



Operational Excellence Conference Refining & Chemicals Key Takeaways

November 7-8, 2017 Houston, Texas

(Over 25 Executive Speakers and 135 Industry Professionals)

Key Themes

OE is a Game Changer

Reliability, Productivity,
and Safety

Capacity without Capital

Culture of Engagement

Connecting the Human
Chain

Operating Discipline is
Key

Industry 4.0 and
Digitization

M&A Integration
Acceleration

Millennials in the
Workforce

Greatness; OE plus
Innovation

Lean Focus

Leader Standard Work

KEYNOTE - Operational Excellence is a Game Changer! Chemical Week - Argo Executive Survey

Argo Consulting, SVP Chemical Industry (Chuck Deise)

Survey Results Summary

- Operational Excellence (OE) has become more crucial to companies in the last 2-3 years. There is a resurgence of OE as a strategic lever.
- The top three company challenges identified were; Growth, Productivity and Safety.
- The top three areas rated by Operating Executives in order of importance for their OE programs are; Operations Efficiency, Plant Reliability and Operating Cost Reduction.
- Companies engaged in M&A are leveraging their OE program to improve their ability to quickly integrate processes, people and assets.
- OE is driving initiatives to get much more out of plant assets, through reliability improvements and identifying hidden plant opportunities which is creating new capacity without capital spending.
- Industry 4.0 and the broader digital space is the next frontier (real-time analytics, AI, IOT, advanced controls, mobility, robotics).
- OE programs are driving a new "Lean" Operating Discipline and culture across companies.
- Manufacturing, Supply Chain and Maintenance are high value OE targets for increased productivity and efficiency.
- Only 40% of companies surveyed have a company-wide OE strategy & program; 60% see value but have yet to fully implement.
- Lack of talent, tools and methodologies are the main reasons for slow OE adoption.
- 80% of companies reported that OE has full support of the CEO, and over 50% said OE programs are delivering annual benefit targets.

“There was a lot of information in the workshop. Many of the presentations helped me to see where my company has done well and where we could have done better if we would have had some of these insights.”

Continuous Improvement Leader,
BASF Corporation

KEYNOTE PANEL - Reinventing Operational Excellence

Chemical Week, Editor (Rob Westervelt), DuPont, Former SVP Engineering & Operations (Jim Porter), Solomon, Former CEO (Dale Emanuel), Shell/Western, Former SVP (Forrest Lauher), Argo Consulting, SVP Chemical Industry (Chuck Deise)

Summary

- OE is becoming embedded in the culture and driving a CI mindset that did not exist five years ago.
- Digitization is ramping-up and integrated with OE. Europe seems to be further advanced at this point.
- Concerns about growth are driving accelerated M&A to increase Revenue and Margin. New Acquisitions will need OE for savings.
- Chemical capital spending peaked in 2016, will come down similar to 1990's levels. M&A is viewed as less risky.
- Roadmap and Competency Model underpinned by Strategy, People & Execution is necessary to help people understand how they fit in and the journey.
- OE programs are never done, need a robust process to sustain the gains.
- There are 360 refineries, 85% participate in Solomon, about 10 are world class.
- World's best have:
 - Tool and Systems that they use very well.
 - 1st Quartile Reliability.
 - 1st Quartile Energy Efficiency.
 - 1st Quartile Utilization of Assets.
 - Average Maintenance Costs - not lowest.
 - Less than 3% unplanned/unscheduled downtime is best in class.
 - Relentless focus on Reliability and a Reliability Culture is required to be the best.
- Robustness of CI Culture is very important.
- 2/3 of workforce is hourly, represents hidden talent/capacity; winning the hearts and minds and having respect for these employees is key.
- Toyota has the best CI Culture - they expect the front line to engage in problem solving everyday and think.

“The Conference was fantastic and all the sessions were very informative and speakers were highly accomplished. It was quite refreshing and I was able to learn quite a few concepts. The event provided me an opportunity to network with my industry peers.”

