Best practices in project evaluation and influence on company performance

How do respected companies perform their project evaluations? Do better project evaluation practices and decision policies lead to better company performance? As an initial step to find out, a "Decision and Evaluation Best Practices Survey" has been conducted. Twenty-one companies are participating, thus far, providing a cross section of the petroleum industry. The survey results form a nascent "best practices" database. The author reflects upon the survey data and his experience to describe characteristics of good evaluation management. Because resource allocation decisions are so important, policy and evaluation practices should receive attention comparable to the other technical disciplines. Recent trends in evaluation techniques are discussed, including an increased use of decision analysis.

Background

"Geology is science, but exploration is business." - Marlan Downey, ARCO

Participative Management. Technical professionals are increasingly expected to be business-persons also. The modern corporation is challenged in too many ways for a traditional hierarchy to perform well; timely decisions are necessary to be competitive. Organizations are being reengineered to be flatter so that decisions can be made by people close to the action. A more loosely defined organization structure can self-adapt to changing business conditions and current projects.

Participative management has been around a long time. The themes were formalized and popularized by behavioral scientists such as Blake and Mouton (Managerial Grid), MacGregory (Theory X and Theory Y), and Lickert (Four-Model Systems). The central idea is that empowered employees will feel better about their jobs and be more productive.

Participative management goes by many names. A recent buzzword is open book management (OBM). This is an emerging, repackaged approach for managing businesses and other organizations. Thousands of businesses have adopted this style are conducting their unique versions. OBM has three central ideas:

- A culture of trust where there is ready access to information needed to do one’s job (hence the name, "open book management"; not necessarily all company information, but sufficient for employees to gauge company management.

- Incentive compensation system, of some form, where employees have a stake in the business outcome, good or bad.

- Business literacy training so that employees can understand the business.

Everyone is to understand his or her role in the enterprise and how the company is doing. The OBM strategy is to build a community of business-people where employees increasingly think and care like owners.

High Technology Industry. Those of us working in petroleum recognize that ours is a high technology industry. Sophistication in petroleum engineering and the geosciences has advanced tremendously during the past two decades.

Inexplicably, progress in evaluation practices is coming about more slowly. The exception, perhaps, is modern portfolio theory (MPT) which has been receiving considerable attention in the financial community. This paper deals primarily with capital investment decisions, but will also briefly address considerations of MPT in project economic evaluations. Tradition slows changes to management practices. P. 101
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Looking for more?

Some of the OnePetro partner societies have developed subject-specific wikis that may help.

PetroWiki was initially created from the seven volume Petroleum Engineering Handbook (PEH) published by the Society of Petroleum Engineers (SPE).
The SEG Wiki is a useful collection of information for working geophysicists, educators, and students in the field of geophysics. The initial content has been derived from: Robert E. Sheriff's Encyclopedic Dictionary of Applied Geophysics, fourth edition.

1. The Role of Project Evaluation in IUCN 2. Managing Project Evaluation 3. Exercise 5.1 – Developing ToR and Workplan for an Evaluation. v. Foreword. Managed by the global Monitoring and Evaluation Initiative, these facilitators and trainers developed, over a 6 year period, a range of training materials that formed the foundation for this IUCN Project Planning, Monitoring and Evaluation Training Course. Management, and best practices in the field of natural resources management is assessed and used. Exhibit 1.5: Action Learning Cycle.