



# developing a sustainable decision-making culture

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SDP annual conference, Arlington VA

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## a retrospective view of our journey...

Whether formally developed and deployed, or simply implicitly executed, all organizations have a decision-making culture. It's never perfect...

Adapting is essential; trying new tools & processes, monitoring and addressing behaviors, and implementing effective leadership are some of the guiding principles that will help sustain a strong DMC

This presentation will share what Chevron is doing to identify Failure Modes, how we are adapting, and the findings we have observed on our journey to improve predictable performance and sustain our Decision-Making Culture



# our journey to developing a sustainable decision-making culture in five easy steps



## what we built

Chevron has 4 decades of building a quality decision-making culture (DMC) to deliver predictable performance



## what we learned

The three pillars of our DMC need to be in balance and harmony with each other.

Imbalance leads to three primary failure modes



## what we did

We evolved each of the three pillars to address the failure modes and improve predictable performance of our opportunities



## what we learned next

It's all about trying something, observing and assessing the response, then amplify what works and dampen what doesn't

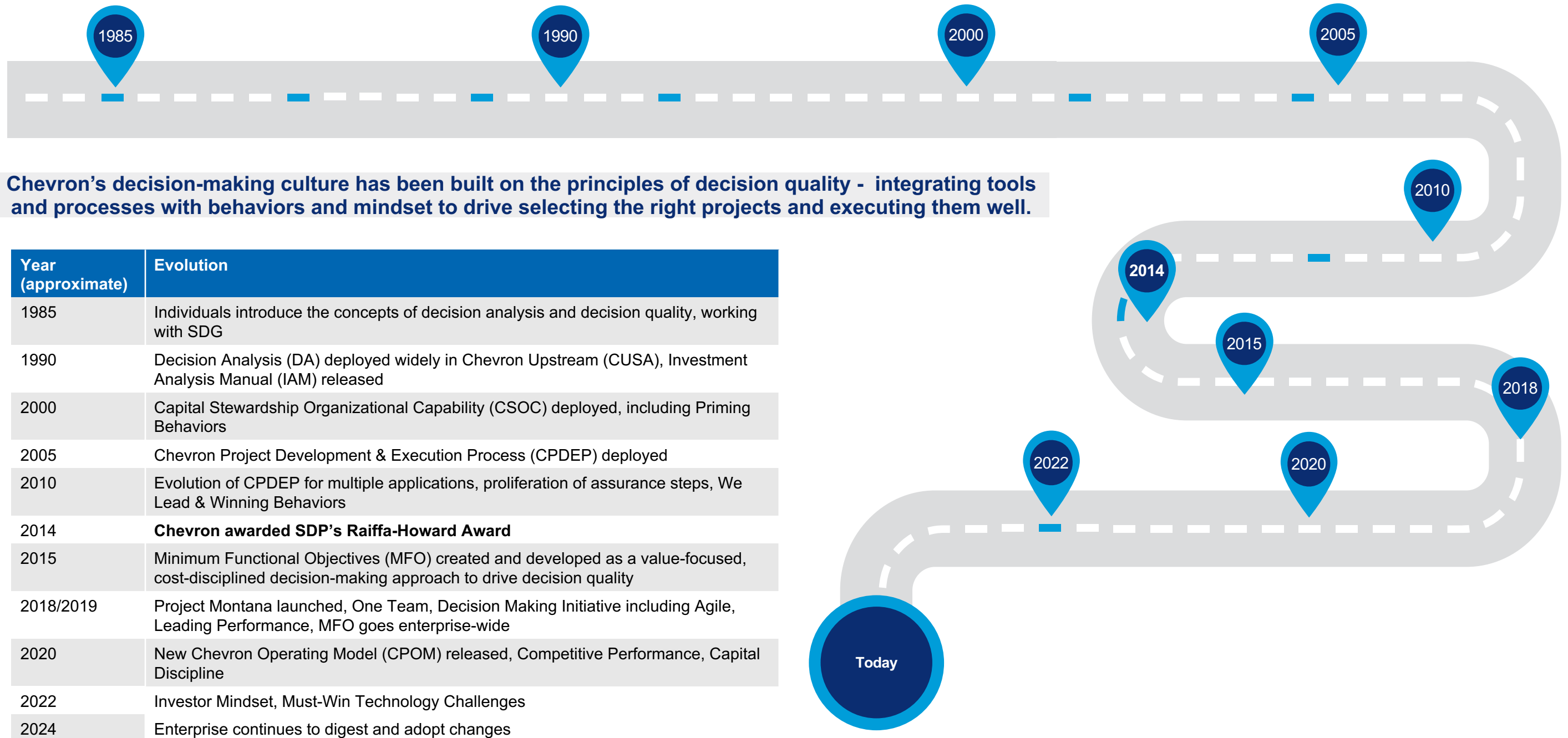


## what we take away

There are no silver bullets – building a strong and sustainable DMC is a journey that never quite reaches its destination.

There are a few guiding principles though that we can recommend...

# the evolution of Chevron's decision-making culture



Chevron's decision-making culture has been built on the principles of decision quality - integrating tools and processes with behaviors and mindset to drive selecting the right projects and executing them well.

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# the three pillars hitting the sweet spot



