

Necessity is the mother of (re)invention

Oil and gas companies must transform to thrive in the energy transition. Reinvention leaders are showing the way.

accenture



The decade of action is upon us

The 2020s will be the make-or-break decade for the oil and gas industry. It kicked off with a continuation of challenges that were years in the making, including dwindling cashflows and investment returns. Then came the COVID pandemic, which destroyed hydrocarbon demand and flooded an already over-supplied market.

Now, as oil and gas companies look ahead to 2030, they face an additional set of structural shifts that are poised to permanently change the environment in which they operate. Competition from new energy sources, environmental accountability, talent scarcity and investor apathy top the list. These challenges are all on the rise, with no signs of slowing.

Most companies have realized the need to transform themselves to achieve profitability and maintain their relevance during and after the energy transition. Yet, many struggle to understand what this need for transformation will actually mean for their business models and ways of working. They are looking for the path to a sustainable and profitable future.

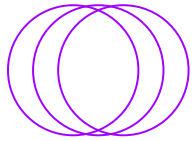
For many, that path is still shrouded in darkness.



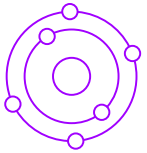
Based on our industry experience and analyses, Accenture believes that big change will not be enough. Reinvention is needed. And that reinvention must be anchored in the “5Cs”:



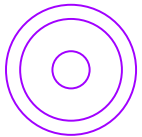
Competitiveness



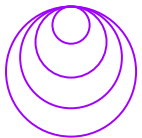
Connectivity



Carbon



Customer



Culture

Recent research bears this out.

We found that a small group of reinvention trailblazers are taking decisive actions in each area. Their routes forward are well-lit. Their approach to transformation—and their expectations for success—stand in stark contrast to those whose transformation agendas are less mature and less focused on 5C change.

Industry players in all segments of the oil and gas value chain can learn from what the leaders are doing—and what they are not. Equally valuable lessons are found in the gaps that set leaders apart from those still getting their reinvention footing. The differences shine a light on what is needed now.



About the research

In early 2021, Accenture surveyed executives from 179 companies around the world to understand the actions they are taking to meet the challenges of the energy transition, their progress toward reinvention, and the outcomes they expect to achieve. The findings in this report are based on their responses, as well as case study research.

The race to reinvention

The energy environment is characterized by compressive disruption, uncertainty, and languishing public and investor trust. These challenges aren't new. What *is* new is the recognition by oil and gas companies that they must respond.

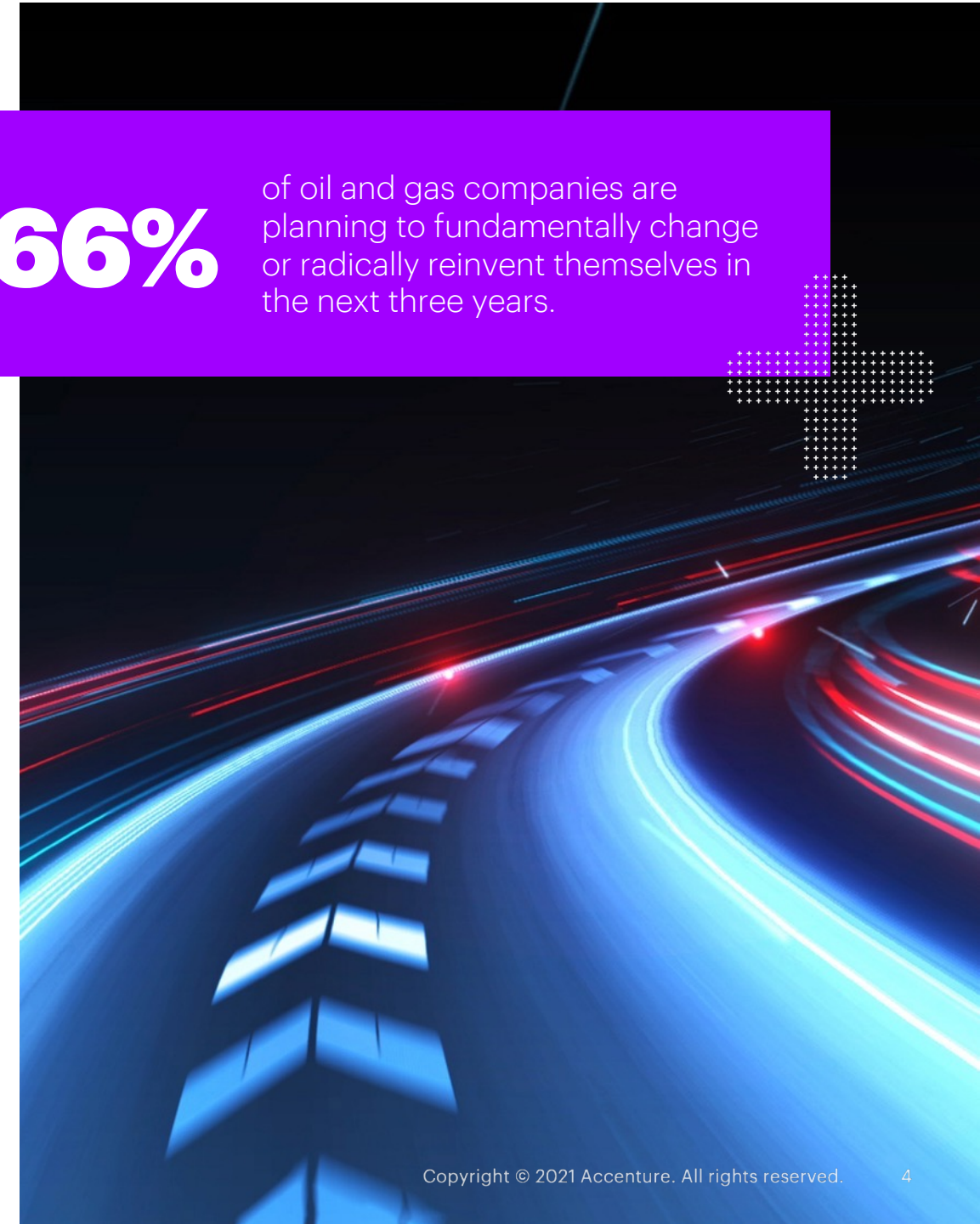
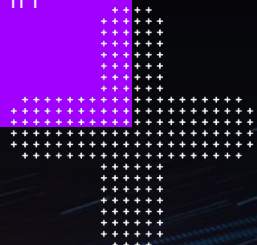
Accenture's recent survey of 179 oil and gas companies found that two-thirds of them are planning to either fundamentally change or radically reinvent their businesses over the next three years. An additional 25 percent are looking to undertake significant changes. Only 9 percent are responding with modest changes. The contrasting ambitions of leaders and laggards is significant.

Of course, the degree and pace of change varies by company and also by **the role they want to play** in a low-carbon global energy future. Any pathway forward requires reinvention.

To understand the differences and identify those that are setting the pace for reinvention, we zeroed in on five essential elements of transformation.

66%

of oil and gas companies are planning to fundamentally change or radically reinvent themselves in the next three years.



Accenture's 5C model for reinvention



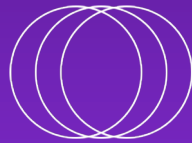
Connectivity

Enable intelligent and secure enterprise with end-to-end connectivity, optimization, and autonomous capabilities



Carbon

Achieve carbon neutrality by transforming/shifting investments, operations and products



Customer

Deliver superior (B2B and B2C) customer experience through design, services, and formats/channels



Culture

Build distinct purpose-led culture and employee experience with an emphasis on innovation and agility



Competitiveness

Shape resilient portfolio and operating model, including ways of working, that achieve accretive returns through cycles

Accenture's Oil and Gas Reinvention Index

We created an Oil and Gas Reinvention Index (RI) Score, composed of equally weighted scores from each of the 5Cs of reinvention, with a maximum possible score of 100.

18 Leaders

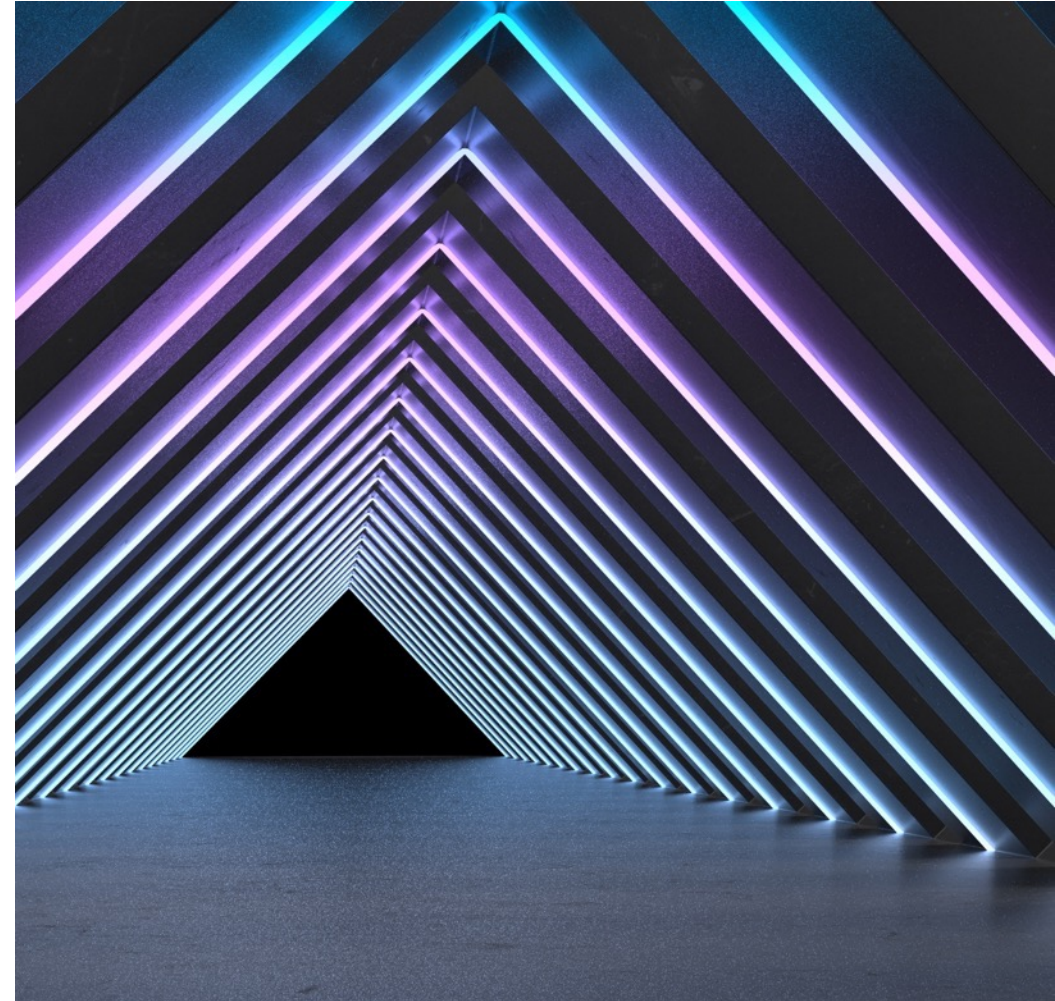
The top 10 percent of companies—with an average RI score of 77—were considered leaders in the reinvention race. They are the ones taking bold and decisive action.

117 Followers

Most companies fell in the middle of the pack. They are taking some steps to fundamentally change their business or operating model but falling short of true reinvention.

44 Laggards

Bringing up the rear were the bottom 25 percent of companies. These “laggards”—with an average RI score of 58—have yet to adequately focus their actions and investments on creating a profitable, sustainable future.

