



The role of communications in diversifying Oman's economy: thoughts from a multinational energy company

Anglo-Omani New Generation Group,
Cambridge University

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It's an honour to be invited to speak to all of you today at Cambridge University. The Anglo-Omani New Generation Group is yet another visionary initiative by His Majesty the Sultan of Oman. You are a talented group of individuals who will, no doubt, have a chance to leave a mark on the future of this important bilateral relationship – I hope you will.

I first came to Oman two years ago when I began my role leading BP's external affairs across the Middle East. I had had previous experience in other parts of the Middle East, but none in Oman. Before coming to Oman, I immersed myself in the history and literature about Oman – I especially enjoyed "Memoirs of an Arabian Princess of Oman and Zanzibar" – but nothing could prepare me for what an exceptionally fascinating and beautiful country it is, from the Opera building and Nizwa castle, to the natural beauty at Wadi Shab.

And, may I say, in our modern world's sometimes breathtakingly rapid pace of change, it is great to see the way Oman is embracing the future in a way that is woven with its own cherished heritage. It is clear from any visit to Oman, it takes great care to build a future with respect for its past. Very refreshing and inspiring for all who visit and work in Oman.

This year's Anglo-Omani New Generation Group seminar theme is: "The Role of Communications in Diversifying Oman's Economy." It is, of course, a timely subject given the impact that lower energy prices have had on countries around the world and, specifically, on Oman. I've been asked to give a view on this subject from the perspective of one of the world's largest multinational energy companies which I will attempt to do.



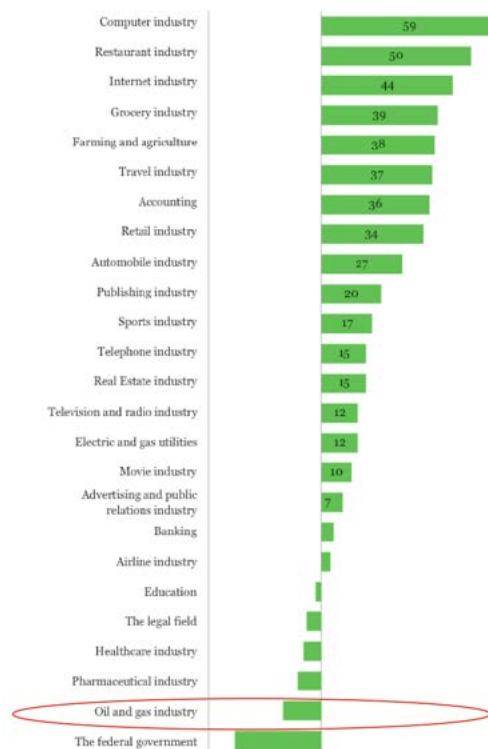
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Disclaimer

But first a disclaimer. There are a myriad of excellent speakers you have been talking to over the past few days, and I do not want to exaggerate the perspective that I bring from the view of a multinational energy company. Indeed, when one speaks about lessons we can teach and trends that we observe, one must begin by looking introspectively, and indeed, here we should be honest and admit that we do not always hit the mark ourselves.

The Gallup poll you see before you asked people in the United States about their views of various industries – was their overall view of a particular sector positive, somewhat positive, neutral, somewhat negative or very negative. The oil and gas industry ranked lowest on people's favourability ratings (even below banking!). The only ones who did worse, was the US federal government. When you look at external data, the energy industry ranks pretty low in terms of the public's perception. Trust scores both for us and for our competitors are below 50%. So much for us "teaching" others.

Over the next few minutes, I want to share with you some of the universal communications challenges facing businesses, society and government's today and to spend a few minutes going through some real life communications challenges that we face in the Middle East.





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Economics 101: theory

Let's begin with the question that was posed to me today. What is the role of communications in diversifying Oman's economy?

How many of you took macroeconomics in university? I suspect the vast majority. Who remembers what GDP is? GDP is calculated as a country's Consumption plus Investment plus Government Spending plus Exports minus Imports. Economists debate whether GDP is the best metric by which to understand the economic prosperity of a country, but let's ignore that debate for the sake of today's discussion.

$$Z = C + I + G + X - IM$$

Gross Domestic Product Consumption Investment Government Spending Exports Imports

Economics 101: practice

Now, what happens in reality? Smart economists examine the balance sheet of countries and give policy recommendations. Two months ago, in May, the International Monetary Fund sent a bunch of economists to Oman to offer some recommendations about what to do under current low oil prices.

This is what they said: "The decline in the oil price has underscored the need to accelerate economic diversification and to increase the role of the private sector. Enhancing the business environment, improving government efficiency, and passage of the Foreign Investment Law will facilitate increased private sector investment. Raising the quality of education will enhance nationals' employment opportunities in the private sector. Further progress in developing the small and medium enterprise (SME) sector could help generate jobs and increase non-hydrocarbon exports."

