

The SPE-GCS Podcast “Leading Through Change” Transcript Hugh Connett – 06/29/2021

Marty: Hi, everyone, and welcome. I'm Marty Stetzer, President of *EKT Interactive* in Houston. We're proud to be the podcast sponsor for the Society of Petroleum Engineers, Gulf Coast Section. The Section was founded in 1935 and now has over 11,000 members. It is a volunteer organization that provides member forums to upgrade and maintain professional competency.

This podcast is one of our series and another learning resource available to the members. Numerous on-demand webinars can be accessed at www.spegcs.org.

Today, our topic is **Leading through Change**: and I'll be speaking with Mr. Hugh Connett, who recently retired as President of Chevron Global Gas. We are really happy to have his input on this topic, especially at this time of unprecedented developments in our industry. Hugh, thanks so much for taking the time.

Hugh Connett: Thanks, Marty. It's great to be here.

Marty: Hugh, as an industry veteran, can you give our listeners your background as it relates to your leadership topic today?

Hugh Connett: You bet, and I want to thank the SPE Gulf Coast Section for the opportunity to talk to you today and share some of my thoughts on leadership. My background started at Penn State University where I earned a petroleum and natural gas engineering degree and also a general arts degree, a liberal arts degree, which actually turned out to be one of the most valuable parts of my education, but that's another topic.

I started out as a Reservoir Engineer for Mitchell Energy, who some of you may know George Mitchell, who is the founder of fracking for shale, the very business that's transformed our energy industry. I was a Reservoir Engineer for about eight years, and then transitioned into a commercial role at Mitchell Energy. A big change for me... to leave the engineering and technical world behind and face the challenge and value of supervising individuals and understood that now I had a people job.

I moved to Texaco after 14 years with Mitchell to lead their North America Gas Supply and Field Services division. During that time, I formed a joint venture partnership with Enron, which was called Bridgeline, in the year 2000. In my five years there, and the last three which were as President, I learned the most about running a business, about the ethics that are needed to run one, and unfortunately for Enron and its employees, a lot about bankruptcy law. The Chevron merger occurred while I was at Bridgeline and then I took on some roles within Chevron, which originally was Chevron Texaco. Those roles were in supply and trading, global power, the global pipeline business, as well as global gas.

I retired after 38 years in the industry this last fall, and along the way I learned a few things, some the hard way, and I have a few perspectives that I want to share with you all.

Marty: Hugh, thanks. I listened to a similar presentation you made to the University of Houston SPE student members. Can you share some of the highlights of that discussion with our new audience?

Hugh Connett: Yeah, I'd be glad to. Last fall, I had the pleasure of speaking with the University of Houston Society of Petroleum Engineers Chapter Board on Leadership, and engaged in a Q&A session with that team. It was a great discussion. I really enjoyed it and some of the topics we touched on were What is the difference between management and leadership? How everyone has the chance to lead and

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to lead influence no matter what your role in an organization. We talked about the difference between management and leadership and we discussed how everyone has a chance to lead and influence.

We talked about how you lead from the bottom, and how you think about an inverted pyramid where leaders are on the bottom supporting the whole organization, but the main message was that, "People follow leaders and leaders change outcomes," a quote from one of Chevron's greatest leaders.

Marty: Thanks for those insights, Hugh. That University of Houston presentation is now available at the SPE-GCS On-Demand Library. Your title, **Leading Through Change**, really caught my eye. What are the major areas that you would like to address in our podcast?

Hugh Connett: As I see it, there are three major areas of change today and the impact on leadership style, and I'll cover each of them in some details..., Starting with market dynamics –, how to lead through the ever-changing cycle of energy prices. From there, we'll move on to the new work environment. What does it mean for leaders to work effectively in the remote environment? And finally, the energy transition and the changing social sentiment towards the industry. The last one's a tough one for everyone.

Let me start with market dynamics. When I speak of market dynamics, I'm referring to commodity prices, but also the internal changes, reorganizations that mergers and acquisitions that occur.... All very disruptive forces acting on our industry. First of all, this is a very persistent part of our industry and nothing we can do about it – other than how we react to it. All businesses face changing market conditions and some are quite disruptive. Think of the VCR, the film camera, or the Sony Walkman. What's a bit unique about our industry is it's so vital to all of the world's primary operations. Since we have no control of commodity prices, we're left to focus on two key areas:, how does this impact me? How does it impact my team and my company? How we respond to these dynamics is key.

