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Bharat Petroleum Corporation Ltd (A)

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Bharat Petroleum Corporation Ltd (A)

1. Introduction

Burmah Oil Refineries Ltd. was incorporated in 1952 as a joint venture between Burmah Oil Company, UK and Shell Petroleum Company by an agreement with the Indian Government to set up a refinery at Mahul in Mumbai, which went on stream in 1957. In 1976 the Indian Government nationalized the petroleum industry and acquired 100% equity in Burmah Oil Refineries and named it Bharat Refineries Ltd. The name was later changed to Bharat Petroleum Corporation Ltd. (BPCL) in 1977.

BPCL was an integrated refining and marketing company. It markets a diverse range of products from petrochemicals, solvents, specialty lubricants, aviation fuel and LPG. The Mahul refinery had a capacity of 6 million tons per annum and it operated at 127% of the capacity in the year ending March 2000. It also had an installed capacity of 98000 MT of benzene, 17600 MT of Toluene, 90000 MT of lubricants and 10950 MT of sulphur. It was the first Indian industrial unit to obtain ISO 9002 and ISO 14001 certification and the only Indian Refinery (and one of the 34 refineries worldwide) to achieve a Level 7 on the International Safety Rating System (ISRS).

BPCL’s retail network was the third largest in the country with around 4,500 retail outlets (petrol pumps / gas stations), around 950 dealerships for kerosene and light diesel oil, and 1200 LPG distributors. It had 22 LPG bottling plants, 3 lube blending and filling plants, 6 port installations, 13 aviation service stations, 67 company operated depots and 23 dispatch units. It completed a 250 km long cross-country pipeline between Mumbai and Manmad in March 1998. It had a market share of around 22% in petroleum products and 20% in LPG. In 2000, the total sales grossed over 36,000 crores of rupees and 18.86 million tons of petroleum products. Industrial customers contributed to 27% of sales, LPG 7%, aviation fuel 3% and lubricants 0.5% of the total sales. The refinery and the marketing infrastructure are considered the best in the industry and most efficient.

2. Industry Environment

The petroleum industry had many international players operating in the country till it was nationalized in the 1970s. BPCL acquisition was part of the Indian government’s nationalization program. It was highly regulated and controlled by the government till economic reforms started in 1991. The prices of the raw materials and the end products, procurement of the raw materials, production capacity, distribution, and returns on investment were regulated by the government. There were only three major integrated refining and marketing companies and a number of independent refineries supplying to these. Since the focus of the government was to improve the coverage of the distribution network across the country it regulated setting up of new retail outlets reducing the chance of any competition between the outlets of different players.

3. Administered Pricing Mechanism

Administered Pricing Mechanism (APM) came into existence on 1977. Prior to APM the realization of oil companies was restricted to the import parity price of finished goods. Oil Pricing Committee (OPC) set up in 1976 recommended discontinuing the import parity pricing. It suggested that the cost of domestic production should determine the pricing of the petroleum products as more than 90% of the requirements were produced within the country. The major drawback of the import parity pricing was the delinking of the local cost of production to the price. This was taken care of by Retention Pricing Mechanism, by which refineries were allowed to retain out of the sales the cost of crude, refining cost and reasonable return on investment. This was allowed for the marketing companies also. In 1977, the government fixed the prices of the petroleum products and delinked the cost of production to the final price of the products. With the administration of the prices by the government the pricing system evolved to APM.

APM was administered by Oil Coordination Committee (OCC), under the ministry of Petroleum and Natural Gas. Under APM raw materials were supplied to the refineries at the point of refining at a predetermined price (Delivered Cost of Crude). The finished products were made available to the marketers at pre determined prices (ex refinery prices). Refining and marketing costs were reimbursed based on predetermined criteria. The system also included rewards and penalties for efficiency.

4. Post Liberalization Scenario

In 1991, under the Narasimha Rao's government structural reforms were initiated. Privatization of the public sector units was one of the agenda's of the economic liberalization. As a part of it, the petroleum sector was opened up for private investment. The returns were ensured through APM for the public sector as well as private sector players. Three private players Reliance, Essar and AV Birla group announced intention to set up refineries. Disinvestment was also an agenda in the economic reforms. The government held 100% equity in BPCL till 1992, when it offloaded 30% stake in favor of institutional investors.

5. Dismantling of APM

In 1995 Sundararajan Committee Report 'Hydrocarbon 2010' was published and it suggested dismantling of the APM. In 1998 APM was partially dismantled and was expected to be removed by 2002. The government control on distribution and marketing was also expected to be relaxed by 2002.

Starting from 1995, petroleum companies in India started to ramp up their operations to face the competition in the post APM regime. The lubes sector was deregulated in the early 1990s and multinationals and Indian private sector companies entered market. The intense competition faced by the public sector companies was indicative of the challenges they have to face in an open unregulated market in other segments. Meanwhile Reliance had set up one of the biggest refineries in the world in record time and its quality and productivity parameters were at global levels. It was also planning to setup a distribution network when marketing is decontrolled. The total installed capacity in the year 2000 was 110 Million Metric Tons Per Annum (including the Reliance refinery). One manager stated with excitement

> "Because of government regulations our hands were tied down. We did not have the freedom to market our products and compete with others. Now we can really be free and aggressive".

6. Privatization

As a part of the ongoing economic reforms the government was actively pursuing privatization of the public sector organizations. There was a clear message from the government that all public sector organizations should have a business orientation irrespective of the social obligations. A couple of senior managers' state

> "Privatization is something that will happen. One can't bother too much about the future without knowing what is going to happen. It is inevitable and we can't do anything about it."

> "We don't know what will happen to BPCL and us. Tomorrow we may not exist as BPCL. We might become a part of Shell or Reliance or some other organization."

The impeding competition as well as the uncertainty of existence in the present form created anxiety in the organization across all levels. Some considered it to be an opportunity where as others considered it as a let down by the government and the organization. The organization initiated numerous changes in order to transform itself to face the future competition.

7. Initiation of the Restructuring Process

The initiation for restructuring the organization was by the personal initiative of the CMD Mr. U Sundararajan. He had earlier been appointed by the government to study the petroleum industry in other countries as a preamble for deregulation. He had created a cross functional team for studying the effectiveness of the models followed by different countries. Mr. Sundararajan and the team studied more than two hundred books and numerous articles on deregulation, oil industry and best practices. Mr. Sundararajan realized the inability of his organization to compete with MNCs with deregulation. He started the restructuring process through discussions with the top management, the board and the government.

8. Selection of External Experts

A group of international strategic consultants were short listed and requested to make presentations to the board for the award of the assignment to provide consulting expertise in restructuring. The list included many of the top consulting firms in the world with vast experience in the oil industry, deregulation and restructuring. One of the consulting firms was Arthur D. Little (ADL) headed by Mr. Arun Maira, long associated with Indian organizations and a colleague of Peter Senge. In his presentation, he stated that ADL would provide necessary inputs to build capacity within BPCL to enable them to design and implement a new structure rather than suggesting what BPCL should do. ADL was appointed the consultant based on their process and organizational learning approach. One of the top managers stated

> "We had the best consultants across the globe in front of us. We wanted somebody who understood the Indian reality, give workable solutions and help in implementation and *not just a report*. So we decided to go for ADL and Arun Maira".

