

## **IT outsourcing helps ensure Oil & Gas firms stay profitable despite lower market prices**

In the heady times of recent years, when crude oil prices raced away to well over \$100 per barrel, the world's oil producers enjoyed a very profitable time. Now, the Oil and Gas industry is being forced to adapt to the 'new normal' of oil at a \$50-70 price point. The dramatic slide in market prices is causing major players to curtail some of their planned large-scale projects, reduce their workforces, and release lower dividends to shareholders.

But, being a highly capital-intensive industry, the producers of oil and gas, and those involved in the pipeline transportation, are unable to simply scale down their operations in times of weaker market conditions.

So many major players in this sector are looking towards technology to help them maintain profitability seen in recent years, but in the \$50-70 current reality. At Wipro, we believe that strategic enterprise IT investments combined with the right outsourcing strategy can assist in three ways:

- Enhancing operational excellence
- Leveraging the value of shared assets
- Smarter approaches to maintenance

### **Enhancing operational excellence**

Many of the major oil and gas companies have a dizzying array of applications that manage their processes. The first step to consolidating the IT estate is to work out which of these are redundant, which tasks can be migrated to other systems, and where licensing and maintenance savings can be generated.

Companies may benefit by prioritising solutions and systems that simplify, standardise and enable inter-operability across an organisation or an enterprise.

### **Sweating the value of shared assets**

Oil and Gas players should clearly distinguish between those functions that are core to the company (the areas within which they'd look to achieve a competitive advantage over industry peers), and those that are non-core. All of those functions that can be regarded as non-core should be serviced by central, back-office functions that are powered by Cloud-based technology.

Functions that may be candidates for central cloud-based capabilities include Accounts Payable or Regulatory and Compliance. Different divisions and operating units should all be using the same central service, for all of these non-core functions. Often, they can be completely outsourced to specialist service providers in the relevant field.

### **Smarter approaches to maintenance**

Gone are the days of job cards and the manual processing of maintenance tasks. With the right enterprise mobility technology in place, field engineers can interact real-time with the entire database of the organisation – receiving urgent tasks via smartphone or tablet, logging new incidents as they encounter problems, or viewing step-by-step instructions or video clips. With accurate geo-location information about the engineers' movements, the organisation is able to allocate resources and individuals far more efficiently.

By working closely with a global outsourcing partner, Oil and Gas players benefit both from the labour arbitrage savings of offshore resources, as well as access to specialists that focus on specific functional areas of the technology estate (each application).

An ideal-state IT portfolio includes a core team of on-shore architects, combined with a 24/7 offshore support team that leverages its experience in many geographies and implements stringent global standards for IT service management. The research and consulting company, Information Services Group cites the fact that: "While 45 percent of the Forbes Global 2000 currently use outsourcing, only 36 percent of oil and gas companies in the Forbes Global 2000 have taken advantage of this basic business strategy".\*

Oil and Gas companies are therefore lagging behind their peers in other industries when it comes to the adoption of IT outsourcing and offshoring. The weaker oil price may just be the catalyst that the industry needs. By adopting a strategic approach to IT and capitalising on the latest advancements in areas like Cloud and Mobility, Oil and Gas players will enjoy the benefits of cost-efficiencies, global best-practice, and greater visibility over the entire organisation.