



RF

Interoffice Communication

To R. D. Gamblin - Houston Chemicals
From J. W. Ware
Date September 27, 1982
Subject Houston Chemicals Budget Assistance

Attached is an evaluation by D. L. Davis of the 1983 budget work effort. Dick provided assistance in Houston from August 5 through August 27.

JW Ware

J. W. Ware

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cc: w/o attachment
RB-DLD

CCR 000009507



Interoffice Communication

To J. W. Ware
From D. L. Davis
Date September 27, 1982
Subject Evaluation of Headquarters Budget Assistance

Regarding your request for feedback on the recent budget assistance given to Houston by plant personnel, my overall impression of the experience was favorable. The work provided not only an education and insight into the mechanics of the budgets, but also a broad exposure to the entire manufacturing organization. In this way, it afforded a unique opportunity to provide this exposure to plant personnel, and for this reason, I feel it would be beneficial to repeat the effort.

Attached are detailed descriptions of the value I personally gained from the experience and my thoughts on how future efforts might be improved. In summary, I felt I gained the following:

- 1) A general overall knowledge of fixed costs budgets.
- 2) An improved knowledge of variable costs budgets.
- 3) Educational exposure to all the different plants.
- 4) Insight into the flow of information and decision making between the plants and Timberway and within Timberway itself.

I feel the effort could be improved in the following ways:

- 1) Minimize the number of people involved to reduce the discontinuity derived from bringing new people onto the effort "midstream".
- 2) Continue and expand on efforts to have the plants summarize and document specific information in a consistent format to lessen the data reduction work at Timberway.
- 3) Concerning the work at Timberway, a helpful procedural-type change would be to adopt a system to consistently incorporate all budget revisions which are received by various team members during the course of the effort. Such a system would help to minimize any errors or inconsistencies in the P.O. Book and budget presentation.

Please advise if there are any questions or if further information is needed.

D. L. Davis
Sr. Process Engineer

CCR 000009508

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cc: RB

EVALUATION OF HEADQUARTERS BUDGET ASSISTANCE

Value Gained from the Assignment

- 1) A general overall knowledge of fixed costs budgets, which had previously been minimal because of the lack of direct contact due to the fact that there is no need for my involvement in the fixed costs budgeting process at the plant.
- 2) An improved knowledge of variable costs budgets, especially regarding variances.
- 3) An educational exposure to all the different plants, including their operation, products, budgets, and some of their personnel. This was particularly true for Chocolate Bayou since I had previously known the least about it and also spent a large portion of time working with their budgets (due to major differences in their variable cost methodology, changes in fixed costs as a result of converting from Monsanto procedures, and the fact that this was the first time Chocolate Bayou was fully integrated into the Manufacturing Profit Objective book section and budget presentation).
- 4) An enhanced insight into the flow of information and decision making between the plants and Manufacturing headquarters and among the different departments of Chemicals at Timberway (e.g., as a result of working with Wilbur Kolar, Project Development, Business Area, etc.).

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Ways to Improve on the Headquarters Budget Effort

- 1) Minimize the number of plant people assigned to the effort in order to reduce the discontinuity derived from bringing on new people "midstream". One of the biggest drawbacks in work efficiency seemed to be the transition when people assigned to specific budget areas were replaced by someone who would continue and complete the work. Of course, some number of new people were necessary since it probably would not have been feasible to keep only one or two people for the duration of the effort, approximately six weeks. I had the advantage of working my first two days on the job while the person I was replacing was still there, which helped in the transition. However, I still felt that some of my efforts were to a degree a duplication of work which my predecessor had already performed.
- 2) Continue and expand on efforts to have the plants summarize and document specific required information in a consistent format in order to lessen the data reduction work at Timberway. This improvement alone has the greatest potential to improve efficiency and could possibly decrease the overall duration of the budget effort in Houston. This year's budget instructions and forms issued to the plants by J. R. Pavao were a great help in simplifying the data reduction task. However, the use of these forms or a similar system needs to be expanded further, and the plants need to improve on uniformly and reliably supplying the requested data. It should be noted that these forms should not result in any significant increase in the plants' workload, as plant personnel have generally already calculated and compiled the necessary data. It is just a matter of how this data is presented to make it more easily and effectively used by Houston, thereby minimizing the additional data reduction task.
- 3) Adopt a system at Timberway to consistently incorporate all budget revisions which are received during the course of the budget effort. Keeping updated budgets is especially important when more than one or two people are working from the same set of budget books, and all may not be cognizant of the latest changes. The plants also need to revise and submit any additional pages of the budget that are affected by the revisions (e.g., submit new variance explanations when the variable cost changes). In addition, a master list of revisions to the original budgets would be useful to ensure that all previously compiled information that is affected by the changes will be corrected. Although somewhat tedious, this practice would provide a check to help eliminate any inconsistencies or errors that might eventually surface in the P.O. book or budget presentation.