



De-Engineering Revisited: A Survivor's Tale

If corporate dumb-sizing, de-structuring, and de-engineering have run their course in the process industries, then what's happened to the survivors?

Nowhere were workers in the process industries hit harder than in the oil industry, where more than a half million lost their jobs in a decade. So it seems fitting to check in on big oil to see how the survivors are faring in a post-apocalyptic world.

Take Chicago-based Amoco, for instance. In October 1994, I bemoaned that company's layoffs, which totaled more than 12,300 between 1992 and 1995. Also in 1994, the company restructured its exploration/production, chemical, and refining and marketing subsidiaries (and their 17 business units) back

into a single corporate fold called Shared Services. In doing so, the company recast 14 centralized support departments into a single Shared Services organization. I tracked down one survivor of restructuring, a process control and instrumentation lifer, who now works in the Shared Services organization.



"It's closer to being a contractor," says the engineer. When I found him for this interview, he was working on a team of 30 Shared Service compatriots serving as general contractors to an engineering firm. For his current project, the Amoco engineers carry more specialized knowledge of advanced controls, and sub-out "undifferentiated" tasks like drafting and laying conduit. It seems to be the most cost-efficient route so far.

Here's how it works: a Shared Services unit goes out and partners with a plant, say, one undergoing process expansion, and they agree on what needs to be done. "When I actually get down to doing the work, I have to sit down and say I'm going to charge this customer for 8 or 40 hours, however many hours I bill out times the hourly rate." In other cases, there are lump sum bids and other cost-plus arrangements for cost overruns.

Similar corporate-plant relationships existed before 1994 between plant customers and central engineering. But a management big brother kicked in to cover costs of hidden overhead like training cost and vacation time. Today, cost accounting is further decentralized, and "It's creating some problems, because these projects cost a lot more money than we ever realized!"

The main difference between the old central engineering and the new Shared Services is ownership. "We have a stake in the project; we don't just do some-

thing and walk away from it. In the past, central engineering didn't feel like they really owned the thing. It was something they did for two years, and dumped it on a plant for the next 10."

While he and his fellow engineers are doing their best to survive and even thrive as restructurees, there are a few loopholes in the system for plants that just don't want to lose their on-site staff. For instance, when plants were told to downsize, some did so by shifting personnel to Shared Services staff, albeit "co-located" at the same plant, to work on the projects they started or the processes they knew most about. "If this concept doesn't work out—and traditionally in the past it has not—pretty soon we'll have 'shadow organizations.'" For instance, plants ordered to downsize their process control department might play shell games by hiding instrument techs in maintenance, systems guys in information systems, and so on. "So far, it's happened some, but not a lot," says our source.

He admits to a healthy skepticism. "If you've spent most of your life working in a plant like I have, you have this ingrained fear of the organization. So sure, I have some concerns about the changes. But in general, the approach, the cultural change, is a very positive thing."

Moreover, he says the real story here is not Shared Services, but in the "underlying concepts" of cultural change, and in establishing and sharing engineering Best Practices through official channels he calls "networks of excellence."

Amoco shared a near-final draft of its 1995 annual report as it was about to hit the presses. It makes the claim that "Savings from the 1994 restructuring have totaled more than \$600 million annually, and one-half of that comes from Shared Services." The company expects more savings as it implements the concept in Europe. Engineering and construction operations saved \$35 million last year, and the company expects to save an annual \$300 million through purchasing alliances and partnerships in the coming years.

Is this really a good thing? One high-ranking engineering administrator at Amoco told me that after five rounds of downsizing cuts, "The level of in-house expertise has gone down....We rely on more and more vendors to do a lot of things. My personal opinion is that [Shared Services] won't last."

Whether or not it lasts, the reality is, it's hard to argue with the bottom line.

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