9. Change Team

A change team was formed with twenty-two managers nominated from various functions across levels. The team size grew to thirty as the project progressed. The team members had varied performance records, educational qualifications and experience. The CMD did not believe in giving importance to those with higher degrees over others. His philosophy was to provide an opportunity to average people in an empowered and enabled environment to achieve great results. Mr. Sundararajan says

> "Initially when we formed the change team I asked for nominations from various departments and they nominated all kinds of people. I did not nominate the best mangers in BPCL because I have observed many times in my career, if people are given the right environment and opportunities they would rise up to it. And my faith was not misplaced. These youngsters did a wonderful job."

The change project was titled CUSECS for **CU**stomer **SE**rvice & **C**ustomer **S**atisfaction. The consultant ADL trained the CUSECS team. The training included topics like negotiations, interpersonal effectiveness, presentations, systems thinking, and best practices. The CUSECS team was provided with all the information and support required to develop skills in diagnosis, change strategy formulation, organization design, and implementation. Those who could not take up the huge workload and stress were requested to leave and join their parent departments. The team conducted a short diagnosis of the organizational issues with facilitation by consultants and made presentations to the top management. One of the CUSECS team members state:

> "We were initially frustrated and unable to understand why ADL wanted us to think through everything ourselves, rather than telling us what is best. Later, we appreciated their approach in enabling us to think and decide for ourselves what is best for the organization. We were trained exhaustively starting from presentation skills, negotiation skills to systems thinking and so on".

10. Creating a Shared Vision

The visioning exercise was conducted to develop clarity and common understanding about the future of the organization. The visioning exercise started with the board. External consultants facilitated this in two iterations. The exercise was extended across the organization in a snowball approach flowing from the top management to the junior management facilitated by internal experts trained specifically for the same. The core of the vision as articulated by the organizational members across the organization is given below.

- Be the BEST
- Make the workplace exciting
- Improve boundary management
- Fulfill social responsibilities, be ethical
- Apply the best technology
- Make systems strong and dynamic
- Establish first class brands and corporate image
- Excellent customer care and service
- Go for excellent performance and operational efficiency
- Make people a source of improvement

Appendix A elaborates the ten broad themes in the shared vision of BPCL. The visioning exercise provided an opportunity for articulation of the aspirations of the people. The process brought the whole organization out of lethargy, and increased the energy levels and expectations on individuals, teams and the organization. Since the vision was iterated through out the organization, there was greater buy in for the change. One of the managers says

> "We were all surprised that the vision had so much commonality across the organization. It clearly stated that people had great aspirations but never expressed them. This exercise made us realize the possibilities for the future of BPCL".

11. Organizational Assessment – Current Reality

Based on the initial diagnosis by the CUSECS team and the visioning workshop for top management, it was decided that an organization wide assessment exercise would be conducted simultaneously with the shared visioning exercise. Six 'break through' teams were formed. The teams were responsible for assessing the organizational reality in terms of

- Marketing
- Refining
- Logistics
- LPG
- Lubricants and
- Support services and management processes

The marketing team looked at the customer management processes, product management processes and execution management processes. The refining team compared the effectiveness of the refinery; lube oil processing and LPG plants with the best international players taking into account the machinery age and technology employed. Various performance parameters like crude acquisition, energy consumption, and capital expenditure were assessed. The logistics team also looked at the existing logistics infrastructure, economics of supply and distribution, opportunities for cost reduction, supply points vs. consumption centers, impact of taxes and duty, and comparison with benchmarks and competitors. The LPG team compared the LPG marketing with that of the international and local competitors. The customer base, pricing policies, interface between the customer and marketing and future plans were critically reviewed. The lubricants team analyzed the organizational competitive position in comparison to the competition. It also looked at the packaging, pricing, branding, trade channels, the existing joint venture arrangements, and future plans. The team responsible for support services and management processes evaluated the human resource practices (for example work culture, HR processes, training and development, and appraisal and compensation), the information systems (for example use of different software packages, integration and use of IT), and accounting practices in terms of clarity, speed and cost.

The break through teams also assessed the organizational structure in terms of roles and responsibilities, levels and accountability, human resource development in terms of training, appraisal and compensation. Each team interacted with all the stakeholders concerned including the unions, suppliers, distributors, customers, financial institutes, local communities, government officials, and so on. Assessment was carried out in a non-threatening manner, with constant and rich communication of the activities carried out by the break through teams. The assessment exercise created an internal environment for change.

The organizational assessment exercise found the following

- Collective dissatisfaction with the status quo
- Low customer focus and customer orientation
- Huge gap between the vision and capabilities to achieve it, and
- Many opportunities for quick improvement

12. Change Plan

Based on the inputs from the shared vision and current reality, a workshop was conducted to develop a change plan. The change plan came to six volumes with over one thousand and six hundred pages. The change plan included the

- Organizational assessment
- Well defined corporate values
- Vision articulated in terms of critical business processes, and
- Areas of change to achieve the vision.

13. Change Opportunities for Quick Results

During the assessment process, the break through teams identified many opportunities where small changes were likely to produce major results. Special task forces for working on the identified opportunities were formed and started working in parallel. The task forces were provided with adequate training and were in constant communication with the break through teams. At one point of time there were more than six hundred task forces working across the organization on thousands of opportunities identified in the change plan. Market research, brand building, packaging, operational efficiency of plants, correct quantity and quality of products, cash collections, and safety are some areas where task forces worked to produce quick results.

14. Communication

Communication played a vital role through out the change process. A newsletter was promoted that provided regular updates to the whole organization regarding the visioning exercise, the assessment of current reality, status of the quick fix opportunities and the new structure. In every stage the break through teams had a high level of interaction with the concerned departments. The informal channel of communication was also taken care of by including people from all functional constituencies in the change & break through teams. The six-volume change plan was widely communicated and discussed. It was loaded in every computer in the organization. A top down approach was used to communicate the change plan with assistance from the break through team members. One CUSECS member reiterates

> “Communication played a critical role in CUSECS project. The regular updates through the newsletter and informal communication through the members to their parent departments was useful in updating the whole organization quickly. We identified *enablers* in each department, people who are opinion shapers and we specifically targeted them. We convinced them first and then asked them to communicate to others about the change”

15. Top Management Involvement

The CMD was involved throughout the restructuring process. He communicated his support to the change activities by personal involvement, and regular appreciation to the change management team and the special task forces. He played the role of a mentor to the team members. He also interacted with a large number of employees during the visioning, assessment and implementation stages. Young managers recount stories of his support to the change team, where he gave total freedom to come up with creative ideas and safe guarded them from backlashes from established constituencies. Mr. Sundararajan recalls

> “In the initial period I talked to lots of people about the need for restructuring. The leader has to ‘act’ not just ‘talk’. Lip service will not work for long. If one says one will take of care of the subordinates then one has to when something happens”.

16. Coaches of Organizational Learning

Consultants from Innovation Associates (a subsidiary of ADL) initially trained a group of coaches in systems thinking and organizational learning. A team of around thirty full time coaches and more than sixty part time coaches were trained in turn by these. These coaches conducted two programs namely ‘Visionary Leadership Planning’ (VLP) and ‘Foundations of Organizational Learning’ (FOL). More than six hundred managers have undergone VLP and more than five thousand management and non management staff have undergone FOL. VLP program is designed to help teams clarify and understand reasons for their unique existence, co-create team aspirations, realistically assess current reality and formulate a strategy to bridge the gap. The teams identify High Leverage Results they are passionate about and assign responsibilities to a few members with the whole team agreeing to support the process. FOL program is designed to create a common language of learning in organizations. The coaches were instrumental in creating a non threatening atmosphere for change and also in providing the inputs on systems thinking and learning organization, enabling effectiveness of the various task forces empowered for quick result changes. One of the coaches states

“We applied for coach training with skeptism. We later realized the importance of systems thinking and organizational learning. The first program was a mind opening experience. The inputs on functional silos reflected our organization. Now we are hardcore followers of systems thinking”.

