ChevronTexaco & Expressworks International

A successful example of a Strategic Partnership

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Objective of presentation

- Define what we mean by a Strategic Partnership
- To describe the evolving partnership between CVX and EWI and explore the underlying operating principals, characteristics, successes and shortfalls from both sides of the fence.
Today’s Outline

- **What is a Strategic Partnership?**
  - Definition,
  - Characteristics,
  - Critical values / tenets
  - What would compel two companies to enter into this kind of relationship?
  - What makes a partnership possible?

- **History and Context**
  - Expressworks (EWI)
  - ChevronTexaco (CVX)
    - PRC and service delivered
    - History of CPDEP and CPDEP for Change (C4)
    - Data
    - Contracting
    - Shared Processes
    - Impacts

- **Upsides and downsides of this relationship:**
  - ChevronTexaco’s view
  - Expressworks’ view

- **Ten Tips for a successful Strategic Partnership**
What is a “Strategic Partnership?”

A values based relationship, thoughtfully structured and rigorously managed to satisfy the mutual interests and needs of both parties in ways that are exceedingly more efficient, effective, and adaptable than conventional, trade-based relationships.
Activity

When hear the words “strategic partnership” what characteristics come to mind?
Strategic Partnerships - Characteristics

<table>
<thead>
<tr>
<th>Values Based</th>
<th>Cost Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term</td>
<td>Long Term</td>
</tr>
<tr>
<td>Tactics</td>
<td>Strategy</td>
</tr>
<tr>
<td>Transaction</td>
<td>Relationship</td>
</tr>
</tbody>
</table>

**Tactics**
- Reputation
- Experience
- Price
- Terms

**Cost Based**
- RFI - RFP
- Price
- Best Terms
- Transaction Oriented

**Values Based**
- Reputation
- Experience
- Price
- Terms

**Strategy**
- Integration with Business
- Proven Reliability
- Adaptability
- Competitive Advantage
- Continuity
- Trust

**Transaction**
- On Preferred Supplier List
- Total Cost of Ownership
- Best Terms
- Mutual Knowledge & Familiarity
Critical Values/Tenets

- Alignment of values
- Open dialog and disclosure
- Commitment to each other’s success; Operate in “enlightened self interest”
- Quick and honest identification of problems/mistakes
- Focus on solutions vs. blame
- Willingness to make changes in how business is conducted
- Expectation and supporting action to ensure that people in respective organizations recognize and support the partnership
- Trust
Why would two companies do this?

A combination of all or some of these are critical…

- Both partners have demonstrated ability to succeed independently, but recognize the potential for greater strength, adaptability, or speed by developing a long term relationship (ability to focus energy and resources on key competencies)
- The resources to meet needs/interests are scarce; in high demand
- The company that needs the product or service does not want to over-invest in competencies that are not core to the business (may be strategic, but not core)
- The company that delivers the product or service needs an advantage to remain viable against strong competitors
- Relationships based on mutual values cost less to manage and maintain than relationships that need to be closely monitored and supervised. More energy and attention available to focus on the real work.
What makes the partnership possible?

In short, people.

- Belief in the value
- Commitment to acting on mutually held values
- Ability to cause their respective organizations to respect and support the relationship
- Willingness and ability to deliver promised results
History and Context

- Expressworks
- CVX/PRC (Project Resources Co)
- History of CPDEP / CFC
Expressworks History

- 22 year focus on change implementation and change management
- 80+ Fortune 500 Clients
- Initial Labor Related Focus: There was no room for failure.
  - Change Management
  - Strategy Implementation
  - Distributed Learning
Expressworks History Cont’d

Study: 7 Major Companies (incl CVX): explored the subject of major organizational change and deployment resulting in documentation of Key Success Factors and core method

Belief: A Discipline Whose Time Has Come
"every management discipline has its time - that moment when it becomes widely noticed, accepted, and applied. We think that the time for more advanced deployment strategies, tactics, and tools has arrived. The organizations that excel here will greatly increase their chances of success in the years ahead."
ChevronTexaco & Expressworks

- 15 Years of implementation and change management experience together
- EWI Participation on the design and deployment team for CPDEP For Change
- Strategic partner to Project Resources for 6 years
ChevronTexaco History
In 1998 ChevronTexaco (CVX) entered into a strategic partnership with Expressworks International (EWI) to provide external consultants for facilitative roles in deploying a world class change management process.

As demand continues to increase this partnership has grown to 48 external EWI consultants (approx. 35 FTE’s) being used across the globe for all types of change management projects within CVX – large or small.

