



Transforming the Oil and Gas Company

An Interview with Jim Claunch, Vice President of Business Efficiency at Equinor

Jim, can you tell us a little bit about your professional background?

I have over 30 years' experience working in oil and gas; the first 20 of which were spent with Halliburton. During my last five years with Halliburton, I led their Global Shared Services group which included Procurement, HSE, IT, Accounting, Communications, Security, Facilities Management, Total Quality Management and HR.

In 2004 I joined Intercontinental Hotels Group for a year, running their Shared Services group and serving as Head of Corporate IT. After this, I was part of a team that started an oilfield service company, which we eventually sold. Afterwards, I tried my hand at investment banking for about year and a half. Then came an opportunity to join Statoil, a company I've always admired for its values and operations. I've been with Statoil about nine and a half years now and I'm having a blast.



You're currently the Vice-President of Business Efficiency at Equinor in the USA. What does that role entail?

First off, I think I have the best job in Equinor. Our Business Efficiency unit is very much digital and innovation focused. My role includes IT (specifically tactical IT that includes the convergence of IT and OT data), Digital Business Solutions, Data Management, Lean, and Management Systems. With digital transformation comes new ways of working and the management system itself has to keep up. We're constantly taking it to another level.

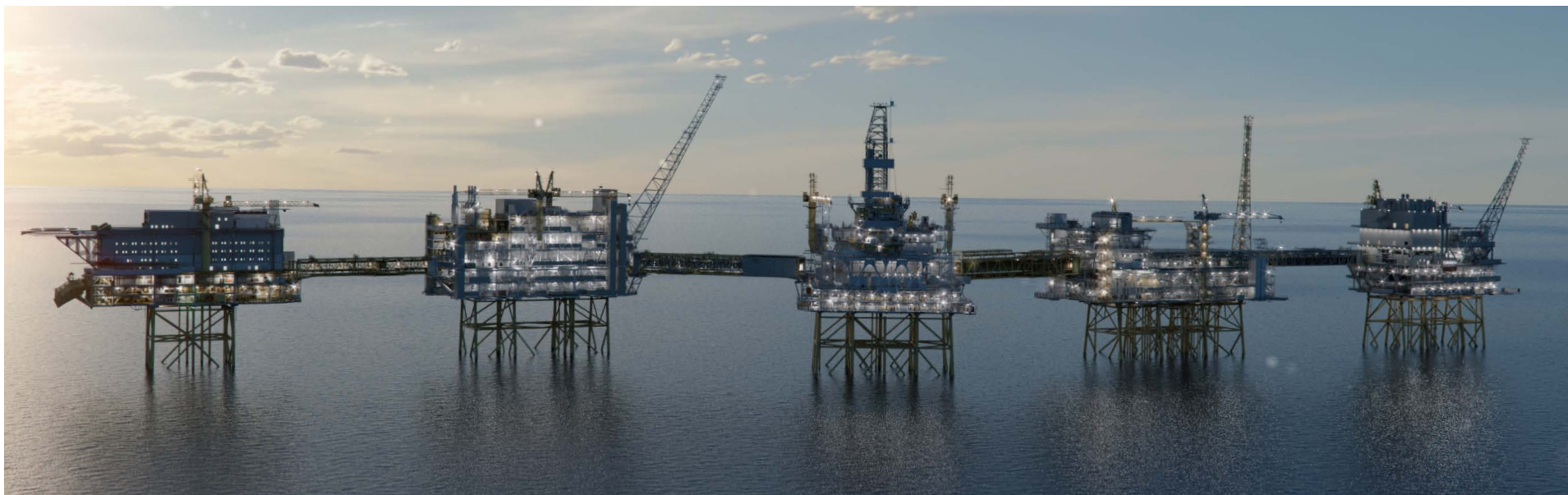
My group also leads the Remote Operating Centre project in Austin, Texas; this project is utilizing real-time data to facilitate data analytics, preventative maintenance, predictive maintenance and to improve our production efficiency. Our team is also leading a project for the US Onshore Business that goes from the wellhead all the way through traders into our royalty owners – meaning that it goes through about four major silos. In the oil and gas business, it is very difficult to work across silos, so it's a very exciting project. We are working with the business to develop much more efficient and effective ways of working, from both data and process perspectives that goes across our silos instead of down each silo.