17. Designing the New Structure

There was a clear consensus among the change management team, top management team and the consultants that the functional structure would not be able to sustain initiatives taken to create the customer centric organization. The obvious solution was to create customer centric strategic business units (SBUs). The change management team with assistance of the consultants considered various options. The redesign process took about a month. The CMD was personally involved in this. To prevent any interference from day to day activities he officially took leave and was present as a resource person. The change team discussed the various choices in structure with all the stakeholders. There were apprehensions among senior managers regarding the new structure and no consensus emerged on the new structure. Politicking and power plays were observed, with each function trying to retain the existing status in terms of power and control. Finally the CMD personally called for a meeting of the functional heads and other senior managers. Asking the group to discuss, negotiate and come with a concrete solution acceptable to everyone, he locked the room and waited outside. Finally a design was approved that was acceptable to all. The final structure was not the optimum structure as envisioned by the change team but one acceptable to all the members of the top management team.

18. Implementation

The new structure was rolled out in phased manner to ensure effective implementation. The new structure was first implemented in the LPG SBU. Based on the experience, the new design was implemented across the organization with necessary modifications. Further, in each of the proposed SBUs specific regions were identified and the new structure was implemented to verify the smooth functioning before full implementation.

19. Organizational Structure

The older structure was functionally organized. There were mainly four functions (refineries, marketing, finance and personnel) each headed by an executive director reporting to the (CMD). Other support departments like corporate affairs, legal, audit, vigilance, coordination and company secretary were directly under the CMD. See Appendix B for the organizational chart. The Director refinery was in charge of refinery, corporate planning, JV refineries and special projects. Other than corporate finance and marketing finance EDP was also under the Director finance. In marketing, there were different departments for retail, industry, LPG, lubricants and aviation segments. Corporate communication was also under Director marketing.

The whole of India was divided into four regions and further into 22 divisions. Each region was headed by a Regional Manager who was in charge of all activities within the region and reported to the Director marketing. Each region had a manager in charge of each of regional personnel, regional engineering, regional industrial customers, regional retail, and regional finance. Regional LPG was under regional industrial customers. The division was the responsibility of the Divisional Manager reporting to the Regional Manager. He had a manager each for sales, operations and engineering. Each of these was responsible for sales, depots and engineering respectively for *all the customer segments.*

Across the marketing function, except for the corporate departments (LPG, industrial customer, etc.) specifically looking after a customer segment, every individual and role is focused on multiple customer segments. For example any strategy addressing the industrial customers originates from the Corporate Department (Industrial Customer), goes via the Director Marketing, Regional Manager, Divisional Manager to the Sales Officer. All of them are responsible for multiple customer segments like retail, LPG, industrial, etc and deal with different classes of customers. Hence there was very low customer awareness in terms of the unique needs of the different customer segments, with no single individual at the operational level having clarity on any single customer segment. Moreover, the marketing strategy was formulated by people who were far from the customer with very low understanding of the customer they were targeting. The implementers were responsible for diverse customers with a low understanding of the logic of these strategies meant for each customer segment. Thus the old structure had created a bottleneck between the strategy formulators and implementers in terms of the regional structure, and between the field staff and the corporate offices and refinery.

Activities of a business process are spread out across different functions and levels of hierarchy, engaging many individuals. There was a long chain of non value adding linkages between any two activities targeting a business / customer. For example, when an industrial customer gives a special order of lubes to the sales officer, the corporate lubes purchases the base oil, plant blends it, S&D packs it and the sales officer sells it. The Sales Officer would communicate the order to the Divisional Manager, who passes it on to the Regional Manager. Then the order would be routed to the Corporate Lubes for processing. Everyone involved in the activities of this process belong to different functions and hierarchy levels. This long chain of communication had led to a lack of customer orientation, low awareness of customer needs and expectations and slow response.

20. The New SBU Structure

The new structure was focused on the business processes and the customer (Appendix B). The new structure at the top management level is the same. Five SBUs – Retail, Lubes, Industry/Commercial, LPG and Aviation are customer centered SBUs and come under the director (marketing). The sixth SBU, Refinery along with two new departments IT & Supply Chain and R&D are under the director (refineries). Each SBU would have its own HR, IS, finance, logistics, sales, engineering, etc. The number of layers in the organization was reduced to four from six or seven.

The major change is the introduction of the territories covering a smaller geographical area and focusing on specific customer segments. In retail SBU the new structure had 66 territories reporting to the four regional offices, where as in the earlier structure there were only 22 divisions which catered to all segments. In other SBUs the regional office was removed and territories were designed to directly report to the SBU heads. Each territory team leader was responsible for sales in the territory only for a *specific product*. The territory structure was designed to enable the field staff to focus on specific customer segments. Authority was also delegated down the hierarchy and decision making pushed to the lowest possible levels. Decisions earlier taken at the regional level were taken now at the territory level. Further authority was delegated to the role and not the hierarchy level. Administrative offices have been moved to supply locations that consist of 125 terminals for main fuels and 35 LPG bottling ones. In LPG SBU head office there are only nine personnel and across the territories even managers at senior positions have been forced to get business.

The new design incorporated recalibration of roles and responsibilities and redeployment of more than two thousand people (around one fifth of total employee strength) across the organization. It created new roles at the front effectively using redundant manpower to increase customer interface and interaction.

Since the corporate and support functions are now located within the SBUs the new design included lateral linkage mechanisms (see Appendix C). Governance Councils, Process Councils, and Task forces (to address specific organizational issues) were the mechanisms for integrating the different parts of the organization.

Some Salient Features of New Structure were

- Highly empowered work force
- Decentralized decision making
- De-linking of authority from hierarchical levels
- Orientation towards internal and external customers
- Regular market research and customer surveys
- Conscious brand building efforts

Addressing the participants of a Top Management Program at IIM Ahmedabad Mr. Sundararajan stated

> “One can be prepared to face the tiger but we will never know how one will behave unless one faces the tiger. I feel we are prepared for full deregulation but we will know how much only when it becomes a reality.”

21. Questions for Discussion

1. Is BPCL ready to face the competition in a deregulated market?
2. What were the problems with the old structure? What aspects of the new structure address these problems?
3. Why did BPCL go through such an elaborate process of envisioning, assessing current reality, quick hits and flexible implementation?
4. What are the critical issues to be kept in mind in redesigning an organization?

