



BP

- Internet energy



“WE ARE TAKING THIS MASSIVE CORPORATION FORWARD AT A PACE AND ON A SCALE THAT IS QUITE UNPRECEDENTED. OUR RELATIONSHIP WITH CISCO – AS A TRUSTED INTERNET ADVISOR – IS A KEY ENABLER OF THAT SUCCESS.”

John Leggate, Group Vice President, Digital Business, BP

Green giant

BP is a giant among giants. It is the UK’s largest company by market capitalisation and is among the top three integrated energy companies in the world, with annual revenues of over \$160 billion. It employs some 110,000 people in 100 countries on all continents. The company’s business activities are organised into four main areas – Upstream, Downstream, Chemicals, and Gas and Power – together comprising over 150 autonomous business units.

BP Solar has 30 offices and manufacturing plants around the world as well as joint ventures in countries including India, South Africa and Saudi Arabia. Its products are in use in over 150 countries – virtually anywhere that the sun shines.

During the late nineties BP pursued highly successful merger and acquisition activity.

EXECUTIVE SUMMARY

Background

Merger and acquisition activity in the closing years of the last decade – including Amoco, Burmah Castrol and ARCO – has made BP one of the world’s great corporations, perfectly positioned to compete in the global marketplace of the 21st century.

Challenge

The corporation needs to continue to achieve class-leading improvements in shareholder value and BP has set an earnings growth target of ‘at least 10 per cent per annum’. But business as usual is not enough and it is intended that one third of that growth will be achieved by web enablement (referred to by BP as ‘business digitisation’).

Solution

BP has embarked upon an ambitious and far-reaching business digitisation programme, in partnership with Cisco Systems and others. Over 20 collaborative projects between BP and Cisco are underway right across BP’s business – with Cisco actively participating as a trusted Internet advisor.

Results

BP is on track to demonstrate at least a billion dollars’ worth of value creation in 2001 and BP’s people are being freed to spend their time more productively. Current indications are that, in BP Chemicals alone, online expenses will save \$15 million per annum and release 12,000 working days for value creation each year. Other business streams will benefit similarly. A Common Operating Environment will increase productivity for all 60,000 people involved and, it is estimated, create two more productive hours per week for laptop-equipped staff. Online transactions are expected to show thousand-fold cost reductions over traditional procurement methods.

Combination with Amoco and – in spring 2000 – with Burmah Castrol and ARCO, has given it the mass and reach to compete effectively in the global landscape of the 21st century. A re-branding campaign was launched in late 2000 to give the new company a coherent identity in that global marketplace.

Making a difference

A BP executive team – with the remit to introduce web enablement into its business – had been in existence for three years. The team made significant strides and in early 1999 John Leggate was appointed Group Vice President, Digital Business, to provide group-wide focus.

He says: “My role is as an agent of change. Changing the way the corporation works; changing the way systems work; changing the way business processes work.



“In doing that we are living up to the brand values of the corporation: know-how based, progressive, green, and – above all – performance-driven.

“The big thing that dawns on me is the sheer scale of BP’s activities. And therefore, when we look around for partners to go on this journey into the future, Cisco always comes to mind. For the particular reason that they’ve got scale on their side and they’ve also got style on their side – a cultural fit with us. A company that is completely rigorous about its business processes and yet quite adventurous in the way that it moves ahead.

“Cisco is an exemplar of doing the things it talks about. It’s not theoretical; the way the Cisco corporation runs is something to emulate. I’m very clear that spending time working our relationships deeper and across the globe will actually serve us well and build a very firm foundation as we go together into this very exciting digital future.”

Providing the spur

John Leggate’s role goes beyond that of the traditional CIO. The BP group does not ‘partition off’ New Economy activities and everything that has an ‘e’ attached to it reports into him. That remit ensures that business digitisation across BP moves forward rapidly and in step.

In March 2000 John Leggate arranged for John Morgridge, Cisco’s Chairman, to make a presentation at BP’s Digital Business Summit – a conference for BP’s 40 top executives to review progress and plans for digitising its business.

John Leggate explains: “I used John Morgridge as a way of engaging the leaders within BP. One of the biggest issues you have in a corporation is ensuring that its executives actually agree on the agenda. Morgridge talked in a very wise and cool fashion, not about the dot.com thing but about what it means and what it takes to run a global business on the net. Our executives listened very attentively.”

That Digital Business Summit was not only the spur for a whole raft of digitisation initiatives but also kick-started BP’s desire to ‘de-clutter’ its organisation and its processes.

Adam Smith, Cisco’s Global Account Manager for BP, says: “Just over 10 months after the Digital Business Summit took place, more than 20 collaborative web projects between BP and Cisco are underway right across BP’s business. A significant amount of that action is occurring within BP Chemicals, whose new business model exemplifies business digitisation in action.”

Executive coaches

In taking forward the message from the Digital Business Summit, BP Chemicals started by looking at its various stakeholder groups – customers, employees, suppliers and shareholders – and determining how the technology could be exploited to the benefit of each.

Nigel Wright, Vice President Digital Business, BP Chemicals, takes up the story: “BP Chemicals, arguably, in comparison with the rest of the group has got the most globally competitive environment. That means that we have to be seen as, and indeed be, ahead of the pack in the digital business world.”

Richard Kelly, Director of Business Process Re-engineering for BP Chemicals, adds: “The way Cisco and BP Chemicals have done business together is quite different to a traditional consulting engagement. What Cisco people have been doing is acting as executive coaches to us. They’ve actually been bringing to us real world examples of how digital business is implemented – successfully.”