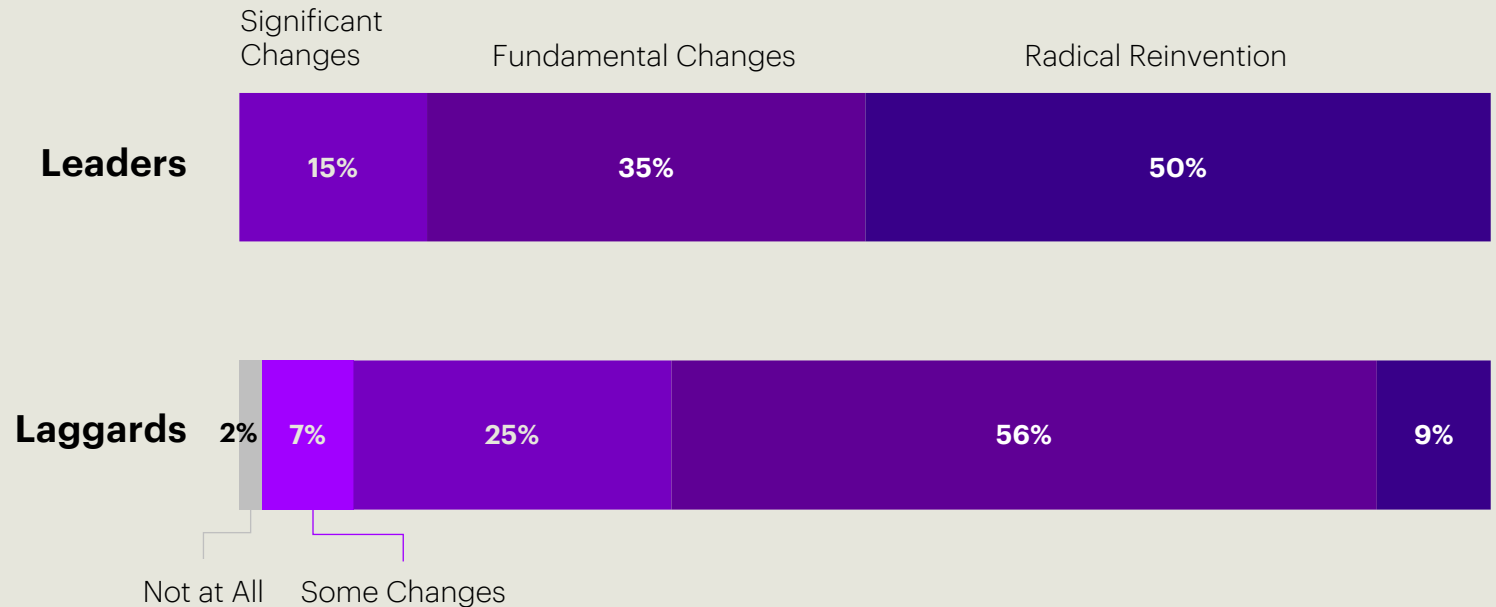


Leaders are much more ambitious

While more than 90 percent of all oil and gas companies in our study recognize the need to change, only 21 percent are moving beyond significant or fundamental change to true reinvention.

Leaders have much higher reinvention ambitions; laggards, much less.

To what extent are you planning to reinvent your company over the next three years in response to the COVID-19 pandemic?



Survey question: To what extent are you planning to reinvent your company over the next three years in response to the COVID-19 pandemic?* Global (N=214).

They've also set clear priorities

The differences between leaders and laggards are quite pronounced—not only in how they address each of the 5C elements, but also in how they are prioritizing those elements in their respective transformation journeys.

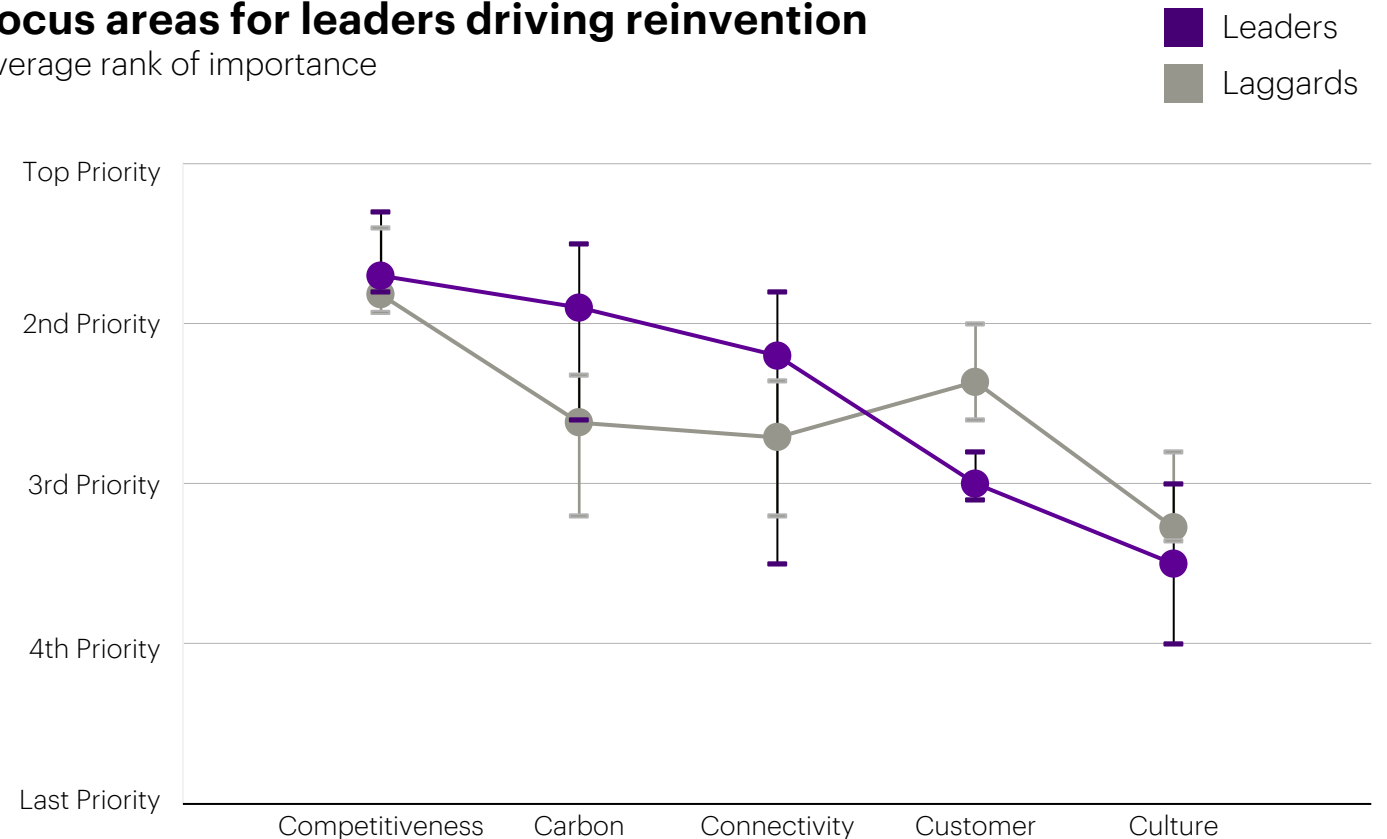
The leaders have placed their bets on three top priorities:

**+ Competitiveness,
Carbon and
Connectivity.**

Laggards are less focused, particularly when it comes to identifying their second priority. This suggests they are not as targeted in their transformation initiatives.

Focus areas for leaders driving reinvention

Average rank of importance

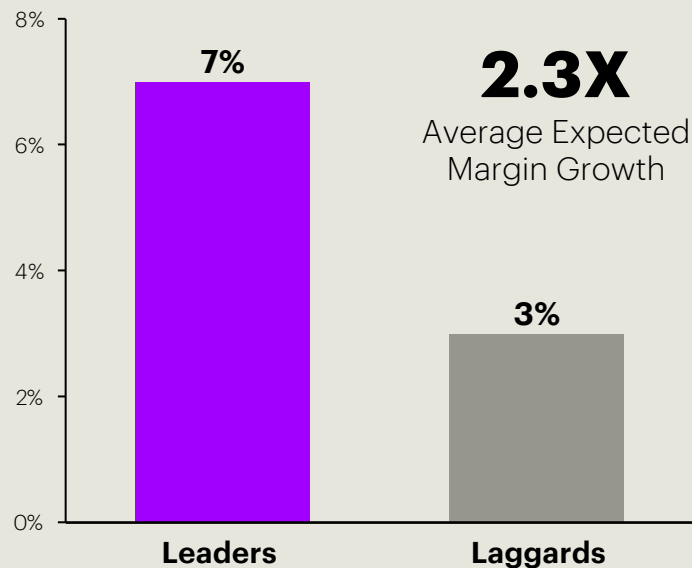


Survey question: Across which areas will your organization focus to drive this reinvention?
Global (N=214). Respondents allocated 100 points across the most important focus areas.

High hopes for high returns

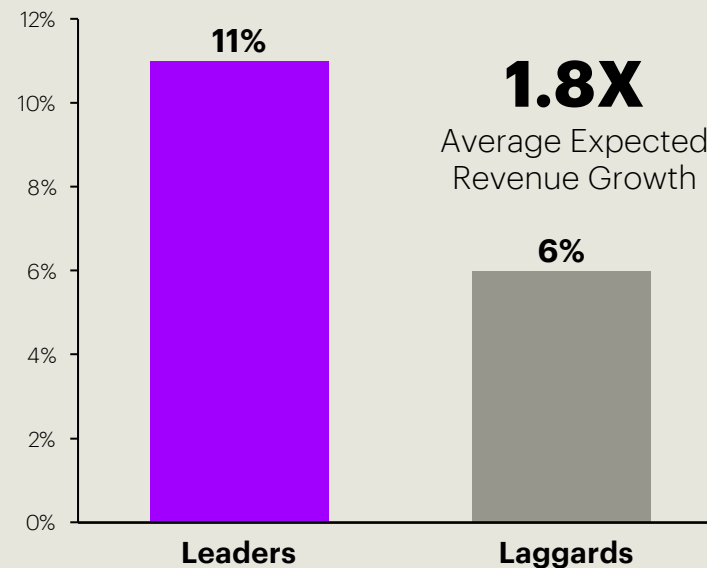
Leaders don't just have clarity around how they prioritize their transformation initiatives. They also have tremendous confidence that their decision to focus on Competitiveness, Carbon and Connectivity will pay off big. While laggards also believe their actions will produce positive returns, they are much more modest in their expectations. The potential value upside for the industry from each player achieving leaders-level ambition can be up to **\$500 billion** annually.

Minimum margin growth expected by respondents



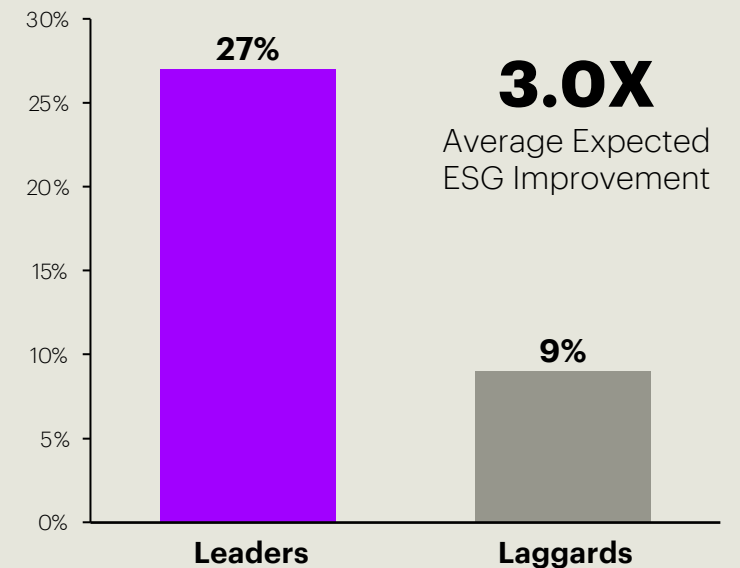
Survey question: How strong an improvement do you expect in margins in the next 3 years from following your current plan?

Minimum revenue growth expected by respondents



Survey question: What do you expect the impact from your (carbon/connectivity/culture/customer) related initiatives to be over the next 3 years from following your current plan? - Revenue growth

Minimum ESG improvement expected by respondents



Survey question: What do you expect the impact from your carbon-related initiatives to be over the next 3 years from following your current plan? - Overall ESG performance improvement



Understanding whether leaders' confidence and optimism are warranted requires a closer inspection of the actions they are taking in each of the 5C areas.

