

Case Study: BP Global Production Services Looks to Outsourcing to Meet Current and Future Business Demand

EquaTerra supports BP transition from staff augmentation delivery model to offshore managed services

At a Glance

Company Profile

BP is one of the world's largest energy companies and the world's second largest oil and gas company. It produces approximately 3 percent of oil and gas consumed worldwide and has operations in 100 countries and more than 96,000 employees.

Services Featured

- Operations Assessment
- Offshore Managed Services Implementation Support

Business Processes Involved

- Offshore Managed Services
 - Applications Development and Maintenance
 - Testing

Executive Summary

This case study describes how BP Global Production Services (GPS) found value in offshore managed services. Despite expansion in a number of areas, the GPS team found it difficult to scale sufficiently to meet project demands and requirements within the existing contractor and staff augmentation framework. Through an evaluation study, EquaTerra assessed the options and opportunities. It then supported the company in moving from a contractor-heavy staff augmentation delivery model to a full offshore managed service approach, positioning the company to meet GPS' current and future needs.

Business Challenge

BP Global Production Systems Face Difficulty Meeting Project Demands

The GPS team in BP is responsible for enhancing and maintaining a suite of applications and systems used by the Oil Regional Business Units. Driven by the expanding oil business, by license to operate (e.g., regulatory requirements) and by an increasing number of strategic projects, demand for change to these systems had increased significantly during 2005 and 2006. GPS operated a fluid resource model, which included engaging full-time BP employees, contractors, and increasingly, the use of two preferred Indian service providers with whom they had global agreements to augment resources for new and existing projects. The Indian providers delivered their services using a staff augmentation model from both onshore and offshore facilities.

While the GPS team had expanded in a number of areas, the management team found it extremely difficult to scale sufficiently to meet all the project demands while continuing to meet requirements for defect fixes and license to operate issues (e.g., SOX) within the existing contractor and staff augmentation framework. Project Oslo was established to determine the best way to materially increase throughput to meet current and future business demand.

Note: This case study was written prior to EquaTerra's acquisition of Morgan Chambers in September 2007. All "Morgan Chambers" references throughout this document have been changed to "EquaTerra" to reflect the new ownership and brand.

How We Helped

The EquaTerra assignment comprised two stages. First, the team would deliver and support an evaluation study to assess options and opportunities. Second, EquaTerra would support the implementation of the findings of that evaluation study.

EquaTerra Evaluation Study Points to Offshore Managed Services

The Oslo evaluation study considered both the functional and applications scope that could be contemplated for offshoring, the pros and cons of various operating models and transition approaches, including a review of the risks associated with each and the likely impact on the current project schedule. It considered the potential throughput increases in different scenarios, HR and communication issues and the impact on London seats of each option.

EquaTerra actively supported the production of the evaluation study by:

- Running and participating in key workshops
- Drawing on experience and expertise from other implementations
- Building business cases, scenario planning, financial and resource modeling
- Scoping and scaling the requirement
- Mapping the potential benefits of an accelerated transition
- Delivering the final outcomes and helping to form the resulting recommendation to the executive

The evaluation study concluded that the early implementation of a managed services outsourcing solution would be the option most likely to meet GPS' current and future needs.

EquaTerra Digs Deeper, Yields Dual Vendor Strategy

Having arrived at a recommendation to proceed with offshore managed services, EquaTerra's task was to support the Oslo team in implementing the recommendation. EquaTerra produced a request for proposal (RFP) to the two preferred service providers to establish each provider's suitability for delivering the managed services. In the early stages of implementation, no decision was made on whether to implement a dual or single vendor strategy. This decision would depend upon the outcome of the proposal process.

The RFP process separated the services into two packages: applications development and maintenance in one package, and testing in the other. The RFP was released to the service providers in March 2006 and, upon receipt of the vendor responses in April, an evaluation study was undertaken, driven by EquaTerra. Early responses from the service providers, both in writing and through presentations and workshops, did not sufficiently satisfy the evaluation team's requirements. Consequently, a second submission was invited requiring further clarity in a number of key areas, including:

- Benefits delivery through a managed service
- Staff organisation and quality
- Throughput increase – understanding and approaches
- Staffing and HR elements

Through the second submission, service providers were able to illustrate their capabilities and proposed approaches to the satisfaction of the evaluation team. Internal recommendations were made and the service providers were invited to validate information and re-submit pricing based on that validation. A dual vendor strategy was agreed and the service providers were invited to negotiations in July 2006.

Results

Through the utilisation of its knowledge and expertise of the offshoring market, and its understanding of the possibilities and benefits of running managed services offshore, EquaTerra was able to deliver the following benefits to BP GPS:

- Financial modeling and demonstrating the 'art of the possible' on the back of that knowledge
- Accelerating and customising the procurement process to address the specific challenges of implementing offshore managed services
- Support in the delivery of a complex transformation plan in the context of a dynamic and rapidly changing business environment

GPS realised further benefits through successful conclusion of Project Oslo, including:

- Increased capacity and throughput capability through maximising the potential of offshore delivery
- Increased flexibility in their delivery environments and resource modelling
- Absolute financial and cost transparency
- Improved budgeting and resourcing models
- Reduced London seat count
- Greater commercial leverage over service providers
- Reduced risk due to phasing out reliance on a contractor resource pool
- Improved business structures, governance and interfaces
- Reduced costs and fast return on investment

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

Contact Us

If you would like to know more about EquaTerra please contact us.

BeLux
Pegasuslaan 51831
Diegem (Brussels), Belgium
Tel: +32 (0)2 709 29 32
infobelux@equaterra.com

China
Level 31, Jin Mao Tower, 88 Shi Ji Avenue
Pudong, Shanghai 200120, China
Tel: +86 (0)21 28909093
infochina@equaterra.com

Finland (Baltics and Russia)
Mannerheimintie 12b, 5th Floor
FIN-00100 Helsinki, Finland
Tel: +358 (0)9 2516 6368
infofinland@equaterra.com

Germany
Herriotstrasse 1
60528 Frankfurt, Germany
Tel: +49 (0)69 67733423
infoGermany@equaterra.com

India
Level 4, Rectangle No.1,
Commercial Complex D4, Saket,
New Delhi 110017, India
Tel: +91 (0)11 4051 4227
infoindia@equaterra.com

The Netherlands
Postbus 75090
1070 AB Amsterdam, Netherlands
Tel: +31 (0)88 002 2900
infonl@equaterra.com

Sweden (Nordic HQ)
Strandvägen 7a
114 56 Stockholm, Sweden
Tel: +46 (0)8 662 30 67
infonordics@equaterra.com

United Kingdom
150 Minorities, London EC3N 1LS
United Kingdom
Tel: +44 (0)845 838 7500
infoUK@equaterra.com

Americas
Three Riverway, Suite 1660
Houston, TX 77056
United States of America
Tel: +1 713 470 9812
infoamericas@equaterra.com

www.equaterra.com