A true partnership between CVX and EWI continues to grow and ten attributes for success of this strategic partnership are outlined.
Business Model

- PRC is a fee for service totally recoverable business unit within CVX
- Build resources to meet demand
- Increase Operating Company capability
- Maximize flexibility to staff consultants when demand exceeds base business needs
Consultant Staffing 
Business Model

External Partner Resources

Internal Resources

Demand
Number of consultants

Time
Project Resources Company (PRC)

**Purpose**
To partner with ChevronTexaco operating companies, business units, and service companies in selecting superior opportunities and delivering world-class project performance.

**Actions**
- Consistently achieve injury free results by 2005.
- Achieve Best-In-Class performance results in cost, execution schedule, cycle time and operability for the portfolio of ChevronTexaco projects staffed by PRC by 2008.
- Provide a highly competent PRC workforce that supports the ChevronTexaco business plan.
- Partner with OPCOs/Bus to build and deliver organizational capability to achieve best-in-class performance on small projects.
- Develop, deploy, and champion CSOC principles, tools, and behaviors throughout ChevronTexaco.
- Improve decision quality on projects.
- Assess and develop the PRC Plan for operational excellence.
Even with world class processes, we continue to improve and evolve them. Initial efforts were capital project focused. Now ChevronTexaco Processes are more widely applied and have been customized for a variety of applications.

ChevronTexaco processes have evolved based on several benchmarking efforts.

History of ChevronTexaco Processes

- 1991: Chevron Project Management Process (CPMP)
- 1992: Texaco Managing Capital Investments (TMCI)
- 1993:
- 1994:
- 1995:
- 1996:
- 1997: Project Resources Formed
- 1998:
- 1999:
- 2000: CPDEP for Change Formed
- 2001: CSOC Rollout

Benchmarking

ChevronTexaco Processes

Initial Independent Project Analysis, Downstream
Initial Independent Project Analysis, Upstream
Independent Project Analysis, Annual Updates

Project Resources Formed

Texaco Bus. Road Map for Asset Value Enhancement (BRAVE)
What is CPDEP?

CPDEP* is a process that improves decision making and execution by fostering better planning, collaboration and communication

* ChevronTexaco Project Development and Execution Process (CPDEP)
Elements of CPDEP

CPDEP is a balance of three key elements:
- Team Alignment
- Quality Decisions
- Project Execution
ChevronTexaco Project Development and Execution process (CPDEP)

CPDEP is a team-oriented work process providing an overall structure and sequence of work steps for projects that are general and consistent across all types of projects*.

The Five CPDEP Principles are key.

- Focus on key value drivers for the opportunity
- Use of integrated multifunctional teams
- Effective input, communication and alignment between teams, decision makers and stakeholders
- Decision driven, not activity driven - do the work necessary to support the next decision
- Consistent use of best practices and tools

* Project - defined as ANY planned undertaking
CPDEP Impact on Asset/Project Value

Phase 1
Opportunity Identified

Phase 2
Generate & Select Alternatives

Phase 3
Develop Preferred Alternative

Phase 4
Execute

Phase 5
Operate

Value Identification

Value Realization

Good Project Definition

Poor Project Definition

Good Project Execution

Poor Project Execution
# Why we need Change Management

## Change Initiatives

<table>
<thead>
<tr>
<th>Effective Implementation</th>
<th>Good Solution: 10%</th>
<th>Poor Solution: 10%</th>
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<tbody>
<tr>
<td>Ineffective Implementation</td>
<td>70%</td>
<td>10%</td>
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</table>

From: William Ferrell – Principal Change Management Partner, Ernst and Young
Personal communication to Neil Wilson
Evolution of Change Management in ChevronTexaco

CPDEP

Behavioral Approach (Right results the right way)

RBL

CQI

TQM

ChIP

Quality

Implementation Process

Chevron Project Development And Execution Process

CPDEP for Change

Time
What is CPDEP for Change?