Are they doing what is needed to successfully reinvent?

Are they acting like true leaders?



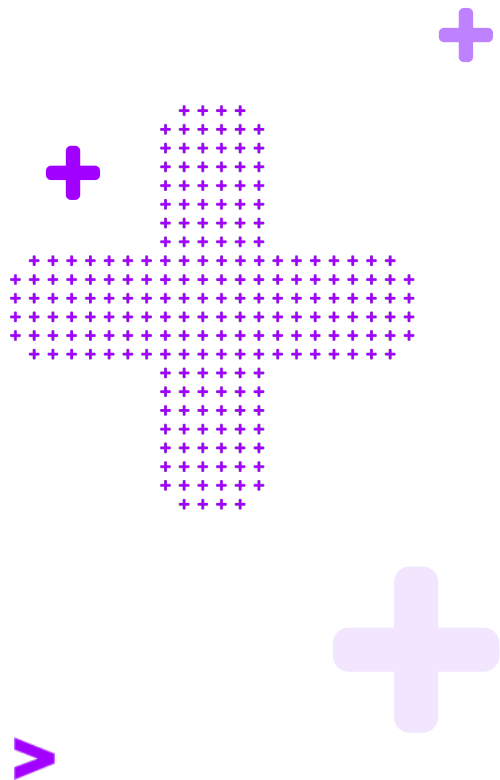
01

Competitiveness

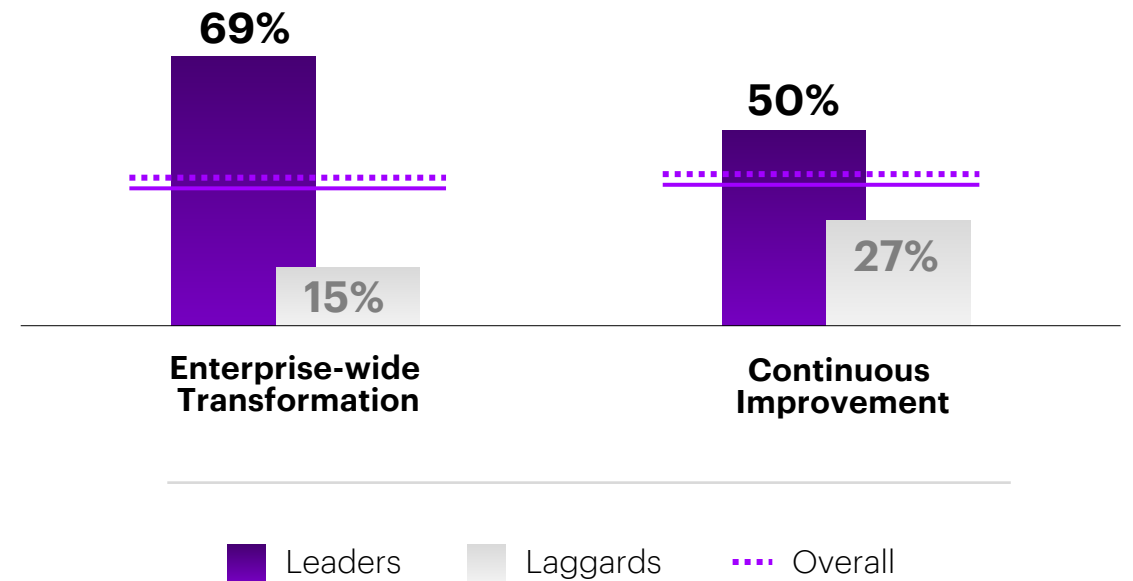
Turn the volume down



Leaders know that achieving their reinvention goals requires more than one-off solutions or a system of continuous improvement. More than two-thirds (69 percent) consider enterprise-wide transformation essential to their success. Only 15 percent of laggards agree. They are, by and large, adopting a piecemeal approach to transformation.



Percent of leaders identifying action as essential to reinvention



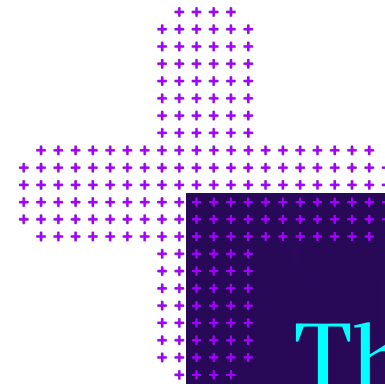
Survey question: How would you characterize your approach to improve competitiveness over the next 12 months? Global (N=214).



Nothing is off the table for leaders. They are rethinking their business models and operating models in tandem. Their actions include expanding their reach to new geographies and asset classes, introducing new products and services (both within and outside of the oil and gas industry), and developing their operating capabilities to deliver on their new business ambitions. Laggards are less imaginative and more bound to their traditional siloed thinking.

A move to low-carbon businesses holds particular appeal for leaders. That's where they expect to see the most margin growth.

But a number of leaders also expect growth in upstream, midstream and downstream operations. Their expectation for downstream margin improvements is particularly noteworthy because it is based on an end-to-end value chain approach, with dedicated actions targeting supply chain optimization, commercialization opportunities and retail improvements.



Think like a leader

Leaders in Competitiveness design for profitable reinvention through enterprise-wide transformations targeted at diversifying their asset, product and service portfolios and improving operating capabilities.

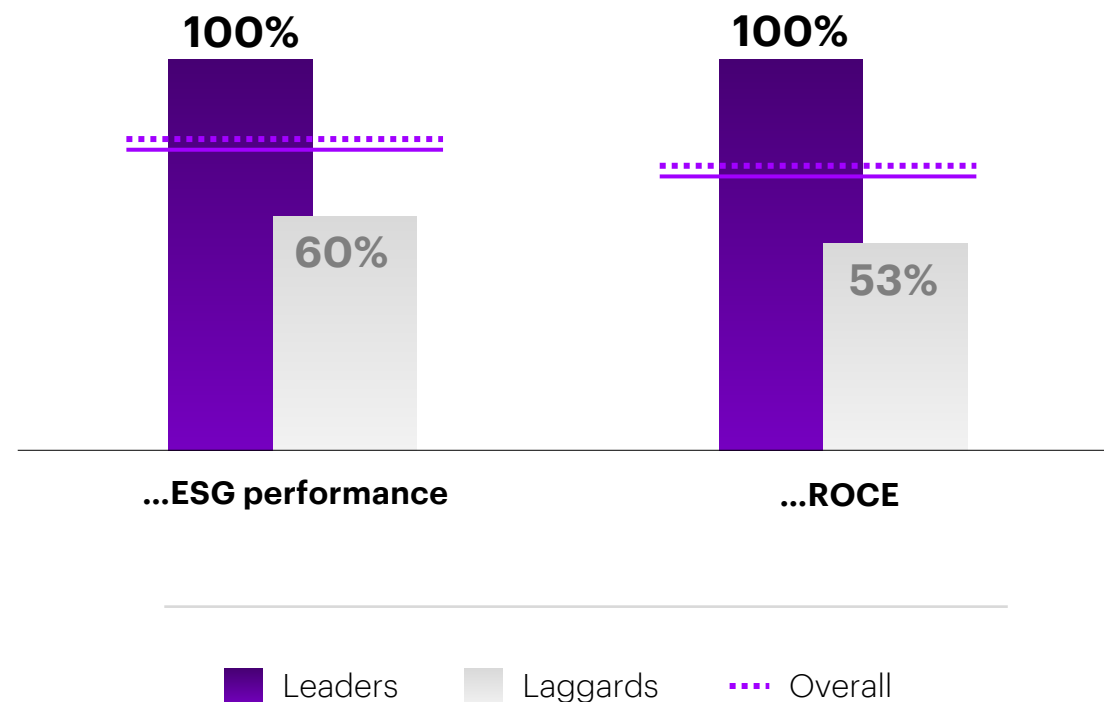


In the area of Competitiveness, leaders have a clear focus on boosting profitability. To that end, they are no longer defining success by the volumes of oil and gas they produce. They're looking to compete on the basis of environmental, social and governance (ESG) criteria and also the returns they can generate on capital employed (ROCE). All leaders in our survey expect their competitiveness initiatives to heavily impact these measures.

Recent **Accenture research** has found that the best-performing companies across industries are breaking the trade-offs between performance and responsibility. Oil and gas companies are, on average, looking to eliminate those trade-offs by 2026.¹ Our reinvention index has shown that many are on their way.

Leaders define success by ROCE and ESG

Percent of respondents expecting competitiveness initiatives to drive **strong** impact on...



Survey question: What do you expect the impact on your competitiveness to be over the next 3 years from following your current plan? Global (N=214).





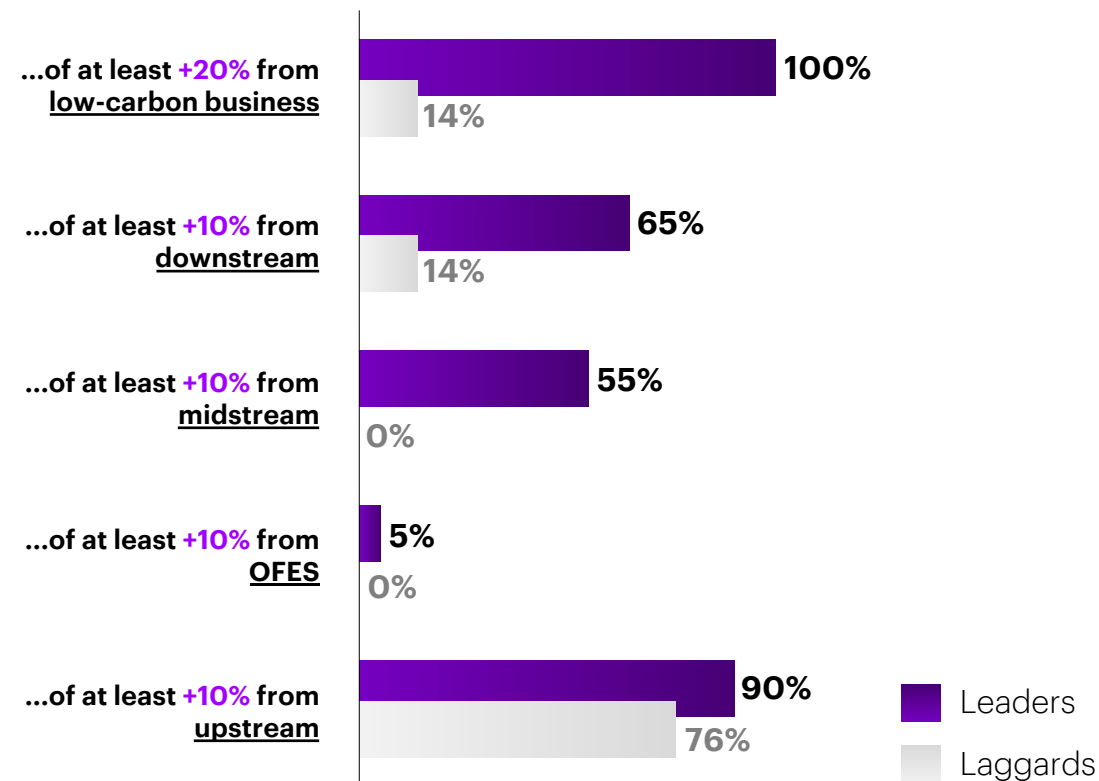
Leaders' expectations for growth stand in contrast to the laggards. A potential bright spot for laggards is in upstream business, where improvements in well selection and advances in production and drilling technologies and processes give them a bit of hope.

Laggards see little growth opportunity in low-carbon or downstream businesses—and, in fact, even lower growth potential in mid-stream or oilfield and equipment services (OFES) businesses.

In fact, neither laggards nor leaders are expecting much from OFES companies in the next three years. Interestingly, in our survey, OFES companies represented the highest percentage of respondents to consider enterprise-wide transformation essential. Yet, from our findings, it's clear they doubt their abilities to achieve it in their current form. This may help explain why some OFES companies are abandoning traditional service lines such as fracking support and building new capabilities to serve low-carbon or downstream players.

