Title: Transforming Facilities Management Services: A Strategic Sourcing and Change Management Initiative for a Fortune 10 Oil and Gas company

Executive Summary

In the highly competitive oil and gas industry, operational efficiency and cost optimization are critical for maintaining a competitive edge. This business case explores a comprehensive Facilities Management Services (FMS) sourcing and change management project undertaken by a Fortune 10 oil and gas supermajor. With 16 refineries spread across North America and over 510 suppliers servicing these sites, the company faced challenges related to supplier management, invoice processing, and cost control. By aggregating services and awarding contracts to a select group of FMS providers, the company reduced its supplier base to 85, streamlined processes, and achieved annual savings of over \$3.2 million. The initiative also resulted in a 60% reduction in invoices, avoidance of late payment penalties, and enhanced visibility into service tasks through project management software.

Introduction

The oil and gas industry operates in a complex environment characterized by fluctuating commodity prices, stringent regulatory requirements, and intense competition. Companies must continuously seek ways to optimize operations, reduce costs, and improve efficiency. Facilities Management Services (FMS) play a crucial role in supporting core operations, ensuring that physical assets are maintained, and that services are delivered efficiently across multiple sites.

This business case examines a strategic sourcing and change management project undertaken by a leading oil and gas company to transform its FMS operations. The project focused on consolidating suppliers, streamlining processes, and leveraging technology to achieve significant cost savings and operational improvements.

1. Background and Objectives

1.1 Company Overview

As a Fortune 10 oil and gas supermajor, the company operates extensively across the energy value chain, including exploration, production, refining, and distribution. With 16 refineries located throughout North America, the company requires extensive facilities management to support its operations.

1.2 Challenges Faced

• **Fragmented Supplier Base:** Over 510 suppliers provided various facilities management services across the refineries, leading to complexity in supplier management.



- **Inefficient Processes:** High volume of invoices resulted in administrative burdens and increased the risk of late payments and associated penalties.
- Lack of Visibility: Limited oversight of service tasks and expenditures hindered the ability to manage costs effectively.
- **Inconsistent Service Levels:** Variability in service quality across sites due to different suppliers and lack of standardized contracts.

1.3 Project Objectives

- **Supplier Consolidation:** Reduce the number of suppliers to improve management efficiency and leverage purchasing power.
- **Cost Reduction:** Achieve significant annual savings by negotiating better terms and streamlining services.
- Process Improvement: Decrease invoice volume and improve payment processes to avoid penalties.
- **Enhanced Visibility:** Implement project management software for better tracking of service tasks and expenditures.
- **Change Management:** Ensure smooth transition to new suppliers and processes with minimal disruption to operations.

2. Strategic Sourcing Approach

2.1 Spend Analysis

The first step involved conducting a comprehensive spend analysis to understand the scope and scale of facilities management services across all refineries.

- Data Collection: Gathered data on all FMS-related expenditures, contracts, and suppliers.
- **Categorization:** Classified services into categories such as maintenance, cleaning, landscaping, security, and technical services.
- **Spend Mapping:** Identified high-spend areas and opportunities for consolidation.
- 2.2 Supplier Assessment
- **Performance Evaluation:** Assessed existing suppliers based on service quality, compliance, and cost.
- **Risk Analysis:** Identified suppliers with potential risks, such as financial instability or non-compliance with regulations.
- **Supplier Rationalization:** Determined which suppliers could be retained, consolidated, or replaced.

2.3 Market Research

- Industry Benchmarks: Researched industry standards and best practices in facilities management.
- **Supplier Landscape:** Identified leading FMS companies capable of servicing multiple locations with consistent quality.



• **Technology Solutions:** Explored project management software options to enhance service tracking and communication.

2.4 Strategy Development

Developed a strategic sourcing plan focusing on:

- **Aggregation of Services:** Bundling FMS requirements to leverage volume and negotiate better terms.
- **Competitive Bidding:** Issuing Requests for Proposals (RFPs) to select suppliers based on predefined criteria.
- **Contract Standardization:** Developing uniform contracts with clear Service Level Agreements (SLAs).
- **Change Management Planning:** Preparing for the transition to new suppliers and processes.