## Tools & Process

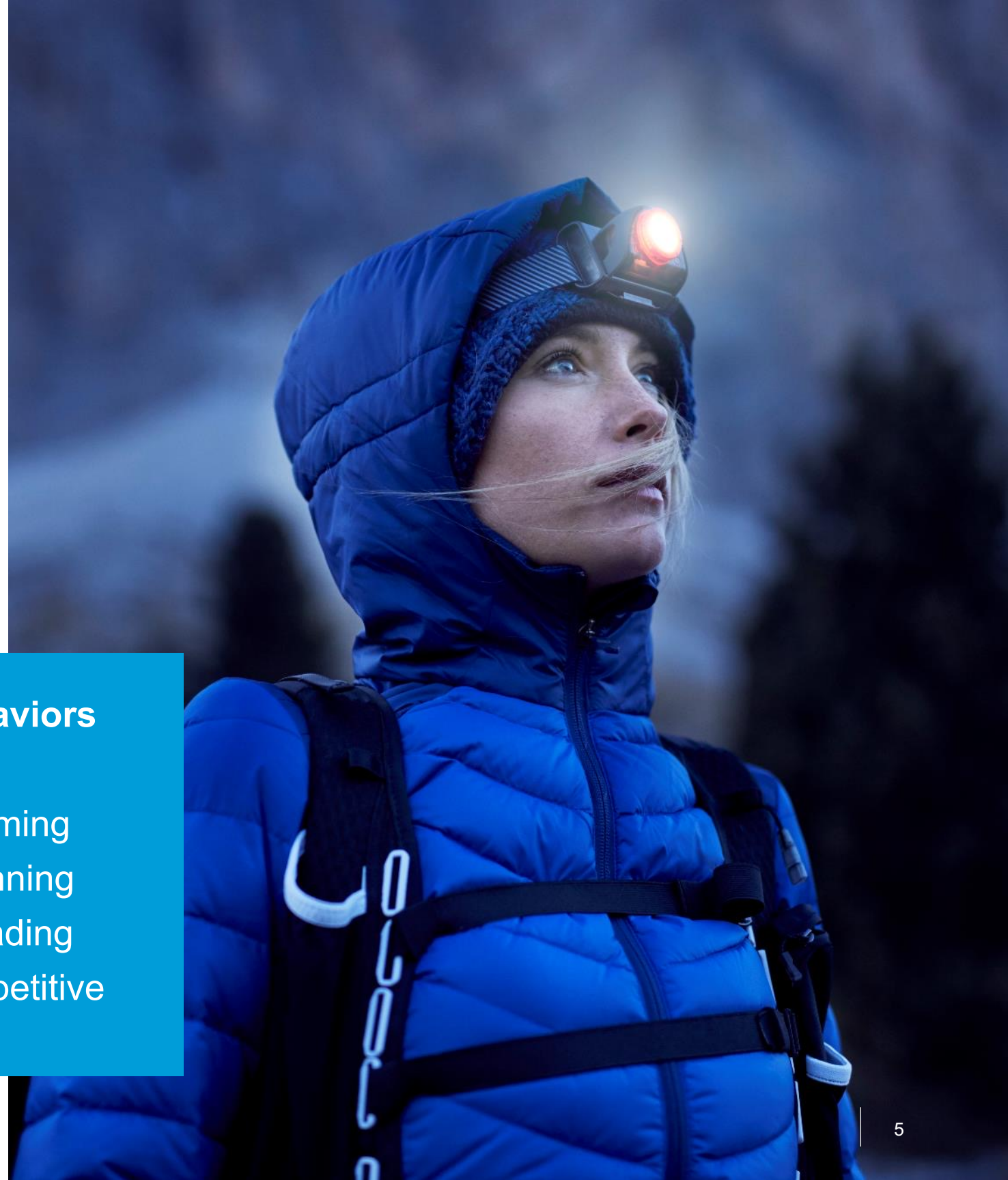
CPOM  
IAM  
MFO

## Mindset & Priorities

Capital Discipline  
Investor Mindset

## Behaviors

Priming  
Winning  
Leading  
Competitive



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# primary failure modes



**Failure mode 1**

Championing of individual projects without clear alignment with business strategy & priorities

**Failure mode 2**

Hamster wheel – projects get bogged down in the process, or fall victim to progression bias

**Failure mode 3**

Decision by committee (seeking consensus), overloading assurance steps



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# tools & process

## operationalizing learnings from our experience (Project Montana)



### is this the right opportunity

- analyze competitiveness in earlier phases to support predictability in later phases
- **remove the DPI hurdle rate** – force a broader assessment of value measures



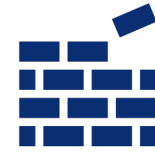
### having quality information

- develop realistic cost and schedule estimates and set achievable funding targets



### balanced risk

- Proactive and transparent risk management with appreciate allocation between Chevron and our business partners



### appropriate progression

- disciplined in applying condition-based and sequential progression of the work



