



# A Scarce Resource

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**The lack of availability of required skills and experience in most if not all parts of the oil and gas value chain is well documented. So, rather than trying to make the case, we will summarize the challenge thus: the industry in all parts of the world can't find the capability it needs to safely get its work done in the timeframes it would like.**

However or wherever the situation is measured, the consequence is that in days when the oil price might suggest that the industry has "never had it so good", many companies are falling seriously short of stakeholder expectations with projects of all types not being completed as planned or failing to deliver anticipated returns.

Close to home we see producers consistently missing quarterly production targets and a seemingly constant downgrading of forecasts and year-on-year plans. This leads to a constant stream of bad news and criticism in the media, greater stress through all levels of management and an inevitable "knee jerk" reaction toward a more short term focus.

And of course this picture is also true in mature areas such as the US as well as developing regions where doubts around companies' ability to deliver against plans may lead to their losing regional growth opportunities all together.

The problem with addressing these issues is of course that there is no "quick fix" — "we should have been addressing this 10 years ago" being the common consensus. Hindsight is useful like that.

Oil and gas businesses, particularly those in the UK and US, are suffering from the same broad issue that is impacting many industries from construction and other heavy industries through to areas like the health service

and education, but it is has also suffered at its own hand through letting go large numbers of people in response to \$10 - \$12 oil. Because of this de-skilling process, the industry now at best has to buy back its own talent at higher rates, and at worst has lost this talent for good to other industries in need of similar skills and experience.

While this is undoubtedly a painful experience, it will hopefully serve as a lesson on the dangers of a short term response to such strategic and long term challenges. We have already seen the pressure caused by scarce resource, and the operational "dropped balls" that may at least in part be a consequence, and are producing clear evidence of a reflexive and extreme focus on short term performance. This heaps pressure on short term delivery without necessarily providing any further or better support, and quickly transforms longer term priorities into "nice-to-dos". Critically, and as we shall discuss later, the way in which this short term pressure is applied has a rapid, significant and negative impact on what people think of the jobs they have.

Among the most common themes of this short term response is a focus on cost. This is interesting and perhaps informative as to the real challenge of all of this. Despite the scrutiny that oil and gas companies are under, it is difficult to really understand their being under cost pressure. Certainly shareholders should and will expect an appropriate return on their investment and will move their capital eventually if their expectations aren't met, but this can't mean that oil and gas companies are typically short

of cash. Indeed some oil and gas majors manage to pull off the neat trick of being simultaneously lambasted on the one hand for their poor performance and on the other for the “obscene” levels of profit they achieve.

One possibility is that a sudden and dramatic focus on costs provides the opportunity for management to be seen to be doing something positive and leader-like to benefit the business and its owners, when in truth, cost reduction is an easy intervention to make that can be seen as offering a Pyrrhic victory at best. The real issue is about value for money and the challenge is “how do we deliver more” not “how do we spend less”, and short term cost savings run the risk of undermining the longer term capability building initiatives that could provide the root-cause solution to the challenge, and distract from the point that we just aren’t very good at improving the organizations we lead and manage. This is clearly the case for how we improve our ability to attract, develop and retain the capability we need to be successful.

So the industry faces a strategic and difficult challenge. That’s the bad news. The good news though is that the industry has a proud track record of meeting difficult challenges and maybe there are clues to be had in successes already achieved.

## Process Integrity

More than ever before, oil and gas companies understand that maintenance of equipment and process safety are critical. Major investments are underway to repair or replace pipelines and other infrastructure, and focusing on driving innovation and process excellence in these key processes. Similarly companies need to overhaul their recruitment pipeline and overall talent management processes. The cost of bringing in a new geologist out of university may have gone up considerably.

