Abstract:

Purpose: to identify gaps in terms of supplier performance of Chevron purchases and to innovate ways to reduce it for better business result through smoother communication and alignment between the suppliers and the company.

Approach: this paper is constructed through observation, one on one interviews and past experiences of MCP professionals of Chevron Corporation’s Bangladesh SBU.

Outcomes: The outcome remains as a standardized SPM Form that identifies and recommends future action and state of supplier’s performance through procurement professionals

Research limitations/implications: Due to the company’s compliance policy a significant amount of information is not allowed to be disclosed here in a research paper for outside usage.

Practical implication: It will reduce the challenges that are being faced at the moment due to lack of alignment and the gaps are being unable to be measured.

Keywords: Supplier, Performance management, Business alignment

Paper type: Undergraduate Internship Report
Internship Report on

Supplier Performance Management

Vendors Based in Bangladesh

Submitted to

Ms Nusrat Hafiz
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Submitted by

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Former Intern
Procurement Team
Major Capital Project
Chevron Bangladesh
Letter of Transmittal

31st May, 2015

Ms. Nusrat Hafiz,
Lecturer,
BBS
BRAC University

Subject: Submission of the Internship Report.

Madam,

It is a great pleasure and honor for me to submit my report on the “Supplier Performance Management” in Chevron Bangladesh collaborating with BRAC Business School. In this report, I have tried to analyze the factors that affect Supplier’s performance that are based in Bangladesh. I also developed a system that measures the performance of a supplier and ways to improve the gap perceived through the process. This system was developed working closely with you and the team members of Major Capital Project. Specifically, the feedbacks and lessons learned from the procurement team laid the groundwork of this report.

For the academic alignment and school requirements fulfillment, I relied on your guidance and I hope I was able to meet them.

This report has been arranged in an itemized arrangement with satisfactory data hunt and I have attempted my level best to lead this in an expert way. Doubtlessly, it could have been done in a superior manner if there were no confinements. I trust you will evaluate this report considering the restrictions of the study. Your kind exhortation will urge me to improve reports in future.

Yours sincerely,

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Mukit Anis
10304061
BRAC Business School
Acknowledgements

This paper would not have been possible to create without the help of my Supervisor in Chevron Bangladesh Mr. Ristia Siraj. He had been a crucial part of the whole process providing me with the insights gained from his more than a decadeworth of experience in this industry and with Chevron Corporation. The paper was done in a manner where the professionals in the company can be benefited from the findings and solutions. Mr. Ristia Siraj made sure that the outcomes of the paper are strictly aligned with the business requirements of Chevron Bangladesh.

I would also want to convey my gratitude to Mr. Navid Zaman (Procurement Coordinator) and Mr. Ziaul Karim Chowdhury who were expressive enough to discuss their experiment of purchasing and working with suppliers for Chevron Bangladesh and directed this report to the right destination. Both of them worked closely with me in the period of my internship with this global company and taught me the ways of surviving in a company with the historical legacy like Chevron. Both of them have their share of expertise here in this paper along with the solution and in depth discussions.

In every way possible this report would not have been possible if it was not for the amazing and friendly face from BRAC Business School Ms. Nusrat Hafiz. The academic relevance and theoretical alignment was ensured by her and she was kind enough to provide this project with her precious time and academic knowhow along with the warm approach to ensure the maximum academic outcome from a future Business Graduate like me.

The blend between two mentors from Industry and University makes this paper a unique one and that would never have been possible if it was not for both Ms. Nusrat Hafiz and Mr. RistiaSiraj’s guidance and inputs.

Lastly I would like to mention how each and every one from the MCP team was kind enough to provide with any information complying with Chevron Compliance and policies and provided their valuable experience that was reflected in this paper.
Executive Summary

In the oil and gas industry the amount of work that is outsourced is overwhelming. The success and achievements for any company following that strategy depends heavily on the operational excellence of the third party suppliers and contactors who are catering to the company. Even though it has been a global phenomenon to depend on the suppliers who can keep up with the company policy and maintain the scope of work, Bangladesh being a developing country has a long way to go before the local suppliers can reach that height of excellence.

Chevron Bangladesh deals with a number of suppliers from different backgrounds and sizes. It makes more business sense for them to source the materials from the local market. This strategy will reduce cost, lead time and local vendors will be benefited, boosting the local economy and give rise to a new industry within the nation. That being said, the companies like Chevron have a higher and sophisticated standard for safety, operational excellence and reliability. These traits are intangible and take time and awareness to grow.

The first step to improve the local suppliers is to locate the GAP. The SPM form developed through this report will be able to give a procurement professional to gather a bird’s eye view of a supplier’s major area of improvement and find the trend to work on. The form has very articulated Key Performance Indicators that way the measurement is to the point and numerical values can be added. After the GAP has been located; it is a matter of strategy to work closely with the supplier and improve the supplier’s scenario as a whole. As a part of the improvement process for suppliers there can be a number of steps that can be taken based on the particular company’s business needs.