### disciplined & value-led

- principles of Minimum Functional Objectives (MFO) form the basis of alternative generation and design to ensure competitiveness



### effective collaboration

- Adopt efficient ways of working together as 'One Team' to deliver competitive projects

**Chevron Project Management System is designed to mitigate frequent causes of poor outcomes**

# why Agile was not the answer



## Agile is a project management tool, not a decision-making tool

it is designed to manage your resources to execute an investment decision, not to drive making a quality decision



## Agile does not sufficiently characterize success

the framing tools in Agile (charter) do not adequately define our opportunities to set teams up for success. **This can be remedied by pairing it with MFO**



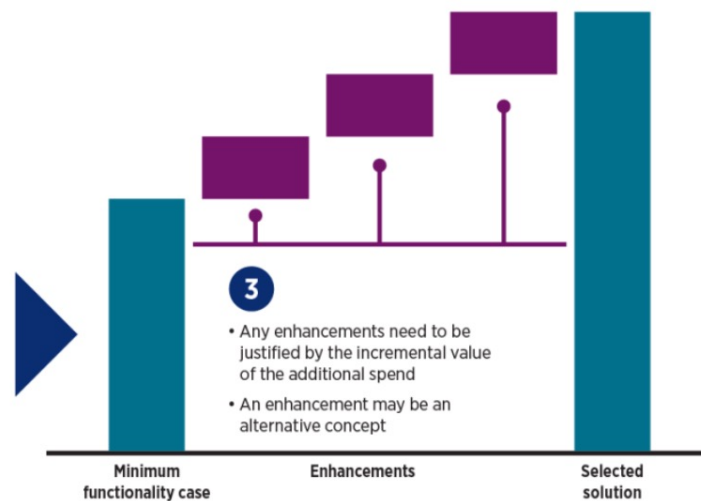
## key drivers of behavior were not compatible with Chevron operations

- 100% dedicated, collocated resources
- iterative nature of the outcome
- daily access to decision maker
- **requires high tolerance for failure**

# mindset & priorities: shifting to MFO and an investor mindset

**1**  
Challenge and align on the goal and **essential objectives** to define the right problem

**2**  
Lowest cost solution that barely meets the essential objectives



**3**  
• Any enhancements need to be justified by the incremental value of the additional spend  
• An enhancement may be an alternative concept



