

# Chevron



Chevron Corporation, headquartered in San Ramon, California is a multi-national energy company.

The refining marketplace is becoming more competitive. Cost and profitability were driven by excess refining capacity. Many of Chevron's competitors were divesting from their refinery products business. Senior management at Chevron's Products Company wanted to develop a new strategy to address these marketplace issues. The Product Management team knew the company had to transition from a refinery-efficiency strategy to a market-driven strategy.

At the time, Chevron was producing millions of barrels a day through different refineries. The company had three strong functional areas within the organization: Refining, Marketing, and Supply & Distribution, each operating more independently than desired. The team began to look for a partner to help them devise and implement a whole new supply chain system.

According to Peter McCrea, Vice President, "We recognized that our system for planning and managing the supply chain, from crude acquisition to product distribution, was not working as well as it should. We had been working on it for a long time and were not making much progress. We decided we needed to take a holistic look at the entire supply chain."

The team chose the Rummler-Brache Group because of its proven methodology. The methodology is visibly explicit and structured to deal with the three levels of performance: the organization level, the process level, and the job/performer level. Additionally, the team preferred a lower profile consultant that would allow them to move very quickly, while obtaining the maximum degree of internal ownership and leveraging the knowledge of the Chevron cross-functional design team.

## **Phase 1: Definition —1 Month**

Project definition involved a Chevron cross-functional design team of nine people, representing refining, marketing, and supply & distribution. "Rummler-Brache's methodology brought a discipline to looking at the disconnects of the various processes," said Mike Holmes, Chevron's Design Team Leader and Project Manager.

The team set about identifying the critical business issues, critical process issues, improvement goals, project scope and boundaries, and stakeholder involvement. They prepared a project definition document which was then reviewed and validated by the Product Management Team.

## **Phase 2: Redesign —3 Months**

In this phase, the objective was to map and analyze the "IS" state and, based on the project goals, develop a detailed "SHOULD" design. Additionally, the cross-functional design team developed recommendations for change and an implementation strategy.

Holmes said, "We began to understand that the functional areas were not communicating with one another. They had different goals which drove them in different directions. We could see that we needed more consistent goals in order to



stabilize the system.”

The team held numerous updating sessions with the Product Management Team to maintain alignment and ensure a smooth and timely transition to implementation.

### **Phase 3: Implementation —6 Months**

The initial design team was expanded to 60 people to ensure that the right personnel were engaged in the detailed planning and installation of the recommendations. From this group, one team was established to address the issue of “component variability,” i.e. reducing the variability of the product. A second team focused on “demand variability,” i.e., building a system to do a better job of forecasting demand. And, a third team focused on organizing a regional infrastructure to better manage supply, refinery, and marketing issues. Implementation of the recommendations began soon thereafter.

### **Results**

Chevrons’ Products Company concluded: “There were many process successes, but the real indicator is nearly \$50MM of identified financial contributions to the Products Company from just doing our work a different way, with common plans and measures.”

Key successes noted by Chevron also include:

- New Area Management Teams for each area; completion of Strategic Plans and Business Plans for each area done on an inter-functional basis.
- Replacement of the old operating plan process with the new Area Operation Plan Process in each area, done not by planners but by DOERS on a team basis. Improved demand forecasting tools in Marketing, and Logistics & Trading, new price forecasting methods, changed roles for terminal inventory management, and improved product blending methods.
- New process-focused measures, focusing on reducing variability and improving customer service.

As a testament to the success, the original Process Owner on the project, Peter McCrea, brought Rummler-Brache into another project with the Global Lubricants Division. According to McCrea, “This is the best methodology I know of for dealing with these complex problems. I’m a great advocate of the methodology; it gets results faster than anything I’ve run into. The Product Integrity Project we’re now completing with Rummler-Brache has been wildly successful and has had a great impact on our business.”