DAAG 2001
Session on Integration of DA & Business Management, and Implementation

Implementation of an Integrated Decision Process within Texaco

Presented by

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Framing statement…

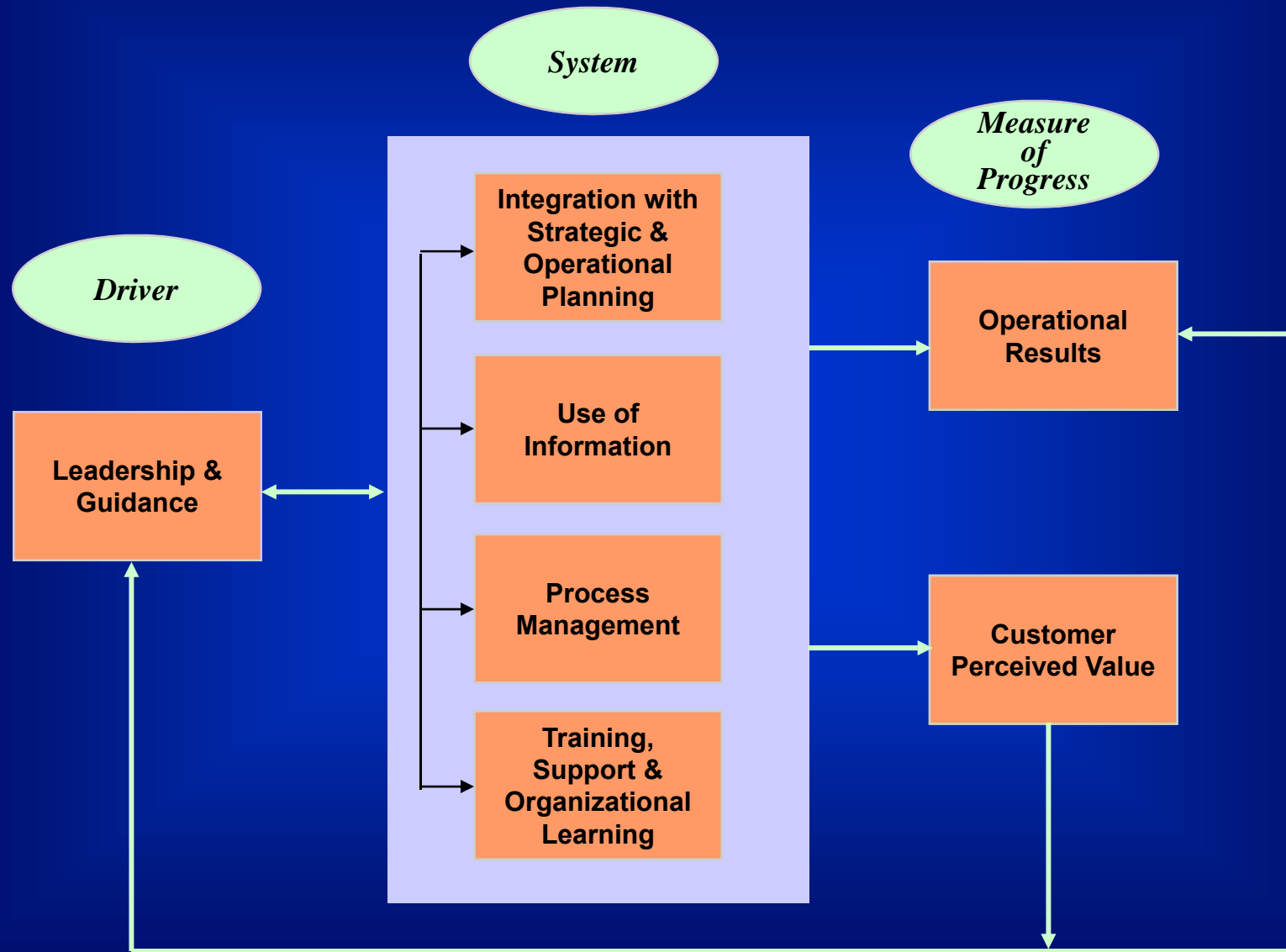*"We are striving to organizationally embed a decision making process that…"*

- ✓ *Fits the corporate culture*

- ✓ *Is in alignment with, and supports major corporate initiatives*

- ✓ *Ensures that decisions are compelling and based on review of unique and creative alternatives, in lieu of advocacy*

