

CHEVRON GPO-I LOCAL BUSINESS DEVELOPMENT (LBD) PROGRAM STRATEGY & EXECUTION

By :

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Abstract

Chevron's foundation is built on our values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment, and benefit the communities.

Chevron believes investing in basic human needs, education and training is important strategic resources for future development. Local businesses also are vitally important to strengthening communities, promoting greater economic and social stability. It will reflect our commitment to partnership, sustainability and capacity building. By supporting small and local company/cooperative, we develop new and cost-effective solutions that fuel our mutual growth. Chevron's investments in local businesses contribute to the overall development and prosperity of the communities, expand our supplier network, and demonstrate our commitment to diversity where we live and work.

Based on that, Chevron GPO-I have implemented the Local Business Development(LBD) Program in Darajat field since 2007 and Salak field since 2008.

The objective of this paper is to share our experience in developing local partners' capabilities, frame work of study, work process, training program, coaching & counseling, monitoring and performance evaluation.

The paper will elaborate our LBD program background & introduction, LBD program Vision/Mission/Objective, empiric studies & concepts, Framework & Program development

workflow, Training program (soft skill & hard skill), coaching & counseling, time schedule, budgeting, and LBD program guideline (including Basic principles of LBD program, LBD Vendor definition, LBD project criteria, targeted area, local vendor administration requirement, LBD project scope of work, LBD bidding process flow, monitoring, scorecard, performance, etc). The paper is also completed with some graphic illustrations associated with Chevron GPO-I's spending budget/expenditures to LBD Vendor and photos of LBD Vendor's activities/projects.

Despite all the challenges, we identify great opportunities to work on. But, we need more focus, support and commitment among all of stake holders to pursuit a more effective LBD Program implementation.

Introduction

Supporting diversity is one of the seven values in The Chevron Way. The Chevron Way explains who we are, what we do, what we believe and what we plan to accomplish. It establishes a common understanding not only for those of us who work here, but also for all who interact with us.

Diversity means that we learn from and respect the cultures in which we work. We value and demonstrate respect for the uniqueness of individuals and the varied perspectives and talents they provide. We have an inclusive work environment and actively embrace a diversity of people, talents and experiences.

Building capacity and expanding business opportunities for local suppliers are other ways Chevron promotes responsible economic development in the countries where the company

operates. Our initiatives grow and diversify the local economic base for communities and national economies by creating new businesses, generating employment, and promoting the transfer of appropriate technology and skills.

We have an unwavering commitment to being a good partner focused on building productive, collaborative, trusting and beneficial relationships with governments, other companies, our customers, our communities and each other. We believe that local small enterprises/cooperatives are vital powers to develop surrounding communities, drive economic growth and social stability.

LBD Program is Chevron's commitment to cultivate and improve business potentials of local small enterprises/cooperatives through business partnership program based on mutually beneficial principles.

As a large corporation which has become a part of the community, ever since its existence Chevron has demonstrated its care and attention and has participated in developing the social-economic condition of the surrounding communities through its Community Development (CD) Program. The CD program activities in infrastructure development, education, health and income generation has been consistently implemented from time to time.

The Local Business Development Program (LBD) launched since 2001 in Riau, Sumatra and 2007 at Chevron Geothermal Darajat, West Java and 2008 at Chevron Geothermal Gunung Salak, West Java, is an innovation of the Community Development (CD) in income generation to stimulate self-reliance and economic growth of the community surrounding Chevron's operational areas.

The LBD program is in line with government programs aimed at developing the people's economy and guidance and empowerment programs for small scale enterprises and cooperatives.

Background

LBD Program was established with the following backgrounds:

- The business interaction between local small enterprises/cooperatives with Chevron is relatively low.

- The long and complicated administrative requirements to become Chevron's general vendors for local small enterprises/cooperatives.
- The weak competitive capability of local small enterprises/cooperatives against other Chevron's general vendors.
- The rigid Chevron's work and technical requirements.
- The need for a special program to serve as a venue and learning process for local small enterprises/cooperatives.
- Current CD Program.

