



A CONVERSATION WITH DOUG LAWLER, CEO, CONTINENTAL RESOURCES INTERVIEW TRANSCRIPT

[MATT] Hi, I'm Matt Herzberg from Principled Transformation. Joining me today is Doug Lawler, CEO of Continental Resources. Doug, thanks for joining us on our ongoing conversation about leadership, culture, business results – something I know you're very passionate about.

[DOUG] Thank you, Matt. I'm looking forward to talking with you.

[MATT] Let me just build on that, because why – why are you so passionate about leadership and culture and how that ties to business results?

[DOUG] Yeah, it's a really good question. I think that a lot of people have different opinions about it. To me, though, it basically boils down to this: the two are inextricably linked. The fundamental question of any leader is you have to ask the question, do others want to follow you? And they either do or they don't. And the reasons why can vary.

But if you want to follow someone or you want to follow a cause or follow a purpose, there has to be some reason to believe in it. You have to have some connection to how you can relate, how you can contribute, how you can be successful. And the cultural component is what allows that framework for everyone to understand what's trying to be accomplished and how they individually can impact and make a difference.

And so, leadership and culture, to me, they're two words that are interchangeable, because any successful leader has to have a successful culture that is fostered and grows and is attended to. And any culture has to have a strong leadership that is clear about where we're going and what we're trying to achieve or what is trying to be achieved by the individual or the organization.

[MATT] Doug, I love that concept of followership and how part of leadership is building that followership in the organization. I'm really interested in your role as CEO – what is the CEO's role in creating and sustaining a high-performance organization?

[DOUG] Well, the CEO has to be one of the strongest and most committed to culture and to a culture of improvement. We all know that the tone at the top of an organization can largely impact the success or the downfall of an organization, of a CEO or a leader or a primary leader, and really can cascade through an organization of a small team or a large team. It all is the same thing, Matt, just steps up different levels. And if the group, the followers, the employees,

the team members don't have confidence that the CEO or the leader believes in it, then it'll never get off the ground.

And there will be consequences because of it – and serious consequences. It may come in the form of a business failure. It may come in the form of losing people due to attrition or due to dissatisfaction with the organization. And so, as you think about strategy and you think about culture, you think about leadership; they're all so critically tied together. And it starts with the CEO. If I don't believe in it and I can't stand up and clearly articulate why I believe in it, why I believe that our purpose should be united and why there should be a framework of how we do better together – not how I do well, but how we do better together – how we advance our strategy and our initiatives better together. If I can't articulate that, all of those things will not happen.

[MATT] You know, that tie that you just made between leadership and culture and business results, it's something that as we work with organizations, sometimes you see absolute misalignment in terms of what they're doing with leadership and how that relates to culture and what's really supporting the business strategy. So how do you ensure that the work that's being done with leadership and on the culture really helps you to execute your business strategy?

[DOUG] That's a good question. It's a constant progress or a continuum of progress and effort or work that has to be done to think about the business, the culture, the strategic objectives that you're trying to achieve and how they intertwine and connect. If the leader doesn't have a clear view of where they're going – to articulate a vision and a strategy and a culture that unites everyone – there's going to be confusion, mayhem, disappointment, separate agendas and all the things that just lead to an organization or a group or a team and ultimately the employees and the leader being unsuccessful.

So, you know the way that you have to continue to focus is that it's a constant investment – it's not something that we say, "Okay, well, quarterly we're going to talk about our culture. Do we have a good culture? Do we all feel good about it?" Then we pat each other on the back and say, "Of course we do." – that's not it at all. Actually, that's the first sign of something being ineffective and potentially leading to failure.

It has to be the way you live. And that framework of how we live is what gives people confidence that I'm here for the same reasons you're here, and we're united in what we're trying to advance and what we're trying to accomplish together. If you don't have that constant reinvestment – if a leader doesn't continue to stress the important concepts of culture; the important things that are valuable about the culture – it will erode. And that leads to failure.

[MATT] Yeah. You know, that whole idea of building confidence in the organization, um, how do you, how do you enlist the support of others in the organization? And especially, how do you get your leaders on board with the kind of direction that you want to see in terms of leadership, culture, and where you want the business to go?

[DOUG] Well it's introducing the right concepts, the right values. It's demonstrating a commitment to those values. It's walking the walk and talking the talk, so to speak. If others don't see that I believe it, if they don't see that or they see inconsistencies in my behavior, you know, it'll never happen. It'll never take hold. It'll never firmly establish itself or root itself in an organization.

To me, quite simply, in order for any organization to achieve its full potential, if it relies on a single individual, that can be successful for a period of time. But it won't be successful for the long haul.