- ✓ *Ensures clear focus on appropriate elements*

- ✓ *Ensures that we do the <u>best</u> projects, with the highest return, not just <u>pet</u> projects*

- ✓ *Speeds internal/external alignment, and therefore decreases decision making cycle time*

- ✓ *Rewards prudent risk-taking, based on quality decisions*

- ✓ *Builds organizational capability*

Path of process impact…

Shareholder Value

- Financial Return
- Business Effectiveness (Operational Excellence)
- Strategic Value (Profitable Growth)

- Maximize Project EMV
- Maximize ROCE (Capital Stewardship)
- Create Valuable Alternatives
- Clarity of Action
- Optimize Portfolio
- Create New Opportunities

- Reduce Decision Cycle Time
- Increasing Effective Communications
- Resolving Ambiguity
- More Effective Project Transitions

Emphasis has been on ensuring process integrity, scalability and quality…

System

Measure of Progress

Driver

Leadership & Guidance

Integration with Strategic & Operational Planning

Use of Information

Process Management

Training, Support & Organizational Learning

Operational Results

Customer Perceived Value

What are the alternatives…

Integrated Decision Process	Traditional	ROV
• Integrated with other business processes	• Typically consultant driven	• Similar to typical DA, except more complex evaluation for people to understand
• Embraced as a management process, not one-off analysis tool	• Lack of scalability	• Limited applications
• Scaled to meet specific application	• Only applied to "Major Projects"	• Inconsistent results (among practitioners)
• Designed to be pulled through the organization, rather than being pushed	• Less understanding and familiarity by project personnel	• Highly specialized skill-set
• Internally-sustaining, once integrated	• Long-time to implement	
• Consultants act as coaches instead consultants	• Costly w.r.t. consultants	
• Builds organizational capability	• Lack of process and knowledge transfer	
	• Knowledge remains with the contractor/consultant	

Logical integration with peer-driven processes…

Develop a shared understanding of the situation.

Agree on strategic objectives and decision criteria
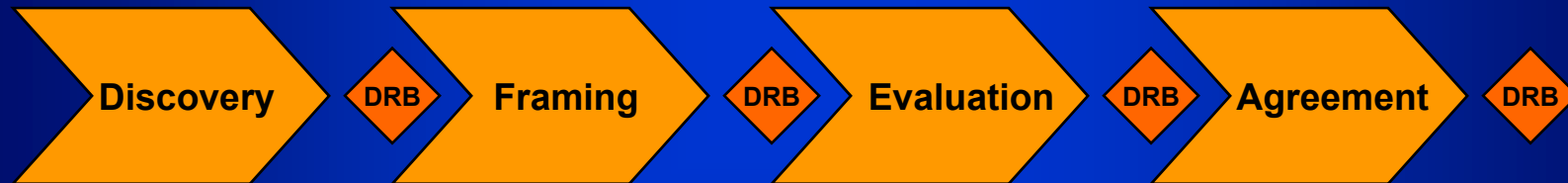
Create unique alternatives or strategies

Agree on the questions you need to know about the key uncertainties

Learn where and why value is created and what are critical risks

Gain insight into the uncertainties as sources of value, or checkpoints to build confidence

Capture value in a hybrid strategy based on the best ideas. Create confidence and enthusiasm for action.

