

Governing Energy

It's Very Complicated

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At a meeting several months ago as the deepwater drilling industry was coming to grip with the new Safety and Environmental Management Systems (SEMS) requirements,ⁱ one executive expressed his concerns. Stating, “It’s very complicated,” it was dawning on him that the regulatory environment was forever changed.

Today’s executives, regardless of industry must meet regulatory requirements from local, state, and federal agencies around the world. Moreover, other constituents such as the local community and environmental groups also exert influence on field operations. It is indeed complicated.

More than a decade ago, global organizations were challenged with implementing global management systems enabled by Enterprise Resource Planning (ERP) solutions.ⁱⁱ These systems enable better decision making across complicated global enterprises. For the first time, the CEO could look at his or her dashboard and view the organization without waiting for reports to be developed and delivered.

In 2002, financial reporting became more complicated with the advent of Sarbanes Oxley.ⁱⁱⁱ Section 404 of the Act indicates that public firms must put in place management processes and internal controls to assure more effective financial reporting.^{iv} Extensions to the leading ERP software systems enabled public companies to automate this new level of complexity.

In the white paper, *Asset/Equipment Integrity Governance: Operations—Enterprise Alignment* a multidimensional Integrated Compliance Management Framework addresses issues of operational complexity and multiple constituent influences.^v Fundamental to the model is Compliance Automation.

Organizations are demanding that field employees and suppliers at all levels perform their daily tasks in accordance with an increasingly complex regulatory framework. Codified as part of the firm’s Standard Operating Procedures (SOP), a myriad of regulatory requirements are imposed throughout the organization and by extension to its suppliers.

Governance models are now extended from the Boardroom to field operations directly and by force of law. As with other critical business processes this complicated environment is better served when automated. Software providers have developed tools to enable transformational governance models. Competitive advantage will likely go to those that can simplify this complicated process.

How does your organization simplify complexity?

About the Author

Dr. [Scott M. Shemwell](#) has over 30 years technical and executive management experience primarily in the energy sector. He is the author of two books and has written extensively about the field of operations management. Shemwell is also the CEO of Knowledge Ops, Inc.; a firm that focuses on providing its customers with solutions enabling operations excellence and regulatory compliance management.

End Notes

ⁱ <http://www.centerforoffshoresafety.org/toolkit.html>

ⁱⁱ http://en.wikipedia.org/wiki/Enterprise_resource_planning

ⁱⁱⁱ <http://www.soxlaw.com/>

^{iv} http://www.proedit.com/writing_sarbanes_oxley_404.asp

^v http://www.therrinstitute.com/uploads/Asset_Integrity_Governance_-Ver_1.1.pdf