

Pushing the Frontiers of Contract Management At DNO

Introduction

DNO International is an entrepreneurial independent Exploration and Production company, geographically focused on the Middle East and North Africa (MENA) with operations in the Kurdistan region of Iraq, Yemen, Oman, the United Arab Emirates, Tunisia and Somaliland.

Growth comes through smart exploration, cost effective and fast track development, efficient operating techniques and strategic acquisitions. The group is headquartered in Oslo and listed on the Oslo Stock Exchange.

Challenges

Doing business in extractive industries in the Middle East and North Africa (MENA) region means collaborating with, and reporting to governments across the entire procurement and contracting process. Public procurement procedures, such as local content regulations, are extensive and failure to comply, or provide proof of compliance, can have a significant commercial impact.

Governments in the MENA region operate a 'cost recovery' business model where operators such as DNO effectively subcontract to the government and must apply to have their costs paid back by that government. They will audit DNO regularly and check if DNO follows their very detailed sourcing process. If they do not comply with their processes, they will not get their spending associated with their license recovered and will suffer a loss. It is therefore absolutely essential to be able to document all steps of the procurement and contracting process, along with all documents and correspondence produced and used to support that process.

Expanding and growing in the MENA region, DNO found it increasingly difficult to keep track of all e-mails, notes, documents, forms etc. needed to comply with government regulations and recover costs in their procurement efforts and contracts. The number of projects was increasing and so was the number of employees who needed to be involved in activities. The risk of not complying with rules and missing out on cost elements was becoming unsustainable.

Many contracts roll over from year to year, some with only one deadline per year for expiry. If DNO is not aware of cost commitments and misses these expiry deadlines then they end up incurring additional costs by overpayment on contracts that are not valid.

In addition to trying to avoid overpayment on expired contracts DNO had to adapt to the cost recovery model of doing business with governments in the MENA region. In order to recover costs DNO needed to document the procurement and contract process with regards to several key items:

- Prove that all approved bidders in the government database for a given category have received an invitation to tender.
- Fully document who decided to bid, and who did not.
- Ensure and demonstrate that all Contracts are valid, and have not expired.

DNO needed to have control of the whole process, and the large number of documents associated with that process, in order to avoid the risk of not being able to recover the substantial costs involved with operations. Large amounts are at stake. Gaining full visibility and transparency of all contracts and associated documents was the only viable solution.

The Solution

DNO needed a robust, end-to-end contract lifecycle management platform to handle the diverse range of contractual processes they engage in: from managing the bidding process with large multinational contractors, to handling disputes with local contractors building access roads for remote oilfields in Iraqi Kurdistan. Supporting this they needed a platform that could securely store the wide variety of documentation that gets associated with major contracts during their lifecycles. This 'extended' repository would have to be easily searchable, logically organized inline with the contractual process itself, and accessible only according to easily managed user rights and controls.

The rollout

During the summer of 2014 in close collaboration with Exari Consulting, DNO quickly deployed Contiki Enterprise Contract Management across their diverse business. Power users were trained, both at the regional hub in Dubai and within individual territories in-line with local employment practices.

With substantial effort and strong management support active contracts were located across the different business units, and loaded into the platform, along with all documentation from ongoing sourcing and contractual activities.

SUCCESS FACTORS

- Exari's experience in multinational deployments.
- DNO ownership and commitment to Contiki ECM platform for streamlining contracting.
- Strong user buy-in across regions and business units.
- Contiki ECM functionality enabling management of all contract-related documentation.
- Contiki ECM team deep experience in the Oil and Gas sector.

“Exari is key for full control and efficient management of our sourcing process and our contracts.”

- Lars Ivar Ekerold
Chief Procurement Officer, DNO

Benefits and outcome

In line with the business objectives of this initiative DNO now has a solid platform with all contracts and key contractual documents in one accessible place, plus full milestone management of those contracts. They can now comply with government audits as planned, and contract risk is reduced. As Lars Ivar Ekerold, Head of Contracts and Procurement, and a 30-year veteran of the industry says, “Contiki ECM is key for full control and efficient management of our sourcing process and our contracts”.

However, due to great volatility in the Oil and Gas market there has been a reduction in active exploration, and a focus on production for those sites already up and running. This means that there are fewer sourcing initiatives with the sourcing functionality in Contiki ECM is currently used less than expected. That will pick up again when new fields are developed.

Another key change due to market conditions is that people have left the organization as exploration activities have been scaled back. Contiki ECM has contributed further by acting as ‘corporate memory’ for the company and efficiently managing reallocation of contract responsibilities so that processes can continue seamlessly (see side bar).

DNO’s deployment of Contiki ECM allows contract owners and other stakeholders in remote locations to effectively manage their contractual relationships and directly support the company’s business objectives and revenue goals. Contiki ECM team deep experience in the energy sector has ensured that our platform meets the needs of such customers, and any others that understand the value of transparency and corporate memory.

ABOUT EXARI

Exari delivers the most complete Enterprise Contract Lifecycle Management platform, used every day by market-leading companies to understand all aspects of their contract ecosystem worldwide. With Exari, customers can reduce contract risk and improve operating efficiency with 100% Contract Certainty™.