If the local vendors want to compete in the global market and give birth to new potentials of wealth in the nation, they will have to upgrade technologically, maintain the international standard for safety and professionalism, technological innovation and process engineering.
## Organization & Internship

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## The Project: Supplier Performance Management

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1.1 Chevron Bangladesh:

Chevron Corporation is an American multinational energy establishment. Headquartered in San Ramon, California, and active in more than 180 countries, it is engaged in every aspect of the oil, gas, and geothermal energy industries, including exploration and production; refining, marketing and transport; chemicals manufacturing, sales and power generation. Chevron is the world’s second largest oil companies. For the past five years, Chevron has been continuously ranked as one of America’s 5 largest corporations according to Forbes 2000. As of 2013, it has been ranked the 11th largest public company in the world by Fortune Global 500.

ChevronBangladesh is one of the largest foreign investors in Bangladesh, providing employment for about 2,300 workers and supplying nearly 50 percent of the country's natural gas consumption. Chevron produces most of its natural gas from the Bibiyana Gas Field. Besides Bibiyana, Chevron also extracts natural gas from the Jalalabad and Moulavi Bazaar fields, both of which produce near full capacity whereas the Bibiyana gas field has much more left to be explored by Chevron. Currently, the Bibiyana expansion project is ongoing where two more wells are being planted for natural gas extraction. There is also another relatively small Chevron gas plant in Muchai, Sylhet.

ChevronBangladesh also actively in community development in areas of operation through activities and programs that focus primarily on education, health care services, capacity building, economic development and safety training. They provide resources that help the people in these areas gain the skills needed to improve their standard of living while preserving their culture. A good example of community development in Chevron would be the fact that everyone in ChevronBangladesh call each other as “Bhai” (brother) or “Apu” (sister) regardless of their position or employee holds.

They also carry out most of these projects in partnership with leading nongovernmental organizations (NGOs). Their employees also play key roles in community development projects by regularly participating in projects ranging from housing and work skills development to tree plantings, and health.
1.2 TheChevronWay:

Allover theworldwhereverChevronhasset foot in,therealwayshasbeen acommongoalfor theorganization which serves seven above theirbusinessgoals. This mutualunderstanding between the people ofChevrondefies borders, timeframes and businesses alike. It is theChevron culture of gettingresults the right way—"The Chevron Way".

The Chevron Way is practiced with utmost sincerity in its Bangladesh operations as well. Here we have two basic rules for work:

1. Do it safely or not at all.
2. There is always time to do it right.

Before the beginning of every meeting or presentation, we are required and encouraged to dedicate a slide on safety observations around us in the workplace. Whenever an employee catches sight of someone doing something that has risk potential, the employee has the authority to stop the other from continuing the job. This phenomenon is popularly known as the “Stop Work Authority” and is not only practiced, but also rewarded by the Country Manager himself.

Chevron believes that the company’s foundation is built on our values that distinguish them and guide their actions. The Chevron Way is derived by the following core values:

1. Integrity
2. Trust
3. Diversity
4. Ingenuity
5. Partnership
6. Protecting people and the environment
7. High Performance
1.3 Products:
In Bangladesh, the only Chevron product that is manufactured and sold is pure Methanegas. The gas is first extracted by digging wells into the gasfields and then refined or compressed to create pure Methane gas used as daily household, automobile and industrial fuel.

Other Chevron products like petroleum oil and lubricants are imported into the Bangladesh market after production, but there are no marketing operations from Chevron Bangladesh regarding the distribution of the imported Chevron products.

1.4 Operational Network Organogram:
The Chairman and CEO of Chevron, John S. Watson, is the head of the entire worldwide operations. Every country that Chevron operates in has a Country Manager who reports to the Regional Business...
1.5 **Visions for the Future:**

At the heart of the Chevron way is their vision, “to be the global energy company most admired for its People, partnership and performance.” Their core visions are:

- Safely provide energy products vital to sustainable economic progress and human development throughout the world;
- Are people and an organization with superior capabilities and commitment;
- Are the partner of choice;
- Earn the admiration of all our stakeholders—investors, customers, host governments, local communities and our employees—not only for the goals we achieve but how we achieve them;
- Deliver world-class performance.

Chevron Bangladesh has recently achieved one of its safety work environment goals of completing 50 million continuous work hours without a single day away from work due to injury. The occasion was celebrated in an “Town Hall” meeting where all the Chevron Bangladesh employees gather under one roof once every two months. The vision for the future was to achieve 100 million working hours without injury.

In case of business plans, Chevron Bangladesh has planned to expand even more into their existing blocks of gas fields and later bid for new blocks in time. Chevron Bangladesh also plans to explore the alternate energy options in Bangladesh in the near future.
2.1 Internship with Major Capital Project

Any project that exceeds the landmark of 50 million USD, Chevron creates a special arrangement called MCP (Major Capital Project) for handling that particular project. The Bibiana Gas Filed (BYX) is a project worth of 550 million USD and is one of the major profit-making ventures for Chevron Corporation.

I was hired as an intern for Major Capital Project and working with the supply chain to be more specific.

I was a part of the procurement team that caters to MCP needs.
My major responsibilities include working with the team to make sure of every step of the purchases are documented for future references and learning for other upcoming projects giving me an amazing Insight to Chevron.

