

Quorum bucking economic trend, says CEO Paul Weidman

Don Stowers, *Editor – OGFJ*

EDITOR'S NOTE: Amid an economic downturn, Quorum Business Solutions projects that its 2009 revenues will surpass 2008. The company also expects to hire 50 new employees this year to keep up with its current backlog and pending projects. CEO Paul Weidman recently discussed the company's plans with OGFJ.

OIL & GAS FINANCIAL JOURNAL: Quorum serves over 90 clients and employs more than 300 people in its three offices in Houston, Dallas, and Calgary. What were your expectations for the company when you and four other senior management consultants founded it in 1998, and is Quorum meeting those expectations?

PAUL WEIDMAN: Our goals in the beginning were to build an organization where we could offer first-class people challenging and growth-oriented careers, work with our clients to provide solid product-based solutions to their business problems, and over time develop a comprehensive set of solutions that spanned across the energy industry. From our first planning discussions, the focus was on building a sustainable, long-term company that our people and clients could grow with and depend upon. The celebration of our 10th anniversary this year was a significant milestone and a look at where we stand today with our products, talent, and long-term relationships tells us that we've done pretty well in achieving those initial goals. We have always wanted to offer our clients industry standard products, directed by a user group, and supported by a vendor with a long-term perspective. So much energy software has not been supported over a long period of time that we thought our clients would appreciate being supported for the long term.

OGFJ: How will the economic recession, the credit crisis, and low oil and gas prices affect Quorum's business, especially if these conditions still exist a year or more from now?

WEIDMAN: It's probably a cliché, but it really is a wait-and-see situation right now for us. Our 2008 financial results were records in all aspects (sales, revenue, net income, etc.) and based on current committed backlog and final stage opportunities, 2009 is projected to surpass those results. However, we are watching the overall economic and market situation closely. While we have seen a lot more deliberate and diligent decision making going on as everyone has to become more cautious with both their capital and operational

spending, there have only been a handful of projects deferred. The longer the conditions persist, we do expect to see more scrutiny and, ultimately, more and more actual reductions leading to some software purchases and implementations that will be delayed or cut. The flip side of the equation is that times like these magnify requirements to improve processes, provide better decision-making information, and lower overall systems costs, and that creates opportunities for us to work with clients to achieve those results. Our standing as a financially stable, no debt, no outside investment company will also let us work with clients in creative ways to structure deals that work for their specific financial circumstances on those projects. In most economic cycles, the strong companies gain market share and have a chance to improve in multiple ways. We're grateful that we're in a position to continue to invest in our people and our products.

OGFJ: How much of Quorum's business is in the oil and gas sector? Will this continue to be the company's main focus?

WEIDMAN: About 90% of our business is in oil and gas, although we plan to start doing more work throughout 2009 and 2010 in other areas. Some of that will come from the renewable energy sector as we are working with several companies on wind-related projects.

OGFJ: Quorum TIPS is your flagship product, is it not? Can you explain its genesis?

WEIDMAN: Well, TIPS is our most mature and successful product and was the core offering in the beginning. TIPS was developed and nurtured during the mid-'90s by the Quorum founders at what is now Accenture (then Andersen Consulting). During Quorum's first year, we worked very closely with Accenture and the TIPS clients to support their usage and special projects while working on a variety of other Quorum and client initiatives. In 1999, we acquired TIPS and immediately began to introduce the concepts of product management, user group participation, and client support that are the basis of all of our product activities today. From that beginning, TIPS evolved into the clear industry standard for gas processing in North America – with over 90% of all gas processed in the US managed in TIPS. Beyond the obvious benefits we have realized directly from TIPS, its success and the relationships with TIPS clients have also been instrumental in the development of

almost every one of our other products and our expansion into the upstream and pipeline sectors.

OGFJ: Your products are configured to the individual customer and his unique requirements, are they not? How much does this customization typically extend the delivery time and implementation process?

WEIDMAN: You are right that our products aren't the typical "off-the-shelf" product, but there is good reason for that. The industry and market sectors we serve have a relatively small number of players with non-homogeneous and very complex business requirements and processes. We feel strongly that a one-size-fits-all approach will not get a very high score when installed in a "shrink-wrapped" fashion. Accordingly, an overall solution that is centered around the product, but includes a methodical review of detailed requirements, client specific configuration, and product extension when needed, yields a much more thorough and successful implementation for the client. An initial

and large independents, but it also includes a wide variety of small and mid-size players. We started with several of our clients at their inception and have grown along side of them. We can work closely with a client to define which product or products make operational and economic sense for them today, and then expand both the usage and products as they grow or diversify. It's not a one-size-fits-all industry, so our products and services can't be either.

