ASSET PERFORMANCE NETWORKS

BUILDING AN EFFECTIVE CORPORATE

TURNAROUND MANAGEMENT ORGANIZATION

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WHITE PAPER

Building an Effective Corporate Turnaround Management Organization

Introduction

This White Paper will summarize what AP-Networks has identified as the key elements of an effective Corporate Turnaround Assurance/Excellence/Best Practice Management Organization. AP-Networks observations are based on two decades of experience and lessons learned working with corporate excellence organizations (Projects and Turnarounds) of all sizes, including the supermajors, independent refiners as well as marquee chemical companies. This paper is organized around the following sections:

- **Background**
- **Hierarchical Alignment**
- **Key elements of making these groups both effective and successful**

Background

There is no one size fits all approach to the design of a Corporate Turnaround Management Organization ("CTMO"), but there are few critical observations that are common amongst the successful few. Also, there is no correlation between the size of the CTMO and their effectiveness in driving better turnaround performance. For larger companies with multiple sites, we see the number of dedicated staff in these central groups ranging from two FTEs to more than dozen. The larger ones, however, are more about providing direct support to the sites for planning, preparation, and even execution. It appears that their mission is focused on resource allocation and driving a certain level of consistency. Unfortunately, their mission and hard work do not always result in the desired outcomes, as it is dependent on each site's organization and their ability to integrate in it and influence it. In this paper we will focus on CTMOs whose mission is to establish turnaround governance, and a consistent work process as well as to obtain the metrics to track improvements.

In general, most CTMOs have the baseline responsibility of being custodians of corporate turnaround governance and the associated work process. They are also responsible for the continuous improvement of the work process with the goal of driving better turnaround outcomes across the corporation. How these CTMOs go about achieving their mission vary greatly. Most are ineffective in driving better performance and are perceived as not to bring value to the corporation. Our view is that the root cause in almost all these cases is that these CTMOs lose sight of how they can <u>strategically generate value across the corporation</u> and rather start to see themselves as a combination of a resource pool, a tool development group, or auditors.

Hierarchical Alignment: Our Perspective

In addition to managing the governance process, the turnaround process, and turnaround metrics (leading indicators and performance outcomes), the CTMO should have a clear and accurate view of the whole turnaround portfolio, how it aligns with the capital portfolio (which follows a different governance and work process with significantly different timing) and to conduct its work at the strategic level and to not engage in

tactical activities conducted at the site or turnaround level. This is the one observation that consistently separates the few successful CTMOs from the rest.

 In our experience, the more successful CTMOs also know how to effectively leverage and use 3rd parties and resources (both internal and external) where necessary. Based on our date, top quartile performers have assigned a senior manager to drive turnaround improvement within their company and to establish a common culture around how turnarounds are planned, executed, and managed. Critically, the head of the CTMO must be "empowered" to establish turnaround standards and enforce them. This means that the role has some "teeth" in ensuring that the TAR governance and work process are followed and that recommendations are acted upon by site leadership and turnaround teams.

What to Avoid
A CTMO should not be implementing improvements for a high-profile turnaround, or any turnaround, or assisting in its management. It should not get involved in a turnaround's scope identification or assessing turnaround readiness. It should not be conducting schedule challenges or cost audits and getting lost in the weeds. These are tactical and even execution type activities, and the CTMO should stay at the Strategic level to maintain its credibility and the fidelity of its mission across the organization as well as vertically. For instance, CTMOS conducting their own readiness reviews lack independence and industry-based data. It could also be laced with bias and lead to failing to warn the corporation about impending train-wrecks. Figure 1 below separates the Strategic Objectives that are the responsibility of the CTMO from the Tactical ones that would be conducted at the Site level by an independent team working together with the site organization.

