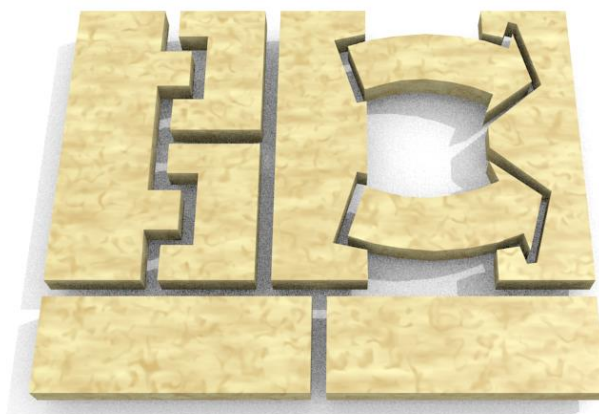


Competitive Advantage

Within an oil company should the way data is handled be considered a corporate secret?

Every company has its own “business model” that determines what it offers, how it relates to its customers, the channels it uses to deliver and so on. The best companies are acutely aware of which elements of their operation contribute to their “value proposition” and which don’t. Ideally each company wants to make sure that their “unique capabilities” are not duplicated by their competitors, while at the same time they want to drive down the cost of doing everything else.



Henderson’s law suggests that the cost of performing a particular activity decreases by a fixed amount each time accumulated experience doubles. So if you have made enough razor blades you can manufacture them so cheaply that no competitor can undercut your price, which, of course means that they can’t catch up. One way to accumulate experience is to cooperate with other companies in the industry, but of course that is only attractive if you don’t mind them reducing their costs as well.

Historically most oil companies have seen data management as a necessary evil, one of those activities that has to be done and whose cost should be driven down as far as possible. With that view it is hardly surprising that there has been a tradition of meeting up with other companies and being open about experiences and lesson’s learned.

This underlying attitude caused many companies to outsource data management, bringing in specialised service providers and passing them the responsibility for handling much of the data. In some extreme cases there was an attempt to off-shore these tasks and to cut out all the fixed costs. This became self-defeating, with more than one company realising that their processes were destroying value because they didn’t even have enough expertise to assess what a bad job their service provider was doing.

The pendulum swings, and these days the budget holders in oil companies are aware of just how crucial good subsurface data is to overall success. The metier of data management is being recognised as important and senior executives are more willing to invest if they can be convinced that the returns will justify it.

This has led some major oil companies to start believing that their increased internal awareness of the discipline of data management distinguishes them from their peers. Suddenly word has gone out that data handling is a “competitive advantage” so cooperating with external parties is discouraged.

Is this a good idea? Should your organisation be more circumspect about discussing data management strategy? I don’t know the answer, but it sure is an interesting question.