OGFJ: Is most of your business in North America?

WEIDMAN: Yes it is. We see opportunities for some of our products to play in different international markets, but our few international endeavors to date have been mostly opportunistic. At this time, our top priorities are continuing to grow in our existing markets and in other industries and sectors here in the US and Canada.

OGFJ: Do you or will you be calling on IOCs and other large companies?



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implementation project like that, followed by a structured, long-term commitment to the product's development and support of the client is what we think makes our approach unique. An emphasis on allowing our software to be configured and requiring less customization helps keep our clients on a common code base, even though as implemented our clients have differing requirements. That allows us to still provide the benefits clients look for from software. Shared costs, a reliable vendor for support and proactively adapting the applications to changing business and regulatory requirements and technical developments. And we'd argue pretty hard that the successes of our clients and of Quorum prove that approach to be the right answer. In regards to implementation, specific timeframes vary greatly based on factors such as client size, requirements, internal resources, etc. – projects can be completed as quickly as three to four months to over one year in some cases.

OGFJ: What size companies do you target – majors, large independents, mid-sized indies, etc.?

WEIDMAN: In short, YES. We believe that one of the unique things about Quorum is the ability, and proven track record, for our solutions to be delivered across the industry. We are very proud that our client list not only includes all of the Big 4 super majors and many of the other majors

WEIDMAN: As I mentioned earlier, we work with many large companies, including the IOCs, based or operating in North America with a primary focus on their US, Canadian, and GOM operations.

OGFJ: Of your current products, which do you think has the most growth potential?

WEIDMAN: The largest growth potentials are in our interstate pipeline product and the upstream suite. Compared to the products we offer to the midstream sector, these products are newer to the market for us and continue to grow with each additional client. While we have had a lot of success with the pipeline product and with several components of the upstream suite already, the overall size of these sectors provides the opportunity for both to grow to be even larger than our midstream.

OGFJ: In 2007, Quorum acquired Integra Solutions, a provider of business intelligence consulting services. Can you explain how this benefited your company?

WEIDMAN: Prior to the acquisition of Integra, we already offered our clients an "end-user" query tool based on the basic components of a business intelligence engine along with some related basic services. Through the acquisition,

we were able to really deepen and broaden our information management and business intelligence skills, and to offer our clients expanded services to truly take advantage of the power that can come from accessing and utilizing the data from our other products to make better decisions for operational and strategic purposes. Additionally, Integra has historically worked with companies in a wide variety of industries as IM/BI experts and technicians – with access to the broader Quorum talent pool, we have been able to expand those activities into deeper project responsibilities. We expect that in the future, these service offerings will facilitate our entry into new industries and potential products.

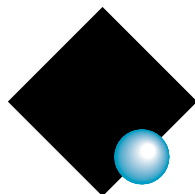
OGFJ: Quorum’s Land software suite is widely seen as the industry standard in this category. How did you decide to develop this product?

WEIDMAN: We are very excited by the success that our Land product has had in recent years and with the evolution that this product has taken since we acquired it from one of our clients in 2001. The product was initially developed in the mid-’90s as an internal solution. By 2001, the client wanted to see the product managed by a vendor and to take advantage of the long-term support, product enhancement, and life-cycle cost advantages associated with that vendor not only managing the product, but expanding the user group

for it. Based on our previous track record of providing those benefits, we were fortunate to have it offered to us and, as they say, the rest is history. Since taking over the product, we have redeveloped the product to our own technical architecture, added extensive core functionality and related modules, and grown the user group to be second only to TIPS in number of clients. At this point, we have won 14 straight head-to-head deals over the competition.

OGFJ: I keep hearing that Quorum is adding professional employees even when other companies are downsizing. Are you actively recruiting right now?

WEIDMAN: We are continuing our normal recruiting efforts and our current plan is to add at least 50 additional people this year. As I mentioned before, our current backlog and pending projects provide the opportunity for 2009 to be another record year and we must continue to add talent to execute on those commitments. We are very active in campus recruiting – an activity we first undertook in 1998 when we had 10 total employees – and we have recruited at 10 different universities for our 2009 entry level hires. About 65% to 70% of our employees come to Quorum through the entry-level college hiring, and we also actively recruit experienced, highly-skilled individuals to join Quorum as well. **OGFJ**



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