Also, considering the phenomenon below:

- The emergence of demanding works from Local Vendor to Chevron's operation.
- Poor administration and performance from Local Vendor resulted to poor quality of services delivered.
- The unhealthy competition, such as: cooperation, intimidation, etc
- The differences between community's behavior/current practice and Chevron regulation/guideline.
- Local Vendor financial problem vs. informal fund institution / personal.

Frame of Thought :

Refer to the above background and phenomenon, Chevron GPO-I plan to conduct comprehensive study as a data base for developing a qualified LBD Program by collaborating with Padjadjaran University Bandung. They conducted preliminary study, conceptual study and continue with empirical study.

One of the study objectives is to map internal/external concern factors that related to the success opportunity for Local Vendor, including the socio-cultural factor, human factor and non-human factor (system and procedure). (**Figure 1.**)

Based on that preliminary study, together we created program work flow to implement our LBD program. (**Figure 2.**)

We limited LBD project to three criteria for the procurement of goods and services rendered to LBD Vendors during the development period, there are:

1. Low value (maximum Rp. 500 million)
2. Low risk towards Chevron's operation
3. Low technology

LBD Vendor Success Criteria :

- Number of LBD Vendor's involvement in handling projects (Goods & Services).
- Accumulation of project value (Goods & Services)
- Performance in project handling (Goods & Services)
- Complexity of type of projects performed.
- Behavior changes and adherence to the rules
- Training attendance
- Hold Chevron CHESM certificate with min "C" rating

Method

The LBD concept is parallel with the objectives of Community Development which is to improve the community's economic capability through special programs. However, LBD is more focused on the local community's entrepreneurship and businesses development as Chevron's vendors and not through direct donations. LBD is by all means not intended to replace the existing CD program. The basic relationship concept is purely business, and not a mere allocation of projects.

The implementation of LBD Program is particularly intended to empower the surrounding community's small enterprises and cooperatives by providing larger opportunities and business access, facilitation, training and non-technical/technical counseling in the procurement of goods and services to support Chevron's operation through mutually beneficial business partnerships.

The learning or advancement process through the LBD Program is expected to be able to motivate the community surrounding Chevron's operational areas to seriously exploit the good opportunity so that in the future it would bring birth to reliable, professional business players capable of competing globally.

Building capacity has the dual effects of empowering local suppliers and supporting the sustainability of their businesses. Our engagement with suppliers includes sharing our skills and know-how, delivering practical training and awareness programs, and promoting supplier diversity and engagement.

The implementation started within Ring One of Chevron's operational areas. The development of this program will ultimately reach the regency and municipality Rings. (Figure 3.)

LBD Program Success Criteria

1. To be able to do the job correctly and appropriate with Standard Operation Procedure Chevron and other large companies.
2. To be able to follow the training and able to complete the document CHESM and get the minimum Ranking C.
3. To be able to prove the job/project outside of Chevron/ other large companies.
4. To be able to recruit workers from the environment in which they live in order to work together on a job that is quite significant value
5. To be able to manage the project well done as Standard Operation Procedure Chevron.

Progress up-date

Since 2007 up to now, Chevron LBD Contractors has been achieve commutatively **US\$ 4,873,450.00**, with total number of LBD Vendors 65 Local Companies (Darajat and Salak fields). For detail pls see graphic below (Figure 4-6.) During the bidding process, LBD has value level limitation as shown on Figure 7. The Grand Plan and Road Map during 2007-2013 can be seen on Figure 8-9.

Conclusion

Chevron firmly believes that the LBD program can in no way be construed as a waste of money. The LBD Partners are not considered as constraints, but rather as potential resources and partners that can help Chevron achieve its overall objectives.

The forging of collaboration with local suppliers must be done appropriately based on continuing support and guidance. The ultimate objective is not just to see Chevron's local partners survive in business, but rather to see them grow and expand, to illustrate that the LBD program possesses creative value in it. Finally, we hope that LBD Vendors can deliver cost effectiveness to Chevron's operation, as well with good HES, technical, business ethic & financial aspects.

Chevron's Supplier Diversity/Small Business program promotes an inclusive business environment for the benefit of the company and its suppliers. Our commitment to diversity and inclusion is more than words, more than a set of goals. Our actions speak for themselves.