Appendix A
The Vision of the Future – The Company We Want To Be[2]

- **Be the best**
  - ✓ Pursuit of excellence
  - ✓ Be a pacesetter
- **Have excellent customer caring and customer service**
  - ✓ Focus on customer
  - ✓ Caring for our customers in terms of
  - ✓ High quality products
  - ✓ Value for money leading to customer satisfaction.
  - ✓ Achieving customer loyalty through
  - ✓ Consistent customer satisfaction
  - ✓ Becoming completely market driven
  - ✓ Innovative and aggressive in marketing
- **Establish a first class brand and corporate image**
  - ✓ Strong corporate brand
  - ✓ Brand image
  - ✓ High visibility
  - ✓ High quality
  - ✓ Loyalty
  - ✓ Transcending national boundaries
  - ✓ Organizational pride
  - ✓ Manpower quality
- **Develop a corporate strategy**
  - ✓ Have a well defined and shared corporate strategy
  - ✓ Emphasis on reaching a broad consensus on strategy formulation process
- **Sound business performance and operational efficiency**
  - ✓ Accelerated growth
  - ✓ Entrepreneurial approach
  - ✓ Strategic planning to achieve
  - ✓ Focus on core competencies
  - ✓ Judicious diversification in pursuit of organizational growth
  - ✓ Profitable operations with appropriate emphasis on return on capital employed
  - ✓ Speedy implementation of projects
  - ✓ Effective use of IT
- **Strong and dynamic systems**
  - ✓ Strong, dynamic systems and procedures
  - ✓ Belief in the system
  - ✓ Best practices : high standards
  - ✓ Inbuilt flexibility
  - ✓ Operational effectiveness
  - ✓ Professionalism
  - ✓ Good management practices (unwritten rules)
  - ✓ Regular review of systems
- **Be an ethical company**
  - ✓ Strong business / corporate ethics
  - ✓ High credibility
  - ✓ Healthy competition
  - ✓ High corporate integrity
  - ✓ Shared values
- **Apply the best technology**
  - ✓ Leadership in technology
  - ✓ Adapt current technology in key success areas
  - ✓ Technological innovation
  - ✓ Strong R & D base
  - ✓ Constant process up gradation through innovation
- **Fulfill social responsibilities**
  - ✓ A good corporate citizen
  - ✓ Environment-friendly
  - ✓ Cordial relationship with Government / Community
- **Effective boundary management**
  - ✓ Skill to work with joint ventures

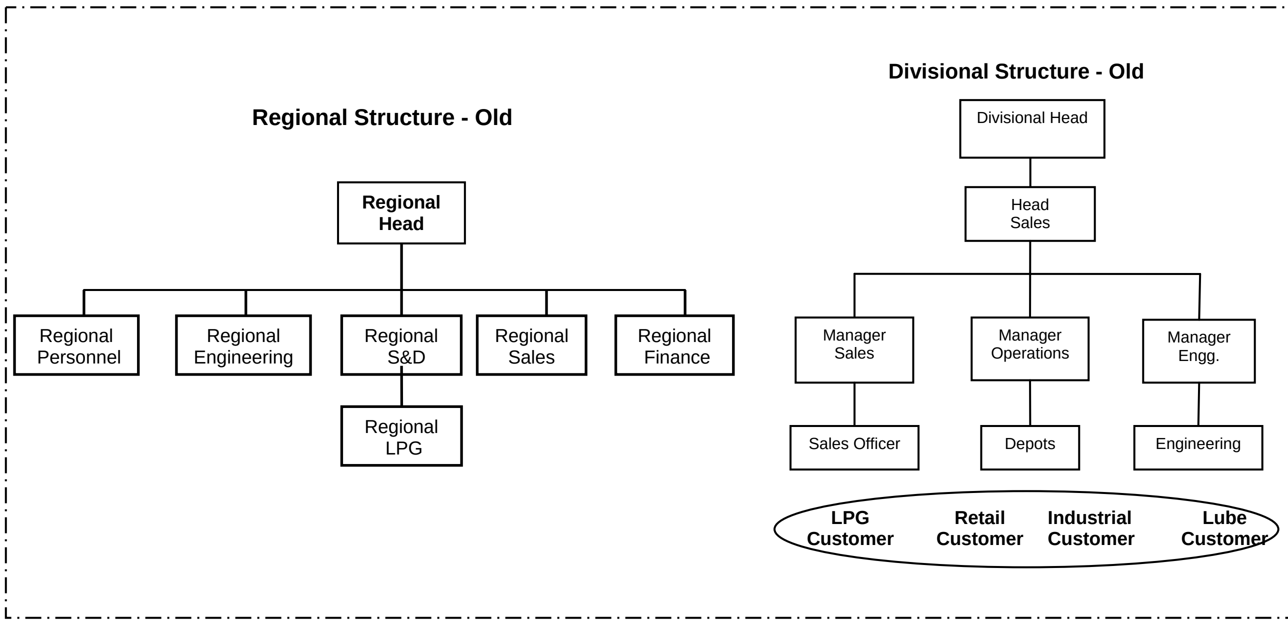
[2] Source: Internal documents.

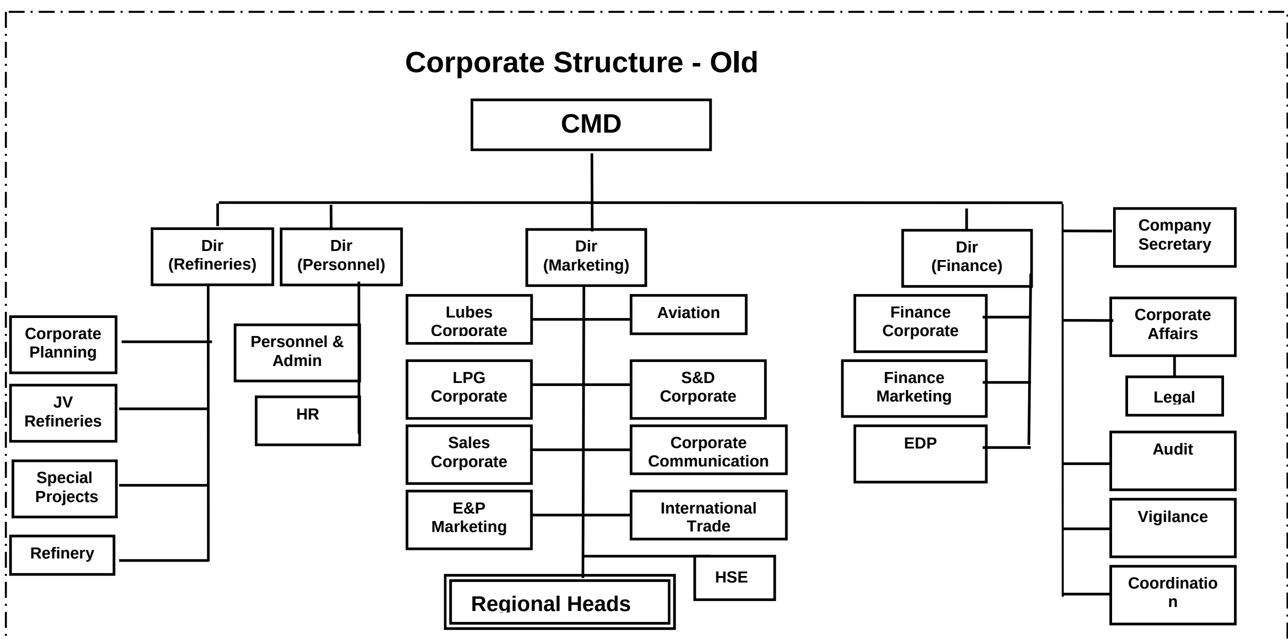
- ✓ Relationship with joint venture partners
- ✓ Relationship with Government
- ✓ Relationship with suppliers

- **Make BPCL a great place to work**
  - ✓ Pride in the company
  - ✓ People orientation / caring for people
  - ✓ Trust in employees reflected in openness
  - ✓ Sustained investment in people
  - ✓ Team work
  - ✓ Collaboration (not control)
  - ✓ “We can do it”