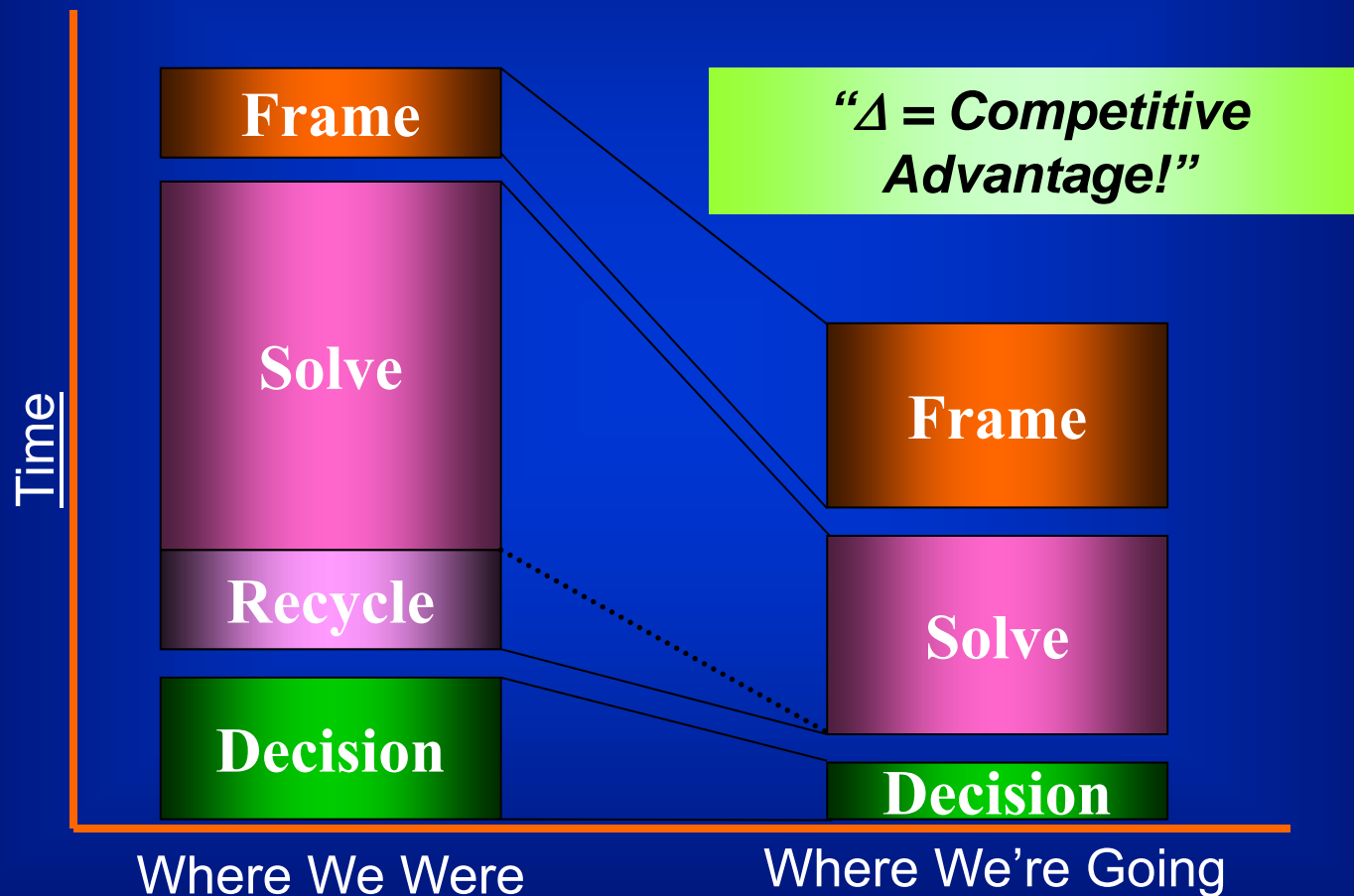**Build a communication plan, an implementation plan and quality metrics**

| Discovery | DRB | Framing | DRB | Evaluation | DRB | Agreement | DRB |

Peer Event	Peer Event	Peer Event

- **Experts**
- **Info focused**
- **Networking**
- **Independent**
- **Informal**

- **Experts & Stakeholders**
- **Processing Info**
- **Deliverable focused**
- **Multi-Networking**
- **Team activity**

- **As needed**
- **Stakeholder**
- **Formal**
- **Actions and consequences focused**

Consistency & FEL investment $\Rightarrow$ reduced cycle time in decision process…

Time

Frame
Solve
Recycle
Decision

Where We Were

"Δ = Competitive Advantage!"

Frame
Solve
Decision

Where We're Going

Practical application ⇒ Rigor where appropriate…

"Identify the situation and adjust the process appropriately, rather than living with one size fits all."

Project Application

- 100%
- 66%
- 33%

Provide Clarity and Alignment

Establish Credible Data for Conventional Evaluations

Gain Insights from Complex Interactions

Discovery & Framing   Data Gathering/Modeling   Full DA/ROV

Process Rigor

Level of Uncertainty

Unclear Future

Clear Future

Frame for Clarity and Use Tools to Evaluate Uncertainties

Full Process Application to Address High Level of Ambiguity and Uncertainty

Deterministic Analysis

Discovery and Framing with Minimal Evaluation

Clear Goals   **Level of Ambiguity**   Conflicting Goals

"Apply only steps necessary to make confident decisions."