Leaders expect higher margin improvements over the next 3 years

Percent of respondents expecting margin improvements...



Note: low carbon business warrants distinction of "at least +20%", as 100% of responses indicate margin improvements >20%, while no more than 20% of responses indicate this for any other segment.

Survey question: How strong an improvement do you expect in margins in the next 3 years from following your current plan? Global (N=214).





In the area of Competitiveness, leaders are doing many things right. They are aiming for profitable reinvention through enterprise-wide transformations. They're diversifying their asset, product and service portfolios. And they're improving their operating capabilities across the value chain. For these reasons, they are likely to achieve the lion's share of their reinvention goals.

However, our analysis also revealed a significant blind spot in leaders' Competitiveness agenda. Unlike leaders in other industries, oil and gas executives aren't thinking of ecosystems and partnerships as a source of competitive differentiation.

This oversight may jeopardize their goals for reinvention—particularly when it comes to achieving profitability in low-carbon businesses.

As noted in [Decarbonizing Energy: From A to Zero](#), reinventing the fossil fuel-based energy system will depend on cross-sector collaboration. Four sectors—power, transportation, heavy industry and buildings—will drive most of the projected rise in emissions between now and 2050. These are the industries that oil and gas companies must work with and influence to make the transition to a low- or no-emission future a reality.



Key actions we're seeing in the industry:

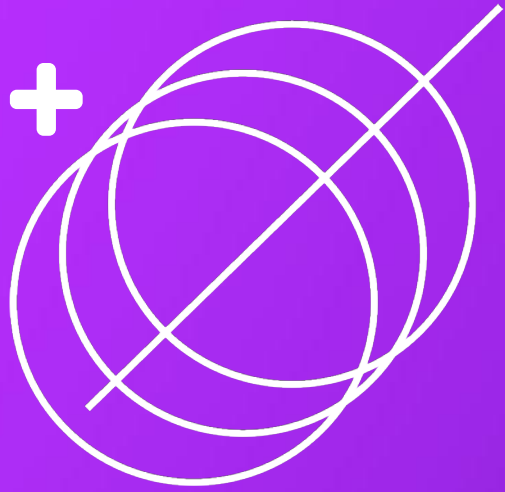
Partnering with technology players to accelerate Digital Transformation programs or explore new ventures

Expanding natural gas infrastructure and demand as a lever in the energy transition

Pursuing new business opportunities across the power sector value chain, with a focus on renewables generation

Changing operating models and reorganizing around ventures outside oil and gas

Rebranding to reflect a move towards a more holistic approach to energy



“In the area of Competitiveness, leaders are doing many things right. But they aren’t thinking as holistically about partnerships as a source of differentiation. This oversight may jeopardize their goals for reinvention.”





Others in the industry can learn from what leaders are doing—and not doing—to build their competitive edge. We recommend oil and gas companies take the following actions:



Focus on ROCE, not volumes.

Make systemic cost takeout, zero-based principles, and a reduction in capital intensity part of your standard operating procedures to materially improve full-cycle returns.



Leverage new and existing ecosystems and partnerships

to unlock new frontiers of efficiency in logistics and supply chain (e.g., resource hubs), drive innovation, and develop profitable low-carbon solutions and services.



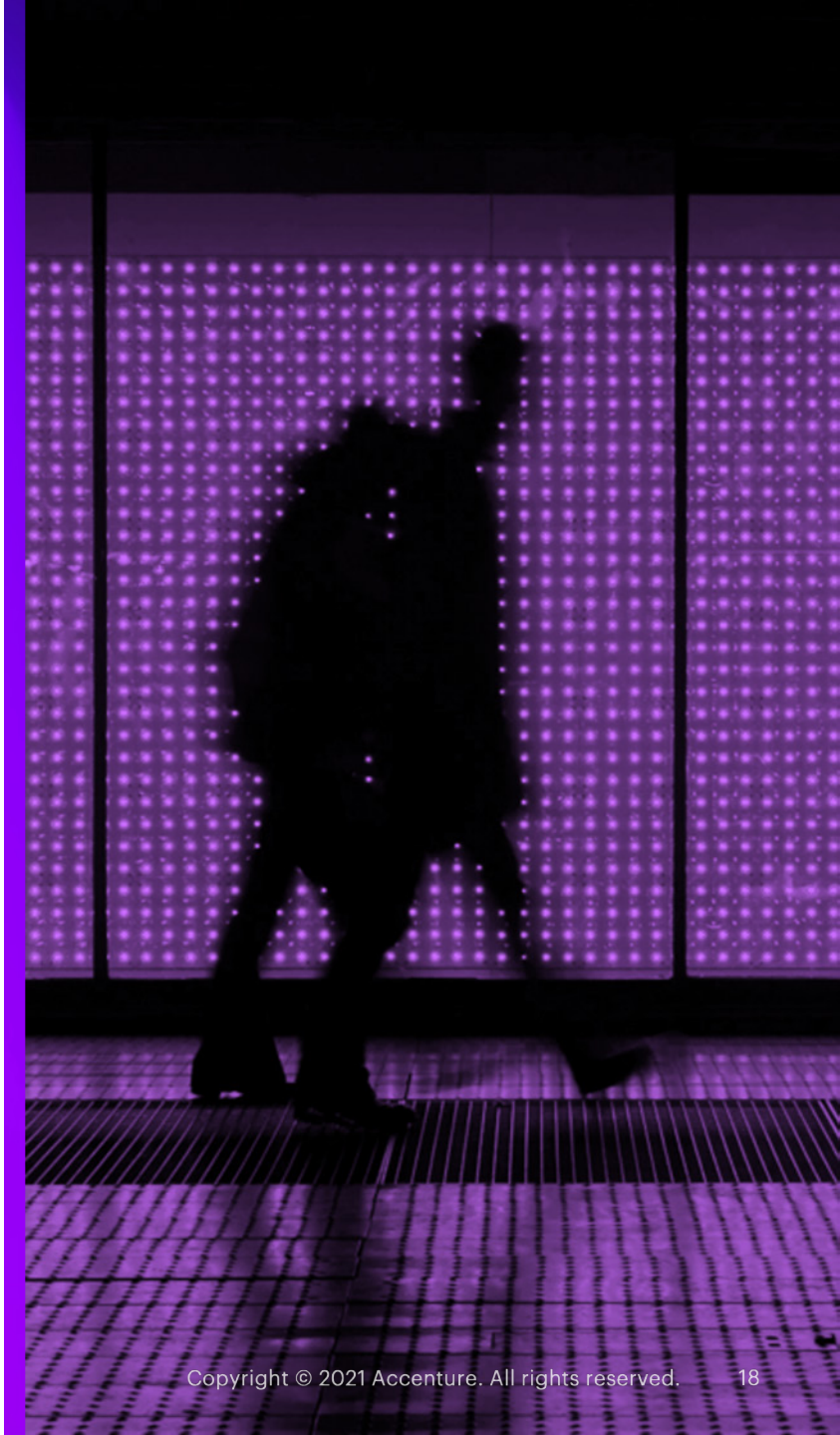
Ensure your operations and functions are in “lock-step.”

Accept that piecemeal efforts won't fully unlock the potential that exists within the organization. Collaborate internally to design and execute successful enterprise-wide transformations.



Capture the green multiple.

Put sustainability at the center of your strategy and decision-making to not only differentiate your company in the eyes of the market, but also attract investor capital.



2022



Carbon
Reinvent with (e)Mission Control

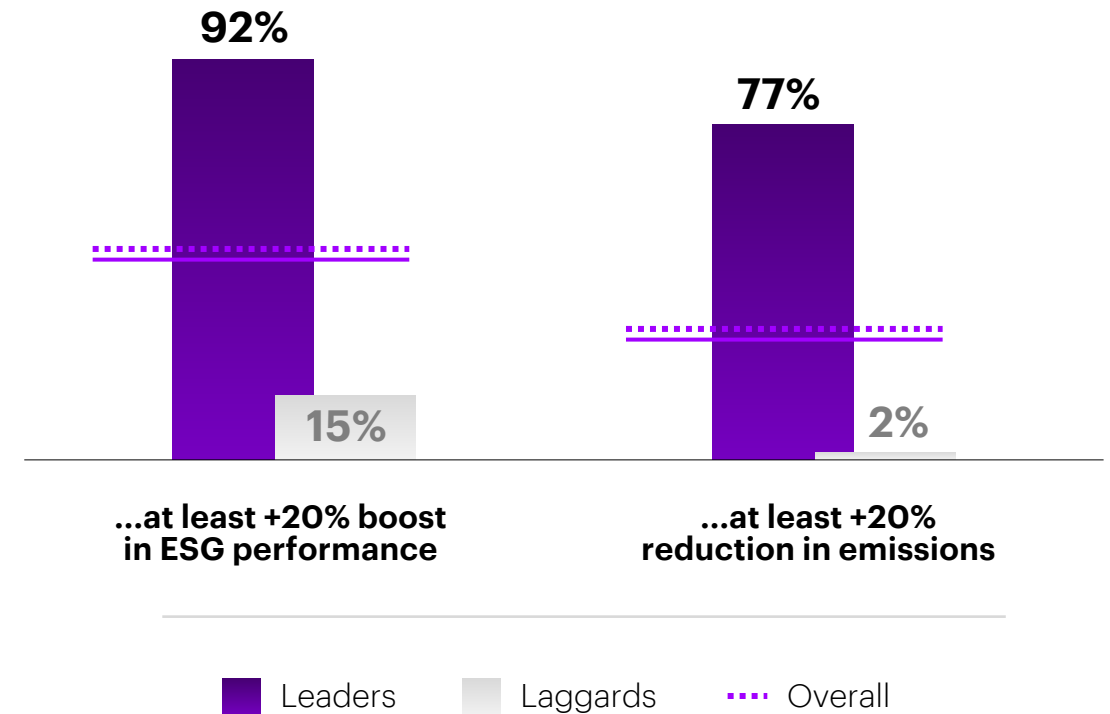


To achieve their ESG goals, leaders are taking decisive and practical near-term actions. They are, for example, investing in energy management solutions, focusing on achieving significant process efficiencies, and deploying better carbon-detection and management technologies.

Once again, the leaders have demonstrated confidence in their efforts. The vast majority believe the steps they are taking today will significantly boost their ESG performance and reduce their emissions. The vast majority of laggards, on the other hand, are not seeking meaningful results.

Leaders believe their carbon-related actions will deliver significant results

Percent of respondents that expect carbon initiatives will drive...



Survey question: What do you expect the impact from your carbon-related initiatives to be over the next 3 years from following your current plan? Global (N=214).

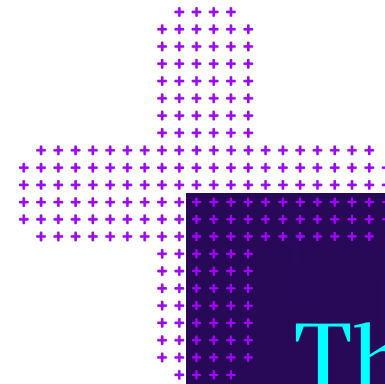




Accenture analyses have determined that global energy-related CO₂ equivalent emissions totaled approximately 40 gigatons in 2020. Of that amount, nearly two-thirds were related to the oil and gas industry—with 20 percent (Scope 1 and 2) emitted directly through extraction, processing, transportation and refining activities and 80 percent (Scope 3) emitted at the point of consumption when hydrocarbons are converted for other uses such as fuel for transportation or heat, or in the production of petrochemicals.²

The imperative for oil and gas companies is to limit not only the 20 percent of emissions that occur in their operations, but also the 80 percent that occur beyond their reach.

Leaders are tackling the carbon challenge head-on in two noteworthy ways. The first is through ESG target-setting. Nearly all of the leaders we surveyed (96 percent) have set ambitious ESG targets. The same percentage of leaders is committed to reporting frequently on their emission-reduction progress. In contrast, 56 percent of laggards have set ambitious targets. Only 47 percent regularly publicize their results.



Think like a leader

Leaders in Carbon go beyond reacting to external ESG pressures and are proactively creating new sources of revenue outside traditional oil and gas.