So it may seem odd to start with, how does it impact me? That may even seem a little selfish, actually, but it's vital to be an effective leader. You need to be squared away yourself before you can help others. This does not mean to make sure you survive first and then worry about the team. No, this means you need to be in the best place you can be, before you can help others. You should ask yourself, Will you be in the upper loop or the lower loop? You have a choice every day. Will you be part of the solution or part of the problem? I'd give suggestions and say look for opportunities, look for solutions, and be a positive force. It's very easy to find positive aspects of every change. Most importantly, trust the system and help others do the same.

When we think about change and we think about how it affects your team or the company, a couple of things come to mind. First of all, most of the time, internal change comes from the collapse of the price, or new strategies, maybe a new leader, or merger or acquisition. Most of us are not in a position to change these decisions, but we definitely can influence their outcome, no matter what our role is in the company.

Executive leadership is making decisions so the company can survive and thrive in the future. They bear the burden of tough decisions, but sometimes we are the ones that have to execute those decisions, and these become extremely challenging times for everyone. So, Leaders must show sympathy for others and put their own situation aside when at work. Out of work, you need to talk to someone to get through this. The key is to be a positive force in your team. Be optimistic. There's always

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positive aspects of change, – it's just a matter of finding them. Think about the change we have seen in our work practices since COVID. Many are improvements and here to stay, but we'll talk a little bit more about that later.

And finally, help your team navigate the changing environment. Leaders do not hear and see the organization's sentiment, especially higher up you go. Or if they do, they hear some convoluted version of it. It's really important that you provide feedback on the team sentiment, on the aspect of the organization, and share some real but anonymous examples. In other words, be an extra set of eyes and ears for senior management. And the other is, focus on what you can change... and get your job done.

What is vital across all of these elements is communicate, communicate, communicate. Take leadership messages back to your team and group. I have led many organizations through significant change, and when I committed to be completely honest with them –, we had the best outcome. I was always taken back by how much that was appreciated.

I'm just going to sum this up in a very simple concept, show up to work and look like help.

Marty: Speaking of disruptions, how many swings of plus/minus of 50% or more in crude price have you seen in your career?

Hugh Connett: Well, Marty, that's a great question. I counted it the other day and... these cycles are common. What I realize is that the very first cycle I experienced was during the year I graduated from Penn State. And the last cycle, so I had seen about four to five of them, but the last cycle was actually during COVID in the very last months of my retirement. So, it started with a price cycle and it ended with a cycle, but throughout all of that we definitely survived.

Marty: That's quite a story.

Hugh Connett: Now, let me transition to the topic on remote work environment. This is something that everyone has been touched with, I think, no matter what you do in any industry. The book is still being written on this topic, and I want to share maybe what I learned in the past year.

Marty: Hugh, you mentioned another leadership challenge is the effectiveness of remote recruiting and onboarding of new hires. Can you elaborate?

Hugh Connett: Marty, yeah. I don't think this is something we really contemplated prior to working from home. And it's a very new challenge that a few of us really have ever been trained on prior to the work from home schedules. So, what do we do to help those that are making the transition to a virtual team, either as a new hire to the company, or just an internal chain? Well, first of all, imagine yourself joining a new company or a team. Put yourself in the shoes of those who are joining the organization. How would you feel to be that "new guy"? Be the one who reaches out and helps introduce that individual to the new members.

I know this sounds very obvious, but it's easy to just have a quick introduction and then kind of move on and not come back. You have to draw the individuals into the conversation. They are not an integrated part of the team yet. And normally you might walk around the hall and introduce and have everyone get to exchange names. So, now you need to do it a little differently. One way is to get personal. Show interest in the new member of the team. And the best way to do that is share your own

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personal story. As soon as you ask and show that you are interested in others, you'll find that they will open up, and you'll learn something about them. I know this sounds obvious, but it can often be forgotten in the crush of work and the deadlines we all face.

Now, let's shift to what we can do to help the team be more effective. The most important act you can do that costs neither you nor the company a single penny is to recognize the work of others. It's easy to do and super effective and motivating. My only caution here is that you need to be a little thoughtful when doing this. Don't leave out individuals or groups. But individuals thrive on recognition, and peer recognition is some of the most powerful forces we have in our organizations.

