Operational Excellence Audit

Identifying the gaps and developing the implementation plan

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Agenda

• International eChem
• Force Majeure – An Alarming Trend
• The New Normal
• Success in the New Normal
• Operational Excellence Audit
  – What
  – How
• Conclusions and Action Plan
INTERNATIONAL eCHEM

- Work with the world's major companies and financial institutions.
- Aim to bring Creative Energy to Important Issues, and create value for clients in business/functional leadership roles, by personally assisting them to implement robust strategies that deliver sustainable profit.
- Team has an in-depth understanding of the issues, and of the ‘real world’ in which clients operate.
  - Former senior managers from DuPont, ExxonMobil, ICI, NOVA, INEOS, Shell, TOTAL.
  - Provide judgement supported by robust data analysis.
Force Majeures are Impacting Safety and Profitability

Conclusion: Some petrochemical producers have issues to resolve.
Bernstein Research

"technical issues, possibly arising from under-maintenance of assets, have been the prime cause of FM“

“Some companies continue to benefit from the operating issues of their competitors".
However All Must React to the “New Normal”

- **Growth** will be lower as consumption becomes more sustainable
- **Regional trends** will be more pronounced as economies diverge
- **Debt** levels will be lower for companies, individuals and countries
- **Regulation** will be higher, due to distrust of business ethics
- **Governments** will be more involved with day-to-day decisions

“Most consumers are waiting for another shoe to drop, either a double-dip recession or, further out, the declaration of a national debt emergency as a cover to raise taxes substantially. We are left with a market driven by need, not want.”

JEREMY ANWYL
CEO, EDMUNDS.COM
What is Success in this ‘New Normal’?

• Success means being better than the competition
• Success means being profitable
• Success means achieving sustainable improvements, not just short term results
• Success means avoiding major problems
Short Term Success Factors in the ‘New Normal’

Operational Capability

- **Flexibility** – the capability to quickly and effectively respond to market volatility
- **Cost effectiveness** – understanding every penny matters
- **Competitiveness** – doing things better than the competition

Smart Management allows early identification of issues and identification of actions to address them.
Petrochemicals Operations Management

- Petrochemicals Operations Management involves many elements
- All are highly interdependent
- Problems in one area tend to have knock-on consequences in other areas
Operational Excellence Audit

- Many organisations have well established audit processes
- HSEQ requirements are often assessed using internal and external audits
- ISO 9001, 14001, OSHAS 18001, Responsible Care etc
- However Operational Excellence is very broad and not all organisations have audit processes to assess current performance and identify gaps
Operational Excellence Audit

- There are many variants on the operational excellence audit
- Ideally, an organisation should develop its own protocols so that duplications with other audit processes is minimised
- The operations management model can be used to develop the audit headings
Operational Excellence Audit - People

• Understanding of business strategy and aims
• Communication – general
• Motivation
• Culture
• Training
• Roles and Responsibilities
• Competency and Skills
• Staff Appraisal
• Problem Solving Capability
• Continuous Improvement
• Management of people changes
• Leadership skills
Operational Excellence Audit – Managing the Asset

• Housekeeping
• Short term and long term performance management processes (KPI based)
• Procedures
• Standard Operating Procedures
• Maintenance Procedures
• Management of change processes
• Operational strategy
• Maintenance strategy
• Capital investment strategy
Operational Excellence Audit – HSE

- Occupational safety standards
- Behavioural safety
- Process Safety Management (PSM)
- Environmental Management
- Human Factors
- Management of change
- Key Performance Indicators

- Note: Avoid duplication with other HSE audit processes
Operational Excellence Audit – Customer (Quality)

• Customer understanding
• Quality management

• Note: Avoid duplication with other Quality audit processes
Operational Excellence Audit – Cost

• Cost awareness
• Cost challenge
• Waste reduction programmes

• Note: Look for optimisation, not cost reduction in silos
Operational Excellence Audit – Method

• Develop Operational Excellence audit protocols
• Try to avoid duplication wherever possible
• Define criteria for what ‘good’ means. This should be your target
• Carry out audit using manager, supervisor (and possibly external support) – make an honest judgement regarding where you are now
• Based on your findings, develop an action plan to address the issues
• Repeat the audit on a regular basis

Develop In-House Capability!
Conclusions and Action Plan

- Force Majeures and Major incidents must be avoided
- In the New Normal companies must have high quality and cost effective operations
- Operational Excellence Audit can provide the healthcheck to ensure that your operation is fit for the challenge ahead
Who We Are

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