- **Make people a source of our improvement**
  - ✓ Learning organization with experiments and innovations
  - ✓ Adaptability to change
  - ✓ Continued up gradation of skills
  - ✓ Recognition and rewards
  - ✓ Clear accountabilities
  - ✓ People management
  - ✓ Best quality people with a high degree of dedication and motivation
  - ✓ Strong human resources development
  - ✓ Strong linkage between “work” sphere and “ life” sphere

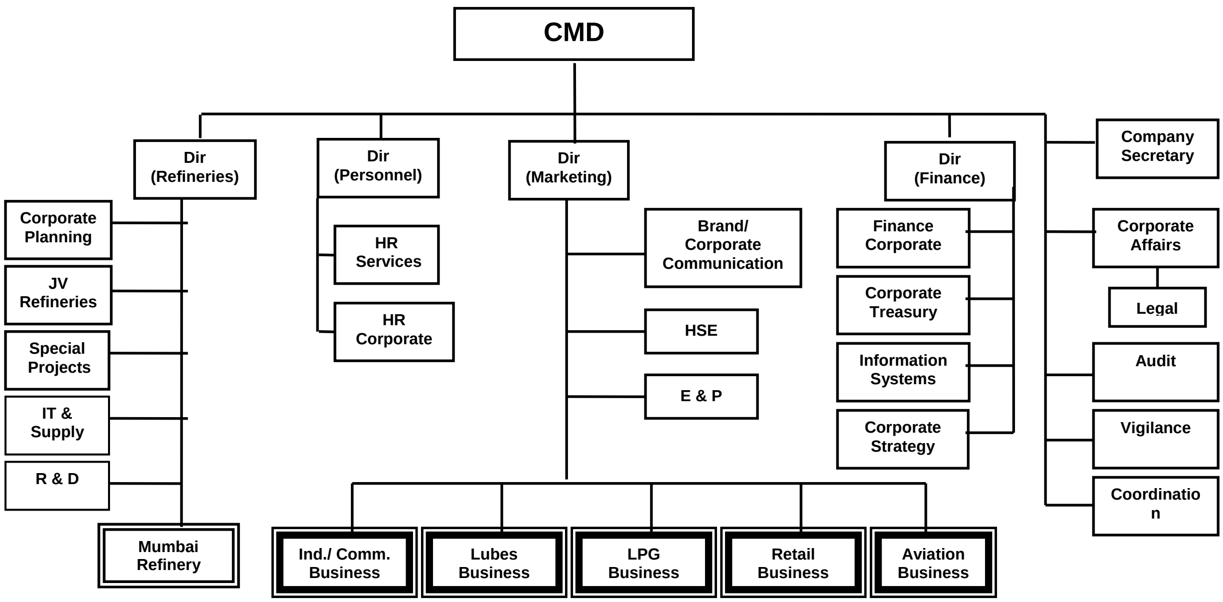
Appendix B – Organizational Structure Old & New[3]



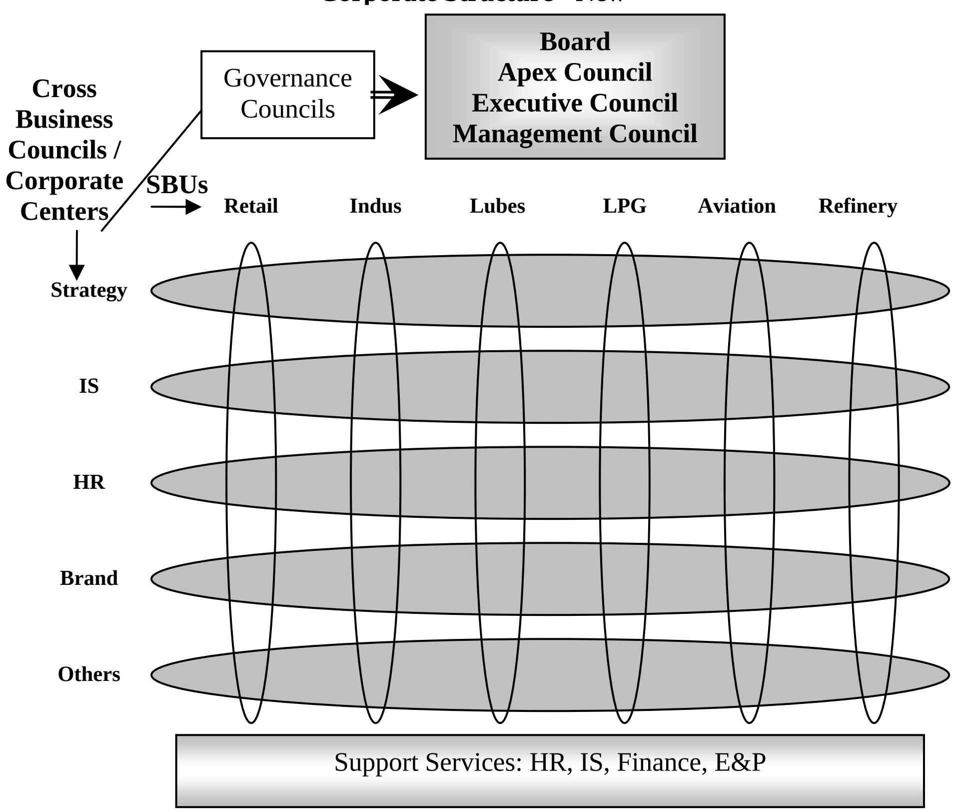


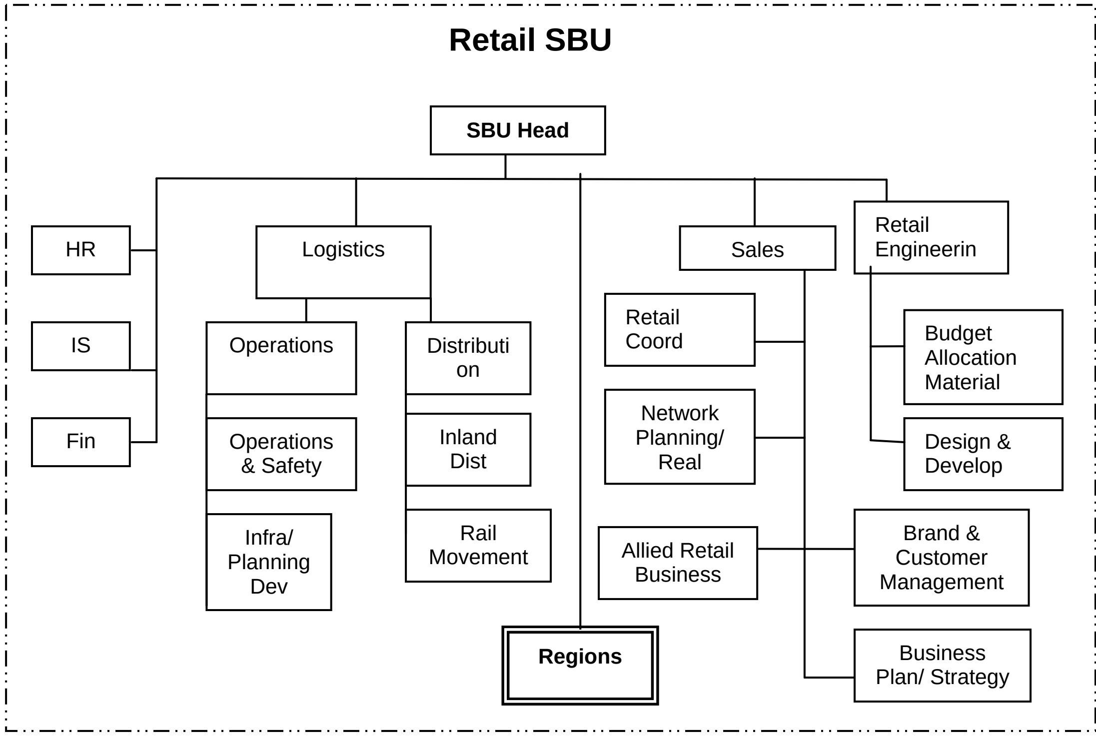
[3] Source: Bharat Petroleum Journal, Issue 5-6, 1997-98.