Enterprises grow, as Continental has. And you think about Harold Hamm's influence on this company – the culture of the possible, the strength that has come from that, the innovation, the ingenuity, the focus of the employees to do the very best for the company, do the very best for Harold – really, really good things have come from that. And as we've continued to grow an organization now with almost 1,500 employees, that one individual – that one leader – can't constantly touch every single person. And so, if the framework that binds us together, the culture, is not understood, the principles of that culture, the importance of that culture, the priorities of that culture, then you're going to have breaks in the connection of what we're trying to accomplish.

And so, everything we're talking about here is how do you bring a framework together that connects everyone such that, if I'm in another room meeting with another company, if I'm meeting with another group of employees, I'm meeting with regulators, I'm meeting with political representatives, vendors or suppliers or outside parties, competitors, or whatever it may be, you have the confidence to know that the things that I believe in, the things we believe in corporately, that that culture binds us together, you can just about expect what I'm going to say.

And I can just about expect what any of our employees would say because of these commitments, because of the training, and because of the importance of culture and what it means to an organization.

[MATT] Perfect. And I love that whole idea of consistency and building in that repetition and reinforcing those. When I think about the work at Continental that I've observed, it occurs to me that it wasn't so much about a turnaround situation. It was a pretty good, solid organization that you wanted to take to an even higher level. So you started from a pretty good framework and you thought, hey, gosh, can we do even better?

I know in the past that you've worked in some turnaround situations. And I'd be interested in your thoughts about what are some of the similarities when you're comparing those two scenarios and what are some of the differences that you found, especially in your role as CEO?

[DOUG] Yeah, that's a good question. The first way I would respond is I would say it's all the same. And the reason I say that is that whether you're dealing with a successful organization like Continental and what Harold has accomplished here in the past 57 years, or whether it's an organization that's a complete disaster, the importance of the principles and the values that tie the employees together to further improve are what's critical. I love to make the statement – and you've heard me say it a number of times – I had a track coach in high school that told me, not that I was particularly fast, but he told me, you're either getting faster or slower. Every single day, you're either getting faster or slower.

When you equate that to the business world, you're either getting better or you're not. There is no stagnation. There's no such thing as staying stagnant. Stagnant is failure. You're either getting better or you're not. You're either getting faster or slower. So it really doesn't matter to me if it's a successfully run enterprise like Continental that has been tried and true and endured business cycles, where the leadership and the employees have done a great job together, we've still got mountains to climb in front of us. And those mountains are steep, they're challenging, they're difficult. We still have to have a common set of principles that we believe in together, that we trust and have confidence in one another.

In a case where you have an organization where you have a poor culture or you have poor business results or a disaster turnaround situation, in that context, the same thing exists – you're just starting in a different place on the hill, in my mind. Because at the end of the day, that's what we're doing, we're climbing a hill. And that hill is rich with pitfalls, it's rich with obstacles, it's slippery, it's wet, there's weather, there's forces, there's all kinds of different things going against us. These forces act against us to prevent us from doing a job together or doing a successful job together.

And that kind of opens up another thing that I like to talk about, just the concept of noise and friction. And I've referenced it here in Continental. And how I delineate or define the two is that friction is a force that acts against you – we all know that from our physics and our training – it is a real force that acts against your forward progress. We have to deal with those forces that can hurt us moving forward.

Noise is something that we choose to listen to that can potentially turn into friction. And being able to decipher what's noise and what's friction, what is truly a force that's acting against the enterprise, a team, an individual, and what's noise that doesn't really have anything to do with what we're trying to achieve. A culture having a strategy, having leadership that believes that we're going to attack the friction. We're going to dismiss the noise. The culture is what helps you dismiss the noise.

That's the connection. And if you can dismiss the noise, then the formidable forces that are in front of you that are going to truly inhibit your progress can be met collectively together. Not the leader meeting it, not a team meeting it, not an individual in the company meeting it. We'll meet that challenge head-on together.

[MATT] You know, your concept of getting faster or getting slower, when you engage in this type of work, these types of transformation, how fast is it that you expect to see change? Change in leadership, change in results, those types of things.

[DOUG] Well, we all want to see progress and changes faster than anything. It actually manifests or actually comes. And I think that part of leadership maturity is understanding that everybody starts from a different spot.

Everybody has different conceptions. Everyone has different histories, experiences, backgrounds, education – things that firmly and solidly place them where they are. But that challenge, because we all come from different places, really is where the opportunity is. Because in that set of unique experiences and circumstances is where your unique opportunity to contribute exists. So, Matt, if I'm telling you that you need to have the same experiences as me in order for us to be successful, you need to do things like me in order for us to be successful, then I'm missing the fact that you bring something unique and separate from me to add to what I can do.

