An Exploratory, Longitudinal Study of Factors Influencing Development of a Networked Company¹

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ABSTRACT

In 1901 the Gulf Refining Company was chartered to provide refining and sales support to the Spindletop oil field in southeast Texas (Gulf Oil History, 2003). A refinery was built immediately after on a 4,000 acre site. The facility was acquired in 1985 by Chevron as a part of a merger with Gulf (“Congratulations Premcor 100 Years,” 2001). In February 1995, Chevron sold the Port Arthur plant with an important proviso. Chevron agreed to perform any environmental remediation required by the United States Environmental Protection agency (U.S.-EPA) or the Texas Natural Resource Conservation Commission (TNRCC) after sale was complete. Chevron assumed responsibility for contamination associated with the site since 1901. A total of US$500 million was placed in reserve. Chevron was ultimately required to “make good” on the agreement, and Chevron established a networked company fulfill the obligation. This longitudinal study of that networked company reports the factors found to have positive, negative, and neutral effects on the project. [Article copies are available for purchase from InfoSci-on-Demand.com]

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AN EXPLORATORY, LONGITUDINAL STUDY OF FACTORS INFLUENCING DEVELOPMENT OF A NETWORKED COMPANY

In 1901, following the discovery of oil at Spindletop, the Gulf Refining Company was chartered to provide refining and sales support to the southeast Texas field (Gulf Oil History, 2003). Construction of a refinery in Port Arthur was begun within months. The facility experienced a general expansion during World Wars I and II. The 4,000 acre site and refinery were acquired in 1985 by Chevron as a part of the Gulf merger (“Congratulations Premcor 100 Years,” 2001).
In February 1995, Chevron sold the Port Arthur plant with an important proviso. Chevron agreed to perform any environmental remediation required by the United States Environmental Protection agency (U.S.-EPA) or the Texas Natural Resource Conservation Commission (TNRCC) after sale was complete. Chevron assumed responsibility for contamination associated with the site since 1901. A total of US$500 million was placed in reserve. Chevron was ultimately required to “make good” on the agreement.

The literature suggests that businesses are seeking competitive advantage by teaming more closely with suppliers (Galbraith, 1998). Many have explored the challenges of forming self-directed work teams across geographic boundaries (Duarte & Synder, 2001; Galbraith, 1998, 2000; Galbraith, Lawler, & Associates, 1993; Hedberg, Dahlgren, Hansson, & Nilsgor, 1994/2000; Lawler, 2000; Porter, 1985). Organization design experts, including Drucker, Miles, Naisbitt, and Savage, have anticipated that networked companies are the wave of the future (as cited in Cohen, 1993).

Chevron is a well-established, integrated oil company focusing on capital asset project development. The task facing the company now, however, was liability reduction. To meet the challenge, Chevron assumed the role of network integrator or initiator of a networked organization. The “Port Arthur Remediation Team,” nicknamed PART, was formed in 1996 and ultimately became the networked organization responsible for the remediation effort. The purpose of this case study is to uncover the emergent factors that had positive, negative, and neutral effects on the development of PART over the first 5 years of operation from inception in 1996 through 2000.

BACKGROUND

It has been said (Galbraith, 1998) that an autonomous or networked organization is “a group of independent companies, each one doing what it does best, acting virtually as a single company (p. 76).” To understand the concept, it is helpful to place networked companies into the broader context of owner/supplier relationships and the roles played by the networked partner.

The Context

It is informative to conceive of the networked organization as falling in the center of a continuum (see Figure 1). Project Work dominates the arrangements between owners and suppliers on the left-hand side of the continuum and Equity Exchange on the right. The Traditional Owner/Supplier model is based on short-term project work, with a clear owner-defined scope of work. Goal alignment between owner and supplier is not an objective of the traditional model. Rather, this model is basically a contracting relationship characterized by arm’s length transactions and a certain level of mutual mistrust.

Figure 1. The networked organization in organizational context (source original)
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