**Preparation for Petrobangla Audit:** The first project was to prepare a set of files for the company’s local buyer (PetroBangla). These files included all the purchases over 125 thousand USD. In the beginning I had to get a hang of that process and get accustomed with the documents and its purposes. There is a very strict approval flow followed by Chevron and I had to make sure of each step while documenting. The usage of software called ARIBA made the whole task easy. This task gave me the opportunity to network with in the Major Capital Project team. Upon completing this task I formed a clear understanding of

- How chevron purchases sophisticated materials
- The communication of procurement team and the end user of the product purchased
- How the Bid documents are benchmarked.
- The way chevron maintains a strong set of suppliers and cultivates the relationship
- Transparency of the company
- Legal workings for changing in contracts.

Certain purchases are a combination of products and services. When the suppliers will provide manpower for training and onsite support along with the product, it becomes a part of the contract. There are contract specialists who work with the suppliers and deal with cost changes and payment and so on. This team works very closely with the procurement team and the alignment of these two teams were very crucial for this particular project/task.

**Record Retention:**

This was my second project. I was included in the project midway and I was still finding out more about the process. The objective of this project was to retain all the documents (including purchasing, contracts and the other documents that are related to the BIBIYANA project) and transfer them to a more advanced technology based system and create a database for better
access for higher management. This will ensure better alignment of different independent teams that work within Chevron towards the same goal.

**Developing a Performance measuring System for the suppliers**

The previous tasks gave me a good bird’s eye view of how Chevron Bangladesh purchases the major equipment and how the documentation and the approval flows work. It also opened my mind towards the idea of alignment, both internally and externally. Since Chevron Bangladesh outsources the duties and responsibilities that are critical for the project completion, the alignment with the external suppliers and the supply chain team of Major Capital project needs to be measurable for performance management and future reference with the lessons learned. Chevron Bangladesh strongly believes in continuous improvement in both qualitative and quantitative approach.

My last task and main project was to work closely with my supervisor who has 16 years of industry experience to develop a measurable and smart system for Chevron Bangladesh to create a supplier performance management. A system with a tool for Chevron Bangladesh to locate and measure the gaps while working with the local suppliers (based and/or operating Bangladesh).

Previously similar type of methods was used to measure the performance of the suppliers. The methods were mostly applicable for the international supplies who were from a total different layer of business and operational code. The challenge was to create something that will cater to the local suppliers and at the same time serve the same purpose that the old one had been serving. To add to that, the process has to be very efficient and time saving as the professionals have to go through more that 10 to 15 purchases on a regular work day for Chevron Bangladesh. After consulting with the procurement coordinator from the Major Capital Project, my supervisor came to the conclusion that each form should be simple enough to be filled within 15 seconds. The form and the task details will be discussed deeply in the later part of the report and my project will be based on local supplier’s performance management.
**Other Duties and responsibilities:**

Getting approvals from managers and maintaining inter departmental communication as needed is mostly done by me. Also, helping out the other team members on a daily basis for increasing efficiency is one the things I did. Tasks ranging from getting copies done and scanning have been a second nature by the end of second month. Lastly, attending different meetings and providing the meeting minutes has been an assigned task for me from Chevron Bangladesh.

**2.2 Critical Observation:**

Chevron Bangladesh has a proven method of work that leads to specified results. I joined in towards the end of a major capital project. Every employee in the team has a solid understanding of what they are doing and what is it that Chevron expects from them. They members of the team have grown a strong bond over the past few years of working together. As they built this project from the scratch, they all have a sense of belongingness. This unique situation gives birth to a very cozy work environment where results are met smoothly without any intentional bumps.

All the documents are kept manually and electronically for future audit (both internal and external). Even though it ensures the team with assurance from being at back foot during audit, the duplication of the documents can lead to challenges. The amount of purchases for the major capital project is close to a thousand. Large part of the purchases is customized engineering products that is specifically designed and made for the BYX projects. The drafts and drawings of these purchases keep on changing based on the need of the end user (the engineer/workers/professionals at the BYX site). As a result the documentations get complicated and duplication of documents may occur. When working with electronic processes, the duplications will cause major disrupts and leads to inefficiency from Chevrons end which will be counterproductive as par the company policy.

Needless to say, the constructors will be let go of after the project is over. A large portion of the team falls under that. As they moved forward towards the completion of the project, they were getting restless given the current market scenario of jobs and career for mid-level professionals. That had an adverse effect on the whole team as a whole.
Chevron Bangladesh strictly follows the compliance guide line set for the company as a whole. That being said, when a company is working the given boundary of Bangladesh, it is important to keep in mind that this geographical area has challenges keeping up with the international Business standard. That is one of the issues that I felt Chevron Bangladesh is facing difficulties with.

Also, when there is a set deadline and the whole team is running after finishing the project; the quality of the work may get hampered. The way Chevron works is to achieve the highest standard of work in every sense possible which may be compromised with the extra sense of pressure in terms of finishing the project as soon as possible.

### 2.3 Recommendations:

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| 1. Communication | • Smoothens day to day business activity  
                    • Reduces duplication of task  
                    • Practicing active listening |
| 2 Business Alignment | • Alignment between teams within MCP  
                        • With suppliers  
                        • Finance, external affairs and legal |
| 3 Supplies Performance measurement | • For creating performance benchmark  
                                      • Future reference  
                                      • Having required business influence over vendors |
| 4 Developing quantitative KPIs | • For performance measurement  
                                 • Maintaining the performance growth |
1. Communication

A smoother communication pattern with the external partners will help Chevron Bangladesh making sure the message is delivered and the right amount of stressing can ensure business outcome. This in fact is among the softer wings of business excellence and the company has to make sure the parties involved in the process who are from outside the organization are perfectly aligned with the plan.