3. Implementation Process

3.1 Supplier Selection and Contracting

3.1.1 Request for Proposal (RFP) Process

- **RFP Development:** Created detailed RFPs outlining service requirements, performance expectations, and evaluation criteria.
- Supplier Engagement: Invited qualified FMS companies to participate in the bidding process.
- **Evaluation Criteria:** Assessed proposals based on cost, capability, technology integration, safety records, and sustainability practices.

3.1.2 Negotiations and Award

- **Cost Negotiations:** Leveraged aggregated volume to negotiate favorable pricing and terms.
- Service Agreements: Established SLAs with clear performance metrics.
- **Supplier Awards:** Reduced the supplier base from over 510 to 85, selecting providers capable of delivering comprehensive services across multiple sites.

3.2 Process Optimization

3.2.1 Invoice Reduction

- **Consolidated Billing:** Worked with suppliers to implement consolidated invoicing, reducing the number of invoices by over 60%.
- **Electronic Invoicing:** Adopted e-invoicing solutions to streamline payment processes.
- **Payment Terms:** Standardized payment terms to prevent late payments and penalties.

3.2.2 Technology Implementation

 Project Management Software: Deployed software to manage task tickets, track service requests, and monitor supplier performance.



- Integration with ERP Systems: Ensured seamless data flow between project management tools and existing Enterprise Resource Planning (ERP) systems.
- **Training:** Provided training to staff on using new software and processes.

3.3 Change Management

3.3.1 Communication Plan

- **Stakeholder Engagement:** Informed all stakeholders, including refinery managers, procurement teams, and suppliers, about upcoming changes.
- Regular Updates: Provided continuous updates on implementation progress and addressed concerns promptly.

3.3.2 Training and Support

- **Staff Training:** Conducted training sessions for employees on new processes and technologies.
- **Supplier Onboarding:** Assisted new suppliers in understanding company policies, safety requirements, and performance expectations.

3.3.3 Monitoring and Feedback

- **Performance Tracking:** Monitored supplier performance against SLAs and KPIs.
- **Feedback Mechanisms:** Established channels for employees and suppliers to provide feedback and suggest improvements.

4. Results and Benefits

4.1 Cost Savings

- **Annual Savings of \$3.2 Million:** Achieved through negotiated pricing, reduced administrative costs, and improved operational efficiency.
- Economies of Scale: Leveraged volume discounts by consolidating services and suppliers.

4.2 Improved Operational Efficiency

- Invoice Reduction: Decreased the number of invoices by over 60%, reducing administrative workload and processing times.
- **On-Time Payments:** Avoided late payment penalties by streamlining payment processes.
- Standardized Services: Achieved consistent service levels across all refineries.

4.3 Enhanced Visibility and Control

- **Task Tracking:** Implemented project management software provided real-time visibility into service requests, work progress, and supplier performance.
- Data-Driven Decisions: Access to accurate data enabled better planning and decisionmaking.

4.4 Supplier Relationship Management



- **Strategic Partnerships:** Developed stronger relationships with key suppliers, fostering collaboration and continuous improvement.
- Performance Management: Regular reviews ensured suppliers met or exceeded expectations.

4.5 Compliance and Risk Management

- Regulatory Compliance: Ensured all suppliers adhered to safety and environmental regulations.
- **Risk Mitigation:** Reduced reliance on high-risk suppliers by selecting financially stable and compliant providers.

5. Challenges and Mitigation Strategies

5.1 Resistance to Change

- Challenge: Employees and site managers were accustomed to existing suppliers and processes.
- **Mitigation:** Communicated the benefits of the changes, involved stakeholders in the planning process, and provided adequate training.

5.2 Supplier Transition

- **Challenge:** Switching to new suppliers posed risks of service disruption.
- **Mitigation:** Developed detailed transition plans, including overlap periods with outgoing suppliers and close monitoring during the initial stages.