Fundamental to the Process is training the organization…

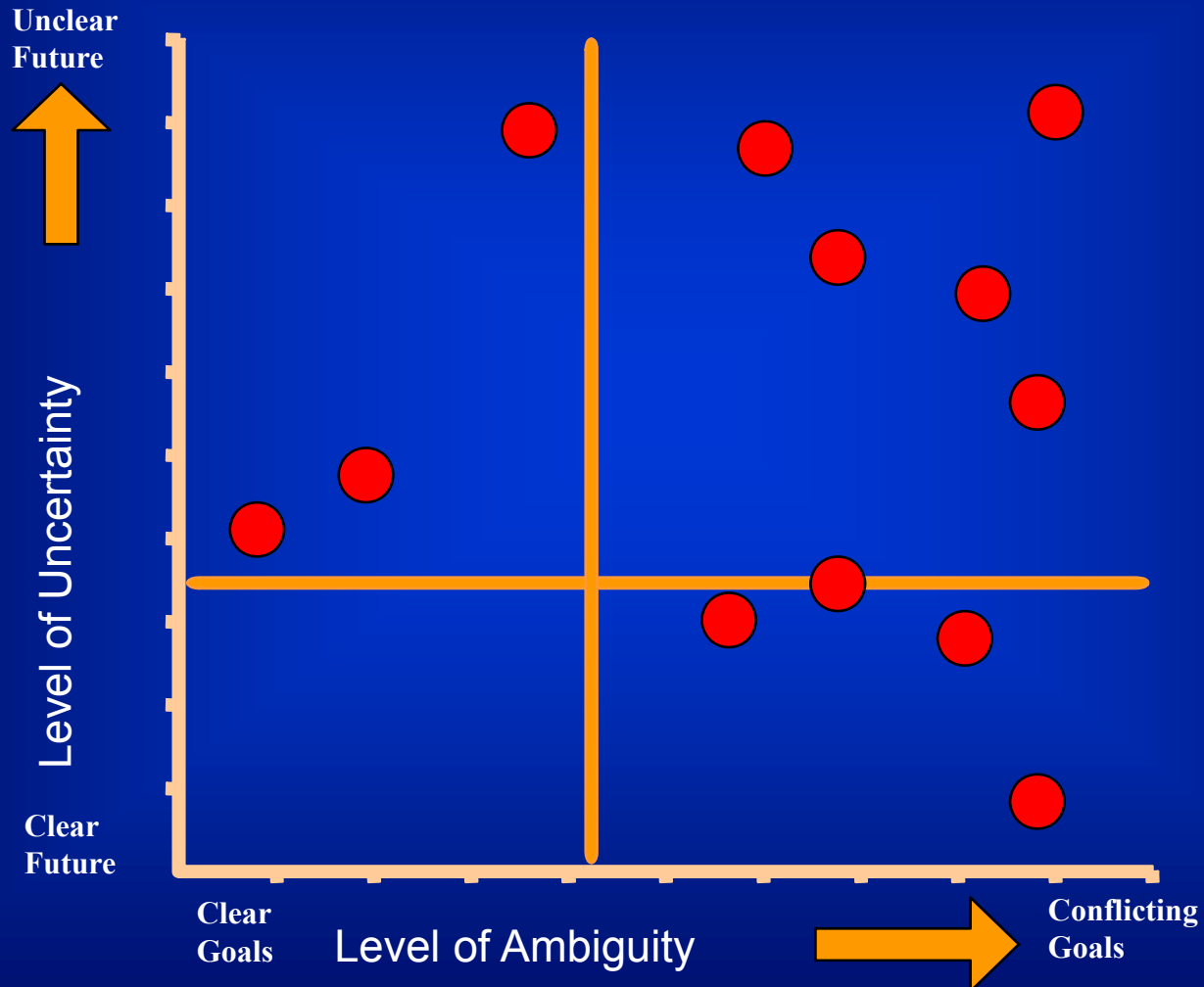|	Executive	Participant	Practitioner	Consultant
Abilities	Understands DA language and outputs	Understands DA process and tools	Able to lead process with coaching	Understands nuances and people issues
Specific Skills	Effective DA utilization for insight and action	Issues and ideas	Framing, expert interviews and analysis work	Practitioner skills plus related process consulting
Process Roles	Alignment and quality assurance	Content contribution	Facilitate parts of the process and team work	Internal resources for key project facilitation