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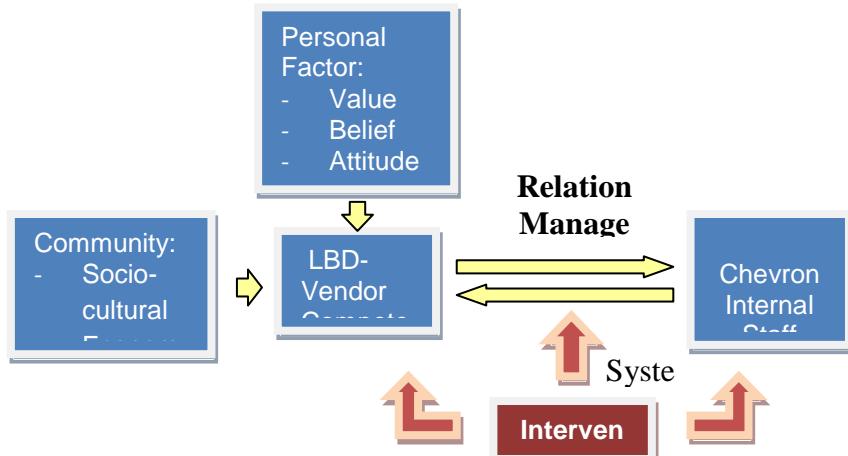


