

Seizing Opportunities in Challenging Times: Strategic Countermeasures for Enhancing Profitability and Positioning for Growth

Based on our experience working with many companies in the chemical process industries, given the current headwinds, the best companies have prepared well in advance to navigate through the downturn to come out even stronger. They have maintained a laser focus on Operational Excellence and built a strong foundation and culture to run a highly predictable and reliable business.

GET PREPARED: So, what have the leading companies done, and what should you be doing? The best companies think strategically and have restructured operations to run more efficiently and effectively, eliminating the need to implement short-term tactical initiatives to

cut costs, and additional time to ramp up when the market improves. They know how to run a lean business and have a robust Operational Excellence program to drive additional productivity gains. This “do more with less” approach also has the added benefit of reducing your operations, logistics and carbon footprint.

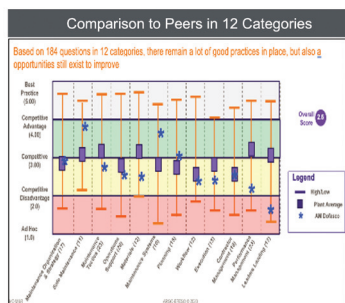
WHERE TO START: In most cases building a world-class performance driven organization and culture, deploying best practice standard work and a streamlined organizational design, will be self-funding, however this will take some time and hard work. The effort and investment will pay dividends and improve financial performance, providing operational agility, and eliminate the need to ramp up and down as business cycles change. Start by performing an analysis of your operations, conduct a gap assessment of your current performance by work process area to best practices, get the support you need and utilize benchmarks where possible. Build a compelling business case and implementation roadmap.

WHERE TO LOOK: The best run companies have or are in the process of implementing and institutionalizing the initiatives below:

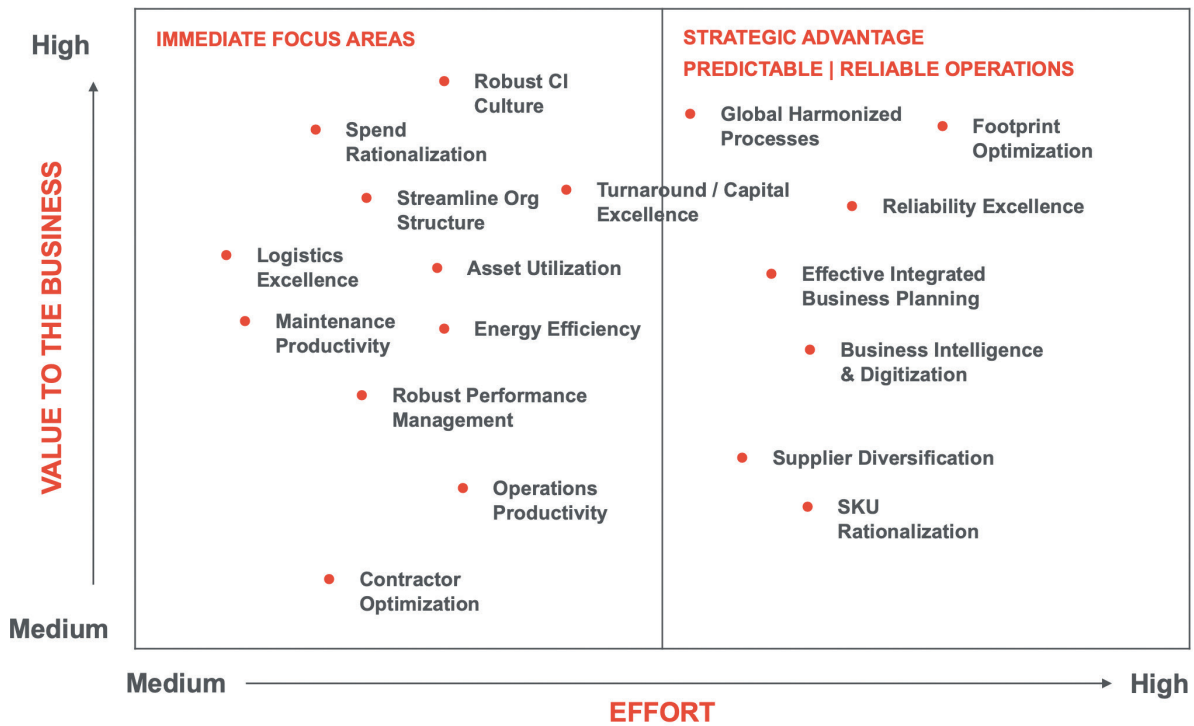
- 1. **STANDARDIZE AND SIMPLIFY GLOBAL WORK PROCESSES** - Implement best practices, migrate to standard work, and integrate, improve, or eliminate disparate work processes. “This will reduce complexity”. Start by reviewing the way work gets done in Operations, Maintenance & Reliability, Quality, Business Planning and Technology. Develop and implement a common unified approach.
- 2. **STREAMLINE ORGANIZATIONAL STRUCTURE** - Evaluate and develop effective organizational models to address site size, complexity, and regional requirements with clearly defined roles, responsibilities, and deliverables.
- 3. **PREDICTIVE PERFORMANCE MANAGEMENT** - Clearly define the vital few key performance indicators to improve operational and financial performance. Ensure a keen focus on leading indicators. Develop the appropriate tiered management cadence and visualization to track and improve performance from operations leadership to the shop floor.
- 4. **ROBUST INTEGRATED BUSINESS PLANNING** - Evaluate maturity of supply and demand planning and identify gaps to deploy a holistic end-to-end process to achieve operational and financial objectives.
- 5. **HIGHLY RELIABLE ASSET PERFORMANCE** - Define business-aligned reliability performance targets, understand and prioritize mission critical systems and assets, and develop, execute, and optimize asset performance strategies to meet business objectives.
- 6. **ASSET FOOTPRINT OPTIMIZATION AND UTILIZATION** - Assess current operations and logistics footprint capabilities and potential and develop an ideal footprint to meet business strategic performance objectives. Evaluate, develop, and execute options to close the gap.
- 7. **AUTOMATE AND DIGITIZE** - Once you have implemented the right work processes, now is the time to evaluate and implement Industry 4.0 Digitization Strategies. Conduct an assessment to build a roadmap and implementation plan based on technology that adds value, and most importantly improves operational performance.
- 8. **BUILD A CONTINUOUS IMPROVEMENT CULTURE THAT THRIVES** - Provide a compelling business case and vision of a preferred future, Line-of-Sight performance visibility, and enabling and reinforcing people systems, policies, and practices, to drive business-aligned performance improvement actions