What is not included in either the theoretical formula for understanding a country's economic wealth, nor the policy recommendations about economic diversification? Communications. It's neither a direct input into calculating GDP nor indeed something macroeconomists give policy recommendations on.

Rather, communications is a tool in service of theoretical and practical economic inputs. In terms of our GDP formula, communications can drive consumption and investment behaviour, it can directly impact public perceptions of government spending and impact future spending and subsidy levels. It can even help a country collect more tax revenue.

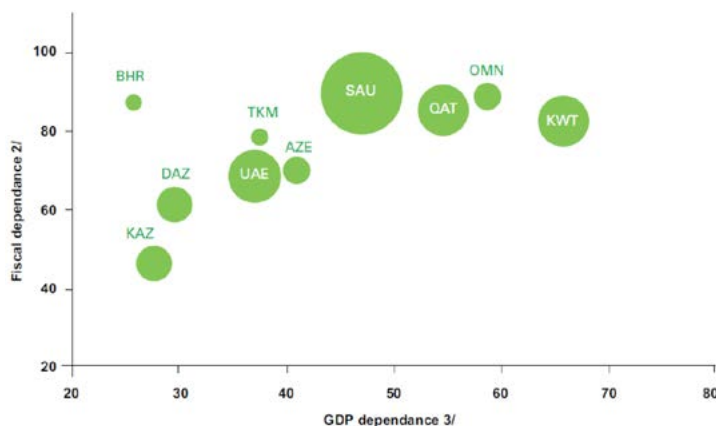
Let me give one example which caught my attention on the popular economics podcast Freakonomics. The British government has a department called the Behavioural Insights Team. They experiment with how to get people to change their behaviour with simple "nudges". The UK government was struggling to collect taxes from all the UK citizens who should've been paying them so the Behavioural Insights Team suggested they do two things:

- That they write a handwritten message outside their letters stating that the contents were "important" and
- That they include in their letters the actual fact that "9 out of 10 people in Britain pay their taxes on time"

People were sceptical of this approach at first but it turned out that for every pound spent on getting someone to write on the envelope, they received a £2,000 return. A one to 2,000 return. Telling people that everybody around them was paying their taxes encouraged positive "herd mentality." Two small communications modifications that have had a significant impact on increasing UK federal government revenues.

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GDP Growth and Oil Dependence
 Oil and Gas Dependence of MENA and CCA Countries 2013 1/ (percent, markers sized by hydrocarbon exports)



Sources: Country authorities; and IMF staff estimates.

1/ Some are not included due to lack of data on non-hydrocarbon GDP. DZA stands for Algeria. 2/ Share of all commodity-related budget revenue in total budget revenue. 3/ Share of hydrocarbon GDP in normal GDP.

Communications

So what can communications help us do? It can inspire, it can motivate, it can lead to productivity gains, it can dispel rumours, and it can unite. Just as easily, it can do the opposite – intentionally, or unintentionally. It can do this for governments, society and for business. There are myriad examples of this in the United States and in the United Kingdom off late.

How many times have you thought you had clearly communicated something or thought you'd understood what somebody was saying and got it horribly wrong! Why does this happen?

I think David Foster Wallace captured it best when he said that each of us is sure that "everything in my own immediate experience supports my deep belief that I am the absolute centre of the universe." He goes on to say that "it is our default setting, hard-wired into our boards at birth. Think about it: there is no experience you have had that you are

not the absolute centre of. The world as you experience it is there in front of YOU or behind YOU, to the left or right of YOU, on YOUR TV or YOUR monitor. And so on. Other people's thoughts and feelings have to be communicated to you somehow, but your own are so immediate, urgent, real."

If you think about it from that perspective, it's a small miracle that we can understand one another as often as we do!

Business is being made more accountable

David Foster Wallace encouraged us to remember that we are not the centre of everything, and the same lesson can be applied for companies. Gone are the days when companies could only focus on themselves. It's really not just about "them" anymore.

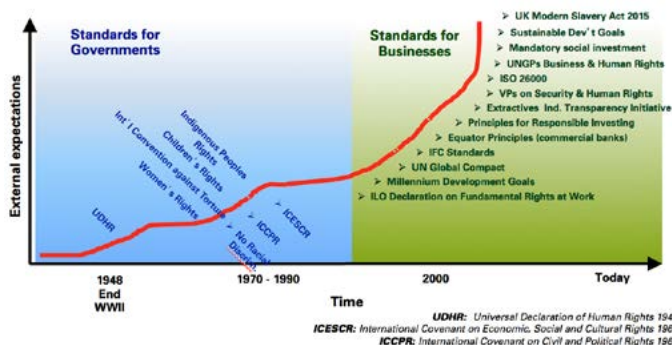
The last 25 years have seen a rapid expansion in the attention being placed on companies and, undoubtedly, business is being made more accountable. It is no longer simply sufficient for a company to produce profits, employ people and pay taxes. Standards – set by national governments and by international bodies – have rapidly expanded.

