installs Chevron's electrical systems for oilfield pumps. This initiative has reduced average drilling time, reduced workover rig cycle time and reduced the lead time for engineering drawings.

### Baker Hughes

Baker Hughes won the award based on its supply chain transformation strategy and year-one achievements: the group has publicly declared US\$100 million in volume adjusted cost reduction per year for the next three years. The roots of the savings trace to supplier categorisation and rationalisation, strategic sourcing designed to shorten the chain and dramatic improvements in lean manufacturing in their 'go-forward' manufacturing facilities. The company created a global supply chain and manufacturing organisation in April, 2009, and appointed Arthur Soucy, formerly Pratt & Whitney's VP of Global Supply Chain, to run it. Soucy, now Vice President of Supply Chain, accepted the award, saying, "Baker Hughes has launched a major supply chain transformation that is starting to pay huge dividends. Our plants are getting leaner and our chains are getting shorter. This will position the company to deliver greater value to our customers and shareholders going forward." 🌅

The winners' circle, from left to right: Bill Le Sage, OFS Portal; Mayank Agarwal, BSI; Chuck Scorpiniti, Shell; Arthur Soucy, Baker Hughes; Tom Lennon, Chevron; David Jacoby, BSI