Within Texaco, the integrated decision process has been "pulled into" the organization…

- ❖ **Applications kicked-off with a pilot application**

- ❖ **Targeted application of three additional projects from CD portfolio, at rate of one per month, for total of four**

- ❖ **Positive endorsement from CD management & project teams**

- ❖ **Process being pulled into organization is evidenced by numerous for application**

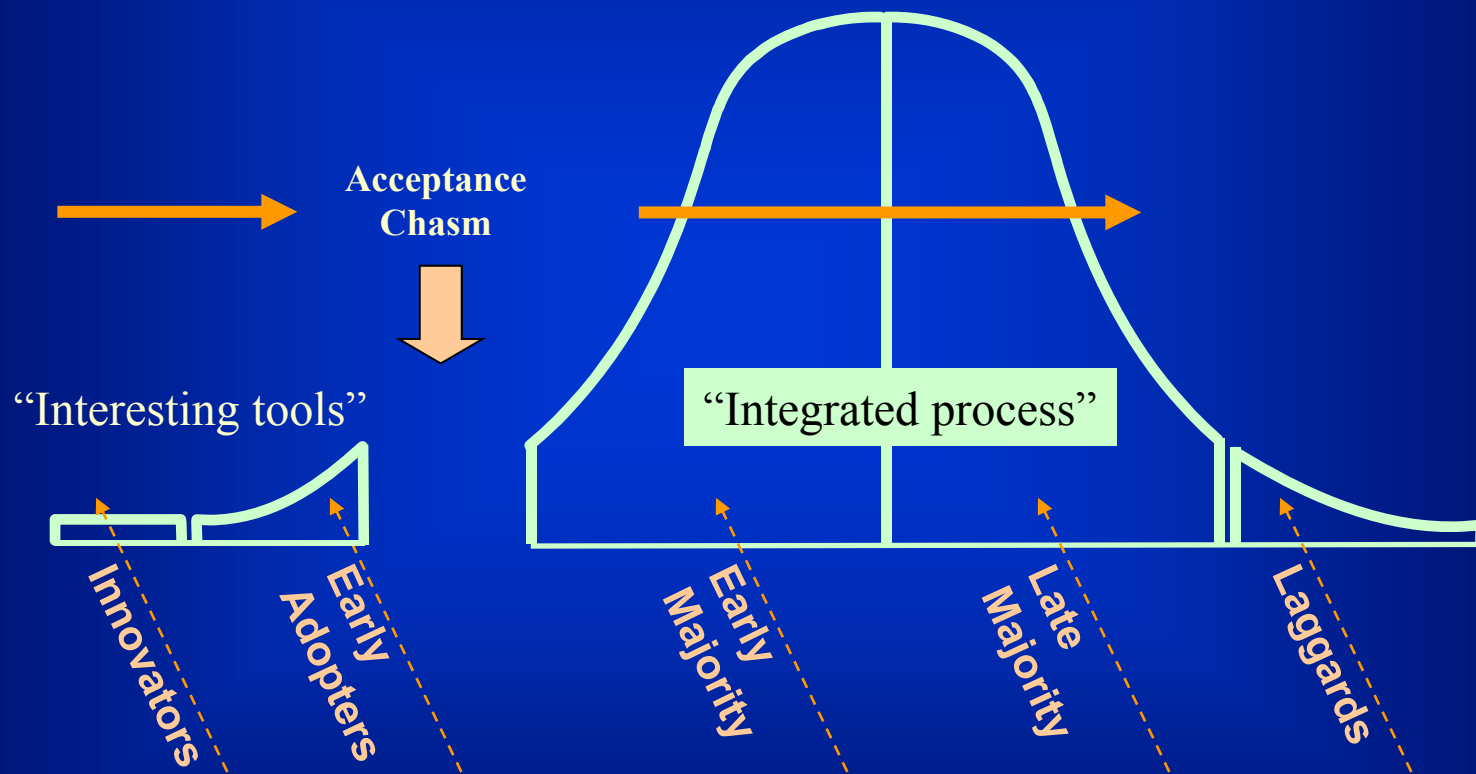- ❖ **17 applications, of various scale and level of completion, underway by end of year 2000**

