

Adrian Phillips

Managing Director at Alderley FZE

Alderley is a manufacturer of metering systems, hydraulic control systems and produced water treatment solutions. It supplies the oil, gas and petrochemical industries worldwide through its network of companies in Europe, Asia and the Middle East.

Earlier this year Alderley's Middle East division, Alderley FZE, appointed new Managing Director Adrian Phillips to further develop its capabilities in the region. We caught up with Adrian to talk about his plans for the business over the next year, as well as his perspectives on technology innovation, talent attraction and competition in the global oil and gas sector.

You joined Alderley FZE in February, what are your key objectives?

I have been tasked with driving performance and improving the Middle East delivery capability. The establishment of Alderley in Dubai in 2001 has increased Alderley's ability to work across the Middle East, allowing the business to strive for improved execution, customer reach and efficiencies. Capturing this opportunity, as well as increasing the adoption of best practices, are my strategic priorities in 2014 and beyond. We also have three near term priorities: delivering the same level of execution capability across our two execution centres in Dammam and Dubai; focusing on the wider service opportunity, and improving our internal reporting so we can understand what and how we can improve whilst meeting our commitments to Alderley and its shareholders in a more consistent and predictable way. By doing this we will become more competitive and better serve our customers.

What role has Alderley FZE played in the Group's overall growth over the last few years?

Alderley FZE's role has been quite significant. In 2011, to mark its ten year anniversary, Alderley FZE announced strong financial results

and profitability, with turnover exceeding \$40m. Buoyant markets in the Middle East have further resulted in a number of landmark contract wins. Today, Alderley FZE (Dubai) which includes Dammam, Kingdom of Saudi Arabia, as a fully owned subsidiary is the Group's largest set of operating companies overseas, employing over 250 permanent staff and contract workers. In 2013, to accommodate its rapid growth, FZE further expanded its facilities in Dubai which involved the construction of a modern two storey office building and production area of more than 10,000m². The reputation we have for providing high quality, value added solutions, supported through excellent site services via our locally based teams has been the key to our success and is the formula we will apply for our continued growth.

Which aspect of Alderley's service offering is most prominent in the Middle East?

Alderley FZE was established to support the design and manufacture of oil and gas metering and process equipment and the Middle East continues to be the single most important market for metering solutions. Alderley is well positioned to serve the local markets and no other competitor can even begin to come close to the commitment Alderley has made to metering in the Middle East. The priority is that Alderley continues to provide exceptional service both in terms of capital project capability and, increasingly, as the installed base of metering systems grows, our ability to service equipment in the field. Our decision to put boots on the ground in the Middle East is the envy of all our competitors, but we must not be complacent. We must continually ask ourselves how presence translates to competitive



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advantage and explore all avenues we can, to operate efficiently together. Key to all this is to attract and retain a strong and motivated workforce.

How does Alderley FZE attract and retain talent in the Middle East?

People are attracted to Alderley because it has a robust and profitable business model with good facilities and products. The depth and strength of our management team, in terms of technical and leadership competence, is also very good. Our people feel part of a team and find working here a rewarding and enjoyable experience. The Middle East will support Alderley in defining a flexible career path across our organisations, providing existing employees with new internal career opportunities. These factors are further underpinned by Alderley FZE's excellent health and safety and quality systems. Of course, salary and compensation is another factor; we have competitive remuneration packages to attract the best people. It's important to note though that the dynamics for attracting talent in the Middle East are slightly different to other oil and gas 'hotspots.' We have easier access to the sub-continent of India, for example, which provides companies here with a very wide and deep resource pool of well-qualified individuals.

In your view, are oil and gas industry salary and bonus increases sustainable?

Compared to many other global industries, I don't believe the oil and gas sector is out of kilter. It's always the case, though, that when the price of oil is high so are the salaries. Companies undertaking large

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projects, or with full order books, are usually prepared to pay more for people. These firms will actively poach candidates and create churn in the market. This can be extremely destructive because salary expectations increase as a consequence. I think these conditions are less sustainable for contractors, however, because as soon as the market declines, they will be the first people to lose their jobs.