Needless to mention that interdepartmental communication and the efficiency of it prepares the company for matching the outcome with the initial plan of the project. While Major Capital is the biggest investment of the company in an SBU; the softer aspects cannot ever be neglected. Active listening and emotional intelligence practices are two major recommendation from my side in the communication side of the business. The employees already practice these manners, emphasizing on them can lead to even greater success and smooth relation among the employees and the externals while the number of conflicts will start to reduce.

Since a large number of expats work in this SBU, the communication with the locals exceeding cultural boundaries and working towards the same goal would not have been possible if it was not for the great deal of communication efficiency present in the company. That being said, there is still room for improvement and specifically emotional intelligence and active listening can put the cherry on top.

2. Business Alignment

This recommendation is a hybrid of the previous one where the official business alignment is formed within the teams of Major Capital project and also the others. With the current situation, where the MCP team is nearly done with their work that is to complete the project; it is time for then had the gas plant to
operations for regular maintenance. This requires business alignment more than any other time as the official documents are kept for audit and maintenance work is under progress.

3. Supplier performance management:

The only space where I thought my report can add value in the corporation within the scope and time line of my contract with Chevron Bangladesh was developing a **Supplier’s Performance Management System** that will work as a skeleton for all the department to use in the future and they can customize and modify keeping their preference in mind.

Hence I was given the task of working farther more to fine tune the Supplier performance form, develop the user manual, develop and assign the specific KPIs to measure the performance growth and performance gap of every supplier that can also cater to the other internal department of Chevron Bangladesh.

An elaborated discussion will be provided in the later part of this paper which dealt with supplier’s performance management from a holistic perspective and provided a concrete solution to the current challenge faced by Chevron Bangladesh while dealing with the local (Bangladeshi) suppliers.

4. Developing quantitative KPIs

While working with the local vendors, Chevron Bangladesh mostly relies on industry credentials and past experience. Developing quantitative KPIs will help monitor the performance growth and pinpoint the area or development. Since sourcing locally makes more business sense for the company, it is only rational for them develop a structured plan for the enhancement of the quality of delivered by the vendors. The ground work has to be laid here with the specific quantitative KPIs.

5. Supplies development Programs

The local vendors are often benchmark themselves with the standard maintained by the other companies operating in Bangladesh. Chevron has a history of maintaining high level of engagement with security and safe operation. The unique was puts Chevron in the front line of
the industry. That being said, it is also important Chevron to communicate their ways of working and expectation to the local vendors. It is a long term process where both the vendors and Chevron has to be on the same page of the book and that will be possible throughout a supplier’s development program for local vendors.

All the recommended actions are somewhat long term and needs active involvement from all the team members and the management.
Chapter One

Supplier Performance Management

1. Project Summary

1.1 Objective of the study

A hefty amount of work for Chevron is outsourced creating room for constant performance management and re negotiations with suppliers on a regular basis. How the suppliers are performing in terms of meeting the delivery deadline and quality of services and products provided determines Chevron’s business excellence in both the local and international arenas.

This paper is constructed to better equip the supply chain professionals working in Chevron Corporation’s Bangladesh business unit with a better sense of suppliers performance management for expected business outcomes through efficient relationship management and cost efficiency. This can also be used as a handbook for post PO (Purchase order) management and negotiations between the supplies and Chevron Bangladesh professionals. The cultural issues for the suppliers operating from Bangladesh will be addressed along with possible recommendations for smoother communication from Chevron’s end.

The main purpose of this study is to locate the gap and recommend solution in the area of supplier’s (That are operated from Bangladesh) performance management and better negotiate and to specially pinpoint the KPIs (Key performance Indicator) that will help maintain a smoother performance management while the contract is being carried out.
1.2 Scope of the work:
This paper will solely consider the vendors for Major Capital Project (BYX) of Chevron Bangladesh who are operated from Bangladesh and give detailed elaboration of faced challenges and discuss solutions for similar ones in the future. This project is done from the Chevron Bangladesh’s perspective to make the supplier performance management more efficient and effective.

1.3 Description of the Project:
Chevron Corporation is a known name in the world of energy, operating in a number of countries all over the world maintaining their business standard while working with locals from the nations. Chevron emphasizes on diversity and compliance to meet their business requirements and follows a method called the “Chevron way” to achieve the business targets. External and internal alignment is essential for the company to maintain their world class standard built over the past few decades. The scope of the work for Chevron Corporation is wide and heavily dependent on the proper utilization of supply chain management and integration with a unique range of suppliers. One of the major SBUs of Chevron Corporation is Chevron Bangladesh. Along with several other projects the Major Capital Project for Chevron Bangladesh is called BYX (Bibiyana Expansion) with a project value of USD 550 Million. The completion of this project relies on how well Chevron Bangladesh can manage the resources that it has along with proper utilization of the suppliers (both local and international).

