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## Major Accident Prevention and Lessons Learned in Oil & Gas: Four Guidelines and Thirteen Best Practices for Governing Safe Supply Chains

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### Abstract

Poor supply chain management can set the conditions for failures of catastrophic proportions, both economically and in terms of safety. It has been the root cause of several of the largest disasters in oil and gas history. Many professionals fail to recognize important gaps due to the complexity of the web of supply relationships and the number of critical interfaces that can be misaligned. Professionals from executive offices, HSE, procurement, logistics, operations, and risk management need to take four major steps to ensure a safe supply chain: 1) Establish governance & organization to ensure organizational accountability for governance and management of supply chain risk, by appointing a supply chain czar and engaging cross-functional stakeholders; 2) Adopt an internationally accepted top-level supply chain risk management framework and articulate first-level principles, including a policy on single sourcing; 3) Universally adopt formal "reinforcing?? metrics and measurement systems, including measurement of supply chain risk, Total Cost methodologies, and quantification of the cost of supplier non-compliance; and 4) Extend supply chain strategy and policies to suppliers by scanning for suppliers that excel in HSE, setting supplier expectations and targets, training suppliers, and establishing mechanisms to hold them accountable including periodic audits.

### Classic View of Supply Chain Management

Supply chain management is often perceived as either a synonym for the logistics department, based on its origins 30 years ago, or as a process whose objective is to reduce operating cost and make sure supplies are available when they are needed. Either way its impact is often viewed as minor and incremental compared to much more visible activities in exploration, production, and mid and downstream operations, a perception that fails to acknowledge the significant and continuous evolution that the concept underwent since its origin 30 years ago.

Most typical supply chain challenges are economic, and come into play long after much more strategic decisions are made. Supply chain managers are responsible for avoiding cost overruns by paying suppliers the right amount - not too much, especially to sole source suppliers, and not too little, which could encourage suppliers to shift cost from one bucket to another and could jeopardize creativity and innovation. They must also make decisions that keep projects on schedule, and oil companies are even more concerned about schedule and availability than about price. In our survey (see Appendices A and B for the demographics and results of the survey, respectively), respondents cited the risk of unavailability (including schedule slippage, missed delivery deadlines, and regulatory delays) five times more frequently than price concerns.

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