

# NAVIGATING A FLEXIBLE WORKFORCE IN THE OIL AND GAS INDUSTRY



Finding and managing the right mix of talent can be challenging for organizations in any industry. Yet few face greater risks associated with workforce management than the oil and gas sector. New and evolving laws, Health, Safety and Environmental (HSE) regulations, labor shortages and heavy financial penalties for compliance violations can cause enormous burdens. Unfortunately these often lead to increased costs, decreased productivity and a damaged reputation.

Oil and gas companies across the globe are struggling with procuring skilled workers, such as engineers, geologists, subsea installation engineers, field safety advisors, etc., to meet their employment needs. A 2012 report from [Economist Intelligence Unit](#) cites that the skills shortage is becoming more acute and was ranked by senior oil and gas executives as the second most significant barrier to growth. In fact, by 2015 there is potential for a shortage of approximately 150,000 people in Western Australia alone.

Frequent turnover, project changes and fluctuating market conditions can lead to disorganization with current workers and difficulties onboarding new ones. Lack of visibility within the workforce often masks additional problems such as improper certification and licensing errors, inaccurate labor rates, non-productive downtime or, just the opposite, excessive overtime. A 2013 report from Accenture suggests that contingent labor—perhaps 30 percent to 50 percent of a typical oil and gas company's entire workforce—may be under-managed, under-utilized and under-optimized.

This resource explores how oil and gas organizations facing these challenges discovered one common tool to help address them: SAP Fieldglass' Vendor Management System (VMS). Learn how companies that rely on this cloud-based solution have achieved noteworthy results and expect an even greater impact in the future.

SAP Fieldglass helps oil and gas companies procure and manage a wide range of skilled workers.

**Example occupations include:**

**Production:**

- *Inspectors, testers, sorters, samplers and weighers*
- *Petroleum pump system operators, refinery operators and gaugers*

**Transportation & Material Moving:**

- *First-line supervisors of helpers, laborers and material movers*
- *Wellhead pumpers*

**Architecture & Engineering:**

- *Mechanical engineers*
- *Industrial health & safety engineers*
- *Petroleum engineers*

**Construction & Extraction:**

- *Service unit operators, oil, gas and mining*
- *Cement masons and concrete finishers*

**SAP Fieldglass helps:**

- *Find skilled workers faster*
- *Maintain compliance with HSE regulations*
- *Track worker certifications, licenses and training*
- *Document worker project experience*
- *Monitor labor rates accurately*
- *Process complex rate cards*
- *Track taxes by work site or work stage*
- *Streamline and improve supplier communication*

## A Leading Oil & Gas Company Manages its Global Flexible Workforce Program with the SAP Fieldglass VMS

It is imperative that contingent workforce programs are consistently evaluated for success and to identify areas that need attention. When a large program relies on disparate systems, it is impossible to achieve the visibility necessary to make adjustments. In this first case study, we'll examine how one global oil and gas company deployed SAP Fieldglass to gain essential external workforce visibility.

### Challenges

The company decided to re-evaluate the state of its global external workforce, which included thousands of contingent workers. Various business units and groups were managing contract labor independently, via different processes and solutions so there was no way to carefully monitor or analyze the effectiveness of its entire contingent labor program.

### Why SAP Fieldglass

The company chose SAP Fieldglass as its technology partner in an effort to gain the visibility needed to drive cost savings, enable better decision-making and maintain compliance.

To migrate all business groups over to SAP Fieldglass' VMS, many units had to be transitioned off an existing technology solution or manual paper processes that were used previously to manage contract labor. The initial program launched with a simultaneous implementation for business units within both the U.S. and the U.K.

### Oil And Gas Industry: Key Sectors



#### Upstream

The upstream sector of oil and gas deals with exploration, recovery and production activities.



#### Midstream

Midstream activities include the processing, storing, marketing and transportation of oil and natural gas.



#### Downstream

Downstream activities focus on the post-production phase through the point of sale.

Source: [Global Edge Consultants](#), 2014.

The company took a phased approach to deploying the solution and will continue to strategically expand its use of SAP Fieldglass to include more areas of the business. To enable and best prepare for this, the company and SAP Fieldglass created repeatable global business processes to support expansion into new regions, all while considering the localization efforts necessary for different geographies.

To date the company has managed nearly 11,000 workers in 14 countries through SAP Fieldglass in positions that span IT, clerical, healthcare, finance, security and more.

### Results

By managing its flexible labor through a single solution, the organization dramatically improved its visibility into these previously segmented workers. It can now identify trends and make strategic decisions regarding its external labor spend and headcount. This more closely aligns the program to the company's overall business goals and helps to improve the bottom line.