Figure 1: Frame of Thought - © LPPM UnPad

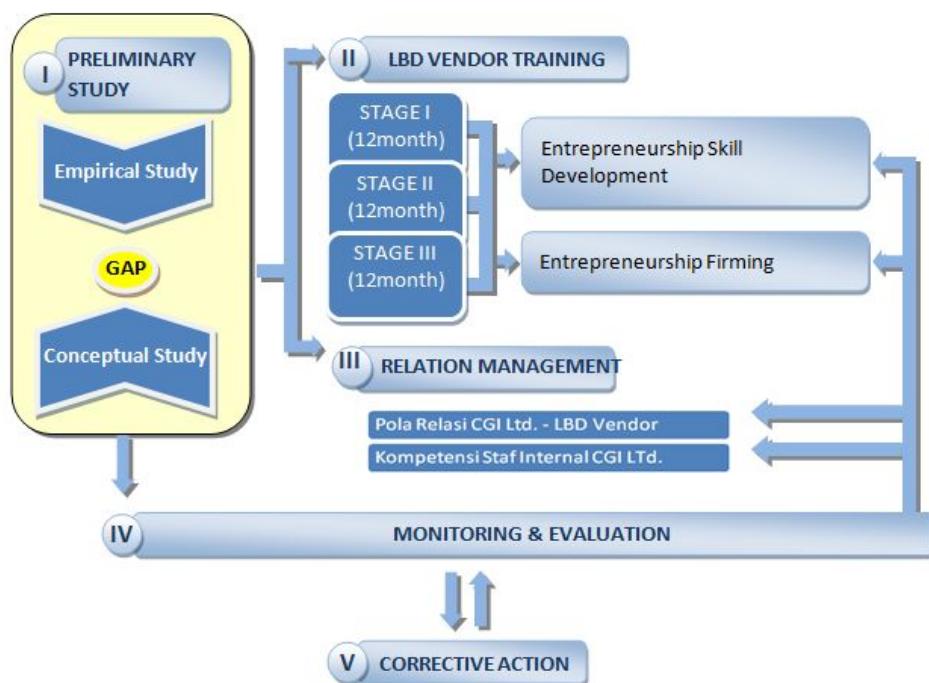


Figure 2: LBD Program Workflow - © LPPM UnPad

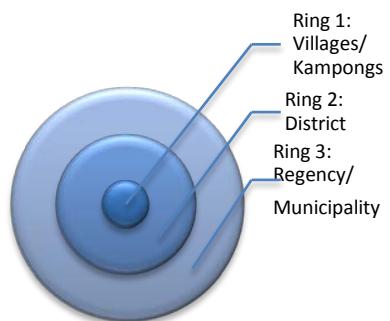


Figure 3: LBD Program targeted Ring

per 16 Mei 2013
2012 exchange value : 1USD=Rp 8,925

YEAR	LBD EXPENDITURE	TARGET EXPENDITURE	PERCENT	TARGET YTD
	235,652.09	0	0	0
2008	500,501.55	600,000	83.42%	100%
2009	650,097.82	660,000	128.60%	100%
2010	1,018,029.37	1,200,000	84.84%	100%
2011	783,685.64	1,400,000	55.38%	100%
2012	1,080,511.43	843,358	128.12%	100%
2013	404,972.28	985,000	41.11%	38.63%
	4,873,450.18			



