

Lessons from the oil downturn

By David Adams

Senior Vice President of Global Business Development & Marketing, Halliburton



Resilience is the capacity to overcome adversity and grow, and it's fundamental to personal and professional growth as well as the evolution and growth of a business like Halliburton. As we prepare to celebrate our 100th anniversary next year, we're looking back at our history and finding that tackling what seemed like insurmountable challenges is simply a part of the Halliburton DNA. That sense of resiliency has shaped our identity as one of the leaders of the oil services industry, and it's what guided us through the recent oil bust – undoubtedly the worst downturn in more than a generation.

Thankfully, the market has rebounded and the outlook is bright, but as with all challenges, it's worth taking stock of what we did in the face of that adversity. To understand what lessons we can derive from our experience and apply to future challenges, because it's not a matter of "if" there will be major challenges down the road, it's a matter of "when".

Lesson 1: Doing more for less is possible with people committed to excellence

The biggest impact of the downturn was on the workforce. Like every other company in our industry, Halliburton had to reduce its headcount, and we ultimately cut our workforce by roughly 40 percent. Reductions of this magnitude are very distressing, but there is something we can learn from them, which is, how to do more with less.

Halliburton teams in every area of the company had to continue providing the same high level of services with far fewer employees. Leaner teams became the new normal in both our customer-facing business units as well as our internal support services. The Marketing team, for example, was basically halved, and yet they continued to win prestigious national awards for their work supporting our products, services, and customer interactions. Likewise for our teams in Business Development and the various product service lines. With fewer members, they continued to win key contracts, execute first-rate work, and maximize the value of our customers' assets.

Leaner teams meant that everyone had to take on more responsibilities, both broaden and sharpen their skill sets, and collaborate even more than before. All of us understood that the livelihood of the company itself was riding on how well we worked together and performed on a daily basis. Because of that, we learned how to take collaboration to the next level, to find common ground on challenges big and small, and not just get the work done but to do it to the absolute best of everyone's abilities.

By doing more with less, we learned that Halliburton employees are a resilient bunch, both individually and collectively. Confident leadership at every level of the organization is important, but having resilient employees working together and dedicated to doing their best in everything they do every day is paramount.

Lesson 2: We must continue to innovate new techniques and technologies

We learned that we have to continue innovating, inventing new technologies and techniques and identifying technologies outside the industry that we can repurpose for our work – all this to reduce costs and yield more efficiency and higher returns in what we do for our customers.

Service providers are in business to address industry challenges, to find ways to better locate and map reservoirs, drill more efficiently, improve production yields, and lower operational costs. These challenges remain the same regardless of market conditions; a downturn simply intensifies them and demands more creativity – few things concentrate the spirit of innovation quite like severe economic constraints.

Our commitment to innovation remains strong, and we now have a wider range of innovations we can deploy to fine tune logistics, optimise drilling timelines, reduce costs, and operate more efficiently in deep water, mature fields, and unconventional assets. In fact, innovative technologies like our Earth Modeling platform, dissolvable frac plug, rotary steerable system, and cement become indispensable because they bring more efficiency to the work and help operators improve production, they save time and money and help us deliver on our value proposition.

Lesson 3: Markets outside North America need the shale revolution now more than ever

While the downturn may have heightened the profile of renewables like wind and solar, the reality is that the world will continue to rely on oil and gas for many decades to come. Economics trump aspiration, and the pace of growing energy demand makes a world powered by renewables a distant goal. No other form of energy is more abundant, affordable, and effective than oil and gas.

The region that has recovered most rapidly from the downturn is North America, and that's almost entirely due to the advancements that sparked the shale revolution – better surface efficiency, better subsurface insight, better horizontal drilling, better well construction, better hydraulic fracturing, and better chemistry.



Hydro-fracking derricks sitting on a plain – tools of the shale revolution

We learned that the downturn really pressed home the fact that the oil and gas markets outside North America need a wider embrace of these proven advancements. We're seeing their application in places like Argentina and Saudi Arabia, but we should expect the pace of application to pick up in other markets as well. The reason is simple: these advancements improve efficiency, lower costs, increase production, and, perhaps most importantly, give operators more flexibility and resiliency to respond to market fluctuations.

Lesson 4: Our value proposition and mainstays are a winning formula

We learned that we have a winning formula in our value proposition, which is: we collaborate and engineer solutions to maximize asset value for our customers. This value proposition is rock solid and survives the different cycles of the market, and it really does convey who we are as a company.

The way we execute that value proposition is through our five mainstays: the Business Acquisition Process (how we win work); Listen & Respond (how we collaborate); Service Quality Minimums (how we do the work); the Technology Acquisition Process (how we put technology to work); and Continuous Improvement (how we remove waste). These mainstays have proved themselves time after time, and they served as firm

pillars when the economics were so unstable.

The single biggest reason customers come to and stay with Halliburton is our track record of execution. The downturn showed us that our value proposition and mainstays are a stable and dependable framework for winning and executing work, retaining customers, and strengthening our business relationships for the long-term.

Lesson 5: We cannot control the market, only how we adapt and respond

The downturn reminded us all – in a very harsh and unforgiving way – that the market is unpredictable and beyond our control. It is the proverbial wheel of fortune, at one turn uplifting and at another crushing. There is wisdom in recognizing this, in keeping in mind that change is the very nature of fortune, and that no one, no matter how intelligent, knows what's coming. We can't control the market.

What we can control, however, is how we adapt and strengthen our resiliency, and that entails taking stock of our successes and failures as lessons for growth – refining what we do by innovating, collaborating, executing, and sharing knowledge to ensure we fulfill the world's growing energy needs for the next 100 years. The world is counting on us to make it run. ●