Also, be aware of every team member's personal situation. This doesn't happen as much when we're working in the office, but it's very apparent when we have these portals into our colleagues' and our team members' homes and home environments. We start seeing part of their life. And, of course, it's easy to expand on that, so it's important to understand what's going on at home with the children or spouse or parents. Take some time to understand this... and understand what impact that may have on individuals.

I know a little bit about every team member after going through several sessions online, and I actually made changes to some of our protocols, because there are better times than others perhaps to have a meeting or have a session or share some communications. It was just important to individuals to recognize that we were trying to help and trying to be thoughtful about that.

Make sure you don't push all the work to the "single" team member. They have a life too. It's easy sometimes to get caught up in the allocation of work and those who seem to have less activity at home than maybe others. You can also be part of the redistribution of work. Every leader, every individual has part that they can do, and so make sure you consider the day of week and the time of day when divvying up work and make sure that you are part of that. Just remember, most deadlines are flexible.

And finally, help the boss and upper management understand what's working and what's not. Be that extra set of eyes and ears to help judge the health of the team. I'm not saying to be a busybody, but be an insightful team member. Our work environment is likely forever changed in the future, and we have learned many benefits from remote working – which we would likely never have considered before. At the end of the day, be flexible, and be a good example for others, and a lot of stress will leave the system.

Marty: Hugh, in your introduction, you called energy transition and changing social sentiment as the tough one for everyone. Can you tell us why – and why it's happening?

Hugh Connett: Marty, glad to. The energy transition is probably one of the most significant changes our industry is facing. Not from the change in price, which I had mentioned before is... it's always in our system and always part of our industry – but how it's being perceived, how our industry is being perceived in the community. So one of the questions is “how do leaders navigate and succeed in the energy industry during a period of change like this in social sentiment”?

If you're listening to this podcast, you're in early, mid, or maybe later years of your industry career. In all cases, the energy transition and change in social sentiment will have an influence on your future. I believe the outcome will be positive. So I would just like to share a few of my thoughts on the

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topic in two main areas. But first, just a few facts, and then I'm going to share what I think leaders can do, or should do, in order to survive.

So here's some of the facts, and I think it's important that the facts are discussed, not in a defensive way, just in a pragmatic, practical way. Very simply, hydrocarbon products enable human progress. I'll give you an example of Chevron's participation in the change of the hydrocarbon world. Back in 1879 in California, where Chevron got started, the world was shocked to see the introduction of kerosene... and Chevron was the one that brought the kerosene to the market, in order to compete with whale oil. And at a time when the world was using whale oil and that was seen as the primary way to heat and to provide light in homes, this idea that you could have kerosene coming from some liquid from the ground was radical. But Chevron completely adjusted to that, and in the process forever changed the way that people light and heat their homes.

Another interesting statistic is around air travel. 80% of the world's population has never taken a plane trip. 100 million will take their first flight each year for the next 20 years; and liquid fuels enable mobility, both in the air and on the ground. From a power perspective, since 2005, the amount of natural gas used to generate power in the United States has increased at a rate almost three times that of coal. This is one of the main reasons why US energy-related CO² emissions are almost 15% below 2005 levels – an unprecedented decline of such a country of our size.

Technology, computers, cell phones, and all the other devices with touch screens all use petrochemicals derived from oil and gas. A powerful one here, agriculture – 42% of the global oil consumption is used to fuel tractors, create fertilizers, and fuel industrial processes.

About 13% of the world's oil consumption is used for feed stock in the petrochemical sector. At the end of the day, the world consumes 85 million barrels of oil each day, and it needs all forms of energy to meet the demands of the growing populations into the foreseeable future.

Marty: Hugh, that perspective on the value of our business was just awesome. So what does that mean for the energy transition and changing social sentiment?

Hugh Connett: Yeah, Marty. I think it's a given that the world will continue to expand the use of renewables. Renewables are a tremendous addition to the energy mix, but we also need to reduce the greenhouse gas emissions in all of our current operations and also integrate renewable energy sources into our operations. In the end, we need to find the best balance of energy use and be practical about the pace of change. And also, we must account for the true cost of change. The reason I wanted to share the facts is because they matter and are rarely brought into the discussion. The change in social sentiment has a profound, positive influence on the way energy companies are being run and their view of the responsibility and impact on the environment in which they operate. Leadership really matters here, and I recall my early comment on leadership, people follow leaders and leaders change outcome.