Over the last 30 years there have been huge advancements in oil and gas technology. What are the latest technology trends within your field? How is Alderley staying abreast of the competition?

The trend within metering is a move away from using traditional physical displacement meters and towards the implementation of ultra-sonic meters. Although ultra-sonic meters are not completely new in the market, adoption has been slow, particularly in the Middle East. Other significant innovations include asset integrity software, such as remote equipment healthcare monitoring tools. A lot of developments in the wider industry come from the subsea sector, which is at the frontier of oil and gas technology innovation. From a service perspective, integrating asset integrity or monitoring technology into our business solutions will create opportunities for us moving forward. Alderley is an integration company. We don't conduct R&D or develop new products, but rather find ways to deploy technology and services around our core systems. Most of the technology that is built into our core systems is developed by third party manufacturers. This actually enables us to stay flexible and, as a technology agnostic supplier, a trusted partner in the industry.

How is the competitive environment in the Middle East evolving?

The Middle East oil and gas market is tightly controlled by a small number of very large, consolidated and static national companies, with incredible power and influence. There are, however, an increasing number of companies gradually re-entering the market. The likes of Shell, BP, ENI and Total – businesses that have largely been locked out of some Middle Eastern markets after the oil embargos and asset nationalisation of the last century – are gradually emerging on the scene again, particularly in Iraq. Russian and Chinese businesses are also gaining a regional foothold, specifically in Iran and Iraq, buying up resources and undertaking massive infrastructure projects. Ultimately, though, it's never going to be a region with a large number of independents or start-ups, so the competitive environment won't change dramatically. What's significant for suppliers like Alderley is that these big producers are pumping 20 or 30 million barrels of oil a day, across the region, and consequently provide us with a tremendous volume of business.

Is supply disruption caused by conflict in the Middle East impacting your growth? What's the general feeling about this issue in the market at the moment?

It hasn't really affected Saudi, Kuwait, Qatar and Oman. There's no question, though, that some of the bigger projects have been stalled because people are waiting to see how the political situation will unfold. These are the kind of opportunities the Russians and Chinese are capitalising on because they have a bigger appetite for risk. Northern Iraq and Syria are obviously the trouble hotspots, but the oil and gas industry in Iraq is largely concentrated in the south around Basra. That area, to date, has been relatively untouched by ISIS. We regularly send people to Iraq to commission service equipment and the general mood is 'business as usual'.

What's the business environment like in the Middle East region compared to Europe and LatAm where you've also worked? What advice would you give to other executives considering relocating to the Middle East?

The customer base in the Middle East is fairly unusual because the majority of companies are large state owned enterprises. These organisations can be incredibly bureaucratic in the way they operate. All equipment and service approvals must be in place and the documentation has to be correct. They also effectively control the supply chain and define who you can and can't do business with. So, it's quite a challenging market to trade in compared to places like Aberdeen, for example, where there are lots of independents and fewer rules and regulations. If you can become a preferred supplier to one of the monopoly producers, though, life can be very rosy. You have a similar situation in Mexico, where I've previously worked, with one state owned producer that owns the market. Generally

though, due to the international nature of the oil and gas industry, the experience tends to be consistent. Wherever I've worked, I've always been surrounded by an extraordinary group of hard working people and had the opportunity to do and see lots of exciting things, particularly in places like Mexico and Dubai.

What skills and knowledge do you think you could bring back to developed markets?

Alderley is a highly autonomous operation. So, in the Middle East, more so than anywhere else I've worked, I've certainly had to get more accustomed to the finer details of the technology, as well as the whole production, manufacturing and project management cycle. I think it's made me a much better manager of an organisation or a P&L.

What kind of leader are you? How do you get the most out of your teams?

Communication is really important in making sure objectives are achieved. I believe in reducing complexity through simple and focused messages and cross functional collaboration. If you're not talking to people regularly and giving clear instructions, or bringing groups of people together to get consensus and make things happen, then you're just going to make life difficult for yourself.

Outside of work, how do you challenge yourself?

I'm a cyclist and Dubai has amazing facilities for cycling, such as a 100km cycle loop in the desert, which I complete once per week. I am slowly working toward competing in my first triathlon.

