



ENERGEN

SAP BUSINESS TRANSFORMATION STUDY

AT A GLANCE

Industry	Utilities, oil and gas
Revenue	US\$1,394 million
Employees	1,500
Location	Birmingham, Alabama
Web Site	www.energen.com
SAP® Solution and Services	SAP® R/3® (functionality now available in SAP ERP)
Implementation Partner	PricewaterhouseCoopers

Energen Corporation is a diversified energy holding company with headquarters in Birmingham, Alabama. Its two lines of business are 1) the acquisition and development of domestic, onshore natural gas, oil, and natural gas liquids reserves; and 2) natural gas distribution in central and north Alabama. Energen Resources Corporation has proved reserves of 1.7 trillion cubic feet. Alagasco provides clean-burning, energy-efficient natural gas to approximately 450,000 Alabama homes, businesses, and industries.

Key Challenges

- Integration issues due to separate accounting applications
- Significant effort involved in data reconciliation
- Limited querying capabilities in general ledger
- Limited reporting capabilities
- Lack of enhanced and automated compliance features

Why SAP Was Selected

- Powerful functionality set
- Strong customer references
- Impressive site visits
- Positive analyst recommendations
- Ease of integration
- Effective demos

Implementation Best Practices

- Committed executive management support
- Business-led and -driven implementation team
- Process experience of Energen project team
- Effective project management office
- Use of SAP® best practices
- Strong implementation partner

Low Total Cost of Ownership

- 9-month implementation
- On-time, on-budget implementation
- Significant investment in initial and ongoing training

Financial and Strategic Benefits

- Real-time reporting capability enabling proactive business decision making
- Increased budgeting automation and effectiveness
- Ability to generate budget to actual reports and variance analysis
- Real-time drill down into various details
- Enhanced cost-allocation methods

Operational Benefits

Key Performance Indicator	Impact
Number of accounting full-time equivalents	Reduced 5%
Close cycle	Reduced by 3 days





“Without SAP software, many compliance activities related to Sarbanes-Oxley would have been more difficult.”

Paula Rushing, Vice President, Finance, Alagasco

“SAP has provided us real-time visibility with significant drill-down capability. We have easier access to significantly more information.”

Lucy DiChiara, Director, General Accounting, Alagasco

Transforming the Finance Function

Energen wrestles with the volatility of energy prices and their effect on operations on a daily basis. The company's key challenges included reducing operating costs, improving business process efficiency, and maximizing shareholder value. Energen's existing financial systems were not geared for these challenges. The company was using different solutions for accounts payable, accounts receivable, and general ledger, requiring the finance department to spend significant time and effort in manual reconciliations. Moreover, the existing system had limited reporting capabilities. “We had to send requests for reports to IT,” says Lucy DiChiara, director of general accounting at Alagasco. “It was very time intensive to provide detailed project-related cost information.”

Energen undertook a comprehensive proposal review process involving SAP, Oracle, PeopleSoft, and J.D. Edwards. Business operations selected SAP® R/3® software (functionality now available in the SAP ERP application), influenced by industry-specific functionality, especially that related to the Federal Energy Regulatory Commission chart of accounts, and strong customer references. The primary goal was to deploy a world-class enterprise resource planning (ERP) system that is integrated, scalable, and automated.

Rapid Business-Driven Implementation

The implementation, ably managed by PricewaterhouseCoopers, was completed in only nine months – on time, on scope, and on budget – thanks to committed executive management support. The implementation team consisted of all the “A+ employees,” and the project management office comprised leaders from business operations. Energen conducted an in-depth engagement to map out all business processes before the implementation and invested significant time and effort in both initial and ongoing training. Energen also identified “SAP knowledge leaders” for each key process.

Greater Visibility, Consistency, and Accuracy

The SAP software has enabled Energen to transform its finance function. Various finance processes have greater visibility into real-time data. Improved data availability along with enhanced reporting capabilities have enabled better decision making and greater understanding of key performance indicators.

Major operational improvements have come about, including budgeting and closing efficiency. “Our budgeting process has improved significantly. The SAP software allows us to drill down into real-time data for budget-to-actual comparisons and for variance analysis,” says DiChiara. Alagasco has reduced its closing period by three days. Energen has improved visibility into project costs for better-informed decisions. And according to Joanna Malone, director of compliance, “Without SAP software, we would have been forced to hire a lot more people and consultants to meet Sarbanes-Oxley requirements.” The SAP software has also enabled employees to focus on more value-added finance analysis as opposed to data entry and manual data reconciliation.

As Energen continues to grow, there are various opportunities within finance to make the processes more efficient and cost-effective and enhance business decision making. “Today, it is hard to imagine what life would have been without SAP software,” says Brunson White, vice president and CIO.