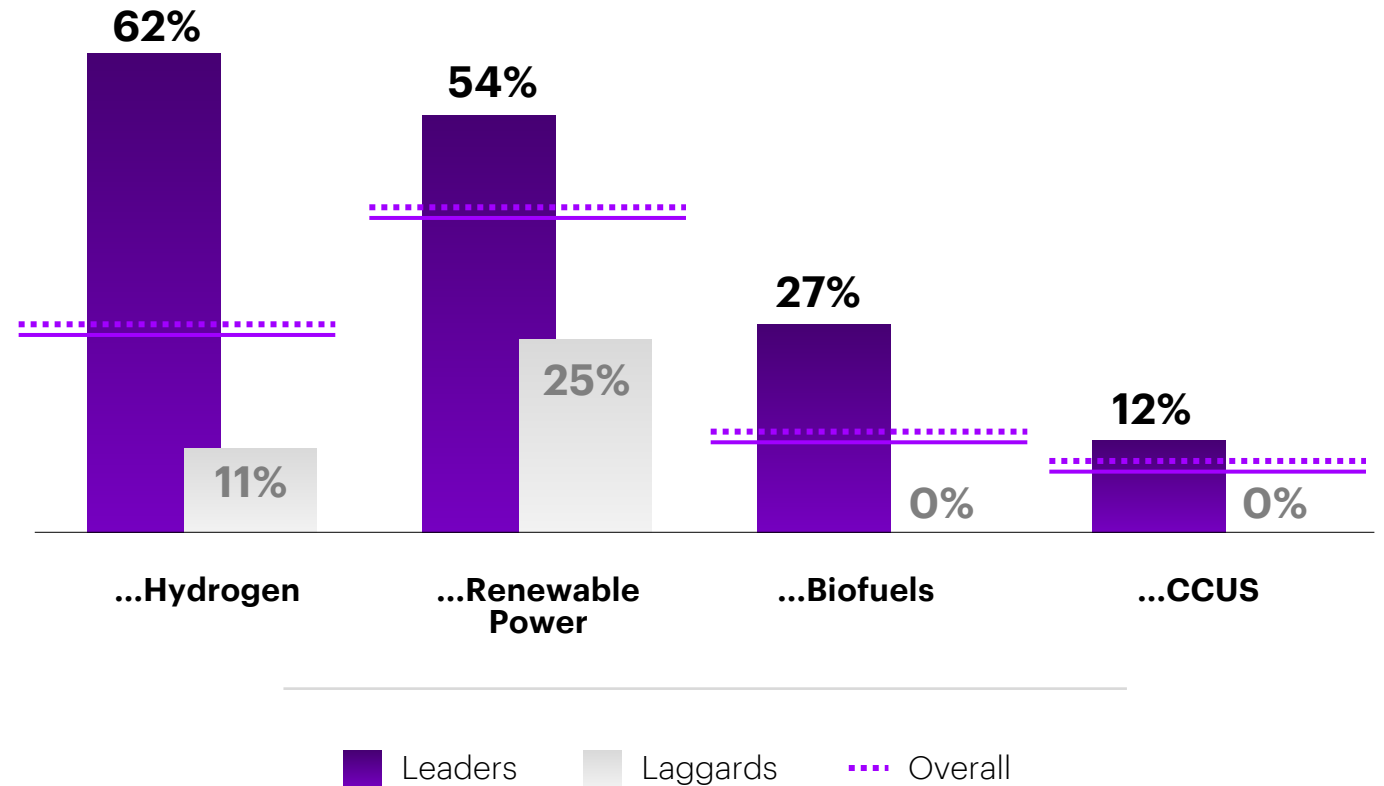


The second way leaders are addressing the carbon issue is by elevating the importance of their low-carbon solutions. As noted earlier, leaders expect their low-carbon business segments to experience margin growth of at least 20 percent. They also expect low-carbon businesses to contribute handsomely to their revenue growth by 2030.

For them, hydrogen and renewable power hold the most potential, with biofuels and carbon capture, utilization and storage (CCUS) also presenting viable sales opportunities over the next 10 years. Laggards apparently have less confidence, ambition or financial wherewithal to build out these businesses.

Leaders have high expectations for low-carbon business revenue

Percent of respondents expecting >7% of annual revenues by 2030 from...



Note: Options for ranges of annual revenues (%) span from "under 1%" to ">10%" and we have chosen to highlight those choosing >7%.

Survey question: How strong an impact do you expect the following low-carbon businesses will have for your company as % of annual revenues in 2030? Global (N=214).



In the area of Carbon, leaders don't just react to external ESG pressures. They proactively tackle their emissions with practical initiatives. And they create new sources of revenue outside traditional oil and gas boundaries. These are important steps to creating a sustainable competitive advantage. But there is likely more they can do.

For example, in terms of ESG management, leaders gave less priority to promoting circularity, which we believe will be a key driver to reducing emissions. They also placed less focus than laggards on identifying and strengthening low-carbon assets in their portfolios.

This is surprising, given that leaders expect their low-carbon businesses to be a catalyst for margin and revenue growth.

Key actions we're seeing in the industry:

Setting aggressive ESG and emissions targets for the next decade and beyond, including net-zero commitments

Investing in building capacity and gaining scale in low-carbon solutions such as CCUS and hydrogen

Expanding portfolios of renewable fuels and retrofitting refineries to accommodate new products



In the area of Carbon, we recommend oil and gas companies take the following actions:

+ Move fast. Don't wait until it's too late to make your move in carbon. As carbon management is quickly becoming table stakes, oil and gas companies need to establish their KPIs and develop a proactive plan, roadmap and incentives.

+ Act as though carbon already has a price. Make informed capital allocation decisions by incorporating the cost of carbon into field development planning and valuations.

+ Go low. Low-carbon businesses present the biggest opportunities for growth. Identify where you will have the chance to make the biggest impact and take action to build differentiated capabilities.

+ Extend your partnerships. Collaborate beyond your traditional peer and partner groups to drive new carbon innovations beyond industry borders.



03



Connectivity

Mind the gaps



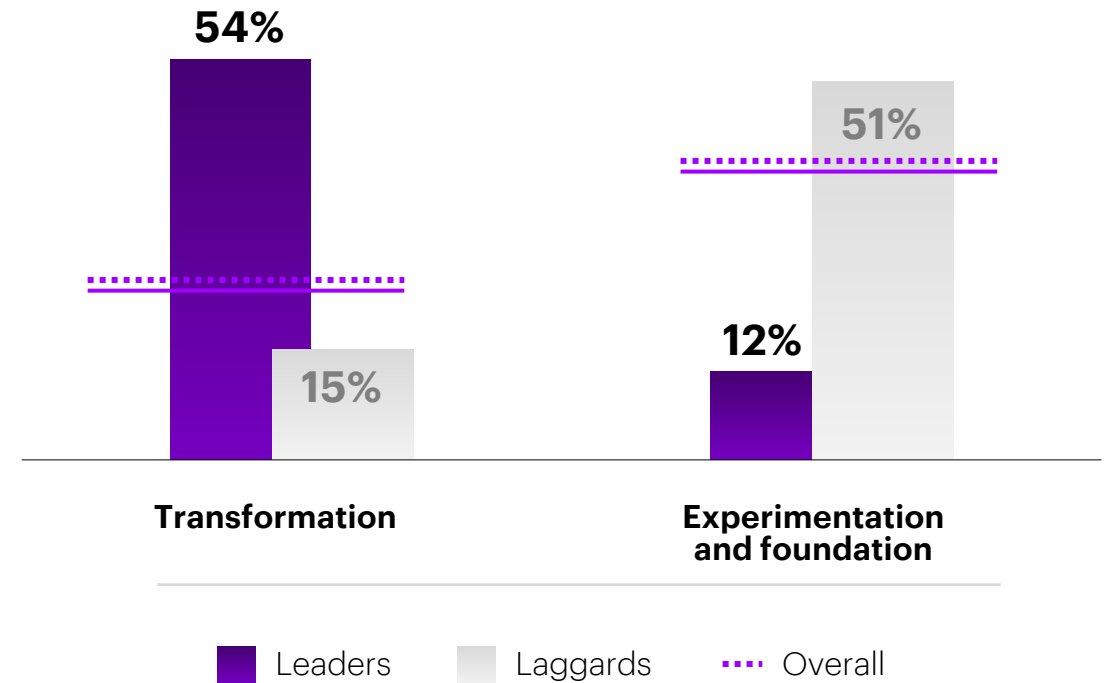
Connectivity is a key element of reinvention, uniting an enterprise around a common vision for transformation and enabling workforces to collaborate to drive agreed-upon results. Digital technologies play a critical role in making the necessary connections possible.

To build their Connectivity capabilities for reinvention, leaders are turning to mobility and industrial technologies such as augmented reality and Internet of Things. Beyond connecting their organizations, these technologies have the added benefit of helping leaders achieve their upstream and downstream margin ambitions described earlier.

But it is their embrace of cloud computing that is most striking. Significantly more leaders are using cloud computing to drive transformation than the laggards. Conversely, the vast majority of laggards are still more focused on experimenting with cloud and establishing a foundational cloud environment. The good news is that approximately two-thirds of both groups are looking to take advantage of cloud capabilities, albeit at a different pace and level of intensity.

Leaders have bolder ambitions for cloud

Percent of respondents with goals for cloud this year



Survey question: What actions are you planning in the next year to improve your cloud capabilities? Global (N=214). Showing only two out of five response options.



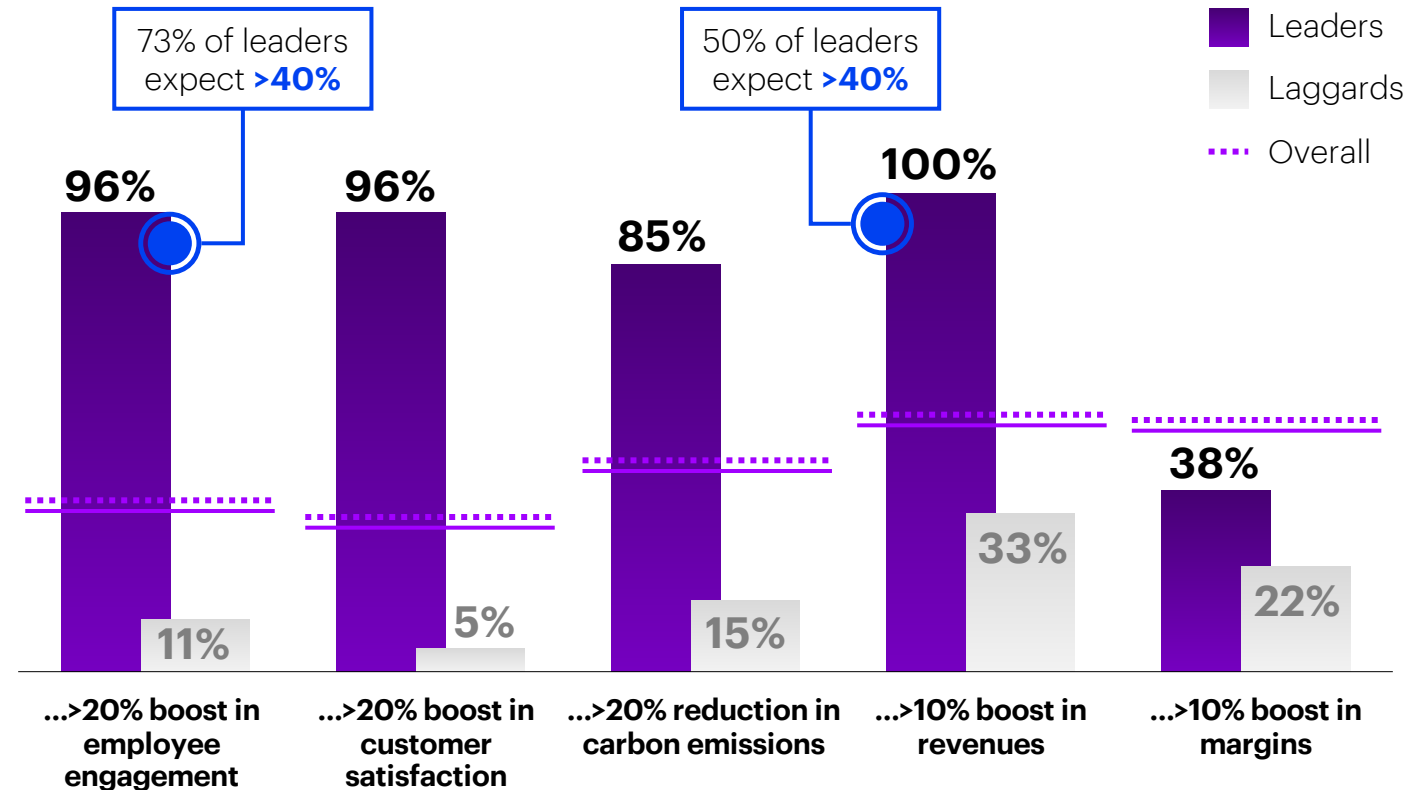


Leaders in our survey understand the need for Connectivity and the broad set of benefits it can enable. They've oriented their Connectivity programs to improve both "soft" metrics—such as employee engagement and customer satisfaction—and traditional financial and operational measures such as margin and ESG performance.