Asset Strategy Leader, Suncor

CASCADING OPEX - Improving Safety, Reliability and Efficiency at Duke Energy

Duke Energy, GM OpEx (Ed Brewer)

Summary

- Enterprise Framework Approach is necessary to create Management Operating System.
- Effective Operational Discipline is a must along with the right culture.

INDUSTRY 4.0 - The Next Wave of Operational Excellence

Co-author Industry 4.0 & Google Advisory Board (Henrik Von Scheel)

Summary

- Algorithms are the future and will drive competitive advantage.
- New Model Can-Want-Should; 6 Service Flows to drive Transformation & Innovation with Operational Excellence at the intersection.

INNOVATION ACCELERATION - Ideas, Methods and People

Andeavor, VP Global Excellence & Innovation Leader (Jose Pires)

Summary

- Excellence and Innovation Clash -> Greatness requires both!
- Identity and ethics are foundational.
- Disciplined thinking and action.

DIGITAL WORKPLACE - Managing Operational Content

Procedure Accelerator, President (Blair Morgan), Marathon, Manager Process Improvement (Eugene Fernandez) and Andeavor (Jose Pires)

Summary

- Future is Digitization -> Knowledge Management that drives Improved Collaboration, Speed and Variability Reduction.

BEYOND BUDGETING - Management Innovation for new business and realities

Statoil, VP Performance Management (Bjarte Bogsnes)

Summary

- Self regulated approach; more value than rules; get the right people and they will do the right thing.

"I've been in the improvement and operations excellence area since 1988. Why did I not discover this conference until 2017? Great insights!"

VP, HSE, Plain All American

LEADING AND SUSTAINING OPEX - Driving OE to the Frontline and Lean Operations & Advanced Sustainment

Argo Consulting, SVP Oil & Gas (Jorge Mastellari), Irving Oil, Director of OpEx (Vicki Woods), CP Rail, Former VP Consequence Management (Jeff Adams), FHR, Manager Performance Improvement (Adam Sackett), Argo Consulting, VP (CJ Renegar)

Summary

- As a leader, are you spending the right amount of time on the front line to explain and demonstrate the vision and showing respect for the individual and the team.
- Clear vision/purpose required up and down the organization to drive alignment and buy-in.
- Power of visual management - how it connects the human chain and drives focus and accountability.
- A "Leader Standard Work" approach will drive consistency and is the key to sustainment.

CULTURE OF ENGAGEMENT THAT DRIVES OPEX

Exxon and Suncor, Former SVP (Ray Floyd)

Summary

- Liquid Lean Book Author - Embrace Lean principles to transform organizations.
- Operating Discipline is key - "One Way of Doing Everything" coupled with Values, Beliefs, Behaviors and Rituals - Culture.
- The only thing that matters is achieving the best sustainable pace of strategic improvement.
- The only way to achieve the best sustainable pace of improvement is to construct an operating system where every individual (or small team) can continuously make his or her own best contribution to the success of the enterprise.

ORGANIZATIONAL EFFECTIVENESS - Framework to Reduce Operational Risk

Deepwater Horizon Investigation Leader (Captain Hung)

Summary

- From OpEx to World-Class-> Define Clarity of Mission.
- RISE - R=Reach for Higher Standards, I= Involve all Stakeholders, S= Share the Recognition, E= Explore New Opportunities.

“I truly enjoyed attending the Operational Excellence conference. My takeaway was not only the benchmarking information, but networking and being able to continue share best practices going forth.”

Keynote Panel Speaker

ORGANIZATIONAL EFFECTIVENESS - Framework to Reduce Operational Risk

Deepwater Horizon Investigation Leader (Captain Hung)

Summary

- From OpEx to World-Class-> Define Clarity of Mission.
- RISE - R=Reach for Higher Standards, I= Involve all Stakeholders, S= Share the Recognition, E= Explore New Opportunities.

FUNCTIONAL SAFETY LESSONS LEARNED

Mangan Software, Global Functional Safety Expert, (Dave Hansen)

Summary

- Timely Information is critical throughout the life-cycle.
- Digitization will bring Knowledge Management.