Category	Leader Attributes	Best Practices / Initiatives	Star	Key	Area 1	Area 2	Score
Operational Excellence / Continuous Improvement Program	Lean/6S, TPM, Kaizen, 5S, SMED, Changeover, etc.	Active/Strong Support, Productivity Improvement, Cost Reduction, etc.	Red	Red	Red	Red	High
Performance Management / Quality System	Statistical Process Control, Six Sigma, etc.	Process Based, Root Cause Analysis, etc.	Yellow	Yellow	Yellow	Yellow	Medium
Operational Discipline	Standardized Work, etc.	Visual Management, etc.	Green	Green	Green	Green	Low
Site Safety & Health Program	Behavior Based Safety, etc.	Behavior Based Safety, etc.	Green	Green	Green	Green	Low
Environmental Compliance	Environmental Management System, etc.	Environmental Management System, etc.	Green	Green	Green	Green	Low
Productivity / Efficiency	Process Optimization, etc.	Process Optimization, etc.	Yellow	Yellow	Yellow	Yellow	Medium
Reliability / Maintenance Program	Preventive Maintenance, etc.	Preventive Maintenance, etc.	Yellow	Yellow	Yellow	Yellow	Medium
Maintenance / Reliability Program	CMMS, etc.	CMMS, etc.	Yellow	Yellow	Yellow	Yellow	Medium

Category	Target	Actual	Delta	Score
Overall	95%	92%	-3%	92%
Availability	98%	95%	-3%	95%
MTBF	1000 hrs	800 hrs	-200 hrs	80%
MTTR	1 hr	1.5 hr	+0.5 hr	67%
Cost per Hour	\$1000	\$1200	+\$200	83%



Operational Excellence Value Creation Matrix



Source: Benchmarked from ARGO-EFESO Internal Database

The next step in your journey: Understand where you are on the Operational Excellence Value Creation Matrix (above) and accelerate your journey to improve business performance. Where necessary, implement strategically aligned near-term quick hit programs (Spend Rationalization, Contractor Optimization, Maintenance Productivity, Logistics Optimization) to achieve immediate gains. This may be necessary in some cases until you have developed a robust roadmap and implemented the right global standard work processes, agile organizational design, and effective performance management systems across the enterprise. This will improve your ability to predict and glide through market challenges, realize significant productivity gains, and improve financial performance.

Call to action: The recent Chemical Week / ARGO-EFESO survey of top executives from the chemical process industry found that over 60% of companies are less than satisfied with current Business Performance today, and only 33% believe they have robust Operational Excellence programs in place to weather the storm and create first mover advantage for the rebound. There is no better time than now to think strategically, define the case for change, and engage and empower your employees to implement the necessary changes to improve your operational and business performance. Down-cycles can be the best time to eliminate non-value activities, benchmark, examine and optimize your cost structure to significantly improve competitive performance.

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