I love a reference I heard once about the smartest student at MIT. And what's smarter than the smartest person at MIT? What's smarter than that? Well, that's a room full of smart people at MIT. I'd like to think, as any individual, that I make good decisions, and those good decisions are going to result in a good outcome, and it's going to be great for everybody. But if I have your input, I have your ownership, I have your commitment together, we want to accomplish something greater together.

And that really is a tie back that I should have made initially about leadership and culture. It is a commitment to one another that together we can make a better decision. Diversity in thought, diversity in education and experiences. If I want it my way, I'm going to miss out on what unique qualities and experiences you can add for us to make a better decision. We will make a better decision together. An organization, a company, a team will make a better decision together and produce a greater outcome if you believe that others can add value.

[MATT] You know, Doug, earlier you referenced the culture of the possible. And as you were just talking, it occurred to me that you were kind of describing the culture of the possible here at Continental. Tell me, you know, from your perspective, how has the culture of the possible impacted your business results, impacted your business strategy?

[DOUG] Well, I think it's a significant impact. I mean, first and foremost, to say that the stability and strength of Continental is very well known throughout the entire oil and gas industry and very well known within the business community in the United States and the globe.

The business philosophy and Harold's commitment to the culture of the possible has resulted in huge improvements in innovation, technology, the application of horizontal drilling and fracking and the way the company embraced and Harold pushed into pioneering areas with an

exploration spirit to use those technologies to drive value. I mean, it's very, very clear how that has contributed to the company's success in the past. And as we look to the future, encouraging companies, individuals and employees to have that view that anything is possible and that together we can accomplish anything and constantly leaning in. And part of my role is to lean in. Part of any leader's role is to lean in and push.

And, you know, we've laughed in the past and just in our friendship and relationship about, you know, what happens when you have continued initiatives in an organization, initiatives to improve, initiatives to gain some sort of progress. Well, that all comes from having a strong culture. And it's possible because of a strong culture that says we're going to get better. We've got to get better. And so initiatives are going to continue to come. And if you have an organization that says, "We don't have any initiatives" or "We don't have enough initiatives," then you're getting stagnant or you're getting slower and you're going to fall behind.

And our business is one where technology, margins, cash flow, the business cycle that we go through in the energy business, requires that you've got to get better every day because we don't have a business where we make a product that is distinctive. This is a commodity business and that commodity price, we have no control over, none whatsoever. So we take that price. We're a price taker. And when you're a price taker, it can create a lot of foolish investment decisions when times are good, and it can create a lot of stress when times are bad and prices are low. And we have to be ever focused on having a culture that helps us through good times and bad times of the business cycle. I would argue that a strong culture is just as important in a difficult time as it is in the most successful of times.

And training and support throughout those periods is so critically important. And I think sometimes here at Continental, "We have a strong company. We have a successful company. So, why do we need to continue talking about this culture? Why do we need to keep thinking about it?" Because no matter where you are, you've still got a hill in front of you. You've still got to get better every day. You still have to find other ways to get the best out of other people. And if you don't, like I said, you're going to fail.

[MATT] You know, when I'm thinking about all the advice that you just had and the wisdom that you had, for executives who are about to embark on some kind of transformation, whether it's leadership, whether it's culture, whether it's strategy, what advice do you have for them?

[DOUG] Well, I think the first thing I would say is that your success as a leader is completely contingent upon your investment in the culture that you want to try to create. And regardless of what hill you're trying to climb or what business you're involved with, if you don't recognize the need for those around you to understand a framework that binds you all together to advance the best interest or to advance the strategy of the company, you're going to have a lot of noise that turns into friction and prohibits you from accomplishing the things you've set out to do.

It's important to note, though, too, that inherent in a strong culture is not viewing people as tools to help you accomplish something. That's not what culture is. Let's have a common language so you can help me accomplish what I want. That's not culture. Culture is that you know for a fact that I value you as a person. I value you for your experiences and your background. And I value and believe that we can do something better because of that. And that my agenda, while you can have the greatest confidence in what you want to try to achieve, your effort, your success, the group and team success is going to be greater by the common recognition and ownership of others' qualities and what other value that others can provide and add.

[MATT] You know, your reference to noise and friction and how the culture before, I think you alluded to the fact of some of these principles that operate in the culture to really reduce that noise.

You know, one of the reasons we're called Principled Transformation is because we truly believe there are certain principles at operation in the world that if you're in alignment with those principles, things tend to go a little easier. And when you're not aligned with those, they tend to seem a little harder. And that's especially true in leadership and cultural circumstances.