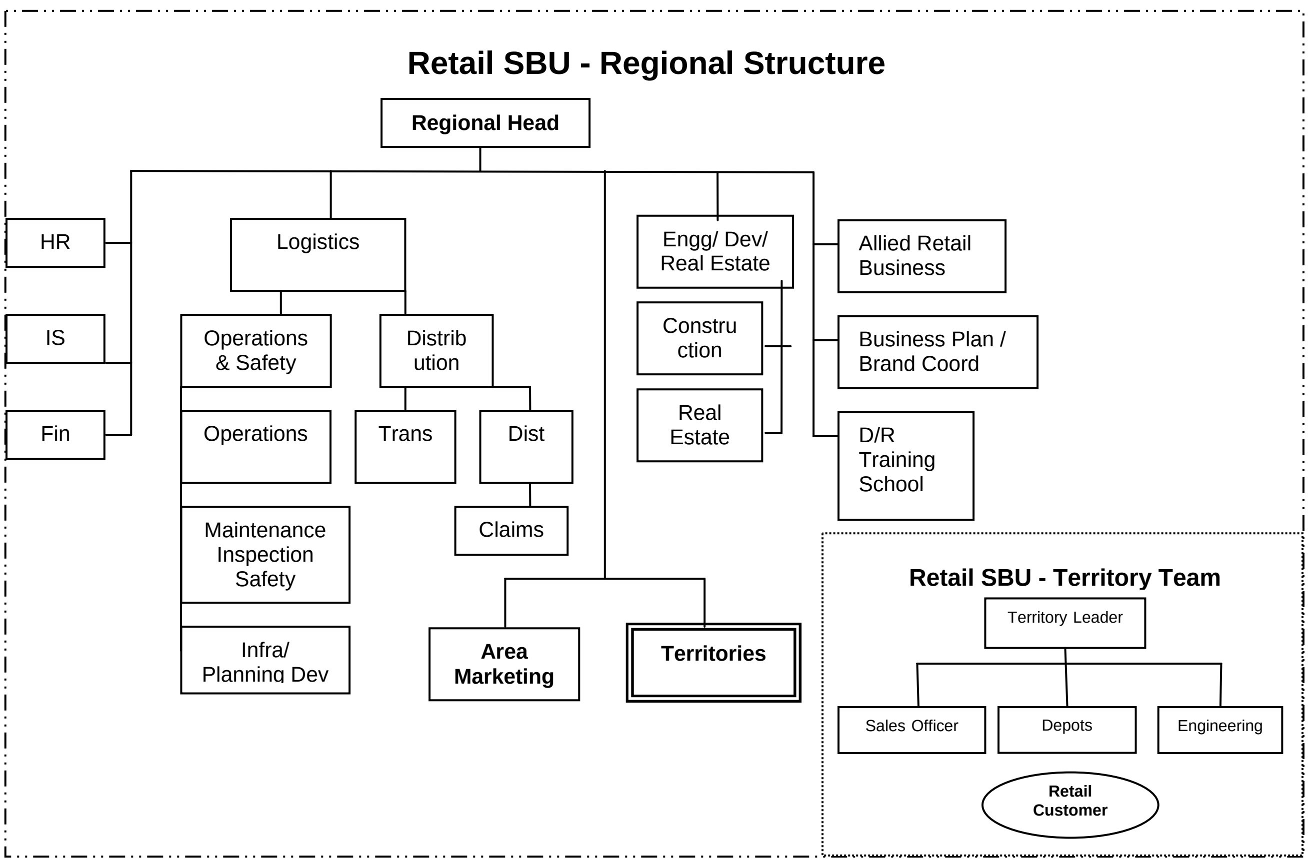
Corporate Structure - New

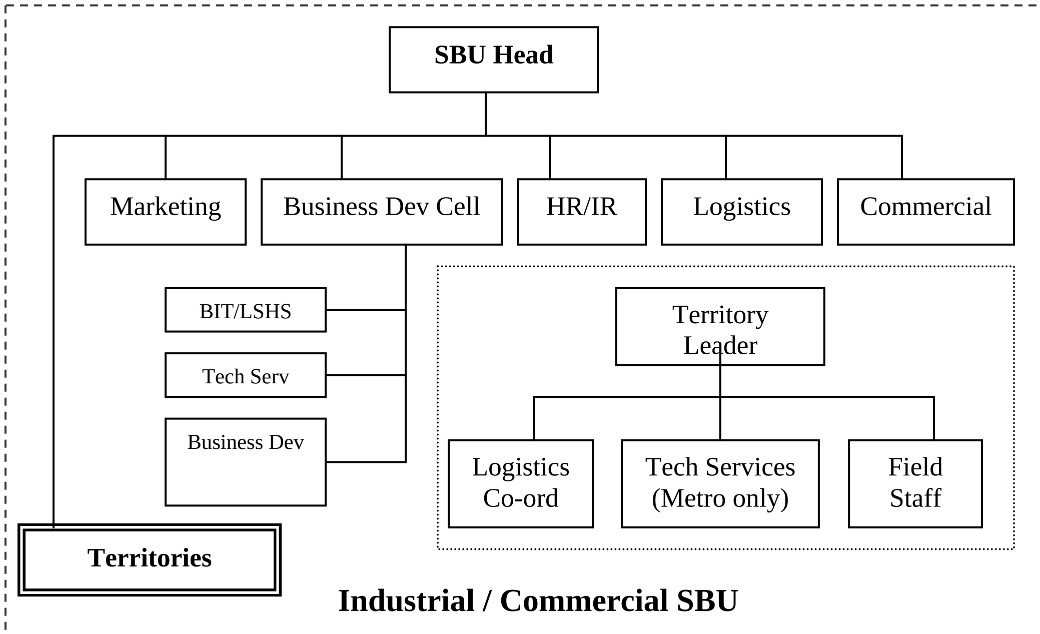


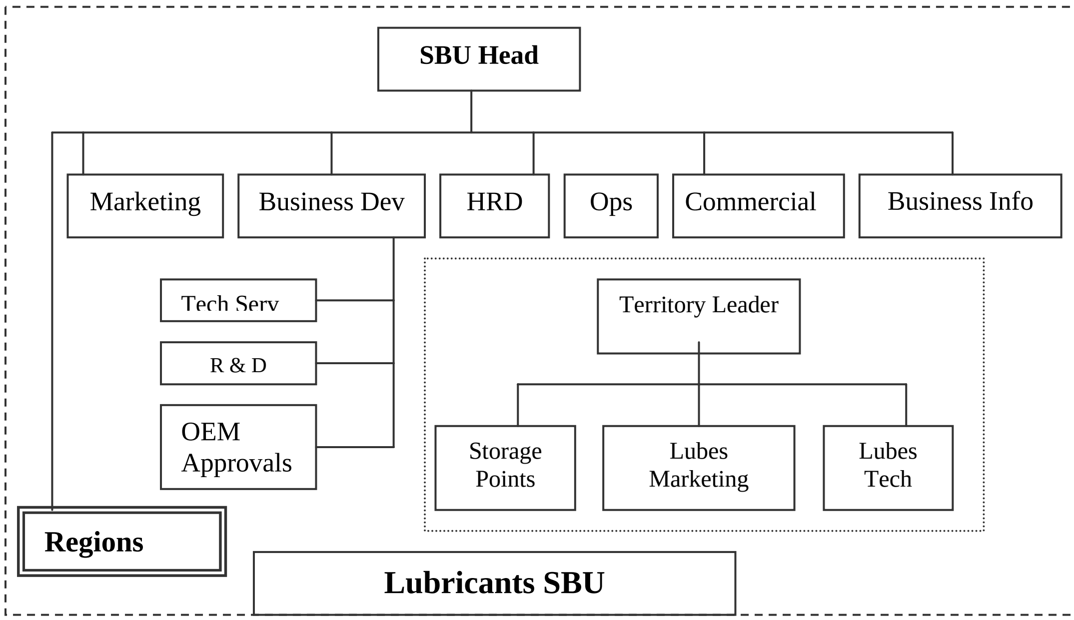
Corporate Structure - New

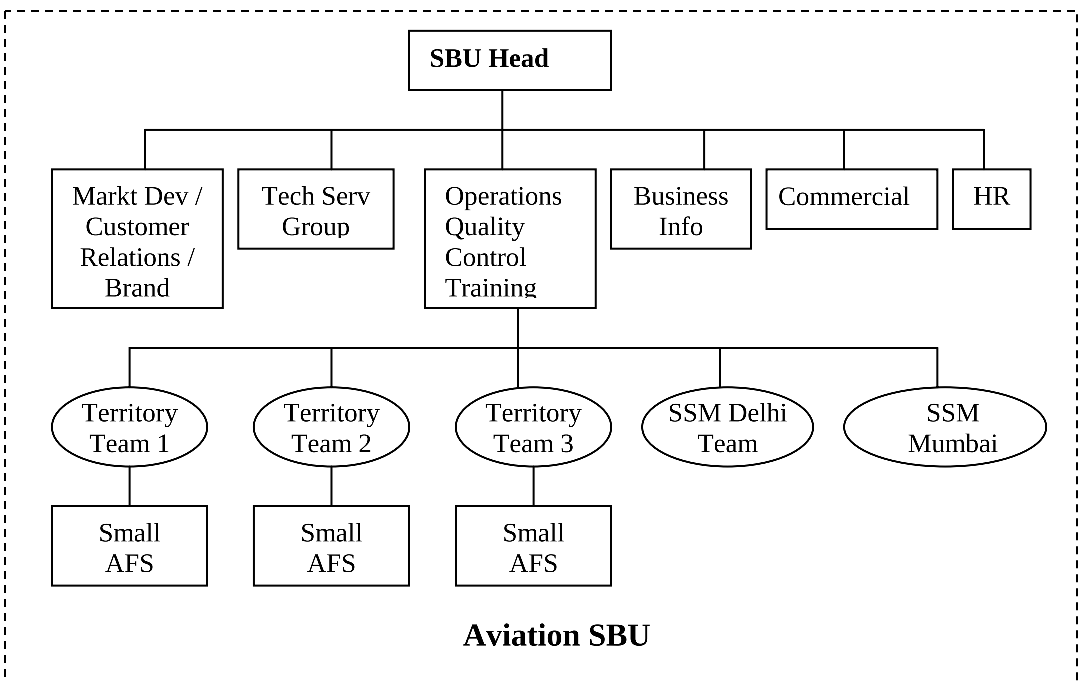


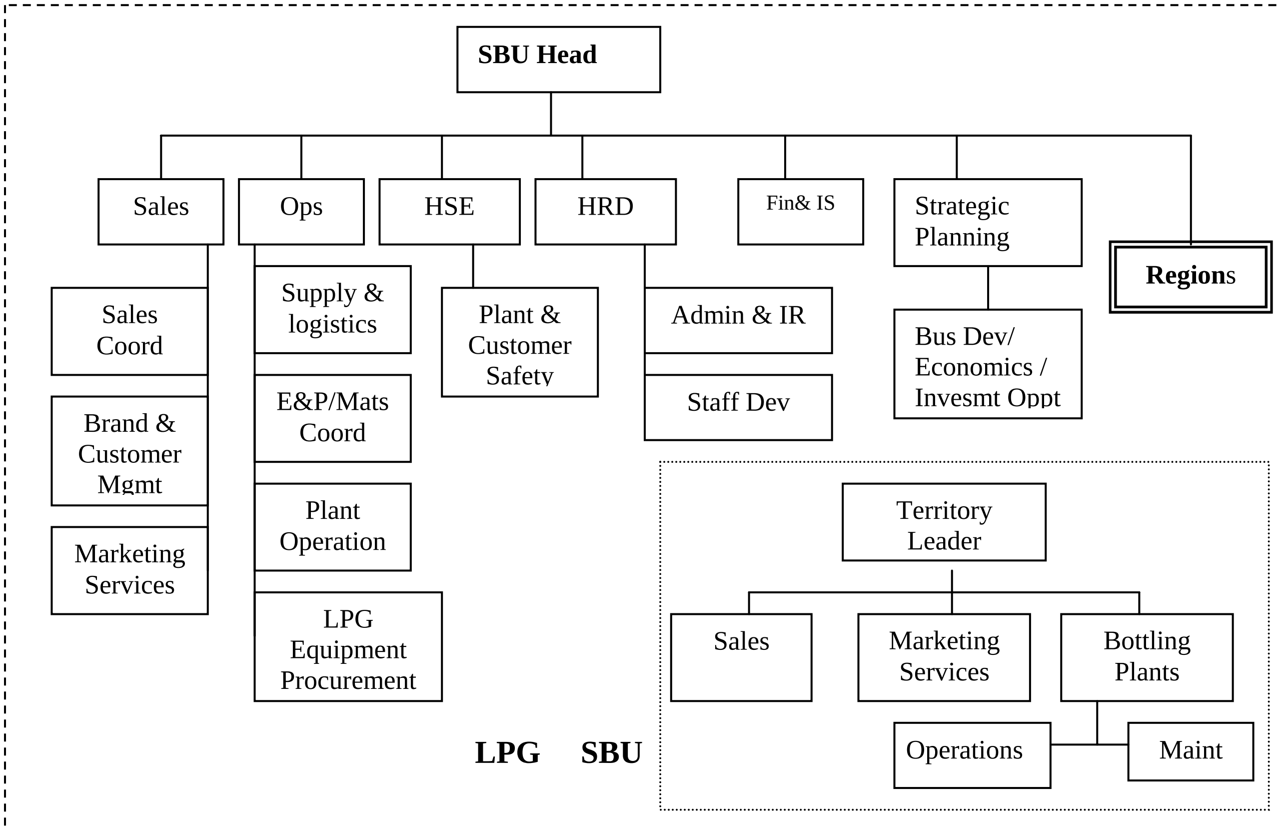

Retail SBU
SBU Head
HR
IS
Fin
Logistics
Operations
Operations & Safety
Infra/ Planning Dev
Distribution
Inland Dist
Rail Movement
Regions
Sales
Retail Coord
Network Planning/ Real
Allied Retail Business
Retail Engineerin
Budget Allocation Material
Design & Develop
Brand & Customer Management
Business Plan/ Strategy

