Activity Based Costing/Management
Independent Oil and Gas Company

Covalence Solutions LLC

Performance Improvement

Case Study

Situation

The client believed that G&A were excessive as a percentage of their overall cost base. The client wanted to use activity based costing as a method of identifying potential process improvement initiatives and the resultant cost savings that could be realized from implementing suggested changes.

Project Objective

- Improve the efficiency of administrative services through process improvements and enhancing information technology
- Develop a plan and program to assimilate acquisitions with minimal changes in personnel and information technology resources
- Identify redundant and low value activities and the financial benefits of change

What We Did

- Developed a process based activity dictionary that linked G&A support to operations
- Facilitated the identification and gathering of cost driver information for processes and activities
- Identified low value added activities for performance improvement
- Identified prioritized performance improvement targets that would yield maximum benefit to the client
- Facilitated the development of new processes across departments and functions to streamline operations

Results

- Savings of over $2 million in efficiency improvements were implemented
- Program was developed to seamlessly integrate acquisitions into the client's organizational structure and technology