Figure-1 CTMO Functional Responsibilities are Strategic

Role of Corporate Excellence Teams is Strategic and Not Tactical
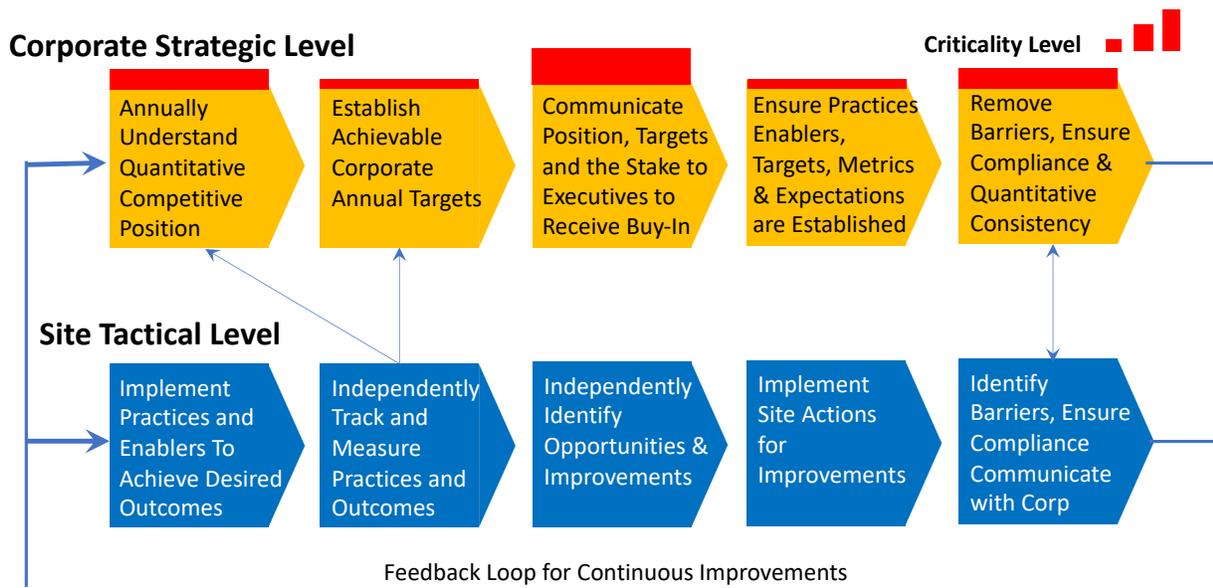
Key Elements of Success

Shown below are the common organizational traits for top performers of turnarounds and how we see the aCMTO ideally supporting these elements:

1. Annually Measure Competitive Position
a. Benchmark performance and monitor progress over time. This allows improvements to be tracked and quantified.
b. Understand on a systemic basis, strengths and weaknesses across the portfolio and identify what needs to be fixed at both a corporate and site level.
c. Prepare and put plans in place to plans to improve turnaround performance.
d. Identify and communicate where this is friction in the organization and where either misalignment or poor integration across sites and functions are a barrier to progress.
e. Effectively leverage and use 3rd parties and resources where necessary.

2. Establish Achievable Corporate Targets

The benchmarking in #1 will provide a baseline for establishing targets and measuring progress. Measuring and demonstrating progress are critical to ensuring support across the company.

3. Communicate Position, Targets, and the Business Stake

Turnarounds must be viewed as a business priority, with this vision set and reinforced by business leadership and supported by benchmarking performance. Perhaps the most important role for the leader of the CTMO is communications. The leader of the group needs to be an "evangelist", both vertically and horizontally, to communicate the business stake for turnaround improvement and why changes are being made. Critically, the leader of this group will need be able to communicate to the C-Suite awareness of the turnaround improvement journey.

4. Ensure Practices, Enablers, Metrics and Expectations Are Established

The better performers do not follow a decentralized model for turnaround assurance or execution. Rather, a work process is mandated, and is understood by all turnaround stakeholders. Standardization is pushed through the use of common tools, job aids, and common planning and cost control systems. There is accountability for using the process and supporting tools. Key responsibilities include:

- Ensuring that that Turnaround Assurance Reviews are conducted on schedule and staffed with the required external resources and supplemented with internal resources where appropriate.
- Enforce adherence to the corporate turnaround governance, turnaround complexity model and the corporate turnaround work process, and maintain its effectiveness and efficiency.
- Collate and categorize results of Turnaround Assurance Reviews and Post-Turnaround Evaluations. Establish, or use existing knowledge transfer, knowledge management and knowledge sharing mechanisms to ensure that institutional turnaround knowledge and competencies are used to enhance turnaround practices.

- Ensure lessons learned not being systematically captured and fed back into the system.

5. **Follow-up with Site Leadership and Steering Teams on Priorities and Recommended Improvement Actions**
   The sites may feel over-whelmed with the number of strategic turnaround improvement priorities as well as the more tactical recommendations coming out of the various assurance reviews. Often there is a lack of follow-through on these actions. The CMTO can act as a guide and coach to assist the site leadership in prioritizing actions and being more effective in their implementation.

6. **Remove Barriers, Ensure Compliance and Consistency**

   The central organization will need to regularly Interface with Site Leadership and/or site Steering Teams to resolve planning and preparation, execution, and post-turnaround issues. Inevitably, the sites and teams will identify problems and barriers to complying with the TAR governance and work process. It's important that that the leader establish a strong relationship with the sites that can overcome resistance to adhering to the work process.