Chevron maintains a higher standard of work and delivery and that is most of the time met by the international suppliers as they are exposed to the world standard of doing business and communication. That being said it has become a challenge for the company to work with the local suppliers. Even though Chevron works with a strong bunch of suppliers who meet the local standards of business, they still have a long way to go in terms of meeting the international standard and the standards set by Chevron Bangladesh.

This study is a continuation of the paper prepared by Mr. Zahanjeb during his internship with Chevron Bangladesh. Using some of the findings from the paper, this will provide a much deeper look into the situation with well-constructed recommendation with the objective being smoother supplier performance management and business outcome.
1.4 Literature review:

For achieving business goals in the energy sector the supply chain professionals will have to act as the gatekeepers between the company and suppliers to ensure a steady supply of goods and services; which is a never ending process as long as the project goes on. Throughout this time period it is only expected for the professionals to achieve more efficiency, decrease the lead time and build example setting business relationship with the suppliers for the ease of reaching project milestones. These attributes have become requirements over the years and every supply chain professional has to master living with these for keeping up with the business world now.

Supplier Relationship Management:

While administrating contracts, supply chain management professional needs to be particular about the control mechanism, financials, administrative responsibilities, contract terms and conditions and also how the contract will be closed out prior finishing the roles and responsibilities. This is usually a part of the AWP (annual work plan) for every year. The relationship with a supplier will include four different tires including basic, operational, business and strategic alliances. Depending on the process integration and process coupling between two companies the level of relationship will be set.

The reciprocal relationship with the supplier is not a bad thing to achieve depending on both the party’s expertise. After all have been set, the question of supplier mentoring comes in to play. More often than not that suppliers has zero idea or lack of understating on the ways of working of a company that they are catering to. It is the client company’s responsibility to explain in a detailed manner to the supplier regarding their expectation and clean the KPIs that will be valid till the contract closes out.

Supply base usually involves the top tire, second tire and third tires of suppliers for a company. Usually companies pay close attention to the top tire of suppliers while it is also essential to have a close relation with the others as they can serve the company’s supply needs as they move forward. Supply base management is more than just to have a list of the entire pipe line of suppliers. It usually requires a soft business relation and taking advantages of the similarities and dissimilarities.
The Context for Chevron Bangladesh:

There is a world class standard for doing contracts with the suppliers that is followed by Chevron Bangladesh. The challenging part starts after a contract has been set and it is time for the suppliers to deliver; the perceived message from the receiver’s end starts to pick up on it and put the company is pressure as the on time delivery is the key factor for the project success. Mostly, considering the situation of Bangladesh, where the political situation is unstable and unsafe, it is risky for the suppliers to deliver the goods while the riots and strikes are going on as they are dealing with very expensive and sophisticated modified engineering items. No matter how hard chevron tries to meet the world standard, it gets very challenging for the company to maintain due to local challenges. The political situation is just one of many other situations that are hampering the smoothness of business. The communication gap between chevron and the local suppliers has a major role to play. Even though it makes more business sense for Chevron to procure from the local vendors as there will be a significant cost reduction for less transportation charge and the delivery will be quick; as long as the local vendors do not meet the international safety standard maintained by chevron the challenge will remain the same.

1.5 Methodologies:

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This paper will include tested research methods. For example first hand data will be collected from the employees who are dealing with post PO activities and working with the suppliers on a regular basis. The method of observation will be used to closely locate gap and provide possible solutions for shrinking the gaps. For secondary research supply chain handbooks provided by Chevron Bangladesh and available research papers from reputed Business Schools will be used. At any time of the study, new methods are to be used based on the usefulness and relevance of the study.
1.6 Limitations of the Project:

Even though this project goes deep inside the working of Chevron and its relationship with the suppliers, like other studies it has certain limitations that can eliminated in the future studies. The limitations include allocation of time and the current stage of the BYX project. Since the BYX project in the stage of near completion and all the professionals have the mind set to finish the project within the set time line, it is only natural for them to not have the time and the patience to spend their valuable working hours tracing back while they can take one more step closer to a finished project.

Three months gives one an ideal outlook to the surface while it is not enough to dig deep and understand the way of detailed day to day challenges and seek for solutions. This project is based on interviews and past experience of the Major Capital Project professionals. In most cases the project has taken their word for it with good faith.

Chevron Bangladesh has very strong compliance policy. The policies had been serving the company right and giving results in every possible way. That being said, the challenges faced while doing this project was to comply with Chevron policies and learn them by heart and work with it. Firsthand information was not possible to collect from the supplier’s perspective. This project puts everything into the perspective of Chevron as the objective is to make the post purchase activities smoother, effective and efficient.
1.7 *The Existing system for performance management* :

![Vendor/Supplier Evaluation](image)

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<th>Criteria</th>
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<th>Very Satisfied (6)</th>
<th>Satisfied (5)</th>
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<th>Somewhat Dissatisfied (3)</th>
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<td>Quality of Parts/Products/Materials/Services</td>
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<td>3</td>
<td>Competitiveness of Price</td>
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<td>4</td>
<td>Competitiveness of Terms &amp; Conditions</td>
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<td>5</td>
<td>Credit Rating</td>
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<td>6</td>
<td>Expertise of Sales/ Technical Support staffs</td>
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<td>7</td>
<td>After sale service/support</td>
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<td>8</td>
<td>Reputation of the company</td>
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<td>9</td>
<td>Compliance with International/Local standards of quality</td>
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<td>10</td>
<td>Related Knowledge</td>
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<td>11</td>
<td>Overall</td>
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*Fig Existing Supplier performance management form*

The existing system is straightforward and all the neighborhood merchants ought to fondle open to filling this structure. As non-recorded suppliers can offer in any aggressive offering of Chevron Bangladesh, so they will be advised to send this form topped off with their offer citations.