From the UK Modern Slavery Act, passed in 2015, which makes companies more accountable for working conditions in their supply chains; to the Extractive Industry Transparency Initiative, launched in 2002, which brings a degree of transparency on the management of government revenues from natural resource extraction.

Corporations are now an integral part of the dialogue between governments and societies on setting standards which drive human progress and human rights. This in part helps to explain the very

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wide range of external stakeholders that corporations now need to engage with and listen to.



I'd like to illustrate that by sharing with you just a range of the external stakeholders that an energy company like BP interacts with on a daily basis in almost every country where we operate. Like every company and organisation we have to earn our right to operate and that comes from external engagement.

First off there are governments. Anywhere where we operate around the world (in some 80+ countries) there are governments that we need to maintain relations with. They are keen to make sure that we are upholding their laws, paying taxes, benefitting their people and constituencies. At times, believe it or not, they have political agendas of their own which we need to carefully navigate around.

Regulators – all countries around the world have regulatory bodies who look after their country's natural resources and who keep a close eye on our actions. We brief them and listen to their feedback and concerns.

The oil and gas business is an enormous industry where nothing gets done without partnerships – this can be joint-venture partnerships or partnerships between us and our suppliers (drilling companies, logistics companies, engineering companies, etc).

Nothing happens without trusting long-term partnerships in this industry. At the end of the day, multinational energy companies are project managers for some of the most challenging projects in the world today. And by challenging I mean not only in terms of technical challenges – engineering, geology, construction, etc – but also geopolitical, societal and economic. Everything we do, we do in partnership with others in an effort to minimise risk, operate safely and ensure all parties mutually benefit.

Who are we talking – and listening – to?

For a large multinational company, it's insufficient to have a bunch of people out there "communicating," it's about having the right processes to encourage systematic and thoughtful dialogue. Part of the challenge for all business leaders is that the world today, thanks to technology, is so vast, complex and disparate that it makes communications and engagement more challenging.



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NGOs pay particularly close attention to the oil and gas industry. Sometimes they have relevant criticism of us which we listen to and thanks to which we change our actions. Sometimes, NGOs have their own agendas and treat energy companies as an easy target by which to raise their own profile and the issues they want to push. To the best of our abilities, anywhere we operate around the world, we try to maintain a dialogue with the local and international NGOs, to keep them apprised of our plans and to try to mitigate any concerns they may have. An open collaborative approach is in the interests of all concerned.

Finally, communities. This is where I spend a lot of my time in the Middle East. Local communities have every right to take an interest in the energy activities happening around them and, indeed, to benefit from the operations happening alongside them. In Iraq for example, where BP and our partners are developing the largest oil field, my team is busy every day delivering community projects for the often impoverished communities around us. In the past two years we have done everything from building roads, to modern health clinics, water projects which deliver much needed potable water, women's training institutes, kindergartens and schools, and training for the local workforce.

Beyond just working with external stakeholders who are our partners, we also have internal employees – 70,000+ in BP – with their own sets of concerns and thoughts about the company and their future. And there are prospective employees who we are targeting in an effort to be an "employer of choice" for prospective candidates.

Finally, we are an investment. Shareholders – from sovereign wealth funds, to mutual funds investing retired people's money – own shares in BP and

we meet with them regularly to brief them on the state of the company. We have an entire investor relations team dedicated to answering their questions and keeping them apprised of the company's plans.

I confess, me talking right now about all these external stakeholders is much easier than actually building long-term relationships with these counterparties. I'm reminded of the time Jack Welch, the iconic CEO of GE, worried that his company was beginning to "consist of a bunch of executives in a circle, facing each other, with their 'behinds' facing customers." As a multinational energy company working around the world, we can't afford to not talk and listen to the outside world.

Communications 101: a systematic approach

I wanted to share this simple diagram to illustrate our approach at BP to any tactical communications campaign – a simple step by step approach one that always starts and ends with listening and understanding.



To begin with, it is essential to establish the facts. This, by the way, is not as easy as it sounds. Then we identify stakeholders, try to understand what



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insights they already have, we then develop targeted key messages, and get clear on what actions we need to engage on. And then we engage, all the while learning through listening.

The wheel ensures we are always learning, adapting and improving. Theoretically!

Key communications challenges for business, government and society

I'd like to leave you with some final thoughts about some key communications challenges facing business, government and society.