Process Application Tracking

Projects Started per Month (left axis, 0–6)
Cumulative Applications (right axis, 0–20)
Year 2000 — Jun, Jul, Aug, Sep, Oct, Nov, Dec

Legend: Actual, Planned, Planned Cum, Actual Cum
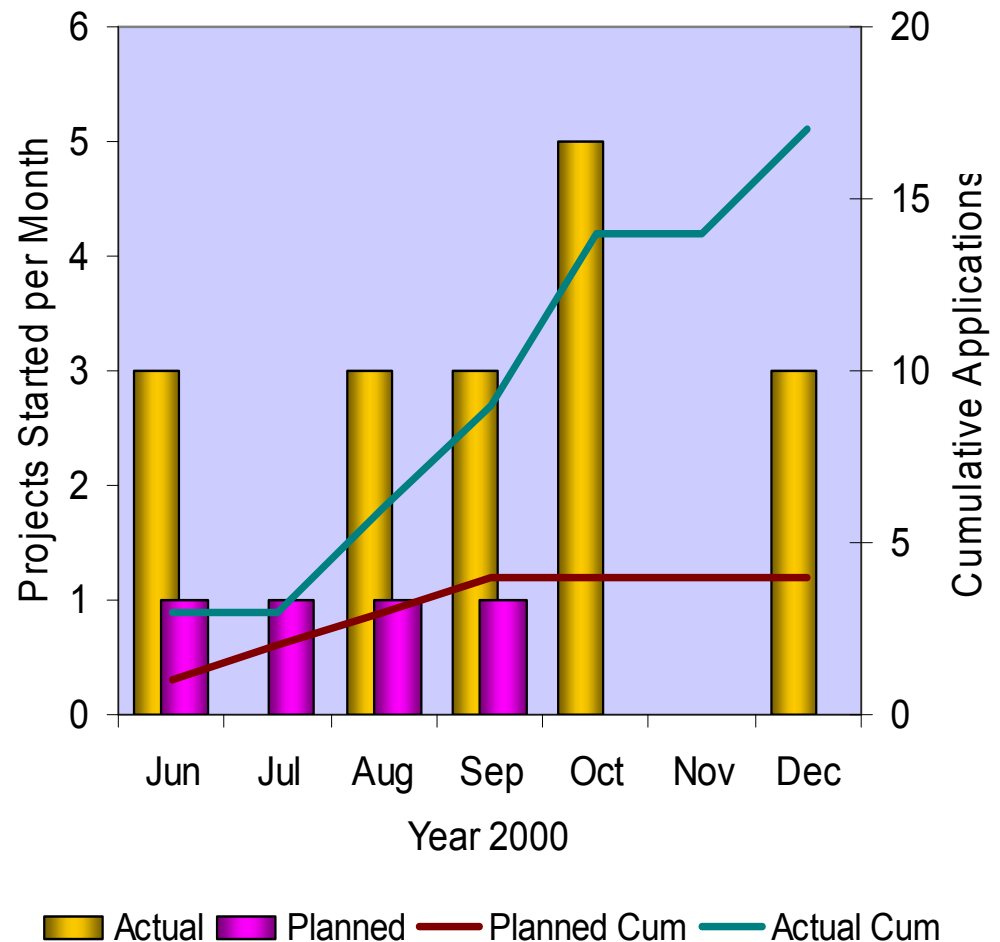
Project applications have been uniquely varied…

Integration success is dependent on crossing an acceptance chasm…

Acceptance Chasm

"Interesting tools"

"Integrated process"

Innovators

Early Adopters

Early Majority

Late Majority

Laggards

Critical for success…

- **Early decision maker support and strong process champions**

- **Aggressive implementation and training plan**

- **Internal resource network of skilled process facilitators**

- **Decision maker education**

- **Carefully chosen pilot projects**

- **High level participation in the process**

- **Early publicized successes**

- **Yearly quality audits and symposiums**

Ensuring sustainability…

- **Maintain organizational enthusiasm (*"keep it alive"*)**

- **Provide a focal point for knowledge management and training**

  - **Experience in industry shows that after the initial push, there is a tendency to cut back on the level of training to people and overall emphasis of the process**

- **Development of skill enhancement training**

  - **Further educate the Practitioner in additional tools and process that will add value and maintain enthusiasm**

- **Development of a "buddy system" for practitioners**