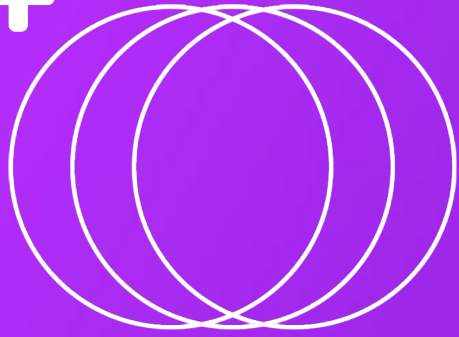
All leaders expect Connectivity to drive at least 10 percent revenue growth in the next three years. Laggards are not nearly as optimistic.

Leaders expect connectivity to drive significant improvements in financial and non-financial metrics

Percent of respondents expecting...



Survey question: What do you expect the impact from your carbon-related initiatives to be over the next 3 years from following your current plan? Global (N=214).



“The actions leaders are taking to close gaps are noteworthy. But even more striking is the size of the gaps they seek to close.”





While leaders are doing many things right—such as focusing on digital transformation, not experimentation, and targeting financial and carbon-related metrics—our analysis revealed tremendous opportunity for leaders, and all companies, to do much more. This is evident in respondents’ acknowledgment of their capability gaps in the area of Connectivity.

The actions leaders are taking to close the gaps are noteworthy. But even more striking is the size of the gaps they seek to close. The takeaway is that there is plenty of opportunity for companies—even non-leaders—to gain significant ground in their pursuit of competitive advantage.

Of particular interest is the **lack of data management capabilities** among oil and gas players. Effective data management is a prerequisite for reinvention. It’s needed to:

- Power the analytics that help identify new business opportunities and optimize portfolios.
- Collaborate internally and to develop innovations with ecosystem partners.
- Take optimal advantage of the cloud.

Without it, leaders’ beliefs that cloud will be a key driver of reinvention may not be warranted.

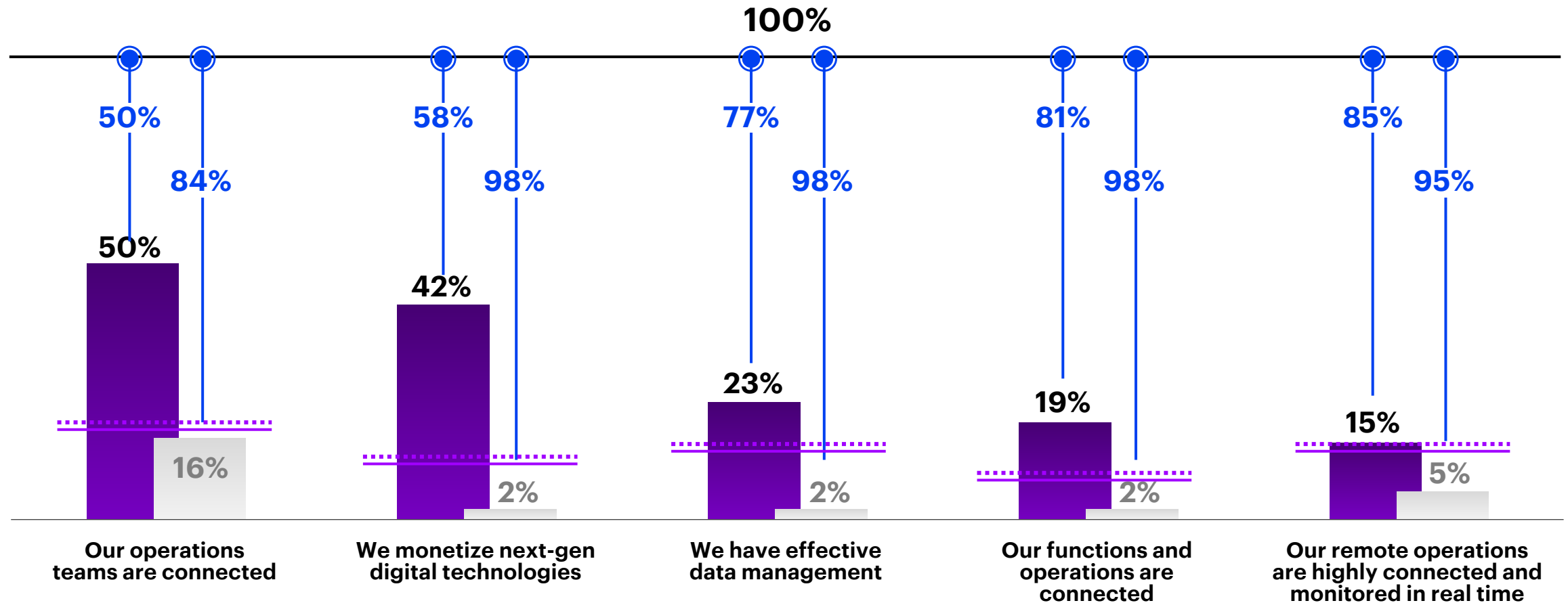




In the area of Connectivity, there are significant capability gaps

Percent of respondents strongly agreeing with statement

Leaders Laggards Overall



Survey question: To what extent do you agree with the following statements about your capabilities relating to connectedness? Global (N=214).

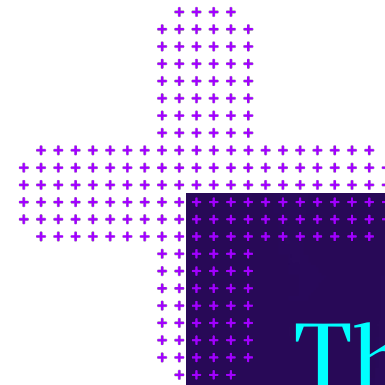


Another surprising finding from our survey relates to the role of **cybersecurity**. Or, more specifically, the lack of cybersecurity's role in reinvention. While respondents generally agreed that cybersecurity will be essential over the next three years, leaders place it last in the list of digital solutions they plan to use for reinvention, behind cloud, industrial technologies, mobility and AI.

The lack of emphasis on cybersecurity suggests a serious blind spot for oil and gas companies looking to thrive in the years ahead.

Accenture research has found that, compared to companies in other industries, oil and gas players are nearly four times worse at stopping targeted cyberattacks. They are four times slower at finding breaches. Three times slower when it comes to fixing them. And only half as effective at reducing their impact.³

The consequences of poor cybersecurity capabilities are enormous, ranging from financial and reputational damage to personal harm. Making matters worse, oil and gas companies' vulnerabilities will only grow as they continue deploying IoT technologies across the value chain at an unprecedented rate. It's time for oil and gas companies to reprioritize the building of their cyber defenses.



Think like a leader

Leaders in Connectivity focus on digital transformation, not experimentation, and target financial and carbon-related metrics by implementing cloud, IOT and mobility solutions.



We recommend oil and gas companies take the following actions in the area of **Connectivity**:



Don't simply follow the "cloud crowd."

Consider cloud a strategic enabler of reinvention. To that end, don't just migrate systems; purposefully leverage all that cloud has to offer and build the capabilities needed to drive transformation.



Build data management muscle. Strong data management is at the heart of capturing value from Connectivity. Data governance, quality, accessibility and portability are essential.



Focus on defense. Cybersecurity is a must.

With the rise of remote operations and widespread adoption of IoT, oil and gas companies must recognize and address the increased risks they face.



Think enterprise-connectedness first and individual technologies second.

Digital technologies can improve efficiencies. But the real value from digital comes at scale by connecting operational and information systems, workers and devices across the organization.



Connect the dots. Coordinate with peers, suppliers and customers to expand the boundaries beyond the organizational walls. Use Connectivity to capture the value of digital at industry scale.



04

Customer

Personalize the oil and gas
experience

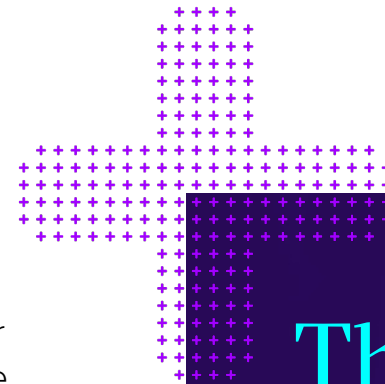


As oil and gas companies reinvent, they will need to pivot from being commodity businesses to customer-centric businesses. From businesses that meet energy demand to businesses that solve problems.

The truth is that becoming intensely customer-focused marks new territory for the industry. And while leaders may not prioritize Customers as highly as some of the other 5C areas, they are seemingly taking a more balanced and well-reasoned approach to customer engagement than laggards.

Leaders have built stronger experiences across the customer lifecycle—from discovering new customers to making it easy for customers to log-in, order and pay for products. In this way, they are creating high barriers to customer defection.

By contrast, only 4 percent of laggards are taking actions to re-engage with customers. And only 7 percent are prioritizing support and replenishment to strengthen relationships.



Think like a leader

Leaders in Customers focus on creating differentiated experiences by actively responding to preferences and improving customer segmentation.



Importantly, leaders are also balancing their digital investments to continually improve experiences across the customer journey. Laggards are much more focused on getting noticed and engaging with new customers.

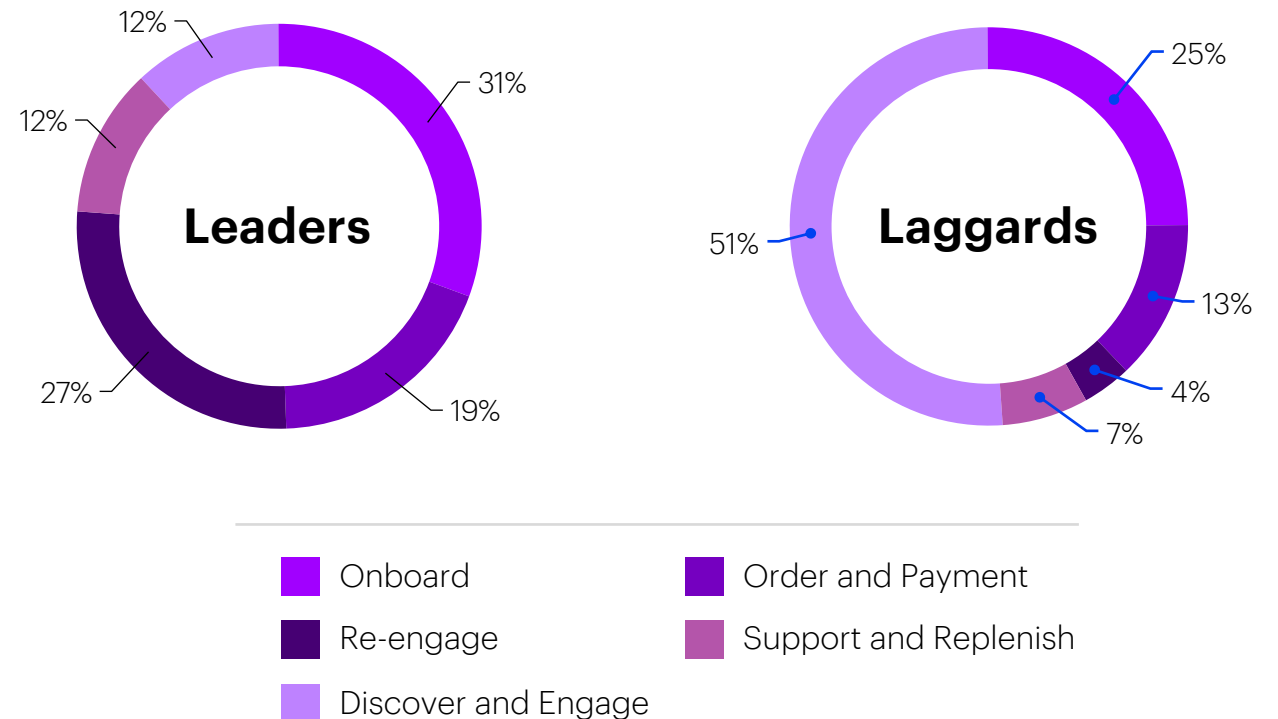
Even when it comes to using digital technologies in the discovery and engagement phase of the customer relationship, leaders display a much more mature approach.