- A customization of the Chevron Project Development and Execution Process when organizational behavioral changes are required for success and sustainability
- Helps guide project efforts in creating alternatives, planning and executing implementation to achieve and sustain results
- An integration of key principles and best practice approaches in the areas of applied behavior science, process improvement, quality improvement and change management
- A flexible, systematic, common framework and tools
- Applicable to both capital and non-capital projects
- Scaleable for large and small projects
When to use CPDEP for Change

When a significant behavior change is needed from a large number of employees as a result of:

- Capital Projects and non-Capital Projects
- Cultural change associated with a shift in strategic direction
- Mergers and Acquisitions
- Process Re-engineering
- Work Process Improvements
- Re-organizations
- IT Solutions
- Large or small scale change initiatives
Guiding Principles of CPDEP for Change

- Have a compelling business case for change.
- Use a systematic, flexible framework
- Implementation planning begins with design.
- Modify other systems as needed to support the change.
- Involve stakeholders throughout the change.
- Identify and reinforce behaviors needed for successful change.
- Follow through on the change to the desired results.
- Define and use process, result and behavior metrics.
- Expect resistance, confusion and surprises during the change.
Key Elements of CPDEP for Change

PHASE 1
IDENTIFY AND ASSESS OPPORTUNITY
OPPORTUNITY IDENTIFIED
Proceed with Development of Alternative(s)
Proceed with Selected Alternative(s)
Implementation Strategy Accepted
Implementation Plan and Funding Approval
Implementation Goals and Metrics Achieved
Changes Sustained by Organization

PHASE 2
DEVELOP ALTERNATIVES

PHASE 3A
DEVELOP PREFERRED ALTERNATIVE(S)

PHASE 3B
DEVELOP IMPLEMENTATION PLAN

PHASE 4
EXECUTE

PHASE 5
SUSTAIN

Key Elements

Clear Direction
Sponsorship
Communication
Engagement
Shaping/Reinforcement & Competency Development
Measurement
Plan Modifications
## Tools to Support CPDEP for Change

<table>
<thead>
<tr>
<th><strong>Phase 1</strong> Identify &amp; Assess Opportunities</th>
<th><strong>Phase 2</strong> Generate &amp; Select Alternative(s)</th>
<th><strong>Phase 3</strong> Develop Preferred Alternative(s)</th>
<th><strong>Phase 4</strong> Execute</th>
<th><strong>Phase 5</strong> Operate &amp; Evaluate</th>
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<tr>
<td>Assessment Tool</td>
<td>Alternatives Selection Tool</td>
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<td>CFC Primer</td>
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<td>CFC Users Guide</td>
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<td>Communications Tool</td>
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<td>Coffee Pot Discussion Tool</td>
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<td>Compelling Business Case Tool</td>
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<td>Sponsor Tool</td>
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<td>Stakeholder Analysis</td>
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<td>Stakeholder Influence Mapping Tool</td>
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<td>Survey Tool</td>
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<td>Inquiry Tool</td>
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<td>Gap Analysis/DCOM Analysis Tool</td>
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<td>ABC Analysis Tool</td>
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<td>Shaping Tool</td>
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<td>CPDEP For Change Resource Planning &amp; Cost Estimating Tool</td>
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<td>Consequence History Tool</td>
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<td>CPDEP for Change Workshop Slides</td>
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<td>Sustainability Check</td>
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<td>Engagement Tool</td>
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<td>Measurement Tool</td>
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<td>FEL Assessment for Initiatives Tool</td>
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CPDEP for Change - Evolution

1997

Corporation T&OCS recognizes value in standardizing process to manage change initiatives.

1998

32 OPCO change agents collect Best Practices, includes data from, OPG Expressworks & CLG.

1999

ChIP user Network

ChIP Tool Box

1998

PRC translates ChIP into CPDEP for Change.

2000

CPDEP Steering Committee approves “Build to meet demand” relying heavily on external resources.

2001

Corp. HR disbands T&OCS, RBL & ChIP – transfers ChIP expertise into PRC.

2002

PRC adds internal CPDEP for Change consultant.

2003

C4C Consulting services demand increases.

CPDEP Steering Committee update.
Consultant Quarterly Hours from the Strategic Partnership

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tbody>
<tr>
<td>Q 1</td>
<td>1383</td>
<td>2539</td>
<td>5,208</td>
<td>9,127</td>
</tr>
<tr>
<td>Q 2</td>
<td>4991</td>
<td>5969</td>
<td>3,368</td>
<td>9,965</td>
</tr>
<tr>
<td>Q 3</td>
<td>6161</td>
<td>7370</td>
<td>6,004</td>
<td>10,423</td>
</tr>
<tr>
<td>Q 4</td>
<td>5426</td>
<td>6764</td>
<td>7,775</td>
<td>12,680</td>
</tr>
</tbody>
</table>
EWI FTE’s, Annual Retainers and total average hourly rates