Let's talk briefly about the Statoil to Equinor name change. The company is in the midst of a transformation to what it calls "a broad energy company committed to shaping the future of energy". Can you tell us more about this?

We can divide Equinor in two pieces. The "Equi," or equality, part is our value statement around how we view people – as equal – and it represents the idea of a broad energy company. It extends to the communities in which we work as well, how we can benefit them, and our view of the environment and how it should be treated. Regardless of whether it's in developing and investing in new energy sources or developing fossil fuels with a lower carbon footprint, we want to make sure that we're doing our part to care for the environment.

And then the "Nor" part, that's our heritage: Norway is where this company was born and is, to this day, where most of our operations are located. So much great knowledge, expertise and innovation has come from Norway to help Equinor become the great company it is today.





How does Equinor define business efficiency?

The oil and gas industry loves working down silos and we love to create barriers between departments that make it difficult for departments to work together. Within our business efficiency group, our mission is to tear down the silos and to integrate the competencies that we have and, together with domain expertise, IT Operations and data science, get everyone working together towards a common business outcome. Though this sounds relatively simple, it's a huge challenge.

Ultimately, what we want is for every team member to be measured the same way: based on desired business outcomes. For example, let's take an IT person whose performance has historically been measured on IT deliveries in their IT silo. People and leaders get comfortable with their functional goals even though purely functional goals may or may not be helping the

business to achieve their desired outcomes. We can have excellent performance in our support functions but if the support functions aren't helping the business work safer or make more money, it doesn't matter.

But what if we change this and instead decide that this IT person who is working on a project has the same delivery goals as the production engineers who are working on the same project, we are much better positioned to positively impact desired business outcomes.

Of course, the culture change involved with this reframing of performance and deliveries is huge! When you then take the functional tasks and goals away and instead integrate functional resources on a cross-functional, interdisciplinary

team whose targets are set to measure business value creation, people and leaders tend to struggle in the beginning. And that's okay! It's human nature to resist change, to try and cling to what we know and are comfortable with.

It is critical to be persistent, organized and to stay focused on business outcomes. At the same time, I personally try to always remind myself that change is tough for the individual people experiencing this paradigm shift.

And so, we patiently, methodically continue on this journey together because it is our belief that the holistic integration of all these competencies, zeroed in on business outcomes, will create the most value for the company and develop our people faster and broader than traditional ways of working.

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At this year's Operational Excellence Summit you'll be talking about The Transformed Oil and Gas Company. What do you mean by this?

As an industry, digital transformation hasn't fully hit us. We haven't fully engaged in the transformation. If we take a look at our personal lives, how have they been digitally transformed in the last 15 years? Tremendously! Then compare that to how we work in an oil and gas company and you will see that the difference in the level and scope of transformation is enormous. The industry is going to go through this transformation exactly like we have in our personal lives; as an industry, however, we must approach this in a very purposeful way.

The transformed company could look a certain way for me and may look a different way for you. The bottom line is that our business is being and will continue to be radically transformed by leveraging technology. Technology will have a far greater impact on the way that we work, collaborate and interact with one another than most of us can imagine today.

What's exciting about all of this is that digital technology moves so quickly that it is basically impossible to keep up. We in the oil and gas industry have got to be nimble and agile in adapting to new technologies that enable different ways of working. And, quite frankly, I think smaller companies are going to be much better at learning and changing quickly than are the great behemoths that many people in the industry work for.

I think for "big oil," this transformation is and will continue to be extremely difficult. Changing corporate cultures, becoming truly nimble, having agile teams that can make decisions and swiftly implementing changes on a broad scale, these are components of a huge challenge that we face as an industry. This culture change is not going to be easy, but I believe it is absolutely necessary.