Value creation

Workforce optimisation – the leveraging of Internet technologies to maximise staff efficiency – is one of Cisco’s core solution offerings. It has already delivered significant benefits to BP. As an example, it is expected that 75 per cent of BP’s employees will have access to an online expenses system by the end of 2001.

For BP Chemicals alone, online expenses could provide a saving of up to 12,000 working days per annum – time that can now be devoted to activities that create value. Nigel Wright says: “Apart from the 12,000 value-creating days, online expenses will save us \$15 million in hard cash. It shows an amazing one-day payback on the investment.”

BP has also signed a five-year deal with Californian company Exult to create and operate comprehensive global HR services using web-enabled technologies and processes. The agreement is the largest deal of its type ever signed and has transformed the way in which HR administrative, transactional and information services are provided to BP people.

As just a small example, salary slips and other benefits statements can be downloaded and bonus opportunities and achievements are online. The annual staff survey is now web based and BP Chemicals has seen overall staff satisfaction ratings move from 50 per cent to 65 per cent.



Significant productivity improvements

The BP group has spent \$250 million on a project known as COE (Common Operating Environment). Designed to standardise desktops – and promote the use of laptops – across the entire corporation, COE was rolled out to 60,000 people in 100 countries in just nine months.

In BP Chemicals alone, laptop usage has shot up from one in five to one in three employees – the figures are even higher for other parts of BP. Nigel Wright explains: “Those laptop users have got continual connectivity. That gives them at least two hours per week of additional productive time.”

John Leggate adds: “In terms of return on investment, the payback on the COE project is one year. That does not take account of unquantifiable benefits such as removing employee frustration, better response times, access to exactly the right information around the clock, and so on.”

De-cluttering the business

Throughout BP the process of de-cluttering and simplifying the business is underway – a major exercise that can trace its roots directly back to the Digital Business Summit.

Richard Kelly says: “One of the things that we learned from Cisco was that digital business is not something that you can simply layer on top of existing business processes. That forced us to stand back and look at the way we run those processes. We recognised that, before we e-enabled fundamental business areas, we needed to standardise upon the right simplified processes. That project is occurring as we speak.”

Customer facing

BP Chemicals adopted a web strategy because it recognised that, despite the fact that it was a leading player in the chemicals industry, it had to change the way it did business in order to maintain that position.

Another primary reason was to make it easier for its customers to do business with BP Chemicals.

On the customer side, three specific web initiatives have been created. One is Chemicals Choice, which presents a unified web interface to a customer wishing to buy a number of different Chemicals products. The second is an industry exchange called Elemica, where a number of companies offer a unified interface to customers in order to optimise logistics. The third is called ChemConnect, which is an industry exchange organised around spot market sales from chemicals companies to customers.

One thousand times

At the group level among BP’s investments in Internet-based trading exchanges is its membership of Trade-Ranger. A global Internet marketplace launched by 14 energy and petrochemicals companies, Trade-Ranger began conducting transactions in September 2000. The total procurement spend of the 14 partners alone is \$125 billion, so even a small percentage improvement in efficiency is worth a fortune in real terms.

To put that in perspective, in a recent speech Anne Quinn – Group Vice President, BP Gas and Power – asserted: “The cost reduction is at a factor of 1,000. Compared with \$400 to visit a customer and conclude a sale, an e-procurement transaction costs just 40 cents.”

Operational excellence

John Leggate sets out three equal priorities for BP’s digitisation programme, the first of which is operational excellence. One aspect of operational excellence is BP’s network infrastructure itself. Not only are web applications bandwidth hungry but they also demand an ‘always on’ global network environment.

John Leggate explains: “Our old network infrastructure was not designed to be ‘always on’. Cisco has helped us to audit the entire global network and plan how we migrate away from that legacy infrastructure, and Cisco’s people have been very supportive in conducting technical analyses. The network project is not yet fully completed but the results are already showing in terms of availability and response times. Cisco has helped us to see our way through.”

Extracting the value, inventing the future

The next priority that John Leggate describes is ‘extracting the value’. He says: “The job is not done when the project is installed. The job is done when one sees a return on the investment. That is something that Cisco and we agree very strongly about.”

The third priority is inventing the future. John Leggate explains: “We’re looking three years out and planning what it will mean to be at the forefront of digital business then. Cisco is a visionary company and they are central to that. They are helping us to accelerate our success in the New Economy. We’ve got great people inside BP and we’re working with the best people outside BP.”



BP's DNA

BP has doubled in size in two years and business digitisation is very important in maintaining that momentum. John Leggate says: "The launch of the new brand in July 2000 was much, much more than just a change of logo. We're getting the corporation behind one flag. We're a very energetic, growing company and we've used the technology as a unifying force to build a company culture."

Kevin Dean, Energy Sector Director for Cisco's Internet Business Solutions Group, says: "What BP has done goes far beyond what most other companies have achieved. They've actually managed to incorporate digital business into their corporate DNA. That's an incredible achievement in such a short time."

Pace and scale

Sir John Browne, BP's Chairman, has set the corporation an earnings growth target of 'at least 10 per cent per annum'. The intent is that one third of that growth will be achieved by business digitisation.

Leaving the last words to John Leggate: "When I think about my job I think of it in three parts. One – fixing the past, two – making the present work, and three – creating the future. The big choice is the pace at which we extract the value. We're on track to be able to demonstrate at least a billion dollars' worth of value creation in 2001.

"We are taking this massive corporation forward at a pace and on a scale that is quite unprecedented. Our relationship with Cisco – as a trusted Internet advisor – is a key enabler of that success."



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