- Objectives
- MFC
- Enhancements

- Strategy
- Risk
- Flexibility
- Financials

- Competitive, predictable performance
- Higher returns

# the evolutions of our behavioral expectations



## CSOC Priming

- Make your thinking visible
- Make other's thinking visible
- Summarize agreement & disagreement
- Move the group towards alignment

## Essential Capital Projects

- Focus on the work
- Build relationships
- Align and Inspire
- Deliver results

## Winning

- Speed
- Simplicity
- Directness
- Inclusion

## We Lead

- Align & inspire
- Build relationships
- Grow capability
- Deliver results

## Leadership

- Set clear expectations
- Observe performance
- Remove barriers
- Give and receive feedback
- Coach

# where we are today - leading performance framework

*how we show up as individuals, how we work together as teams and how we deliver industry-leading performance as an enterprise.*

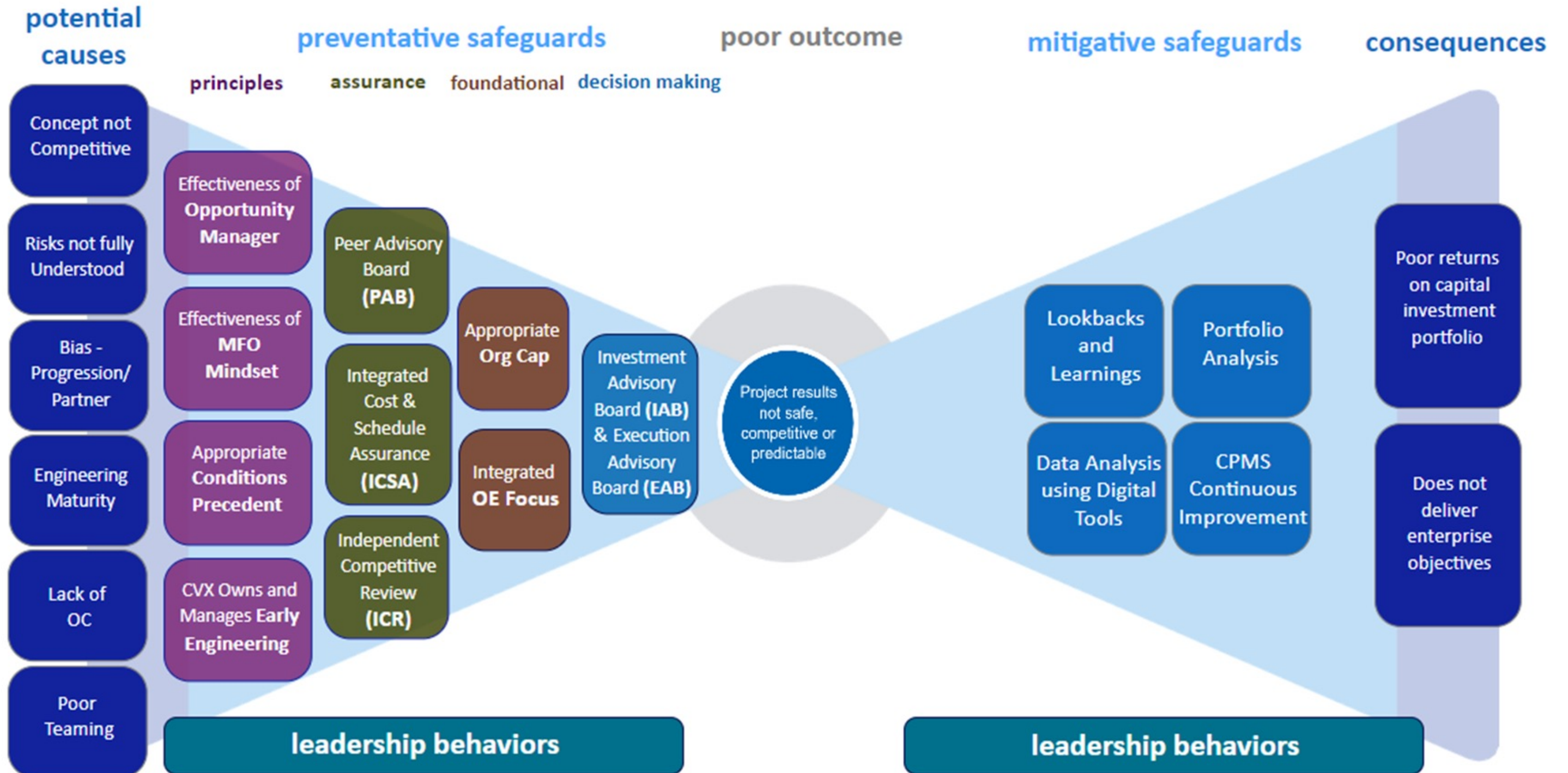


"We Lead - One Team - Competitive Performance" is a set of expectations for how we lead, team and win at Chevron.