Along these lines, Chevron Bangladesh receives all the data of that supplier prepared alongside the citation for offering and it will be less demanding for Major Capital Project to assess and take the right step. Vendors can give their data quickly and it spares time for both them and Chevron Bangladesh. Some capable local organizations can be imparted through telephone likewise and the MCP contact individual can top off the structure by his/her own and afterward confirmation. Additionally, coordinated meeting is another path for utilizing this structure. This way, the correspondence is simpler with the nearby suppliers through this structure which will be efficient and a decent documentation.
The current system is great but supply chain is a field where constant updating and constant content improvement assures operational excellence.

Chapter Two

Modified SPM Form

2.1 Rational for a modified SPM form:

Catering to the local vendors:

Chevron Bangladesh has been meeting the goals set by the management and maintaining a proper track record of a continuous improvement. While maintaining the track record, it also works with a diversified supplier’s base ranging from international to local. The existing SPM mainly caters to the international suppliers who are sophisticated and technologically advanced in many ways in comparison with the local (Bangladeshi) suppliers due to various economic and cultural barriers. Dealing with the inconsistency becomes a challenge for the MCP procurement team. A new modified SPM form that is particularly developed for the local vendors can smooth things up.

Provides time efficiency:

Another criticism regarding the existing form is it’s time consumption. It takes up mentionable amount of a professional’s time where a procurement professional usually goes through 10-15 purchases every working day. Keeping that in mind, dealing with a complex performance management scorecard is irrational for the employees. When the product is due in site as soon as possible, very few would pay attention to a softer things like suppliers performance management score card. The new scorecard aims to not occupy 45 seconds to a minute of a procurement professional’s time. That way in the whole day spending 15 munities (at max) will ensure a progress in the supplier’s quality of work and delivery
Facilitating supplier's performance improvement:

Once the gap is found, it is only a matter of time and effort from a business entity to remove it. It gives better results. In today's business world where everything is result and goal oriented, finding the gap and removing it is one of the keys to win. The only way the gap will be able to be filled if it is measurable by well-established KPIs. The new form is constructed based on pre-determined KPIs selected maintaining Chevron standard and previous experience of the MCP professionals molded them perfectly for the local vendors.

Better decision making:

Since the form provides a bird’s eye view of all the aspects of performance of a vendor, it will definitely be a great tool for the team to make future decisions. One of the major concerns is always the lead time and the form can help identify and eliminate the reasons that usually causes for a late delivery from a supplier. The form collects all aspects of information regarding the supplier’s performance KPI and enables Chevron Bangladesh to make the right call for operational excellence in the least amount of time. As long as the team is equipped with all the information in one glance and it is a continuous process, the decisions should favor the business in every sense.

Single form with simplified KPIs:

While this form will aim towards the least time consumption and having the simplest usage manual, it will have the KPIs that matter the most. In a conversation with procurement coordinator from MCP the importance of few key indicators was established. For example, not all the KPIs are as important as on time delivery, lead time management and rate of returned goods. While working on a deadline, brushing through these KPIs can assure to find a solid delivery and post purchase experience from the company's end. Other KPIs are important as maintaining the company standard has been a major concern for Chevron as a whole.
2.2 Supplier Performance Management Process:

This is a standardized process that is usually followed in the oil and gas industry. It is also true that this process can be tailored to different corporations based on their specific needs and situations and so on. The essences of the whole process in most cases stay the same.

It will always start with setting very specific and measurable KPIs and will be communicated with the suppliers very clearly that way there is no room for misunderstanding costing both the parties a fortune.

When the KPIs are set and stay constant for most of the suppliers, each supplier will have to be aware of their own individual targets to meet and achieve the set goals. For example key targets are lead time management, delivery time and safety of delivery and smoothness or operation. After the delivery is done it is essential for the procurement team to fill up the SMP form that roughly takes about 45 seconds and communicate the result with the supplier, locate the gap and work with the supplier. Maintaining a collaborative approach will make sure that the increase in quality in the supplier’s deliverables that has clear business impact from Chevron Bangladesh’s end.

This system is an ongoing process and requires a very strong communication between the company and the supplier as it needs to grow and become stronger over the time.
2.2.1 Specified KPIs:

KPIs (Key Performance Indicators) are set to ensure the constant delivery of performance that meets the set standard by both the supplier and the company. The KPIs work as a common ground for the two separate entities to stay aligned throughout the time that the contract stays valid.

The KPIs included in the modified SPM form are formed from the previous form’s constructive criticism, procurement teams experience with local suppliers and Chevron standard. There are five basic KPIs in this system and they are elaborated into farther sub points to make sure that no specific area is left untouched for measuring the performance while maintaining the simplicity and efficiency.