Figure 4: Chevron GPO-I LBD Vendor Total Expenditures

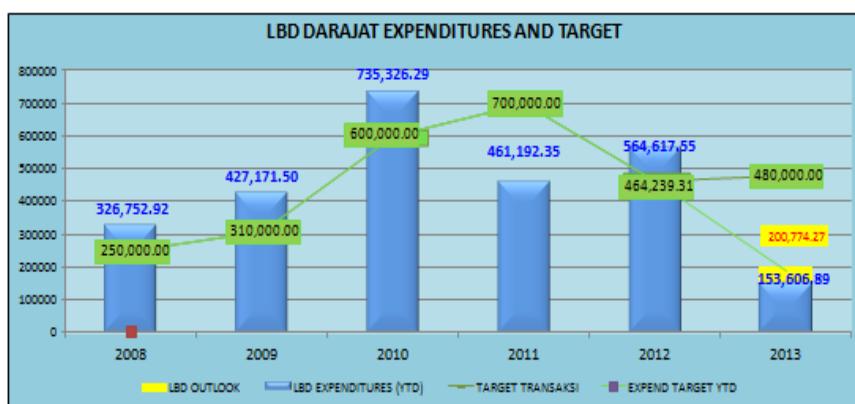


Figure 5: LBD Darajat (CGS) Expenditures vs. Target

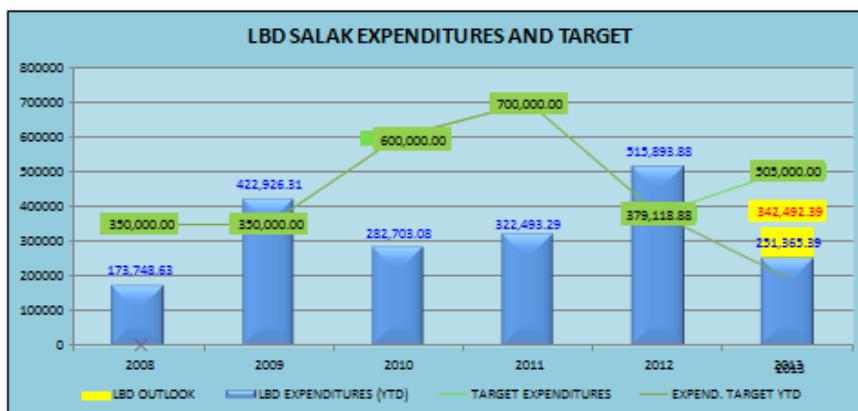


Figure 6: LBD Salak (CGS) Expenditures vs. Target

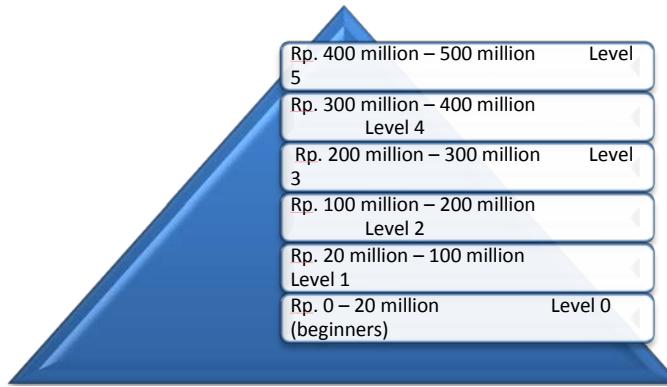


Figure 7: LBD tender level

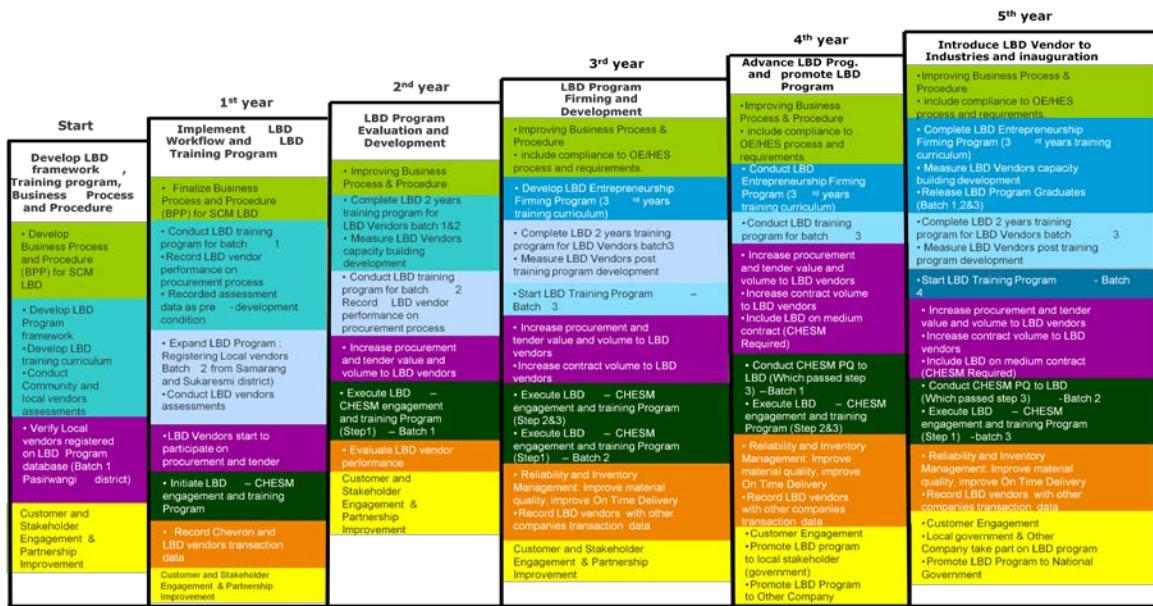


Figure 8: LBD Grand Plan

GPO-I LBD Program Major Milestone

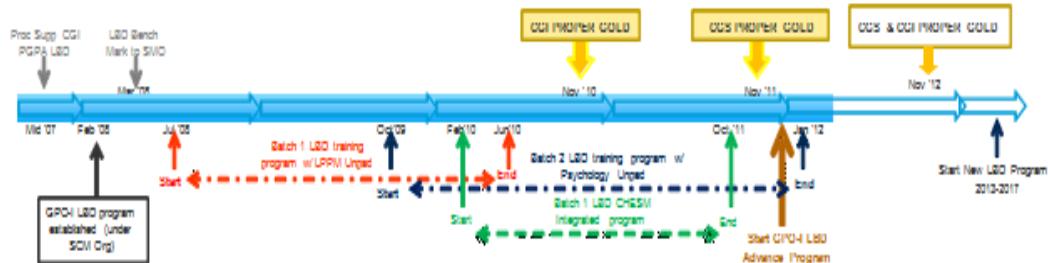


Figure 9: LBD Road Map (2007-2013)

Photo Galleries:

 <p>Salak LBD Basic Workshop</p>	 <p>LBD Vendors Darajat on Classroom</p>
 <p>Safety briefing before start working in Darajat</p>	 <p>19-01-2009 11:46</p> <p>LBD's project- Road Construction in Garut</p>
 <p>LBD's project: Drill Cutting – in Darajat Field</p>	 <p>Simulation Training Session, One of the method</p>
 <p>Project Gorong2 in Pasirwangi, Garut</p>	 <p>Project Landscaping in Chevron office Darajat</p>

<p>CV Darajat Makmur : Project Property Developer in Garut</p> 	<p>CV Darajat Makmur : Project Property Developer in Garut</p> 
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