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Forty years of the corporate information technology function at Texaco Inc. – A history

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Abstract

This paper is a history of Texaco's Corporate IT Function (IT) from its inception until Chevron acquired Texaco in 2001. The four decades of Texaco IT are best characterized by a contrast between the function's performance and its resources. According to third party measures, Texaco IT was a top performer amongst oil-industry IT functions and third party service providers. Yet starting soon after its inception, the department endured a resource squeeze. As the workload increased, IT's relative resources shrank. Throughout its history, user dissatisfaction with the unit was prevalent. We believe that the Texaco IT story is a typical account of the experiences of many large corporate IT organizations. The unit was a success by the measures of the profession, but failed in the eyes of top management and business units.

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1. Introduction

Oilman "Buckskin" Joe Cullinan and New York Investor Arnold Schlaet founded the Texas Company, later called Texaco, Inc. (Texaco) in 1902 at Beaumont, Texas (Texaco, Inc., 1990b). In 1903, at Sour Lake Texas, Texaco struck oil. In 1905, the company entered the European market. In 1928, Texaco became the first oil-company to market in all 48 states. In 1936, it was amongst the first oil companies to become involved in the Middle East. That year, the firm also started producing and marketing oil products in Africa, Asia and Australia. Over the next 35 years, Texaco grew to be one of the largest global corporations in the world. The firm reached its peak size in 1971 with 71,000 employees, in 1981 with the revenue of $59.4 billion and in 1984 with an asset base of $37.4 billion.

In 1969, Texaco founded a corporate IT department (IT). Over the following three decades, the firm reduced its personnel by 51,000 employees. It diminished in size by automation, outsourcing and by selling under performing units. Measured by impact, Texaco IT was successful. It helped Texaco shed thousands of jobs per automated business process (Hodges, 1999).

IT automated the firm with few resources. Its staff did not exceed 3% of the firm's total personnel. Its annual budget did not top $159 million or 1.1% of the firm's revenue. With these resources, IT automated office functions, financial accounting from exploration to retail operations, and put a PC on nearly every desktop giving access to centralized corporate information (Hodges, 1999).

IT was a competitive service provider (Texaco, Inc., 1988a). In batch processing, Texaco IT's rates were less than 1/2 of EDSs, 1/8 of AVGs and circa 1/9 of GEISCOs (Texaco, Inc., 1988b). In interactive computing, the function charged less than 1/2 compared to EDS, 1/4 compared to AVG and Geisco and 1/5 compared to IBM. Texaco IT was ahead in cost efficiency.[3]

From the users' perspective, however, Texaco IT was a failure. Throughout the life of the unit complaints remained the same: "*IT was delivering too little*, *too late and charging too much*" (Pilgreen, 1999). Top management actions concerning IT's resources support this conclusion. IT's resources did not grow in proportion with its growing responsibilities (Porra, Hirschheim, & Parks, 2005).

Until now the history of Texaco IT has been an oral tale passed down by Texaco IT employees. We wrote the narrative in order to illustrate that the function was a lifetime success or failure depending on the perspective. We assumed that a narrative that spanned the existence of the unit might help understand some reasons behind top management decisions to shift information system responsibility to business units and third parties away from IT.

[3] Study was done by Real Decisions Corporation. In batch processing Texaco IT's rate was circa $30, while EDS charged circa $70, AVS circa $230 and GEISCO circa $260 for comparable service. In Interactive computing Texaco IT's rate was circa $30, while EDS charged circa $70, AVG circa $110, GEISCO circa $110 and IBM circa $140 for comparable service.