



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® (HR functionality now available in SAP ERP HCM)
Implementation Partner	Clarkston Consulting

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

- Poor integration with routine business processes
- Significant effort in payroll processing
- System unavailable during payroll runs
- No access to historical data and organizational hierarchy
- Manual open enrollment and employee development processes
- Limited reporting capabilities

Why SAP Was Selected

- Current use of SAP® solutions
- Strong customer references
- Professional sales process
- Positive analyst recommendations
- Ease of integration

Implementation Best Practices

- Committed executive management support
- Business-led implementation team
- Process experience of Energen project team
- Effective project management office
- Use of SAP best practices
- Implementation partner with strong HR experience

Low Total Cost of Ownership

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

Financial and Strategic Benefits

- Streamlined payroll processing
- Fully automated W-2 processing
- Access to historical data
- Significantly enhanced reporting capabilities
- Smoother reconcilements
- Access to organization management
- Improved and faster employee status change process
- Integrated safety (OSHA 300) reporting
- Integrated third-party drug testing

Operational Benefits

Key Performance Indicator	Impact
Number of payroll full-time employees	Reduced 25%
Payroll processing efficiency	Improved 35%-40%
Ability to fulfill reporting requests	Improved 30%-40%



“SAP software has made Alagasco more efficient, productive, and cost-efficient. Without it, changing any business process would have been extremely difficult.”

Brunson White, Vice President and CIO, Energen Corporation

“Generating reports was a painful task in our earlier system. We have lot more visibility to data and are able to generate all kinds of reports, leading to better decision making.”

Karen Bearden, Manager, HRIS and Administration, Alagasco

Building a Solid Foundation for the Future

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 goal was to make HR a more strategic element of its organization. However, its existing UNIX-based HR application had limited features. The previous system lacked integration with the rest of Energen's core business processes. According to Karen Bearden, manager of HRIS and administration, “Our earlier HR system took 10 to 15 hours' processing time per payroll. Moreover, the system was unavailable during payroll runs.”

Energen undertook a comprehensive proposal review process involving SAP, Oracle, PeopleSoft, and J.D. Edwards. Energen was in the process of implementing SAP® solutions for finance, plant maintenance, project systems, and supply chain management, making SAP R/3® software a natural decision. (The HR functionality of SAP R/3 is now available in the SAP ERP Human Capital Management solution.) The primary goal was to deploy a world-class HR system that is integrated, scalable, and automated.

Rapid Business-Driven Implementation

The implementation at Energen was among its most complex IT projects, given the customization required for union employees' pay progression. HR specialist Clarkston Consulting helped Energen implement the SAP software in only nine months – on time, on scope, and on budget – despite the complexity, thanks to committed executive management support. The implementation team at Energen 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 its business processes before the implementation.

Reaping Immediate Benefits

Energen realized immediate benefits. HR processes have become more efficient and cost-effective, and access to historical data in an integrated environment has enabled greater visibility and understanding of key performance indicators. According to Willie Shepherd, manager of payroll, “With SAP software, we have been able to increase our payroll processing efficiency. Reconciliations are significantly smoother. Also, the system uptime has improved as access is available during payroll runs.” In addition, Energen can now run payroll simulations. The HR organization has access to the complete organizational hierarchy and can leverage it for workflow approvals in other areas including project systems and purchasing. Besides enhanced reporting capabilities, Energen can now automate and integrate safety reporting (OSHA 300) and drug testing.

As growth continues, Energen is planning to implement a number of other SAP applications to help the business become more efficient and cost-effective. “Today, it is hard to imagine what life would have been without SAP software,” says Brunson White, vice president and CIO.

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