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## CUTTING COSTS, NOT CORNERS

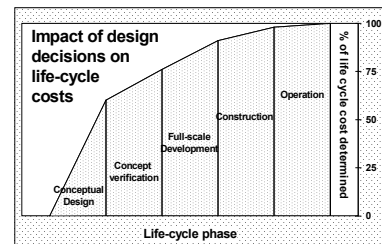
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### *Today's problems come from yesterday's solutions*

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Before a project reaches its operational phase, the key decisions that affect its overall cost have already been taken. Indeed, the biggest single factor that drives project costs is the conceptual design. Trying to reduce costs during the operations phase without going back to design basics is like trying to lock the stable door after the horse has bolted.

The same applies to decisions about the design of organisations, contract strategies, safety management systems, operating/maintenance routines, IT systems, human resource strategies, training programmes, etc.



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### *Investing in change when cutbacks are on everybody's mind*

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The pressures of cost reduction do not make it easier. Companies fighting operational fires or competing for contracts cannot afford the luxury of re-design or 're-engineering'. Even when pursuing quality management systems, the opportunity for radical review is rarely taken. It is too tempting to do the minimum, and bring in agency staff to turn the mess into procedures.

"Executives think good management is all about making the operation even more cost-effective. But there are obvious limits to what can be achieved by cost-cutting, and indiscriminate slashing away at every item of expenditure can easily do more harm than good. If it affects investment in the future there may be no future."  
[William Davis]

In design, the emphasis is often short-term. 80% of senior design engineers in the offshore industry are one-man limited companies on day-rate contracts. Little thought is given to how learning takes place, so that the realities of day-to-day operations get fed back into design.

In turn, operations staff assume equipment has been designed by competent people who know how it is used and maintained - until a piece of kit shakes itself to bits, or de-pressurises unexpectedly on a fitter's hands.

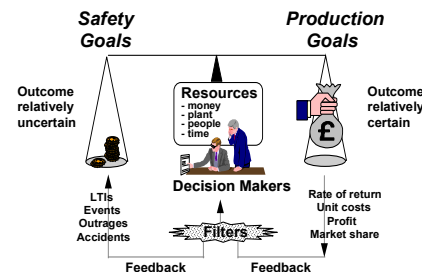
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### *Conflicting goals put real achievement at risk*

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It is always difficult to balance safety goals and operational targets. It is not necessarily about greed or lack of commitment. The results of putting more effort into production goals are more direct, more certain, more visible. They can be measured positively, and trumpeted proudly. "We only injured 10 people last year" is hardly a positive message.

People in the offshore industry tend to be task-oriented, often attracted to the industry by the opportunity to be part of highly visible achievements. When the pressure is on, decision-makers at all levels may filter out negative feedback and go after the things that seem to bring the glory.



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### *Get your costs down through clear goals, learning, and innovation*

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The only way to reduce costs in the long term is to invest in innovation. That does not mean brilliant new ideas. It means learning, adapting, and applying. Like safety, the results of putting effort into learning and innovation seem long-term, hard to quantify, and difficult to see.

Innovation is often seen as a threat, and resisted. It needs conviction, focus, persistence. Training is only right if management goals are right.

There is no fixed formula, but some things help more than others.

They do not need massive amounts of expenditure, but can save serious money. Think about investing a little in:

- a quick but radical review of how your human resource strategy affects organisational learning and costs
- no-nonsense ways of linking business plans and personal targets so that all the real goals are clear
- cheap and cheerful competence standards for managers and design specialists in the areas that count
- a climate in which innovation is encouraged but people take responsibility for their own learning

"Engineers and managers, had better assume that the skills, knowledge and tools they will have to master and apply 15 years hence are going to be different and new ... and only they themselves can take responsibility for the necessary learning and re-learning, and for directing themselves."  
[Peter Drucker]

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### *Short-term cuts mean long-term losses - only companies that know how to learn are winners*

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