However, the opportunity costs of losing that person after two years are even higher. Companies need to prevent “leakage” in their talent pipeline by creating robust talent management systems that engage managers and individuals in a transparent development process and provide for effective deployment based on business and development needs. Key to this is making sure that talent management is understood and worked on as a business issue rather than just being an HR issue – a key responsibility and performance objective of senior line management. To achieve this companies

need to take a more balanced approach to their business scorecard understanding that building talent is consistent with getting today’s job done in the same way that maintenance excellence has to be consistent with optimizing throughput.

## Long-term Deepwater Plays

Companies are going deeper and deeper into the Gulf of Mexico, and into more complex and challenging areas of the North Sea and other parts of the world, with significant and risky investments that offer less certain long term payback. As we have already suggested the talent challenge facing oil and gas companies cannot be solved in the short term or with short term thinking and they will need to dig deep into the communities of which they are part and in particular into the education system to promote maths and sciences and develop the next cadre of geologists and engineers.

Companies also need to enhance their partnerships with universities for research, scholarships and internships. None of this will provide a short-term benefit, but it can provide a return in the next 5-10 years - about the same timeframe for the development of a green field LNG plant or deepwater development.

## Innovation

Companies have used technology and process innovation to find new ways of taking advantage of new deepwater reserves and older, complex resources. Similarly there are opportunities for companies to find innovative ways to tap into existing and new people resources, to find those areas still untapped. For example, technology can play a big role in terms of streamlining and reducing the complexity of our operations to help our key human resources to focus their efforts on where they can add the most value, and can provide the means for easier communication and knowledge capture to facilitate better teamwork. Also, there are opportunities for companies to be more creative in restructuring how they work, using shared services for example to maximise core talent.

Given the opportunities presented by high oil prices and the need to mitigate risks of more technically challenging and expensive plays, companies have found numerous ways to accelerate project implementation technical development, shaving critical months and years off major projects. Similarly, and critically, compa-

nies need to take the same opportunity, and the same stretching challenges to accelerate the development of people. Lest the \$70 barrel makes people complacent and change less urgent, now is the time to push business fundamentals very hard (process improvement, business performance management, people management, reliability, etc). The choices you make now will shape and role model the culture you want for the next 10 years, and it will be much harder to change it in the future.

## International Developments

Companies are becoming increasingly dependent on investments in emerging markets to satisfy stakeholder requirements for growth. Similarly, the oil and gas worker is becoming increasingly international. For example the Society of Petroleum Engineers' non-U.S. membership has grown from 15.5% during 1960–75 to approximately 45% today, and 77% of its student members are from outside of the US. This trend will continue into the future for certain: at Beijing University there are 1,500 students in petroleum engineering, geology and geophysics and overall China will produce approximately 500,000 "energy" graduates between now and 2010.

Talent in emerging economies should no longer be a stranded reserve, but a rich stream of critical resource waiting to be tapped. But while the latest UKCS Workforce Demographics Report by Oil & Gas UK<sup>1</sup> contains some good news from an age profile perspective, it also suggests that our skills base in the North Sea at least is unrepresentative of most of the oil and gas producing regions of the world. Companies may need to consider making strategic investments in emerging markets, not just for oil and gas reserves, but for people.

## Policy

The industry has done a lot to shape economic and social policy that impacts the exploitation of oil and gas. Linked to the above points and necessarily if the industry is to fully benefit from the talent that could be available to it, it must address both the internal and external policy structures to do with its people. Internally, for example, companies must address their own policy issues related to the need for flexible work hours, pension schemes and benefits that would help attract and retain the best people. Externally, the industry must address such policy issues as work visas, immigration, health policy and education policy to remove barriers to

growth. Companies need to be bold in eliminating policy and structural barriers and transition to more creative, flexible relationships with work.

In particular, companies need to challenge themselves as to whether they are really taking seriously the differences in expectations towards work of their older constituents, who tend to be setting policy, and younger workers who we are trying to attract, nurture and develop into our future leaders. Creating a culture of the future is, sometimes unfortunately, the challenge of the leaders of today.