For example, 69 percent of leaders are interacting with customers via social media. Only 31 percent of laggards are. Additionally, 60 percent of leaders (versus just 40 percent of laggards) are investing in digital technologies to understand, segment and measure their customer relationships and analyze customer data to forecast trends.

Unfortunately, their lack of data management capabilities, noted above, may make their analyses less meaningful than they would otherwise be.

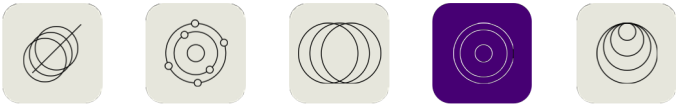
Leaders use digital to create a differentiated, end-to-end customer experience

Percent of respondents that identify area as top priority for digital capabilities



Survey question: Which parts of the digital customer experience are you planning on investing in over the next 12 months? Global (N=214).





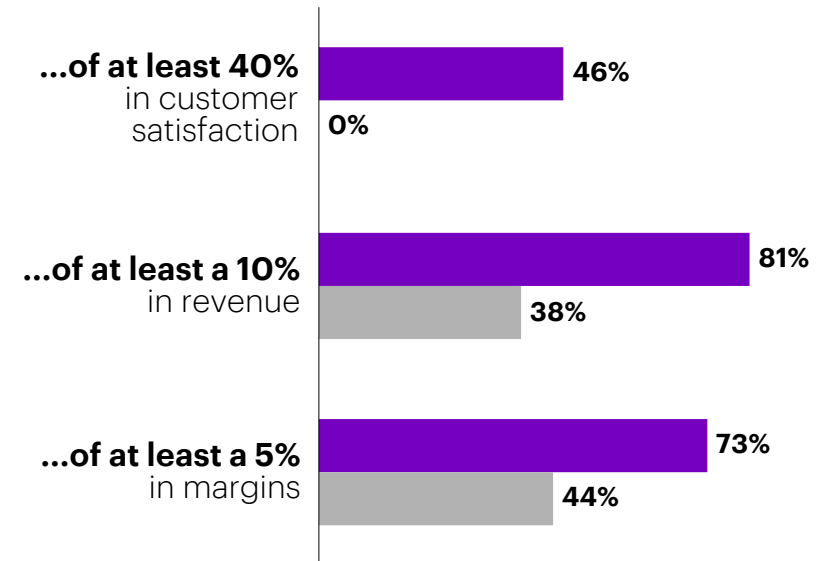
Personalization is another area in which leaders stand out. More than three-quarters (76 percent) of leaders are customizing products, services or formats based on customer feedback. Only 24 percent of laggards are doing the same. Leaders are also well ahead of laggards (62 percent vs. 38 percent) in personalizing products and services for unique customer segments.

Leaders expect their focus on personalization to pay off. More than 80 percent of them, for example, expect their efforts to grow revenue by at least 10 percent. Laggards apparently understand that their less robust approach to customization will deliver lackluster results. Their lack of confidence in being able to use customization to improve customer satisfaction is particularly telling.

Leaders expect their customization initiatives to create significant value

Percent of respondents that expect improvements...

■ Leaders ■ Laggards



Survey question: What do you expect the impact from your customer-related initiatives to be in next 3 years from current plan? Global (N=214).



As in the area of Connectivity, the gaps in leaders' (and laggards') customer-facing capabilities shed light on opportunities for companies to make game-changing moves.

For example, while 60 to 70 percent of leaders are using digital to measure customer relationships, analyze trends, and interact in new ways, 30 to 40 percent are not. Similarly, 25 to 40 percent of leaders are not personalizing their products and services.

That means there is still opportunity for oil and gas players to fill the void and define customer expectations for a new kind of experience.

Recent Accenture research confirmed that **55 percent** of the best-performing companies across industries are obsessed with customer experiences. But only **25 percent** of oil and gas companies share this obsession and use customer needs as a compass.⁴





In the area of **Customer engagement**, we recommend oil and gas companies take the following actions:



Manage customers, not molecules. In the new era of oil and gas, value will be derived from the strength of your customer relationships, not the commodities you sell. Prioritize engaging with and expertly serving the customers who will ultimately dictate the path of your reinvention. Create a CX/BX management function with a voice in your organization's strategic decision-making.



Solve problems. Rethink what you know about your current and future customers and the challenges they face. Understanding their needs, values and growth strategies will be critical to building intimacy and delivering value.



Monetize new products and services. The oil and gas market is evolving to address changing customer preferences, needs and behaviors. Reshape your portfolio to provide the products and services your customers will want—and will be willing to pay for.



Create high barriers to defection. Achieve customer "stickiness" by investing equitably across the customer lifecycle. Create a seamless experience that consistently satisfies B2C and B2B customers and gives them no reason to look elsewhere for products or services.

05



Culture

Empower employees
to transform



Reinvention does not happen without the buy-in of those charged with executing it. The entire organization needs to rally behind change, align to a reformulated purpose, and embrace new ways of working.

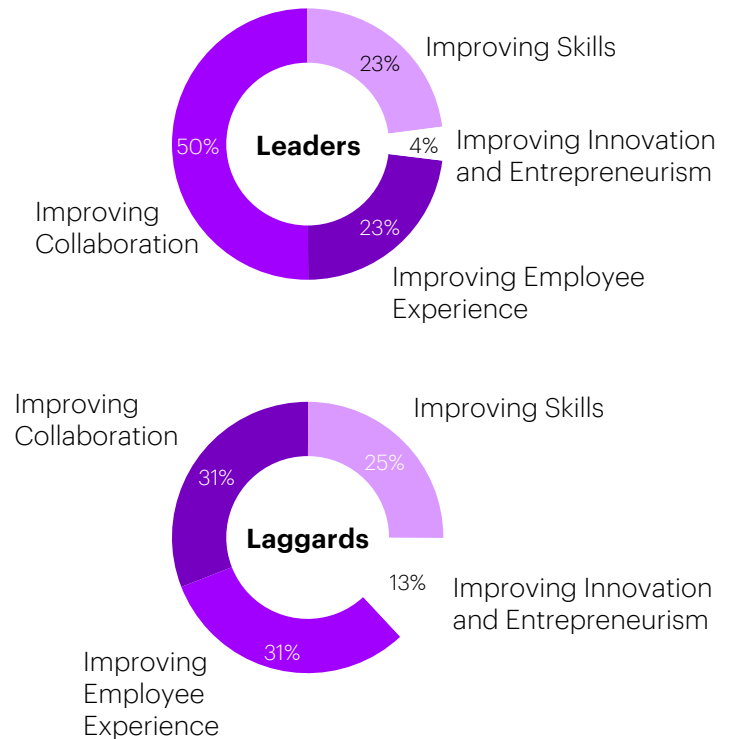
The c-suite, for its part, must create the environment in which a new Culture and new levels of productivity can flourish. That means enabling collaboration between teams and functions and creating engaging and rewarding employee experiences at every turn.

Many more leaders than laggards in our survey believe they are effectively nourishing collaboration across functions and operations (65 percent vs. 9 percent). Their commitment to enabling collaboration is clear. Half of the leaders in our study ranked collaboration as the cultural element they would be focusing on most over the next year.

Leaders' recognition of the need to drive collaboration across and within functions and operations is not surprising. It complements the actions they are taking to bolster Connectivity via new technologies and incentives.

Leaders and laggards emphasize Culture actions differently

Percent of respondents identifying as top action for next year



Survey question: What are the most important actions you are planning in the next 12 months to improve your culture? Global (N=214).



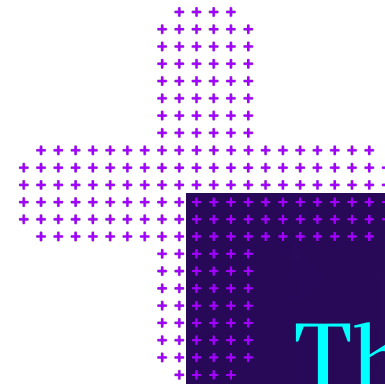


Leaders also claim they are effectively improving employee experiences (62 percent vs. 11 percent) and, to a lesser degree, finding the right talent for their reinventions. Nearly a quarter of leaders are planning to emphasize actions in these areas.

Interestingly, laggards plan to take a more balanced approach to Culture actions in the coming year. They see the need for improvement across the Culture spectrum and are investing accordingly.

What's particularly noteworthy is the lack of focus on innovation. In general, survey respondents did not prioritize innovation and entrepreneurship despite having ambitions to develop new products and services inside and outside of oil and gas. In fact, only 4 percent of leaders identified innovation and entrepreneurship as a top action item.

Given that leaders are expecting low-carbon assets and solutions to account for a significant portion of their revenue by 2030, they will need to change course. Investments in building innovation capabilities will clearly be needed.



Think like a leader

Leaders in Culture recognize the value of collaboration to boost productivity and employee satisfaction and are focused on improving collaboration across functions and teams.



As in the other 5C areas, leaders are quite hopeful that their actions to strengthen Culture will yield a positive result. All of them, for example, expect their initiatives to produce a 20 percent boost in employee satisfaction. Nearly all of them (96 percent) anticipate a 20 percent improvement in productivity. Laggards don't share that optimism. Only 2 percent and 7 percent, respectively, expect a 20 percent gain in employee satisfaction or productivity.

One possible reason for the laggards' lack of confidence is their better understanding of the challenges that come with creating a Culture of reinvention. Our survey findings revealed huge gaps in all companies' efforts to build better employee experiences, collaborative environments, and skills for the years ahead. If laggards recognize just how far they need to go to close the gaps, their expectations for lackluster results aren't pessimistic; they are realistic.