To paraphrase Darryl Willis from Google: "Oil and gas companies are going to either be the catalyst for digital transformation or they're going to be the casualties of digital transformation." I think the jury is still out on which side of the fence the oil and gas industry is going to land. If we're going to be a catalyst, we'd better hurry up.

Along with the culture change you mentioned, what are some of the barriers facing oil and gas companies on this transformation journey?

Although there are several barriers, I am going to mention four key areas of change for big oil companies: the top executives and boards, the generation born between 1976 and 1988, human resources departments and leadership as a whole.

Executive ownership of the digital transformation is one of the keys to successful culture change and the digital transformation itself. This ownership occurs at the board and C-Suite level of organizations. Clearly not all organizations have the same level of ownership at the top and the companies where the top has set the vision and have a clear understanding of what the transformation could look like, are leading the way. In my opinion, it is because the vision for digital is owned, understood and communicated by the executives and not the CDO or CIO.

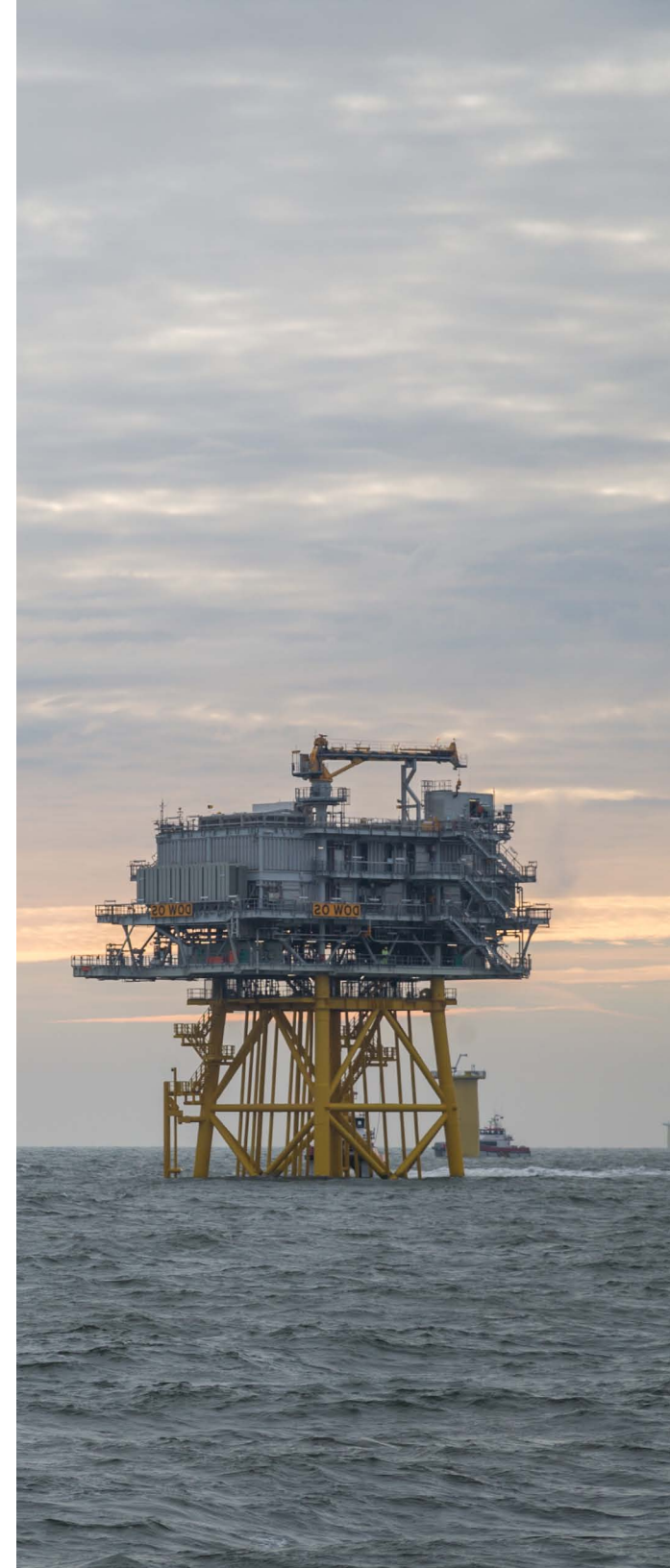
As far as the generation from 1976 to 1988, a lot of the industry's talent lies within that generation. We've given them a lot of boxes to check and they've been doing quite well, but all those boxes are based on twentieth century ways of working. While there may be some exceptions, as a whole, this generation is not a digital generation and could potentially stand in the way of the digital generations that are behind them.