5.3 Technology Adoption

- **Challenge:** Adoption of new project management software required a cultural shift and learning curve.
- **Mitigation:** Offered comprehensive training and support, highlighted quick wins to demonstrate value, and encouraged feedback.

6. Key Success Factors

6.1 Executive Support

• Leadership Commitment: Senior management actively supported the initiative, providing necessary resources and reinforcing its importance.

6.2 Cross-Functional Collaboration

- **Team Effort:** Involvement of procurement, finance, operations, and IT departments ensured a holistic approach.
- **Open Communication:** Regular meetings and updates facilitated alignment and addressed issues promptly.



6.3 Strategic Supplier Relationships

- **Mutual Goals:** Worked closely with selected suppliers to align objectives and expectations.
- Continuous Improvement: Encouraged suppliers to innovate and suggest enhancements to services.

7. Lessons Learned

7.1 Importance of Data Accuracy

- Accurate Spend Data: Reliable data was crucial for effective spend analysis and decisionmaking.
- Data Management Systems: Investing in robust data management systems facilitated better insights.

7.2 Change Management is Critical

- **Stakeholder Engagement:** Early and ongoing engagement with stakeholders minimized resistance.
- Flexibility: Being adaptable and responsive to feedback improved the implementation process.

7.3 Technology as an Enabler

- Leveraging Technology: The adoption of project management software significantly enhanced visibility and control.
- **User Adoption:** Ensuring that technology solutions are user-friendly encourages adoption and maximizes benefits.

8. Future Opportunities

8.1 Continuous Improvement

- **Regular Reviews:** Ongoing assessment of processes and supplier performance to identify further improvements.
- **Benchmarking:** Comparing performance against industry standards to maintain competitiveness.

8.2 Expansion of Scope

- Additional Services: Exploring opportunities to include more services under the FMS umbrella.
- Global Implementation: Considering rolling out the successful model to international operations.

8.3 Sustainability Initiatives

- Environmental Impact: Working with suppliers to implement sustainable practices.
- Energy Efficiency: Investing in facilities upgrades that reduce energy consumption and costs.



Conclusion

The Facilities Management Services sourcing and change management project delivered significant benefits to the Fortune 10 oil and gas supermajor. By consolidating suppliers, streamlining processes, and leveraging technology, the company achieved annual savings of over \$3.2 million, reduced administrative burdens, and enhanced operational efficiency across its 16 North American refineries. The initiative underscores the value of strategic sourcing and effective change management in transforming support functions to drive cost savings and performance improvements.

The success of the project provides a blueprint for other organizations seeking to optimize their facilities management operations. Key takeaways include the importance of data-driven decision-making, the critical role of stakeholder engagement, and the potential of technology to enhance visibility and control.

Appendix

A. Key Performance Indicators (KPIs)

- Cost Savings Achieved
- Invoice Volume Reduction
- On-Time Payment Rate
- Supplier Performance Scores
- Service Request Response Times
- Compliance with SLAs

B. Project Timeline Overview

- 1. Project Initiation: Month 1
- 2. Data Collection and Analysis: Months 1-2
- 3. Supplier Assessment and RFP Process: Months 3-4
- 4. Negotiations and Contracting: Months 5-6
- 5. Implementation Planning: Months 6-7
- 6. Supplier Transition and Training: Months 8-9
- 7. Full Implementation: Month 10 onwards
- 8. Monitoring and Continuous Improvement: Ongoing

Author Bio

The author is a seasoned procurement and supply chain professional with over 20 years of experience in the supply chain industry. Specializing in strategic sourcing and operational



optimization, the author has led multiple large-scale projects that have delivered significant cost savings and efficiency improvements for global organizations.

Keywords

Facilities Management Services, Strategic Sourcing, Change Management, Supplier Consolidation, Oil and Gas Industry, Operational Efficiency, Cost Savings, Project Management Software, Supplier Performance, Procurement Optimization.