These KPIs contribute a great deal to the supplier’s performance management process. Once the performance is measured, both the parties can undertake different strategic approaches to reduce the gap or farther improve the process.

Every KPI deals with certain specific areas making the Chevron professional’s task easy to monitor and measure the performance of the suppliers based in Bangladesh.
Financial Capability:

To stay aligned with Chevron Bangladesh, all the vendors are meant to have strong financial capabilities. It does not only mean that the company is affluent in terms of wealth or cash, it comprises of three different attributes a local vendor needs to maintain in order for Chevron to enlist them as a local vendor.

Financial Strength:

This particular criterion focuses on how strong of a company the vendor is. In order for a company to cater to Chevron, it has to comply with the company’s milestone payment terms and condition and also to keep a buffer for any emergency situation. It is connected with the financial working and the policies as
well and to make sure that they are inclined to Chevron terms and conditions of payments for the supply of the products.

**Competitive Pricing:** Being able to provide Chevron with the best price in the industry is fairly important. That being said, this is not the only thing that Chevron looks for while sourcing the materials and contracts. The ability and intention of a company to offer the best competitive price making sure of on time delivery and quality of the material provided can foster a long lasting relation with the company that is beneficial for both the parities. A history of providing competitive price that saves resources from both ends, the degree to with Chevron is benefited and the consistent offer for best price in the market will be enlisted in this particular area for financial capability segment.

**Invoicing Accuracy:**

When an invoice is sent from the supplier for a milestone payment, it has to be tailored for the Chevron process. Chevron follows a very structured method of payments that has been proven to bring in operational excellence.

In this segment, a buyer (who is a chevron procurement professional and is authorized to make the purchase from the supplier based on the needs of the field/end user) has the option to asses a supplier’s capacity of processing an invoice that is error free and where the invoice payment was frictionless or not.

Say for example, the invoice did not have to be sent back to the supplier for farther modifications to meet the Chevron needs and Chevron Finance could get the payment out in time with maintaining least amount of professional conflict. This case can be marked for future reference and will fall under good, satisfactory or excellent
**HES (Health, Environment and Safety):**

Many of the objects procured for the field are very expensive, sensitive and has high risk of being damaged during transportation. The HES code that is developed Chevron is supposed to be followed by the suppliers to maintain safe transportation and not damaging materials.

While the political unrest was going on, Chevron had to wait for days for material delivery, not taking any risk. The only reason being, the materials are in most cases very expensive and only catered for Chevron needs. Hampering with the safety of the materials is a risk that the company does not want to take. It also makes more business sense for them to wait as long as they are not missing out on production hours.

Delivery accuracy depends on the lead time management and if the products delivered were put to use without having to return. These two criteria make up the HES KPI from the supplier.
performance management form which is on the major concerns as at the heart of Chevron operation for safe operations for achieving business needs.

*Compliance:*

- **Contract compliance**
- **Product Quality**
- **Confidentiality and Transparency**

Compliance comprises of three major aspects in this particular case that are equally significant for the performance measurement of the supplier. Chevron Bangladesh maintains a very strict culture of corporate compliance and of the scope of a contract. A supplier at any position will have to operate within its scope of work, fully complying with the corporate compliance. To the degree to which a supplier is following the contract and complying with that is one of the three major criteria for compliance in Supplier performance management system.

Chevron's policy is to comply fully with both the spirit and letter of the law. Violations can result in severe civil and criminal penalties for both the employee and Chevron. In addition, Chevron must establish an appropriate environment to protect its people and assets. These drivers underscore the need to have compliance processes in place to manage these exposures.
Maintenance of the quality of the product delivered is something that cannot be bargained with. For damages materials, Chevron Bangladesh loses out on production and that is totally counterproductive. Crucial amount of details goes into this area if the product was exactly the one Chevron end user required or not, whether or not it has to be returned for replacement; these make up the area of product quality.

The energy industry has very sophisticated competition that is very strong and the key players are not high in number. The data privacy, confidentiality and the transparency get very crucial. For the suppliers, if they want a long term business relationship with Chevron; the confidentiality has to be maintained in a manner where the contract and code of conduct has not been violated in any way.

**Efficiency, Quality and Reliability**

Technological innovation helps a supplier to stay ahead of its curve as the industry thrives for improvement in every way possible. Taken the local suppliers have a long way to go in terms of technological advancement and innovation; it is recommended that the company pushes and emphasizes on technological innovation for various reasons. This particular segment can eventually contribute to the following areas

- Managing lead time
- Just in time delivery (has been a widely discussed topic in Supply Chain Management)
- Better problem solving and communication

Ensuring on time delivery is the most important area of this KPI. Chevron Bangladesh in many cases relies on this as one of the major justification for supplier selection. Making the delivery on time can eliminate repetition of work and increase efficiency of field professionals who are dependents of the delivery of material and cannot continue the flow of work otherwise.

Starting from sending out the quotations for bidding to shipping point delivery there are a number of steps that are executed within the confined period of time. Almost all the steps are equally relevant and important to Chevron.
It is the people who make all the difference in the end. Hence a big amount of emphasize in the new SPM form goes into how the suppliers are being managed by their workforce. Chevron Bangladesh understands that it is maybe an area where the supplier does not feel comfortable letting information out. That is why the system has three indicators that will be perceived from Chevron’s end and though out the post purchase services them will be evaluated on a long term basis while the contract is not void.