## Re-branding

The oil and gas industry has been around for more than 150 years, in which time the world has changed a great deal. In the particular arena of what the world expects of its energy companies, most of that change has happened just in the last 5-10 years as a result of shifting societal perceptions about climate change, renewable energy and environmental issues. And energy companies have responded well, meeting this challenge head on and making the significant investments necessary to reposition themselves to be in step with popular opinion in a way in which most sober observers would agree goes beyond being a mere veneer.

But oil and gas companies need to take this re-branding initiative even further in the people arena to renew the industry's image and the culture of the organizations that comprise it. There is a great opportunity to build attraction through vision, values and ways of working. Here, companies have an opportunity to articulate their understanding that people are looking for more than just a paycheck when they go to work every day. They are seeking an opportunity to learn and stretch, and ultimately find real meaning in what they do and how they spend their time. The industry and companies need to transform and connect to workers as part of that journey.

Companies will need to think about vision, values, culture, work processes and development opportunities that define employees' relationship with work. In order to retain and attract the best talent, companies will need to redefine their prospective employment "offering" to be relevant across generations and cultures. People are looking for more ways to engage in these concepts and truly be a meaningful part of the work they provide and the society in which that work is delivered. As one

industry OD professional put it succinctly: "Money may get them in the door, but it won't keep them."

This last point gets to the heart of the matter. The options that precede it are worthy and necessary and being taken up by many oil and gas companies in many parts of the world. But in some ways they are ancillary to the main question that companies need to answer: how do we make our business the most attractive place for talented people to want to build their careers?

The key to how we go about answering this question depends first on how we regard the people that work for us. Long gone (hopefully) are the days when companies regarded employees as units of production. Today we need to see our workforces as the key lever of success, and recognise that they demand much more from their jobs than mere income. The worker of today knows that their skills and energy are in short supply and their jobs must fulfill a subtle and fundamental basket of needs of which money, at least in the short term, lacks importance. Peter Senge suggests that the modern company should consider its workers not as employees but as volunteers because they choose to invest their time in the organizations in which they work. In the context of the global marketplace for talent in the oil and gas business, we believe we should regard them as customers.

Holding on to that idea, consider this analogy. Imagine we are manufacturing motor cars. In this case, instead of attracting talent we are seeking to attract and keep customers and grow our market share. In this analogy, the options and responses we have discussed so far (and other responses and initiatives not mentioned that tend to be activities envisaged and executed by our HR functions) can be seen to be comparable to activities in our automotive value chain such as marketing, advertising, operating dealership, financing, service and repair etc. These are valuable activities that identify likely customers and their needs, engage them and inform them about our products features and benefits,

allows them to experience our product, manages information about our customers so that we can maintain and build our relationship with them and provides them with services that help them when they have problems with our product and so enhances their overall customer experience.

These activities are all critical to a motor manufacturer.

But the point of the analogy is that alone they will not grow or defend your market share if ultimately your car isn't good enough. No matter how sexy your marketing or efficient your after-sales, you will eventually lose your customer base if your car is not as stylish, sporty, economical, practical or safe as that of your competitor. The key to growing your market share as a car manufacturer is your customers' ownership experience and the key to attracting and retaining the best talent is the core of the work experience you offer.

So how do we define a work experience that meets the needs of the demanding young talent we are looking to attract and retain, and more importantly, what can we do to create such an environment? We believe that like our car purchaser, the talent we are after is not looking for just one thing – not just pay, not just promotion prospects etc, but a balance of a number of factors coming together in one place over a period of time. This experience is called *Meaningful Work*.

This label has been chosen carefully, conscious of the risks of labeling anything because of the differences of understanding that people necessarily put on all language, and in particular being wary of the nervousness that many leaders and managers still feel when trading in softer, people-related concepts in the workplace, but believing that it accurately reflects what people want from their careers. The idea of Meaningful Work has a strong link back to the upper tiers of Maslow's Hierarchy of Needs model but is also reflected in more recent thinking in the post-Enron world of business ethics and in the work of people like Greenberg and Baker<sup>ii iii</sup>.