This is underpinned by guiding behaviors, strategic and aspirational goal setting, and supporting tools

# Capital Projects monitored safeguards

## Improving capital investment outcomes



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# why are we struggling? DCOM model for behavior change





# how do we change motivation?

## the 'why' behind behavior



### Priorities

personal (needs & values) versus corporate



### Drivers

Incentivize to reach a target or inspire to achieve an objective

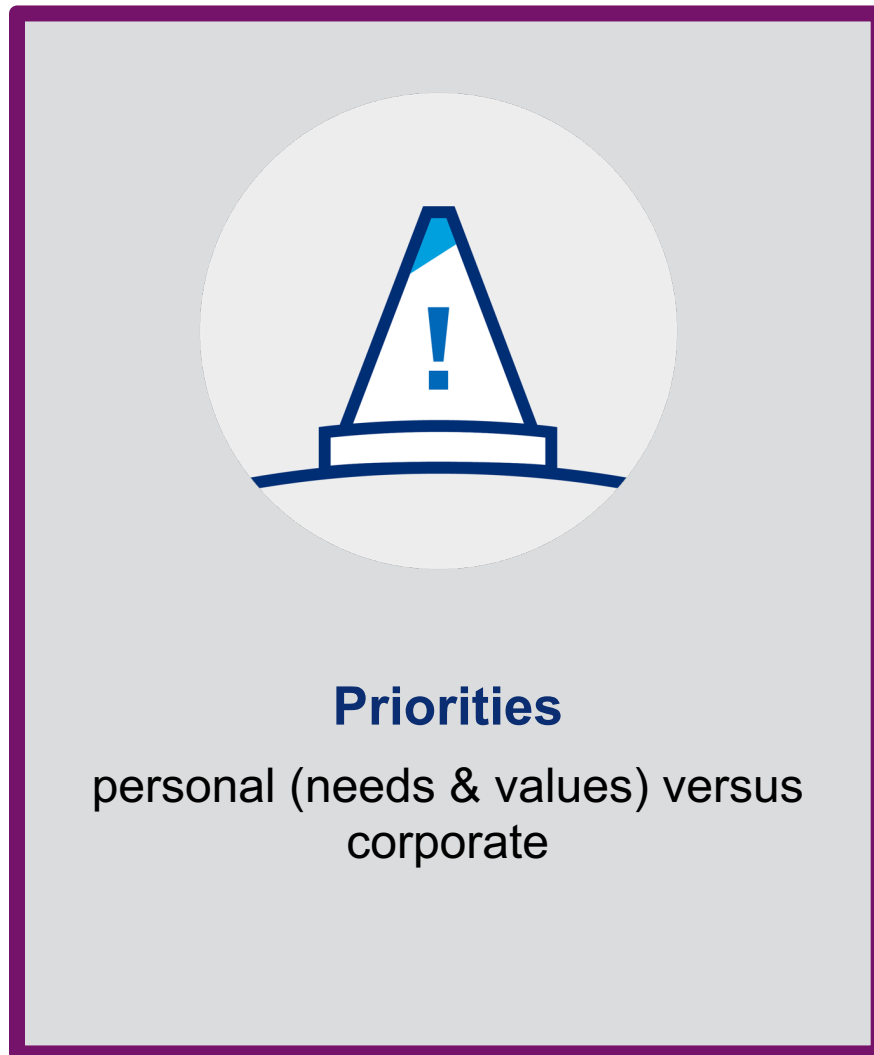


### Accountability

Expect results but maintain psychological safety

# how do we change motivation?

## the 'why' behind behavior



personal priorities will almost always trump corporate priorities

tangible priorities:

- job security
- pay, benefits
- promotion

intangible priorities:

- status
- beliefs
- feeling valued
- feeling respected
- feeling engaged
- feeling empowered

# how do we change motivation?

## the 'why' behind behavior



### Drivers

Incentivize to reach a target or inspire to achieve an objective

#### set and incentivize targets

- can be highly motivating when paired with a valued reward
- effective for short-term behavior modifications
- external motivation driver
- in danger of becoming self-fulfilling
  - the reward becomes the purpose, and the goal is lost

#### articulate and inspire objectives

- the reward is tied to achieving the desired outcome
- effective for short/medium/long term behavior modifications
- internal motivation driver
- most effective when supported by desire or beliefs

# how do we change motivation?

## the 'why' behind behavior



### **Accountability**

Expect results but maintain psychological safety

accountability can come in many different forms, from subtle to harsh

- key to success is to preserve psychological safety
  - used positively it drives people to persevere and succeed
  - used negatively it creates fear and drives people to avoid consequences
- requires some degree of courage and trust
- promotes a growth mindset
  - mistakes are allowed provided you learn from them
- needs transparency

in an influence culture, that highly values collaboration and being nice, accountability is a really big challenge – it can easily be perceived as confrontational and unkind

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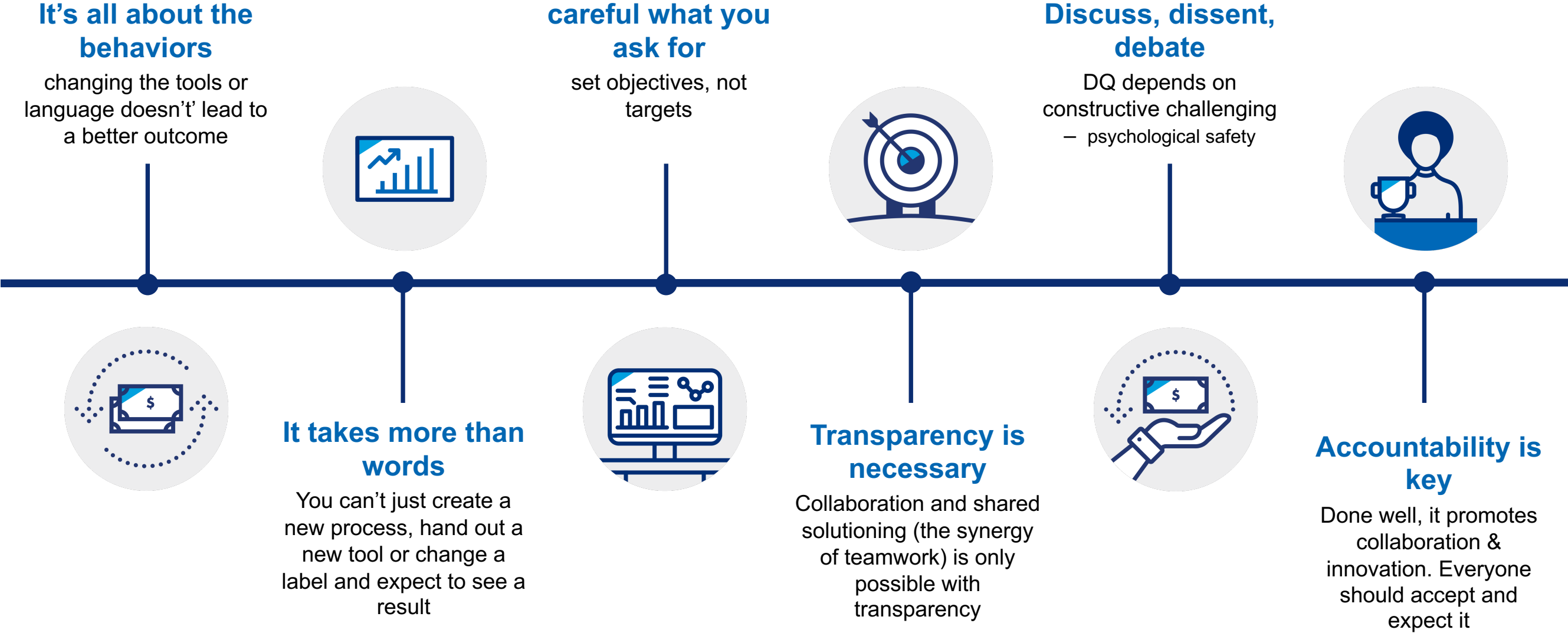