Accenture research found that best-performing organizations across industries can realize double-digit revenue growth by engaging in practices that leave their people net better off.⁵





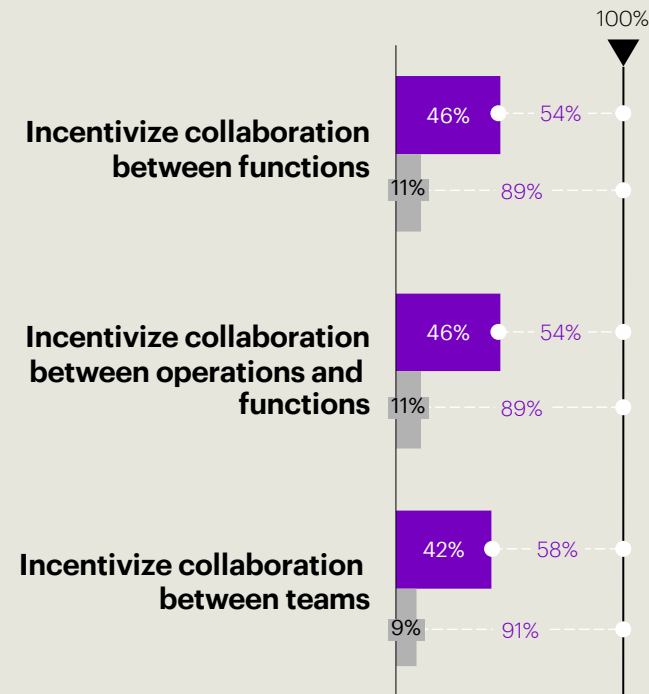
Significant gaps exist in the capabilities and skills needed to sustain reinvention

Even across the two strongest dimensions in culture, there is significant opportunity to drive improvement

Percentage of respondents that **strongly agree** they have these capabilities related to employee experience

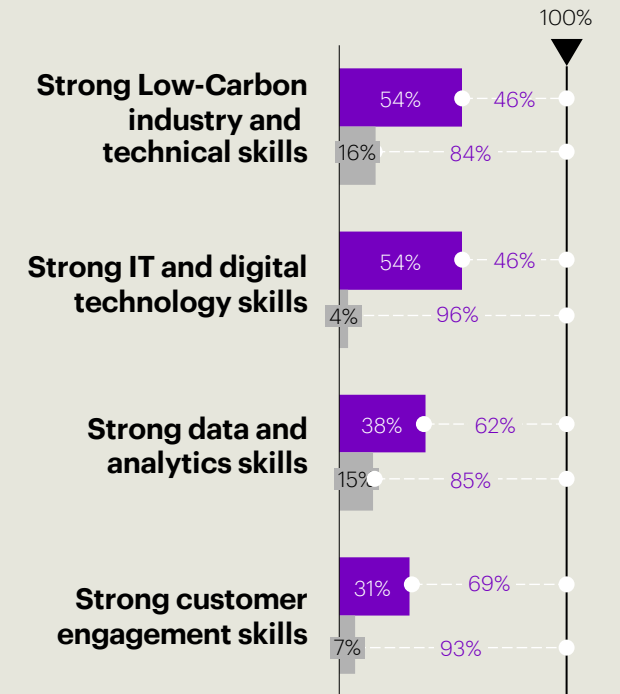


Percentage of respondents that **strongly agree** they have these capabilities related to collaboration



There is a material opportunity to build the skills for reinvention, even among leaders

Percentage of respondents that **strongly agree** they have these skills



Survey question: To what extent do you agree with the following statements about your capabilities relating to [employee experience/collaboration/existing skills]?

Global (N=214). Showing selected skills only.

Leaders Laggards



Oil and gas players that can effectively bridge their Culture gaps stand to gain a competitive edge. Other things companies can do include:



Make purpose a magnet for talent. Employees, both current and future, want to work for companies whose values align with their own. Diversity, equity and inclusivity programs will be key. So will interesting work, enabled by new technologies. A visible commitment to sustainability and ESG performance will help attract talent that might ordinarily stay away from the industry.



Reimagine work and your workforce. Reinvention will require new roles and new ways of working. Identify new career pathways to manage both new and existing talent. Inventory the capabilities you have today, identify those you will need tomorrow, and develop a plan to close the gaps by building, buying or borrowing the necessary skillsets.



Design your organization for teamwork.

Enterprise-wide transformation requires collaborating across an organization's traditional boundaries—and beyond. Empower your people to share ideas and operate seamlessly with enabling technologies and a structure that encourages effective collaboration.



Create an environment of experimentation.

In any reinvention, a fail fast/fail forward mindset is necessary for continual innovation of products and services that will drive long-term growth. Encourage and incent new ideas and ways of working. Invest in building an innovation capability that sets you apart in the industry.



+ Be a reinvention leader



Follow the leaders

There are a number of things reinvention leaders are doing that other oil and gas companies should consider emulating—namely, zeroing in on a distinct set of actions within each of the 5Cs to drive future profitability and competitive advantage. They're:

- **Focusing on ROCE and ESG** performance, not volumes, as drivers of future value.
- **Going enterprise-wide** in aggressively and ambitiously challenging and transforming everything.
- **Using cloud and digital platforms** as critical enablers for reinvention of the business and operating model.
- **Making carbon a source of competitive advantage.**
- **Taking a holistic view** of both customer and employee engagement.



But not always...

But there are also many things they are not yet doing. These lapses represent missed opportunities and provide equally valuable insights for others seeking to successfully reinvent.

Ecosystem partnerships, cybersecurity capabilities and data driven reinvention stand out. Also, we believe there is much more that leaders could be doing to create **a culture of innovation and connect operational and functional teams.**

These gaps may not derail leaders' ambitions for reinvention. But they will likely make their transformations more difficult or protracted.

Know where you're going

When it comes to planning for their transformation, oil and gas companies need to prioritize their 5C commitments and understand where they are in their reinvention journey.

Starting the Journey

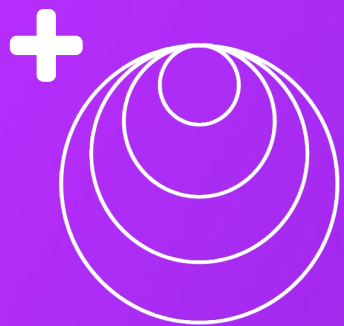
- Increase efficiencies to enhance *Competitiveness* of supply; set and objectively measure key returns and ESG objectives
- Accelerate the journey to cloud and *Connect* domains to visualize how the company is functioning and understand what gaps exist
- “Clean the Core” to reduce *Carbon* footprint and deliver on foundational ESG goals
- Leverage *Customer* data and relationships to increase sales volumes
- Put improving skills and collaboration at the center of company *Culture* to boost productivity

Transitioning

- Build portfolio resilience through cost and carbon zero-basing to minimize impact of volatility on *Competitiveness*
- Integrate *Carbon* into core operating procedures to minimize footprint of the organization
- Scale digital technologies across the organization and *Connect* systems to generate insights for growth
- Create capabilities to monitor and adjust to changing *Customer* preferences to increase stickiness and sales volumes
- Create a *Culture* that accepts reinvention and seeks to deliver improved employee experiences to attract talent

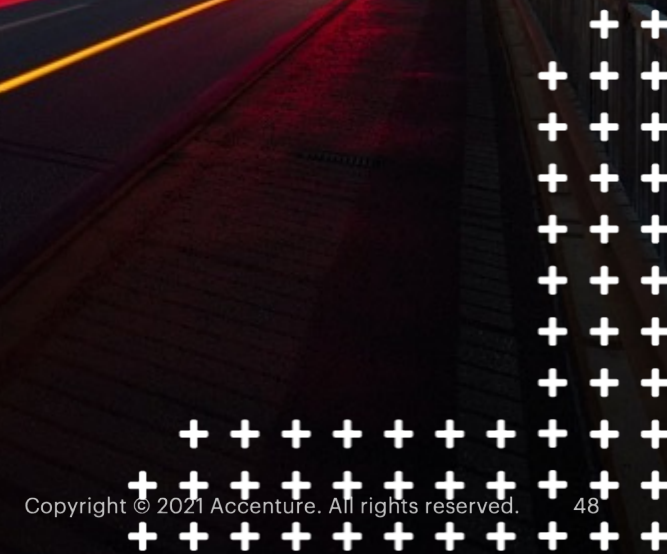
Achieving Reinvention

- Architect and adapt a dynamic portfolio of assets (carbon and non-carbon) geared to structurally enhance *Competitiveness* (high returns and low carbon)
- Create a sustainable competitive advantage with *Carbon* capabilities and a unique portfolio of low-carbon assets
- Build end-to-end internal and external *Connectivity* and utilize data and analytics to optimize the portfolio and operational performance
- Use digital to understand *Customer* preferences and create or anticipate demand for new or personalized products and services
- Shape the organization's *Culture* to support the reinvention, developing necessary skills and capabilities to drive innovation and collaboration



That understanding will allow them to determine the right course of action in the areas of Competitiveness, Carbon, Connectivity, Customer and Culture. The lessons from the current reinvention leaders (and even the laggards) can inform their next steps.

The efforts of today's reinvention pacesetters shine a light on the path forward, illuminating not only what followers need to do, but also the gaps they need to avoid.



+ End notes



1. Accenture, Research Survey, 2021.
2. Accenture, [Decarbonizing Energy: From A to Zero](#), 2020.
3. Accenture, [Innovate for cyber resilience](#), 2020.
4. Accenture, [Growth: It comes down to experience](#), 2020.
5. Accenture, [Care to do better](#), 2020.



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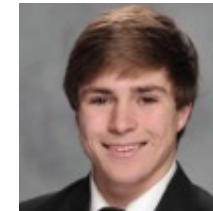
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About the research

In early 2021, Accenture conducted its inaugural Oil and Gas Reinvention Index research to understand the actions companies are taking to meet the challenges of the energy transition, their progress toward reinvention, and the outcomes they expect to achieve. This initiative, comprising surveys and case study research, will be updated annually to track the industry's reinvention progress over time.

Survey

The Accenture Reinvention Index research included a survey of 214 c-suite executives from 179 companies. The survey collected data on:

- Perceived need for reinvention and drivers of change
- Current state of reinvention across the 5Cs: Competitiveness, Carbon, Connectivity, Customers and Culture
- Future reinvention actions planned and anticipated future state
- Expected value to be captured from reinvention

Approach

We grouped responses (n=214) into companies (n=179) to determine an aggregated score for each. Next, we defined and grouped companies into Reinvention Leaders and Laggards (i.e., those ahead in terms of their reinvention progress and those who are not changing or are changing slowly).

Definitions

We created a Reinvention Index (RI) Score, composed of equally weighted scores from each of the 5Cs of reinvention with a maximum score of 100. The top 10 percent of the companies on this score are Leaders and the bottom 25 percent are Laggards.

Calculations

We compared expected financial benefits of pursuing the 5Cs—measured by minimum expected improvement—and calculated the difference in performance between Leaders and Laggards.



Responsible research methods

Our research, and that of our partners in our ecosystem, employs ethical and responsible research methods. Respondents were anonymous and we commit to not using the data collected to personally identify the respondents and/or contact them.



Survey Demographics

N=214

4 firm types

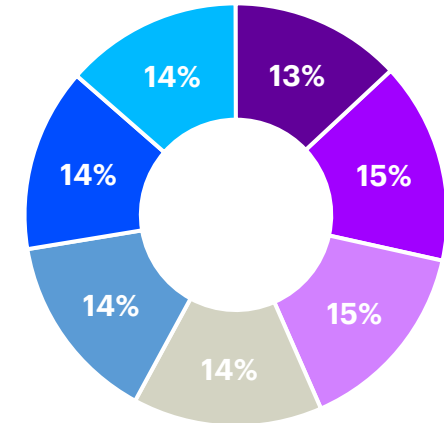
	N=	%
International Oil Company (IOC)	92	43%
Independent	86	40%
National Oil Company (NOC)	18	8%
Oilfield and Equipment Services (OFES)	18	8%

9 Regions

	N=	%
Australia/New Zealand	4	2%
Canada	25	12%
China	6	3%
Europe	78	36%
India	5	2%
LatAm	10	5%
Middle East	18	8%
Other Asia	4	2%
USA	64	30%

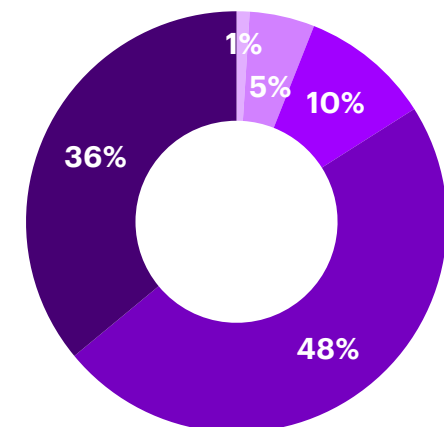
CXO Title*

- Chief Financial Officer
- Chief Innovation Officer
- Chief Marketing Officer
- Chief Strategy Officer
- CIO/CTO/CDO
- Chief Mobility Officer
- Chief Operating Officer



Revenue

- <\$100m
- \$100m-\$499m
- \$500m-\$999m
- \$1b-\$10b
- >\$10b



* Includes direct reports





About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 537,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities.

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www.accenture.com/reinventionindex

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