The first is about the role of values in communications. What do we mean when we talk about values? We all think we have strong values and ethics but you need to live it to prove it. From my own and my colleagues' experience at BP, we've found that you need values not so much when the going is easy, but more importantly when the going gets tough. You need them to help guide you through often complex and sometimes conflicting situations.

I just visited Japan on vacation and was really struck by what I saw and heard there. You will recall the devastating earthquake and tsunami that hit Fukushima Japan in March 2011, taking offline a large part of Japan's power generation capacity practically overnight, including shutting down all the nuclear power plants.

The country was in a dire situation and there were widespread concerns about electricity shortages. The government in Japan asked the people to consume less electricity – and through conservation and energy efficiency, the people listened. They reduced use of air-conditioners, they kept the lights off, escalators were shut off, and appliances were turned on to the most energy efficient settings.

As a result of these efforts, electricity power demand went down by 15% across the country, and even reached 20% in some parts of the country.

Indeed, I can't help but think that values played a role. It is noted that in Japan, children learn early to recognize that they are part of an interdependent society, beginning in the family and later extending to larger groups such as neighbourhood, school, playground, community, and company.

What would happen if the Omani or the UK government would ask its citizens to reduce electricity consumption? Or, for a corporation, what would happen if management asks staff to reduce costs or freeze payrolls during challenging times? Ultimately it comes down to the values and how deeply enshrined and indeed believed they are.

The second is about speed – how quickly you communicate. It has been remarked upon that one of the greatest communications challenges of this decade is the struggle between the time it takes to get correct information, and the speed at which 21st century media (including social media) expects you to have that information. If you are late, too bad, the story will still go out into the global public space of ideas. This makes it easy to spread misinformation and rumours and poses real threats to not only businesses and governments, but to society at large.

I remember listening to an interview with US President Obama recently where he spoke about the Ebola virus outbreak in Africa in 2014 and how important it was for him to keep Americans calm (two thirds of whom were concerned about a widespread Ebola outbreak in the USA according to a poll) – least the consequences multiply. Indeed, it has been remarked upon that the reaction



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to an outbreak can be more harmful than the disease itself and can make it harder for healthcare professionals to focus on those who are most in need of care.

So, having a system in place to rapidly check info and put it out is key. It is unfortunately a common occurrence in companies and governments that they take too long to gather all the facts and the story is out before they can check the data. The consequence is that they are late and the story has jumped from Twitter, to Facebook, to mainstream media before they are ready.

The third is about the importance of how you communicate: the strongest leaders are those who inspire with their actions and speak authentically. Everybody knows when a "note to staff" is written by somebody in the corporate centre or directly by a business leader. Everybody knows when a speech is confronting key challenges head-on or is obfuscating. We should always challenge ourselves to be true to our own voice.

WHATEVER YOU HAVE TO SAY HAS TO BE GUIDED BY:

Your values

You need them not when the going is easy but when the going gets tough

How quickly you say it

Time it takes to get correct information vs the speed at which 21st century/social media expects you to put it out

How you say it

Speaking with authenticity of voice

And lastly... adaptability

My final point therefore is to return to the role of communications in driving diversification.

Some of you in University – or since – may have learned the theory of "creative destruction" which was coined by Joseph Schumpeter. In his opinion, capitalism is a "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one." Basically, that one can never stand still.

To use a British colloquialism, that one can't keep "ploughing the same furrow." Indeed, that seems all the more true today when we see the forces changing around us – note how digitalisation is changing our economies at a rapid pace. The "internet of things." We are seeing the emergence of driverless and electric cars. And how 3D printing will radically alter supply chains in the fast approaching horizon. In our own industry, renewable energies are slowly but steadily growing and making an impact which is a positive development.

So how do we deal with change? How does BP deal with change? The bigger the organisation the harder it is to be lean, to adapt quickly. How does a country like Oman adapt to change? If one listens to the IMF and indeed the words of Oman's leaders, the future will require new private sector jobs not just traditional public sector jobs. The challenges that Oman will face in the coming years is familiar to all nations, organisations, companies and people: the need to evolve, adapt and grow is incessant.

At BP we believe in helping the world have access to affordable, secure energy and this needs to be available to all. We believe in supporting the nations in which we operate and that might include helping to diversify their economies. We understand that with our influence we have a role to act responsibly in everything we do. We don't look to our CEO, Bob Dudley, to tell us what to do in everything we do but use our vision and values to



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guide us in our actions. And to have the humility to know when we get it wrong and learn from our mistakes.

It's been a pleasure to have had the opportunity to speak to you today. Ultimately, communications and external affairs is about doing, not just about talking. It's an art, not a science.

My advice, for what it's worth, is be fast but thoughtful; be authentic; be adaptable; and don't forget your values. But above all, I hope that you have begun to see how you as leaders can play a key role in inspiring and motivating positive change within Oman, within the UK and within your own organisations.

Thank you.