

Executive talent strategies in a low commodity price environment

The current low commodity price environment brings both talent challenges and opportunities for energy companies. It is critical to view talent strategy as not only a way to address current industry conditions but also as a way to plan for the future.

We observe companies reacting to the current low price environment in the following ways:

1 Increased focus on operations and efficiency

Hiring operational executives with a cost-cutting and efficiency mindset has been key. We have also witnessed an increased demand for operational leaders and supply chain talent.

2 Continued need for boards to focus on effectiveness

As boards face more pressure to be effective in an attempt to minimize risk and future-proof the business, we see increased demand for board evaluations for effectiveness and composition.

3 Activity shift to downstream

Higher profitability of the downstream value chain has shifted activity, thereby creating demand for incremental hiring, especially in functional roles (HR, technology/IT, finance).

4 Emphasis on new channels of growth through capital reallocation

The need for redefined strategies and asset reallocation has put more emphasis on the business development function and related talent.

As companies work to address leadership challenges, the combination of demographic challenges and changing operating structures is limiting the pool of exceptional leaders:

- The lack of hiring in the 1980s down cycle has led to a limited pool of leadership successors.
- The entry of millennials in the industry workforce requires energy companies to continue shaping the career path of next-generation leaders.
- Many senior executives lack the experience leading through downsizing and radical transformation.



- The decentralized operating structure of the typical unconventional E&P company has created a new breed of leaders with a fundamentally different approach to management and a new set of competencies.
- While some major companies have moved to test “hybrid” organizational models, they may need to recognize that top executives most likely lack the right experience to lead an unconventional business competitively.

Our research points to a change in required leadership competencies

Our analysis of energy executives’ psychometric assessments showed significant differences in the attributes of leaders hired in 2015 compared with those hired during the growth years (2010-2014). Combining this finding with our experience in the market, we see significantly higher levels of the following leadership characteristics and skill sets that are in demand for future energy leaders:

- Capacity to manage ambiguity
- Hands-on orientation
- Financial acumen
- Strong independent thinking skills
- Calculated risk taking
- Disciplined capital allocation skills

Moving forward, companies will need to:

Redesign required competency models for hiring purposes

Companies should first ensure that their leaders’ profiles include the competencies mentioned above (e.g., capacity to manage ambiguity, hands-on orientation) and use the organization’s competency model as the basis for leadership development and also hiring decisions.

Have a third party evaluate the board to ensure that it is effective

Take this time to review board composition, accelerate retirements where necessary, and onboard new members who can bring fresh perspective on the industry and an eye for strategic talent.

Use this moment for leadership development—especially among your high-potentials

The downturn presents senior talent with the opportunity to hone skills that were not highly utilized during periods of rapid expansion, while the next generation of leaders gain valuable experience for future downturns. Make this developmental focus explicit and take the opportunity to identify and develop emerging high-potential leaders by engaging them on the most critical projects; e.g., restructuring.

Take stock of finance talent

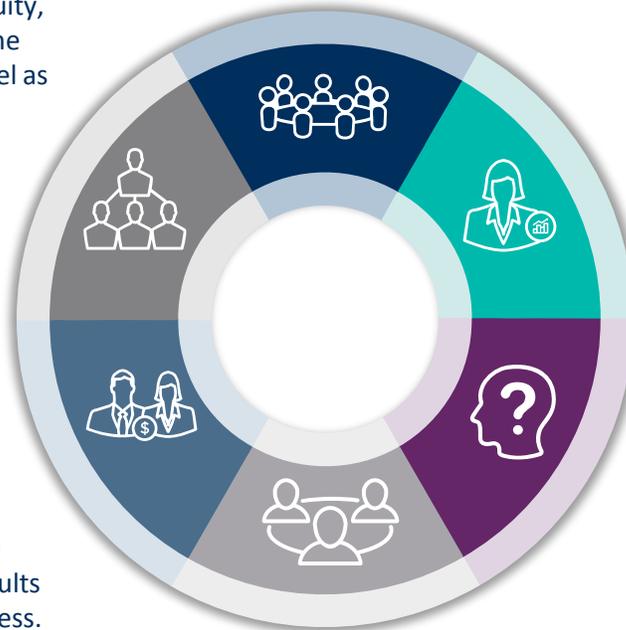
In a downturn, executives with the ability to model growth scenarios while managing risk to improve the predictability of results are essential to companies’ success. CFOs with skills to transform the business model—even those from outside the sector—will also be in demand.

Downsize smartly

Learn from hiring freezes in prior downturns; continue looking for exceptional talent and create opportunities to maintain a pipeline of future leaders.

Focus on organizational culture

With M&A and restructuring deals more likely in the future, conduct the same level of due diligence on the management team and organization culture as you would on your asset base and balance sheet.



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