But this isn't a fluffy "New Age" idea. It's part of a school of thinking which, though not new, is gathering new authority as the world becomes smaller and more technically and technologically capable. In the May 2007 edition of the Harvard Business Review, Teresa Amabile and Steven Kramer describe their research into the work lives of 238 professionals and show how their job performance can be directly correlated to how they are feeling about their jobs on that day<sup>iv</sup>, and the March edition of the same publication cited research that demonstrated the measured improvements in sales growth and accident rates as a result of clear business benefits of human capital investments including communications, employee engagement, teamwork and learning<sup>v</sup>, the relevance of which will become clear over the next few pages. In short, creating Meaningful Work for employees has real business value.

## Meaningful Work can be defined as having four components:

### Purpose

History is littered with examples of how people will do extraordinary things when they believe their cause is right and the same is also true of work. In order for people to commit themselves fully to any job, they have to be able to create some sort of emotional connection to what it represents or seeks to achieve. This is best provided by defining a clear purpose in the role that you can identify with. Put simply, people will work harder for longer at a task or job that they feel proud of being associated with.

The power of purpose is easier to see in some jobs more than others. Charity work is an obvious example, and it is not a difficult leap to expect to find passionate, committed employees curing cancer and solving world hunger. But the same is true of other jobs. Workers at Toyota take pride in being the world's most successful car company. At Walkers factory in Leicester they really do believe their potato crisps are the highest quality available, and the station manager at a small, suburban railway station tends to flowers on the platform and puts out magazines and jig-saws for his customers because he believes that it improves the quality of their daily commute, not because he has been told to.

What sense of purpose exists for people in oil and gas companies? Is it the scale and complexity of the engineering challenges? Is it being at the forefront of solving the growing challenge of meeting the world's energy needs? Is it being part of helping a developing nation move forwards? Is it just being the best of the biggest?

Whatever it is, it exists or should exist. Individuals chose the company they joined. Possibly pay was part of the equation but usually there was more to it than that. What we often find in large energy companies is that people will tell the story of how it was once exciting but is now an increasing struggle. Where they once talked of vision and stretching goals, they now talk about complexity and politics, frustrated ambition and lack of resources.

But our experience is that the fire can be rekindled and that with the right leadership interventions, workforces can be re-energized. Leaders need to learn the skills of

engaging their people in building visions of the future that they can emotionally connect with; giving them the sense of purpose that will help them double their efforts again.

### Community

Some people are natural loners but they are the exception. Since our earliest days mankind has gathered together in tribes in order to thrive. Now we often define ourselves by the company we keep, and being part of something is the reward in itself. People will want to stay in a place where they feel they belong.

It is easy to see how this manifests in the world of work: in the enjoyment that many people find of working in small companies, or in the rivalry of the interdepartmental football match, and while being a small company is somewhat difficult for oil and gas companies at least by any common understanding of the word "small", we can and should seek to take advantage of these tribal instincts to create powerful and creative communities.

This raises questions and challenges. How clearly do we define teams and their goals? Do we make interventions that help build strong teams or do we focus solely on task at the expense of team dynamics; and are we aware of the norms and rituals that define the "tribes" of our business and encourage them as things that can be of benefit to creating places where our talented people can thrive?

This last point is of particular relevance to the oil and gas industry which despite being among the most global of industries, often seems to regard local characteristics and variation as being the enemy of global efficiency, knowledge transfer and ultimately, the *raison d'être* of the multi-national energy company.

### Growth

The need for personal development may sound like a very late 20th century need and a product of the aspiring 1980s. But the need to learn is much more deep rooted. From birth it is what we do. As babies when we try and work out how to get the cup to our lips we are at the beginning of our learning journey. Using our unique ability to combine conceptual with experiential learning, we spend our entire lives learning to do new and ever more complex things. Learning is therefore what we are genetically programmed to do and it is why we find learning so necessary and so fulfilling, and why we get so demotivated and so stripped of energy when

we are bored or frustrated. People will be inclined to want to stay in environments in which they feel they are growing.