What are some of those principles, Doug, that you've found have really made a difference for you as a leader and for the culture and the organization itself?

[DOUG] To me, the transformation from an individual mindset to a strategic, team mindset and a successful endeavor or successful strategy or business plan together comes from an evolution of these concepts. And at the end of the day, it all starts with you. It all starts with you. And if you think about any sport, you think about any subject, any class you've ever taken, any relationship you've ever been involved with, whether it be your spouse, your children, friendship, other family relationships, it all starts with saying, "Can I make something better, and is it worth my investment to try to make it better?" And that concept is captured in focus. It starts with me and what I'm going to focus on.

And what builds off of that to me is to say, "Well, I'm empowered in this organization to say I can do something about it". I'm empowered to say, "I can make a difference."

I'm empowered and expected to a certain extent to work towards making a difference. And through that empowerment, you begin to realize, okay, well, I'm a part of an organization and there are others in this organization that we're trying to achieve similar goals, similar things, and they might have a different work style than me. They might have a different reality, a separate reality. They may see something different in me.

Well, that's a really, really important step because you're taking concepts that are internal, focused, and then you have to mature and graduate to those that are external and involve the relationship with others. And recognizing that you work differently than me. You have different experiences from me that lead you to act or work in that particular fashion or way. You have a

work style that is a derivative or byproduct of those experiences. Well, then, I have to recognize that. I say, "Okay, well, Matt doesn't see things exactly like me." And then, in order for us to accomplish anything or to have a strong culture for us to accomplish the most we can together, we have to assume that together we're going to accomplish something greater than I would on my own, I have to collaborate with you. And that collaboration then says, "Okay, well, together we're going to figure out what's noise and what's friction, and what we're really going to focus on." And we're going to attack, we're going to collaborate on how to accomplish this together. I'll come at it one way, you'll come at it another. We'll figure it out together. I believe that. I trust that.

And then really, from there, the next one that I think is quite valuable is that whether you're in an actual leadership role or not, the concept of reflections of leadership is really reflections of your actions. And what are the actions that I took? What are the actions and the steps that I made to try to result? It's kind of like the crowning piece of what I could have done better. So it's kind of like you're saying, "Okay, I'm focusing on something because I want to get better. I want to do better. I want to contribute more. I want to be a part of something great. It's a great company, man. I want to be a part of a great company." It's fun to work for a great company. It's doing cool things, innovation, technology, exploration. We bring energy to the world. It's a cool thing, super cool thing.

Well, there's certain things I'm empowered and entrusted to do certain things here to help do that. But in order for us to be successful together – for 1,500 people to do the best – we've got to recognize we do things a little differently. We think about it a little differently. We have to try to figure out a way to collaborate to drive for the best results. Despite the friction forces that act against us, despite all the problems, it's like we've got to see through it together.

And then, once you get done, kind of that final step or the crowning part of the maturity of the process is saying, "Well, how could I have done it better?" You know, I think back on, well, could I have done this better? Could I have entered my relationships or my interpersonal interaction with someone? Could I have done a better job with that? Or could I provide some feedback to that person? Or maybe I need some feedback. I mean, you tell me, Matt, "Hey, you did a good job with that. You didn't do a good job with that." You need to be mature enough to take the feedback that we're trying to do something better together – trying to get faster, trying to get better.

And you know, I've made the reference that you've heard me describe before about the first ascent of the Matterhorn in 1865 by a guy named Wimper. And there's just some really, really remarkable cultural connections to the story of what they call the end of the golden age of alpine climbing, because the Matterhorn was one of the last peaks to be summited around the globe, and that was in 1865. Not the last, but one of the last.

And a group of seven climbed up the Matterhorn, and they had a common goal. They're going to climb this incredibly challenging mountain in Switzerland, and it's steep, it's cold, it's windy, it's snowing. It's July when they did it. It's still snowing. There's an incredible amount of friction

acting against them. And as they're making the ascent, they also had an Italian team that was competitively trying to climb it at the exact same time. So you've got competition. We've got competition. Why do we have to get better? Because the competition demands it. The competition's getting better every single day.

And the story with Matterhorn is really good in that these seven climbers, led by this guy, Wimper, were exploring, they were thinking about new ideas, a new approach, and tried a way up the mountain that hadn't been done before. And multiple attempts to ascend the mountain had been made and all resulted in failure. Well, while they're climbing, as they're in several areas, they had to connect with ropes, as we've all seen pictures and heard about, because you tether to one another for safety and for protection in the event something unimaginable happens.