There is also an opportunity for HR to contribute significant value to our businesses by helping our line leaders understand this transformation in terms of core competencies (both current and future). What core competencies are needed, how do we attract

and retain them, how do we develop them, how many of them do we need and how many of them do we have today? In addition, HR must help our leaders understand crowd sourcing, or leveraging the external ecosystem, and how to lead in this new environment. Helping leaders to become more progressive about how, where, and when our employees and/or externals work is another key support function HR can provide. One thing is clear, the people coming into the workforce today will not adjust to our historical ways of working in oil and gas. To compete for this talent, we will be the ones that have to change, or we will not have all the employees we need to do the work.

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Finally, it's about leadership. To be clear, I don't mean management. We need leaders who know how to motivate and inspire others, and how to embrace and create a diverse team. Leaders need to create a culture that embraces all, regardless of age, gender, nationality or race and make everyone feel like equally valuable parts of the team to deliver a specific business outcome. That leadership is key in getting through the transformation because it's impossible to understand everything in all business functions and digital transformation initiatives. We need leaders who are strong at creating a vision, communicating the vision, goal or outcome, and creating an environment where people aren't afraid to fail. Hopefully, we fail fast and we learn faster.



Finally, you've talked about digital transformation being a game changer in the Oil & Gas industry, can you tell us more about how Equinor is leveraging technologies like big data, machine-learning and predictive analytics?

At Equinor, we have a lot of different activities going on. We're lucky here in the US in that we can share knowledge with our Norwegian operations as they progress in their digitalization journey, and we get different knowledge back – it's a great collaboration.

The foundational part of our digital strategy is the cloud. Here at Equinor we call it Omnia, and everything we do, real-time and even subsurface data, we're putting all in the Omnia cloud. So, we've ensured that whatever we do, we have a single source of truth available to us in the cloud.

We have also put a ton of effort into data management initiatives. Data management, for us, is about content and content quality. Having good-quality data and repeatable systematic processes that give us good data on which we can run those analytics is absolutely critical to better business outcomes. Lean processes and systems come into play here, as we need to be sure we're eliminating all the waste when digitalizing processes.

We're leveraging predictive maintenance and predictive analytics on our wells and our pump jacks in the onshore world to understand not just the wells that are down, but the ones that are sick. We're early in this journey, and we see so much more upside in leveraging big data. We're going to continue our efforts around fit-for-purpose IT systems, making sure our data is available in the cloud, continuing to focus on data content, and continuing to focus on Lean. As I have said, we have made quite a bit of progress, but we are nowhere near the finish line.

Our entire industry is in its infancy with regards to digital transformation; I think there's a lot of runway ahead of us. And with different companies focusing on different things, it's difficult to say if any one company has an advantage. Some companies view the digital transformation as proprietary but I don't see it that way. I believe it is critical to our survival over time. A lot of our service providers have been moving along this digital journey for quite some time. As an E&P company, continuing to believe that "everything is proprietary" is going to hurt us in the long run. Over time, sharing more and more data will be the norm and not the exception. The industry is in this journey together and recognizing that, too, is part of digital transformation.



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