The SAP Fieldglass solution improved onboarding process tracking to ensure compliance with various health and safety requirements. SAP Fieldglass is also fully integrated to multiple A/P and reporting systems. Lastly, the solution was implemented in a way that is replicable so that the company can easily add new regions or business units to its labor program.



[Click Here](#) to read the full case study and learn more.

"The company has managed nearly 11,000 workers in 14 countries through SAP Fieldglass in positions that span IT, clerical, healthcare, finance, scientific, security and more."

## How One Forward-Thinking Oil Company Automated the Management of It's External Labor

Managing a contingent labor program with millions of dollars of spend using a manual, decentralized process isn't going to cut it. There's too much room for costly errors, inefficiencies and enormous compliance risk. Next, you'll discover how one Australian oil company leveraged SAP Fieldglass as its single technology solution to vastly improve workforce visibility, enhance supplier management and better understand its total contingent labor spend.

### Challenges

With no formal processes or technology solution in place, one of Australia's leading oil companies was managing its \$27 million flexible labor force using a decentralized and highly fragmented process. This exposed the company to a myriad of potentially costly risks. Some of its business challenges associated with its contingent workforce included:

- No single point of accountability
- Limited compliance management and employment risk associated with long-term contractors
- Poor visibility of spend and overall visibility of external workforce
- Inefficient supplier management with 54 percent of roles sourced via non-preferred suppliers
- Misaligned pay rates and inefficient invoicing
- Limited spend and performance reporting

The company needed a systematic way to manage its temporary labor, from professional positions to clerical workers and field operations, such as airline refuelers.

Top 10 Oil and Gas Countries in the World



1. Russia 2. Saudi Arabia 3. United States 4. Iran 5. China 6. Canada 7. Iraq 8. United Arab Emirates  
9. Venezuela 10. Mexico Source: "List of countries by oil production," Wikipedia, April 2014.

### Why SAP Fieldglass

After evaluating several options, the company decided to implement a Managed Service Provider (MSP) to manage its flexible workers using SAP Fieldglass. That way it could leverage the MSP's management expertise and the VMS' ability to automate and measure its contingent workforce. Through the combination of solutions, the organization would have access to a variety of services including:

- Process, policies and toolset development
- Governance and supplier management
- Compliance management
- Supplier performance management
- Visibility and safety management

### Results

With a fully integrated solution now implemented, it is estimated that the company will achieve success in a variety of important areas including:

- 5% – 9% improvement on supplier margins
- 3% – 5% improvement on pay rate harmonization
- 4% – 7% improvement on demand for long-term contractors
- 5% – 10% improvement on supplier management

The company already has plans to extend the program to other parts of its business to achieve additional cost and risk reduction.



[Click Here](#) to read the full case study and learn more.

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## Conclusion

The [U.S. Energy Information Administration](#) cites that from the start of 2007 through the end of 2012, total U.S. private sector employment increased by more than one million jobs, about 1 percent. Yet over the same period, the oil and natural gas industry increased by more than 162,000 jobs, a 40 percent increase. Finding and managing those jobs with the right workers is the challenge.

Leading organizations in the oil and gas industry are realizing the enormous benefits associated with managing their external workforces using SAP Fieldglass, such as fewer HSE incidents, increased productivity and decreased costs. With the largest oil and gas industry client base across the global VMS landscape, SAP Fieldglass helps better manage all aspects of these organizations, including upstream to downstream, onshore and offshore. The SAP Fieldglass team has developed extensive experience in process flow management for field staff, including well site workers both professional and industrial. This includes skill sets such as engineers, geologists, project managers, scheduled daily labor, field safety advisors and more.

SAP Fieldglass has deployed programs in more than 110 countries. The solution can be accessed in 21 different languages and includes more than 50 currencies. SAP Fieldglass' experience in the oil and gas industry allows companies to better manage their contingent workforces, increase visibility and improve processes.



### Related Resources

- [Understand & Minimize Risks of Managing Your Non-Traditional Workforce](#)
- [Why VMS datasheet](#)
- [Statement of Work \(SOW\) Framework: Engagement Patterns](#)
- [Supplier Qualification](#)



### Contact

Want to learn more about how oil and gas companies can utilize the SAP Fieldglass VMS? Contact us at [fieldglassinfo@sap.com](mailto:fieldglassinfo@sap.com) or visit [www.fieldglass.com](http://www.fieldglass.com).

### About SAP Fieldglass

SAP Fieldglass provides the industry's leading cloud technology for services procurement and external workforce management. More than 400 global businesses leverage SAP Fieldglass' intuitive Vendor Management System (VMS) to gain visibility into its external labor, project-based services including Statements of Work (SOWs), independent contractors and additional flexible talent pools.

**SAP Fieldglass** 

[www.fieldglass.com](http://www.fieldglass.com) | [fieldglassinfo@sap.com](mailto:fieldglassinfo@sap.com)