So the question becomes, what can we do to be part of the transition? I'm going to touch on two items here. First of all, what is leadership's role in the energy transition? No matter what company you work for, leaders are setting its direction, articulating what its priorities are, and they're also being influenced by their constituents, which are directors, shareholders, regulators, partners, et cetera. When leaders communicate these priorities to employees and to its constituents, most all work activity connects to those priorities somehow. When the employees are then unleashed to bring their ideas and passion to solve the challenges of the company – those very priorities – incredible innovation

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occurs. All we need is a shift in priorities, not a wholesale revolutionary change. When we allocate a portion of the company's resources to the energy transition, we will have a significant impact on the trajectory of its outcome and we will be where we want to be, not just where we ended up.

I can share a story about a company that made it very clear about its priorities and its role in the energy transition... while still preserving its commitment to deliver the energy the world needs every day. As a result, engineers, analysts, and operators in every producing field around the world were motivated, energized, and actually rewarded for improving energy efficiency and reducing and/or capturing carbon or greenhouse gases while operating safely and profitably. This only came about because a leader made it a priority. People follow leaders and leaders change outcome.

Marty: Hugh that is such a great theme for leadership. I presume the next thing that you would like to talk about is what individuals do to participate and be successful in this changing environment.

Hugh Connett: Yeah, Marty, I would like to touch on that. All of us have a role in the energy transition and we will ultimately provide the solutions that change the outcome. We need the talents of those within our industry and also outside of our industry to help solve those challenges. We need to figure out how to safely provide the energy the world needs, with the lowest environmental impact as possible. Innovations have always had a profound impact on our industry. I'll just reflect on a few.

I mentioned about Mitchell Energy. Mitchell Energy and... I as a reservoir engineer knew there was gas in oil and shale. As a reservoir engineer, it looked like it could be very valuable, but the cost and the ability to produce it was nearly impossible until horizontal drilling technology came about and then horizontal fracking technology came about. It opened up a world of petroleum and hydrocarbon resources that the world envies.

The same for seismic interpretation and drilling success... When I was a young petroleum engineer at Penn State, I think the success rate of wells drilled around the world was something like 30%. Today it's north of 70%. All of that through better seismic interpretation and being able to drill to the exact location within the resources that we are searching. Think about instrumentation and automation – remote operation. We have fields and facilities and pipelines all over the world that are being remotely operated from headquarters in Houston, or Singapore, or even California. Think about modeling and data analytics and the role they play in our industry. They've always been part of it, but now we have things called digital twins, and we're deploying artificial intelligence and machine learning. Those weren't even terms we discussed ten years ago. So we need to harness this expertise and direct it to the challenges of sustainable energy development and production, and build the smart fields of the future. It's a future that the world is depending on, on this energy for its use.

Each one of you has an opportunity to expand your interests and expertise in many of the areas to help solve these challenges. The successful companies of the future will meet those challenges only through the contributions of its employees. The successful employees and leaders of the future will recognize their role in the energy transition will be part of the solutions, will help educate with factual information, and own the outcome.

Marty: Hugh, this was terrific. Thanks so much for your insights. They will definitely be valuable to the SPE-GCS audience and our own community of 10,000 EKT Interactive listeners. Do you have any references that you recommend for our communities to get more background?

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Hugh Connett: Yeah, Marty, I do. And they're both on leadership. The first one is a book titled *Team of Teams* by General Stanley McChrystal – a fascinating read about the change in leadership style within the military. And the second one, a book, is called *Leaders Eat Last* by Simon Sinek. I think you'll find both of these very, very insightful, easy reads... and ones you can look and pull up different sections and really enjoy some of the messages there.

Marty: Thanks again for your time and insights, Hugh.

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I'd like to thank everyone for listening.

Our company name *EKT Interactive* stands for *Energy Knowledge Transfer*. We focus on digital capture of the extensive knowledge of industry experts like Hugh. If you are new to the oil and gas industry and want to quickly learn how this industry works, check us out at: www.ektinteractive.com. Thanks again.