

A BRIDGEHEAD TO CHANGE

Proudfoot helps Private Equity portfolio company re-tool for success



After a century of being an engineering-led business and following divestment from a parent firm, oil and gas industry supplier Vetco Gray needed to change without losing its strong culture of technical engineering excellence. Here's how they did it, with more than a little help from Alexander Proudfoot.

Vetco Gray is the world's leading supplier of systems, products and services for both on and offshore oil and gas drilling and production. Its Nailsea site in Bristol, South West England, is considered a center of excellence within the company for subsea control systems. Formerly part of Sweden-based global engineering giant ABB, at the time of the project Vetco Gray was owned by PE firms Candover, JP Morgan and 3i.

When senior vice-president David Wollam joined the company it was clear that for the company to thrive a complete shake up was needed.

"The major issue was that the Engineering Department was viewed as the be-all and end-all. Everything that happened within the company depended on that department, and it had the inflexible attitude of 'it will be ready when it's ready,'" he explains.

"It was obvious that changes had to be made, but we had to be careful not to lose our great technical expertise. Projects are crucial to the company but we were product focused instead, which conflicted with the nature of the business. Our project managers had little visibility or clout, so nobody was really taking responsibility for customer deliveries being made on time."

The severity of this problem meant it needed to be one of the first issues dealt with. However, although it was clear what needed to be done, an employee survey revealed low confidence in management's ability

to implement the necessary changes. This, and the attendant neutrality, was one of the main reasons for bringing in an external team, says David Wollam.

"I recognized that it would be great for me to have people to bounce ideas off too, and to have staff focused specifically on this task rather than juggling lots of different responsibilities. It was also clear that it was going to be no mean feat to achieve the required results. It wasn't just a question of restructuring the essential business processes, more a restructuring of the entire site."

Proudfoot started with an in-depth business review which confirmed the client's initial beliefs in both the state of the business and the type of changes required. Project Pegasus (see side bar) itself began in earnest in August with a series of off-site meetings to inform all project managers what needed to happen.

The project name and its taskforce were announced at a 'Town Hall' style meeting in an effort to establish clear

RESULTS:

- Savings delivered = \$7.1 million
 - Overtime reduced
 - 36% headcount reduction
 - Outsourced certain functions
 - Cost avoidance by redeploying staff
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lines of communication. This effort continued throughout the project in the form of weekly notice board updates, use of the company intranet, and a two-day event for all staff. Weekly team meetings with the taskforce and senior management also kept everyone updated and ensured that actions were addressed. In addition, Q&A sessions proved helpful, and a video about the project is now shown to visitors waiting in the firm's reception area, and is an integral part of the new starter induction process. One of the first challenges for the new team was to modify the front end, or bidding phase. This was relatively straightforward and was an essential phase to get right. Next was tackling the more difficult issue of overmanning. There was an undeniable need for redundancies but no-one had faced up to the fact previously, explains Wollam.



"The redundancies affected around 90 people, about two thirds of which were staff and the rest contractors. This equated to around 25% of the workforce, so it was not something to be taken lightly. Those that

remained had completely new job descriptions. A considerate and professional HR team helped to make things as painless as possible."

So has the upheaval been worthwhile? David Wollam admits that at times it felt like too much change in one go but he's glad the project team kept its nerve. He feels the company had been too comfortable for too long. And the results vindicate that viewpoint. Improved cost/time controls have resulted in greater on-time delivery performance and improved customer satisfaction. It's early days and there are still some serious issues to cope with but he believes that the business is now sustainable.

And he points out that although it is the Vetco staff themselves that have implemented the dramatic change process, management couldn't have acted as quickly or as efficiently without the close supervision and guidance of Proudfoot. He can now reflect that when Proudfoot first suggested seconding four Vetco people from across the four key areas of the business to Project Pegasus, he was very concerned about the operational impact.

"Now I can see it was essential to involve our best guys. It's been a very positive experience and very good for their careers to have the opportunity to learn from experienced consultants. We've built a great relationship over the past few months, which is always the secret to success in my book."

Project Pegasus

It always helps when a project name resonates with people directly involved and Pegasus proved an instant hit at VetcoGray. Better known as the mythical winged horse, "Pegasus" was also the name of a strategic bridge captured by British Airborne forces in the Normandy campaign of WWII. The name is particularly apt considering the firm's need to bridge the gap between past poor performance and future excellence. What's more, client project sponsor David Wollam has visited the bridge, so it held personal significance for him too.

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