### Supplier Workforce

- Responsiveness
- Reliability
- Communication Efficiency

**Workforce**

*This KPI deals with the designated workforce that carried the contract out for Chevron.*

*Depending on how the communication efficiency, responsiveness and reliability the supplier will be graded. Since most of the materials are extremely sophisticated and very expensive,*

*The reliability defines the project success in many ways*
Like the name suggests, Industry credentials is referring to the market reputation of a particular supplier. Along with that, if any vendor had previously worked with Chevron; the past records are also a part of the industry credentials.

What the competitors, partners and the clients have to say about a vendor has an impact on its industry credential. If they had failed to deliver any major material or not and what are they known for in the industry is strictly outlined before measuring the industry credential for the Suppliers performance management system. This KPI is more on the softer side and acts as a safety net for the procurement professionals. Getting historical information over the suppliers and evaluating past experience give a proper base for anticipating what is coming next from a particular supplier. Every supplier has a market reputation; be in positive of negative. Taken there is a shortage of time and the professionals are
working on a deadline; relying on the market reputation can be a very handy tool for anticipating future performance of a supplier.

If the vendor has worked with Chevron before, digging up the data from within the company can make the evaluation easy and quick for better result. Depending on how well a local vendor has improved in the past also based on their willingness to be associated with Chevron Bangladesh can be an indicator for future reference for the company itself.

The reason industry credential is proposed to be included in the supplier performance management system is for two different reasons. Number one is to save time and use the lessons learned while working with an existing vendor that already had catered to Chevron Bangladesh. Secondly, while working with a new vendor; this particular segment can give a rough idea regarding how to approach the vendor and what are their key area improvements. This helps forecast individual issues before they even arise and deal with them on a proactive manner.
Chapter Three

The Result
### Supplier Performance Management Form

<table>
<thead>
<tr>
<th>Supplier KPI</th>
<th>Specific Area</th>
<th>Excellent</th>
<th>Good</th>
<th>Satisfactory</th>
<th>Not Good</th>
<th>Counter Productive</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>1 Financial Capability</td>
<td>Invoicing accuracy</td>
<td></td>
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<td></td>
<td>Financial Capability</td>
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<td></td>
<td>Competitive Price</td>
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<td>2 HSE</td>
<td>Attention to Safety</td>
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<td>3 Compliance</td>
<td>Confidentiality &amp; Transparency</td>
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<td>Accuracy (Quality of the products)</td>
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<td>Complying with the Contract</td>
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<tr>
<td>3 Efficiency, Quality and Reliability</td>
<td>On Time Delivery</td>
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<td></td>
<td>Meeting Chevron Standard</td>
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<td></td>
<td>Technological Innovation</td>
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<td>4 Workforce</td>
<td>Responsiveness</td>
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<td></td>
<td>Communication</td>
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<td></td>
<td>Reliability (After sales service)</td>
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<tr>
<td>5 Industry Credentials</td>
<td>Past experience with Chevron</td>
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<td></td>
<td>Reputation</td>
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Reviewed By: ______________________ Date: ________________

Recommendation:
3.2 Areas for future work:

This form provides a basic skeleton of performance management system. Depending on what the need is and which department is using, the attributes can be altered.

For future work, numerical values can be added to every aspect that way this form can act as a holistic scorecard. Detailed interviews, meetings and performance boosting trainings can also be a part of the performance management system depending on the resources that Chevron can allocate.

Strictly, for the betterment of the organization, making the form more efficient is a necessity. It will take a basic monitoring trick to assign numerical values to the qualitative traits that are communicated with the vendors. Taken there is no lack of communication; the numerical values will add value to the process and equip the professionals with great insight and perception of a vendor’s continuous performances improvement or any areas of improvement.
Chapter Four

Conclusion

Despite the fact that it has been a worldwide wonder to rely on upon the suppliers who can stay with up with the arrangement and keep up the extent of work, Bangladesh being a creating nation has far to go before the nearby suppliers can achieve that tallness of incredibleness.

Chevron Bangladesh manages various suppliers from distinctive foundations and sizes. It bodes well for them to source the materials from the nearby market. This procedure will diminish expense, lead time and nearby sellers will be profited, boosting the neighborhood economy and offer ascent to another industry with the country. That being said, the organizations like Chevron have a higher and modern standard for wellbeing, operational fabulousness and the way of life or dependability. These qualities are elusive and require some investment and attention to develop.

The principal stride to enhance the neighborhood suppliers is to find the GAP. The SPM structure grew through this report will have the capacity to give an acquisition expert to accumulate a superior perspective of a supplier's real region of change and discover the pattern to chip away at. The structure has exceptionally explained Key Performance Indicators that way the estimation is to the point and numerical qualities can be included. After the GAP has been found; it is a matter of methodology to work nearly with the supplier and enhance the suppler situation in general. As a piece of the change process for suppliers there can be various steps that can be taken in light of the specific organization's business needs.

On the off chance that the nearby sellers need to contend in the worldwide market and conceive new possibilities of riches in the country, they will need to redesign and keep up the universal
standard for security and polished skill, mechanical advancement and procedure designing et cetera.