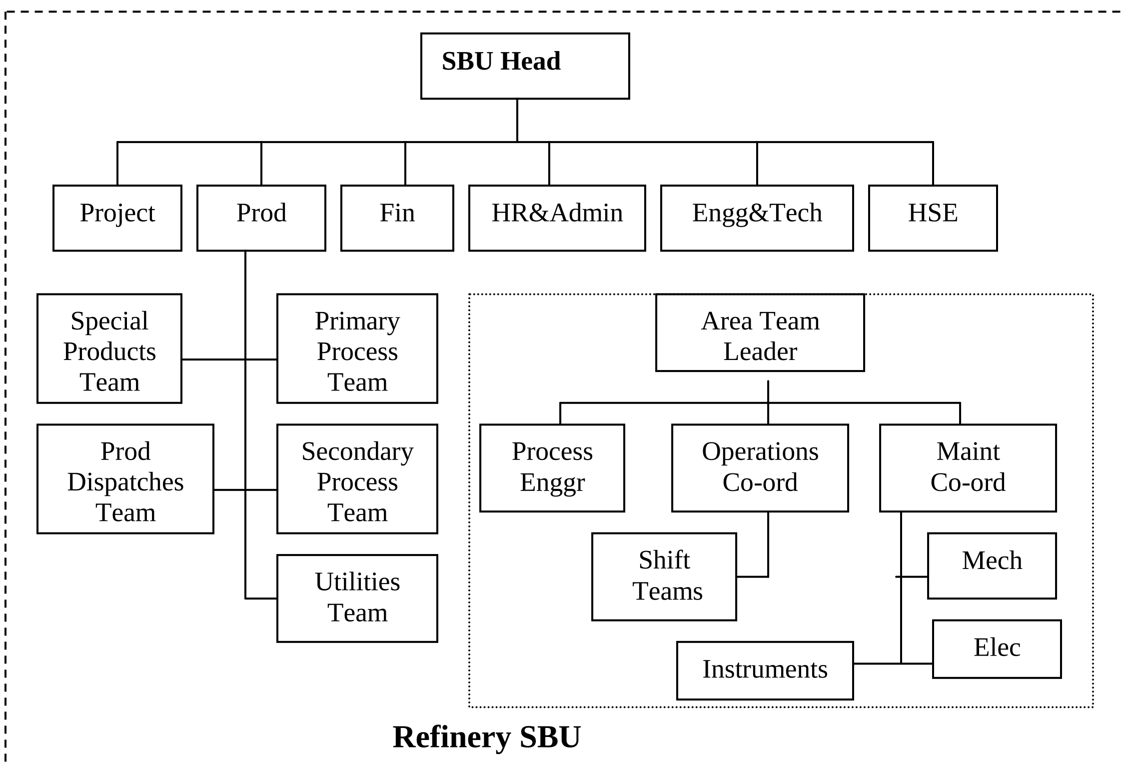

Retail SBU - Regional Structure
Regional Head
HR
IS
Fin
Logistics
Operations & Safety
Operations
Maintenance Inspection Safety
Infra/ Planning Dev
Distrib ution
Trans
Dist
Claims
Area Marketing
Territories
Engg/ Dev/ Real Estate
Constru ction
Real Estate
Allied Retail Business
Business Plan / Brand Coord
D/R Training School
Retail SBU - Territory Team
Territory Leader
Sales Officer
Depots
Engineering
Retail Customer


SBU Head
Marketing
Business Dev Cell
HR/IR
Logistics
Commercial
BIT/LSHS
Tech Serv
Business Dev
Territory Leader
Logistics Co-ord
Tech Services (Metro only)
Field Staff
Territories
Industrial / Commercial SBU


SBU Head
Marketing
Business Dev
HRD
Ops
Commercial
Business Info
Tech Serv
R & D
OEM Approvals
Territory Leader
Storage Points
Lubes Marketing
Lubes Tech
Regions
Lubricants SBU


SBU Head
Markt Dev / Customer Relations / Brand
Tech Serv Group
Operations Quality Control Training
Business Info
Commercial
HR
Territory Team 1
Territory Team 2
Territory Team 3
SSM Delhi Team
SSM Mumbai
Small AFS
Small AFS
Small AFS
Aviation SBU


SBU Head
Sales
Ops
HSE
HRD
Fin& IS
Strategic Planning
Regions
Sales Coord
Brand & Customer Mgmt
Marketing Services
Supply & logistics
E&P/Mats Coord
Plant Operation
LPG Equipment Procurement
Plant & Customer Safety
Admin & IR
Staff Dev
Bus Dev/ Economics / Invesmt Oppt
Territory Leader
Sales
Marketing Services
Bottling Plants
Operations
Maint
LPG SBU


SBU Head
Project
Prod
Fin
HR&Admin
Engg&Tech
HSE
Special Products Team
Prod Dispatches Team
Primary Process Team
Secondary Process Team
Utilities Team
Area Team Leader
Process Enggr
Operations Co-ord
Maint Co-ord
Shift Teams
Mech
Elec
Instruments
Refinery SBU

Appendix C– Lateral Linking Mechanisms[4]

Governance Councils	➢ Apex Council ➢ Executive Council ➢ Management Council
Process Councils	Cross entity councils for managing core business processes
Task Forces	Cross entity task forces for addressing inter-business issues

Role of Apex Council

- Corporate strategy
- Portfolio of investments
- Joint-ventures and alliances
- Delineation of the boundaries and decision-rights of the organization entities
- Performance targets for the organization entities reporting to the Apex Council
- Selection, development and appraisal of executives who head the internal organization entities that report to the members of the Apex Council
- Shaping and preserving corporate values and the corporate image

All fulltime/ functional Directors would be members of the Apex council.

Role of Executive Council

- Integration of Corporate and SBU decisions
- Maintaining the balance between the focus required by the SBUs on their respective businesses and the cohesion required between them
- Consistency of policy and standards across the organization in matters in which such consistency is considered necessary
- Taking specific policy decisions if a separate Process Council does not exist for that subject
- Study the processes by which the organization learns from the successes and setbacks of its various parts and gains shared insights into the external environment.

The members of the Executive Council would include the members of the Apex Council, the leaders of the SBUs and the following entities - Strategy, Brand, HR, IT, Finance, E&P and the Leader of the CUSECS Team.

Role of Management Council

- Ensuring consistent and adequate communication with the leaders of the organization.
- Testing options for decisions
- Receiving suggestions and feedback

The Management Council shall comprise of General Managers and above by rank and entity heads.

Process councils provide a forum where issues which have organization wide ramifications are analyzed and a consensus developed.

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[4] Source: Presentation made by Mr. U. Sundararajan to participants of a Top Management Programme at IIMA in 2000.

Typically there would be process council for brand, strategy, HR, IS, and finance. The role of process councils will be:

- To be a sounding board for proposals put forth by the businesses. e.g., when Lubes wants to run a campaign for one of their products, they may present it to the Brand council to obtain different perspectives.
- To encourage consistency across the businesses in issues that has organization-wide ramifications.
- Resolve complex issues which are multilateral in nature.
- To serve as an integrative mechanism by creating a forum where participants take off their SBU hats, wear a corporate hat and examine issues from this perspective.