EWI - FTE’s, Retainers and $/Hr average

Years + 2000

1 2 3 4

USD per hour average

227.00 228.00 229.00 230.00 231.00 232.00 233.00 234.00

FTE’s no. Ret avg $/Hr
CPDEP for Change Growth Rates

EWI Expenditures Rate of Change

USD

2000
2001
2002
2003
2004
2001-2003
2005

Months

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

$0.00
$2,000,000.00
$4,000,000.00
$6,000,000.00
$8,000,000.00
$10,000,000.00
$12,000,000.00
Contracting Model

- General Contract (NDA, T&C’s, etc.)
- Requirements to learn and apply internal methods and best practices (CSOC Certification, CPDEP, etc.)
- General Services – Fee for Services
- Annual Retainers (1720 Hrs/yr)
- Work Requests with individual client defined expectations, budgets, objectives & deliverables outlined for metrics
Shared Processes and Systems

- Interviewing and hiring
- Computer access, equipment & IT recurring expenses
- Time writing / invoicing
- Travel Expenses
- Client requests for service
- Metrics
Projects and Impacts by Expressworks consultants

- **Olympic** – Global Downstream ERP targets $150MM/yr savings (in 2004)
- **Global Marketing KM** – Share BP, est. saving $4-8MM/year
- **Ergo Furnishings (CTBRES)** – Standardize all CVX values/costs, undetermined OE savings
- **Contractor and Motor Vehicle Safety** – Lower incident rate (Corp and CTNAU), undetermined OE savings
- **LAP** – Optimize downstream returns in Latin America, improve BP sharing, functional control, and CSOC, est. $5MM over 3 years
- **Banyan** – Synergy savings between Oronite, Lubes & FAMM, est. $20MM/year in 2003, and $30MM/year in 2004
- **Angolanization** – CABGOC, accelerate nationalization of workforce, reduce costs, est. benefits – intangible (comply with Angolan law, concession extension, avoid fines, reduce Expat costs to OPCO
- **NAP Refining** – Reduce Maintenance & inventory expense, improve reliability and asset utilization, est. savings minimum $.5MM plus intangibles
Strategic Partnership Results

Consistently achieve*

● 93% Customer Satisfaction

● 92% Client perceived value added

* (+1% for years 2000 through 2004)
UPSIDES & DOWNSIDES

- From CVX view
- From EWI view
Upsides and Downsides from CVX Point of View

**Upside**
- Wide diversity of talent, experiences, knowledge
- Larger workforce available for clients/projects
- Developed a very trusted relationship and respect, can speak for each other when needed
- Downturns in business demand are easily managed
- Slight premium in rates but no long term commitment to employee benefits
- Development of dedicated core of consultants that know organization, leaders, culture, processes and what's happening with other projects, knowledge management
- Consultants once in CVX like the C4C process, projects and people and we retain their services many years
- Little to no learning curve, learn from past mistakes and share knowledge

**Downside**
- Convenient over reliance on experts
- Some independent consultants are not readily willing to use all of the standardized methodology
- Alignment and approval of shared back office processes that are efficient/effective and win/win
## Upsides and Downsides
### EWI Point of View

<table>
<thead>
<tr>
<th><strong>Upside</strong></th>
<th><strong>Downside</strong></th>
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<tbody>
<tr>
<td>• Ability to grow and develop our business against strong competitors (winning)</td>
<td>• We’re spoiled. We have very high expectations of potential other customer relationships</td>
</tr>
<tr>
<td>• Business continuity</td>
<td>• Take it hard when we make mistakes or come up short (take it personally)</td>
</tr>
<tr>
<td>• Satisfaction of working with people we like and trust</td>
<td>• Risk of being “too dependent” on one customer</td>
</tr>
<tr>
<td>• Incredibly interesting projects</td>
<td></td>
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<tr>
<td>• Ability to develop a dedicated workforce that really knows the organization, it’s processes, it’s culture…little to no learning curve</td>
<td></td>
</tr>
<tr>
<td>• Reduced stress from worry/fear about intentions of the “customer”</td>
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<tr>
<td>• Pushed to keep refining our skills and edge</td>
<td></td>
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<tr>
<td>• Fun</td>
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Top 10 things to do for strategic partnerships

1. Start small and learn to grow together
2. Choose first projects wisely
3. Build on successes
4. Build trust through a win/win relationship
5. Understand each others drivers and restrainers
6. Maintain highest ethical standards and be consistent
7. Contract a core agreement but be willing to give and take
8. Standardize processes
9. Communicate frequently
10. High grade workforce and develop a learning organization