



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

- Handwritten work orders and manual scheduling
- Manual project approval and review process
- Cumbersome inventory management
- Manual bid process
- Significant effort in processing POs
- Labor-intensive data retrieval, dependent on IT

Why SAP Was Selected

- Industry-specific functionality
- Professional sales process
- Positive analyst recommendations
- Ease of integration

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
- 30–45 days of initial training

Financial and Strategic Benefits

- Fully integrated system
- Real-time visibility to accurate cost information
- Automated approval of purchase requisitions
- Streamlined payment process for vendors
- Automated scheduling of routine maintenance functions
- Enhanced project tracking
- Improved buyer and spend analysis
- Automated contracts

Operational Benefits

- Time required for project approval reduced from 2–4 weeks to a few hours
- Storeroom costs reduced by 50% for 2 locations
- Significant reduction in communication with vendors on PO status
- Improvement in PO efficiency by 50%–70%
- Estimated 10%–20% improvement in certain spend areas





“With SAP software, we are able to get project approvals within a few hours. Earlier, at each approval step, employees would need to review paper maps and typewritten forms.”

Joe Wheeler, Vice President, Operations, Alagasco

“After the SAP implementation, we are doing much more in purchasing with less. We did not need to hire more people as our business has grown.”

Regina Hinton, Supervisor, Purchasing, Alagasco

Making Technology a Differentiator

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. Traditionally, all tasks related to plant maintenance and project systems were handled manually. Employees generated handwritten orders. The review process was manual and involved paper records. Getting project approvals was an involved task requiring 6 to 12 steps and review of paper maps and typewritten forms at each step. Manual purchasing operations were equally cumbersome and afforded limited visibility into spending patterns or support for vendor analysis.

Energen undertook a comprehensive proposal review process involving SAP, Oracle, PeopleSoft, and J.D. Edwards and found the solution with SAP. Business operations made the decision to select SAP® R/3® software (functionality now available in the SAP ERP application), influenced by functionality specific to the utility industry 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 ERP 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.

Training on the plant maintenance and project systems functionality presented a key challenge. Some users in the field were unfamiliar with PC use, and entering significant amounts of data was a major change in the way they had done their jobs for many years.

Change for the Better

Energen realized immediate benefits in the plant maintenance, project systems, and supply chain management areas, where the shift to automated processes resulted in significant efficiency improvements. For example, project approvals come through within a few hours and approvers can go over the project outline rather than deal with paper maps and forms. The integrated software provides real-time cost visibility for projects, thereby enabling better-informed decision making. Scheduling of routine plant maintenance work orders is more streamlined and easier to track. According to Paul McKay, manager of the Alagasco Anniston division, “We have cut storeroom costs in half because of the SAP software.” Benefits were also evident immediately in purchasing. The automated bid process has led to a 60%–70% improvement in efficiency. Implementation of the purchase-to-pay functionality with document imaging has helped increase PO efficiency by 75%. “We used to get lots of calls from vendors about their PO status every week. With support for the procure-to-pay process, those calls are rare,” says Michael Lunsford, manager of distribution and engineering for Alagasco.

As growth continues, Energen plans to evaluate other SAP applications supporting processes including mobile enterprise asset management and fleet maintenance. “Today, it is hard to imagine what life would have been without SAP,” says Brunson White, vice president and CIO.