Well, sometimes you need a rope, sometimes you don't. Sometimes you may feel like you need a culture and sometimes you may feel like you don't. But the fact is, they had the rope. So, when things were good, they had the rope. And as they climbed, they actually connected by the rope in the ascent a few times and used the rope to get to the top and were successful in doing that.

And when they got to the top and they had this rope, which I'm going to call our culture, tying them together, they got to the top and were successful in their exploration efforts, ascended the Matterhorn and they looked down 200 meters below them and saw the Italian team, which then turned around and went back because they were unsuccessful in summiting the peak first.

So, they're happy. They're excited. They had a great experience, one that goes down the history books. And then they turn to go down. And now the way down is as you're leaning in and climbing up, and whether you're connected with a rope or not, your center of gravity is going forward. You start going down, there's ice and conditions that are difficult, and you have people that have different climbing experience, you have people have different strengths and have different loads or carrying different amounts of weight and all the differences that we're talking about that come along with every employee, Everyone's different, so what ties you together? It's that rope. It's that culture.

The lead guy starts to go down the hill. He's an experienced climber. The second guy, not so much. The lead guy is turning and helping the second guy navigate down the mountain. But he's having difficulty. In any organization, any team, you've got some strong players and you've got some weak players. The rope ties you together. You're in it together. You're either getting faster or you're slower, you're getting better together or you're not. And we've got to collaborate and figure out a way to be successful. That rope's what ties you together.

The second guy slips and hits the first guy. They start to fall. Despite his strength, the lead dog, despite his strength, could not overcome the force of that guy behind him hitting him. They start to fall. The rope was planned for and incredibly strong, and it connected to the third and the fourth guy. And as those two fell, the tension increased in the rope, popped the third guy, and he

fell. The fourth guy sees what's happening, desperately trying to hang on to any rocks he can, but the force of three adult male climbers falling is too much. Too much. What happens? The rope catches him as well. Boom, pops him off. Now you've got four guys falling down the mountain and the other three up behind him.

Unbeknownst to the team as they got up there, they didn't have rope to connect them all and did not secure the rope to the rocks as they started down. Well, they connected two ropes together, Matt. One of them was stronger than the other. The strongest one was the one connecting the four that fell. But that strong rope still wasn't anchored properly in the organization or in their team or in their plan or in their objective. So, the other guys as they're further up and they have more time to react, they started wrapping the rope around rocks to try to get some additional support so that when it became taut, when the tension hit its maximum point, that it would stop and not just pluck them off the hill.

So they wrap it around the rocks. And when they do that, though, they've got a little connection point between a strong rope and a weak rope. Boom. The rope snaps. Four guys fall 3,000 meters to their death. Three climbers walk down mourning what happened. Investigation. There were some accusations and allegations that those three that survived didn't do things properly, all of which were dropped ultimately. But the fact is, the rope wasn't continuous. It wasn't anchored the right way. It wasn't used properly.

And, you know, you and I may have a great relationship, and that's only one rope. And if there's something not connecting you and me to something else, then when the friction comes, when the forces come that act against us, whether internal, external, whatever they may be, we don't stand a chance. And I just love that story because I think it's a great cultural example. I may write a book about it someday.

[MATT] Well, and what I really appreciate about that story, Doug, is what occurred to me as you were telling it and how often we see this in organizations where they reach the summit. So you made the goal and everyone's feeling good about it, but you forget that the work's not over. You got to get back down the mountain safely. And it's just important. I mean, in fact, the goal is actually to get up and to get back down safely. And sometimes we forget about that.

So I've heard people say, "Well, we worked on the culture last year, or we've already done that." And just to have that realization that the work is never done. And it's only as strong as whatever the weakest point is. And you have to find that weakest point and think about, "Well, what can we do to reinforce that so that we can actually reach our ultimate goal?"

[DOUG] Yeah, that's right. And further, there's always another summit. There's always another peak that we're trying to climb, an objective we're trying to achieve that seemingly is impossible that nobody else has done before. The only way you're going to be successful in it is having a culture and a collective ownership that we can do it better together.

[MATT] Doug, I just want to thank you for your time today. I appreciate you sharing your wisdom, sharing your experience with us. And we, from our perspective, have enjoyed working with you, working with your leadership team, and just witnessing the incredible things that you guys have done. So thank you for your time.

[DOUG] I appreciate it, Matt. You guys have done a great job for us facilitating and leading these discussions. And I think it's been extremely beneficial at Continental. And I think that you've helped supply the information in a great, strong framework for us to continue to develop our culture, and I believe great things are going to come from it.

[MATT] Thank you, sir.

[DOUG] Yeah, thanks.