

Chevron Case Study: Accelerating Executive Development at Chevron



The Chevron team developed a strategy for delivering enterprise value creation and successfully led it into action through team work and collaboration.

The Call to Action

Six executives got the news during a briefing in November. They were chosen to ascend the corporate ladder to assume the role of senior leadership team, responsible for the overall success of the large, integrated energy company. During their initial meeting, the team recognized the complexity of the task ahead of them. Managing the company's entire business from exploration all the way to end consumer would be a stretch for the group.

A large number of external factors including geotechnical and geopolitical risks of securing new reserves, volatile energy prices and increasing competition from national oil companies posed challenges to effective execution. Additionally, the leadership team would have to consider internal factors such as making investments in the latest drilling technologies, protecting the safety of employees, engaging in environmental stewardship and improving the reliability of the company's far flung operations.

Collaboration is Key to Success

Led by CEO Paul Antebi, the team started by undertaking a thorough analysis of the business, its markets, new resource opportunities, customers and competition. Through much discussion and at times heated debate, the team collaborated to define strategic priorities that they all agreed would differentiate their company from the competition, provide access to new conventional and unconventional resources and deliver top-tier shareholder returns. Nigel Hearne, the nominated President of Global Downstream, stated, "We quickly came to the realization that we wanted to focus on enterprise value creation. So we agreed to collaborate as a team across business units and not just try to optimize our own functional pieces."

Next, they set out to execute the strategy. Given high expectations and intense time pressure, the team decided to tackle the execution by working sequentially along the company's value chain. They started with upstream operations: Exploration and Production (E&P). The President of Global Upstream, Stacey Olson, led the strategy

"The program enabled participants to think more strategically, broadened their enterprise perspectives, built financial acumen, and provided an external focus and understanding of geopolitical decisions, competitive dynamics and customer and investor expectations. Most importantly, they had the opportunity to practice and learn in context of the company's business and strategic priorities."

— Nigel Hearne
Vice President
of Strategy
(Downstream)
at Chevron

implementation for this important area. The team debated the trade-offs of investing in deep water versus shale exploration and prioritized the various geopolitical options for accessing new reserves. The decision was made to focus primarily on unconventional shale resources in a developed market and to rapidly bring resources to production. Simultaneously, the group chose to also pursue acreage in a largely untapped basin in a country challenged by corruption, civil war, instability and violence. For this high-stakes bet, they realized the government would demand heavy investments in local infrastructure and training of locals to do the work.

Additionally, existing oil wells in the base business required attention and investment. Production in existing wells was declining at 15% per year and with a limited capital budget, the management team was forced to make tough trade-off decisions. Led by Artit Krichphiphat, the Executive Vice President of Base Business, they had to choose between acquiring new leases or investing in additional infill wells and developing and applying new advanced recovery technologies to manage existing reservoirs more effectively and minimize the decline.

In the downstream business (transportation, refining, and distribution), Nigel Hearne was faced with declining reserves of sweet crude oil, the key raw material in the refining process. To preserve margins and remain competitive, the company would have to make phased significant investments to cost effectively process heavier crudes. Despite a hefty price tag, the group collectively concluded that, while this was an expensive upgrade, it was necessary.

At the end of the first business cycle, the team found that its investment in enhanced oil recovery techniques paid off and generated significant cash. Furthermore, with the skilled leadership of CFO Daniel Abate, the company maintained financial strength and flexibility through disciplined investing and monetizing resources with the highest value. But despite this success, several of their direct competitors won more leases and reported larger reserves on their books. Nevertheless, the additional cash generation from the base business enabled the company to increase its capital budget and created the financial capacity to take on future projects to build a well-balanced portfolio.

Yet, an additional challenge arose that required immediate management attention. With an increase in workforce retirements, the company found its project portfolio was not only limited by capital constraints but also by human capital limitations. The Vice President of Planning and HR, Steve Neiers, would have to replace an aging workforce over the coming cycle. The challenges continued for the team and tensions were heightening.

As the team prepared their annual investor presentation, they wondered how their results would be received. They had developed a strategy for delivering enterprise value creation and successfully led it into action through team work and collaboration. Over the recent period, the group quickly gained a greater appreciation of the complexity of managing at the enterprise level and achieved a deep understanding of effective strategy execution. The executives were pleased, but knew more efficient execution could be achieved over the next cycle.

Business Simulation Leads to the Development of High Potential Leaders

Fortunately, it did not take the six team members an entire 6-year business cycle of experience to come to these realizations. Instead, it all happened in four days! An optimized [Business Simulation](#) accelerated the experience and allowed the group to practice strategy execution in a risk-free, competitive environment. The internal and

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external factors discussed in the simulation are reflective of the critical issues Chevron faces. The decisions and trade-offs made by the team are real choices that the senior management team at Chevron grapples with on a daily basis. Within this context, the team was able to make decisions from the vantage of Chevron's senior executives and learned great strategy implementation firsthand so that they could ultimately take ownership and effectively execute the company strategy back on the job.

The team was part of a cohort of 30 leaders who participated in Chevron's Advanced Management Program (CHAMP). This executive development program was designed to develop high-potential leaders through an extremely realistic business simulation that was customized by BTS to Chevron's business and strategic priorities. Upon completion of three intense simulation rounds run over a two day period, participant teams locked themselves away with results in hand to prepare their investor presentation to the analyst community. Their work was driven by the recognition that a positive reception from the investment community could reduce the company's cost of capital and provide future competitive advantage.

Concluding the exercise was the crucial investor presentation to some "analysts" with significant industry experience: Chevron's senior executives. The real-life executive group was tasked to observe and comment on the presentations by all the high-potential Executive Development Program groups. Then at the end of the day, the senior executives would make two buy, one hold, and two sell recommendations. During the evening graduation dinner, all the teams reflected on the learning that had occurred and their greater experience in executive-level decision-making.

About BTS

BTS focuses on the people side of strategy, working with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At our core, we believe people learn best by doing. For 30 years, we've been designing fun, powerful experiences™ that have profound and lasting impact on people and their careers. We inspire new ways of thinking, build critical capabilities and unleash business success. It's strategy made personal.

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