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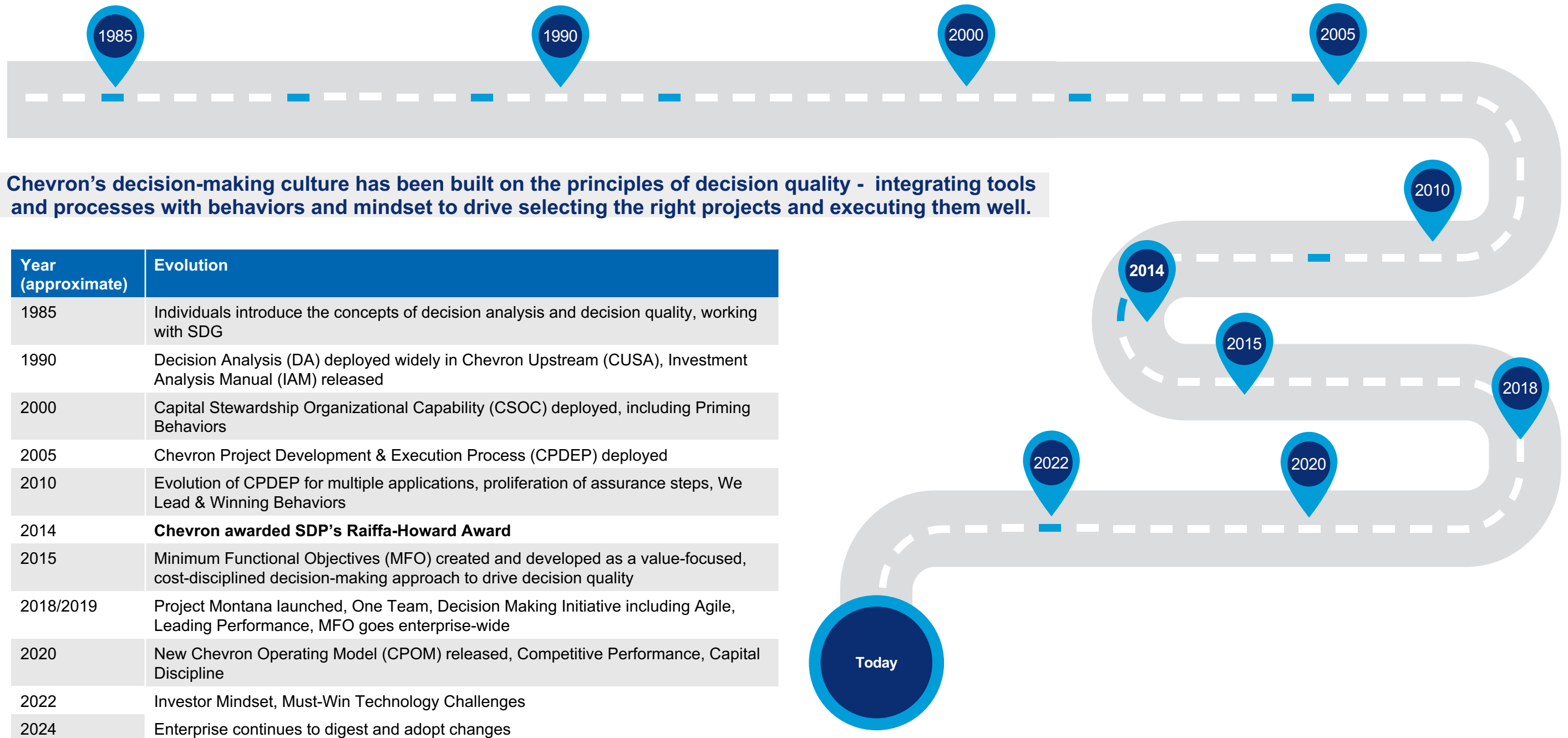
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# recommendations based on lessons learned



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# Questions?