APPLYING NASA LESSONS LEARNED TO THE PETROCHEMICAL INDUSTRY

NASA, Former Chief Safety Officer (Scott Johnson)

Summary

- Regarding NASA, the key takeaway was they had to re-tool (Hazard Risk Analysis) that became the framework to get them back to flight, after the challenger event. At times re-tooling is necessary!

UNDERSTANDING THE CONNECTION BETWEEN CULTURE, SAFETY, ENVIRONMENTAL AND FINANCIAL PERFORMANCE

Irving Oil, Behavioral Safety Manager (Mick O'Connor), HSE Plains All American, VP (Barry Holzman), Huron Consulting Group, Managing Director (Lee Laviolette), Argo Consulting, SVP Chemical Industry (Chuck Deise)

Summary

- Good financial performance won't happen without the right culture.
- Listen, Engage, Get to Know the Front Line.
- Align processes, KPI's, provide system to visualize for improvement and accountability.

“Professional Conference chock-full of subject matter experts. I appreciate the genuine exchange of information and insights at the OpEx Conference.”

VP, Operations, Veolia Energy

ALIGNING BEHAVIORS FOR INCIDENT FREE OPERATION

Endeavor Management, Director (Brian Flis)

Summary

- People are the heart of your business success: create a people advantage.
- Simple and aligned behaviors are essential within your business and the path to excellence.
- Complexity is the leadership challenge of our time: find it, eliminate it and prevent it.
- Engage Operators - give them time to think.
- Keep Behaviors Simple - hire the right people and Reward appropriately.

MAKING THE CONNECTION BETWEEN CULTURE, SAFETY, AND FINANCIAL PERFORMANCE

Irving Oil, Behavioral Safety Manager (Mick O'Connor)

Summary

- Make people feel important.
- Culture should drive performance.
- Leader should set expectations, communicate and hold people accountable.

CHEVRON'S OPEX MANAGEMENT SYSTEM - Lessons Learned from the Journey

Chevron, Former GM Operational Excellence (Jeffrey Hedges)

Summary

- Line leadership ownership and accountability is key.
- HRO Culture should be integrated with corporate vision and values.
- Define expected leadership behaviors to reinforce organizational culture.
- Set bold, achievable objectives that energize the workforce.
- Establish expectations that tie to organizational objectives.
- Integrate the Management System with company business plans.
- Help leaders to Filter and Focus on the critical few.
- Establish effective feedback loops to learn.

“The event was the most well-prepared, comprehensive, pertinent event I have attended in a long time. Vastly exceeded my expectations.”

HES Team Leader, Chevron

LEADING MILLENNIALS TO OPERATIONAL EXCELLENCE

Veolia, Vice President (Matt DiGeronimo)

Summary

- If there is a change in the workforce, it is the leadership’s responsibility to change accordingly.
- There are clear indicators that Millennials represent a change in the workforce, and each organization must have a leadership strategy to deal with this change. The strategy should include: providing a clear vision/purpose, increasing transparency, increasing meaningful interactions with senior leadership, increasing cross-training and increasing feedback related to current work performance and potential/expected career development.
- Regardless of any changes that Millennials represent, leadership needs to remember that employees’ ability to jump ship has never been greater.
- People don’t quit companies, they quit bosses.
- The millennials will not have the loyalty or patience to put up with management deficiencies like their predecessors. Great time to leverage them to drive continuous improvement.

If you have any questions or need help with your OE journey, please contact:

Chuck Deise

SVP Chemical Industry
443.803.5515
c.deise@argoconsulting.com

ABOUT ARGO CONSULTING

Argo is a global operational consulting firm breaking through traditional barriers of the consultant-client relationship to collaborate and improve profitability. We are hands-on consultants who deliver real results and spend more time working directly with our client than in the boardroom.

© Copyright 2015 Argo, Inc. | 455 N. Cityfront Plaza Dr., Suite# 2750, Chicago, IL 60611 USA,
Phone: 312.988.9220. www.argoconsulting.com