The oil and gas industry is an environment which is highly content rich. It is full of very educated and very qualified people. It values knowledge very highly. But there is evidence which suggests that the industry still could do much better in some skill areas and in understanding and encouraging the process by which people learn. A lack of success at least to some degree around creating high performing and sustainable local energy businesses in developing countries, and the apparent inability to get good at transferring best practice from one part of the world to another provide prima facie evidence. Similarly, the year-on-year missed production targets by some companies must suggest that some lessons aren't being learnt somewhere, as lack of resources can't be blamed for everything.

## Success

The final Meaningful Work component might seem obvious — after all, how can failure be meaningful? But it is instructive to look at the exact role played by success, in making work meaningful. Success is the reward for our endeavours, but not in a monetary sense. People need success for its own sake. This is readily observable when working with people and teams in all areas of life: schoolchildren problem-solving in class, Sunday morning pub football teams, and project teams in any work environment are all highly motivated and energized by succeeding; the effect is a physiological one. For certain, monetary reward in the workplace is important; the way rewards are structured is one of a number of ways in which behaviors are channeled towards achieving the organization's goals.

And it is certainly the case that, if over time the monetary reward that people feel their success has earned them doesn't materialise, they will quickly start to question the values of the organization and become demotivated. But the important thing is that in the short to medium term it is the fact that they are moving forward, achieving things and being successful, that excites and motivates people and makes them want to stay in the places where they feel this experience can be continued.

Clearly the "amount" of success that people need to achieve will vary by situation and some goals are more

difficult to achieve than other. However, even those people who have dedicated themselves to solving world hunger have to enjoy a "win" every now and then, even if removing hunger completely from the world is not achievable.

This presents a problem in large, complex organizations like oil and gas companies because, while some goals can be defined at an individual or team level, the material success of the business depends on the organization's ability to effectively integrate the effort of large numbers of teams. This means that to help our people feel successful, leaders and managers need to have strong skills in continuously improving their business, since standing still is rarely good enough. The recent delivery performance of some companies discussed at the start of this paper suggests that these skills need to be strengthened.

Oil and gas companies need to create the opportunity for their people to enjoy Meaningful Work by proactively and skillfully intervening to create purpose, community, growth and success. This will create businesses and therefore an industry where people want to build their careers.

And making these investments will also have two other important benefits. First, as a golden rule of marketing would inform us on the subject of maximizing market share, your best marketing dollar is always spent on your existing customers. So by investing in creating Meaningful Work for your current employees, you start to build the "employment brand" that becomes known and attractive in the talent marketplace. Second, the investments we are talking about are also key to building the capability of the people in the business, not just securing the number of heads available, and this is ultimately, the objective.

Creating a Meaningful Work environment is therefore the long term requirement to address the industry's future capability needs. It is not a quick fix but possibly the only permanent one. But before we embark on it, we need to recognise one further challenge. Creating a sense of purpose for people often means creating a vision of the future that is different and better than what exists now. Communities come together most strongly around achieving something worthwhile. People can't attain personal growth through achieving only what they achieved today; they need the stretch of having to achieve more. And people can enjoy the reward of

success only if the businesses they are part of can be seen to have accomplished measurably more.

The common theme is that all these circumstances have the pre-requisite of setting teams the challenge of making change happen to achieve more. To use a fitness analogy, if what we are doing is trying to

increase our organizational muscle, we have to lift more weight and so we have to start by putting more weight on the bar. So the answer for an industry that sees its challenge as not having enough capability to do what is on its plate already, could well lie in setting itself more ambitious targets.

<sup>i</sup> Oil & Gas UK: "2006 UKCS Workforce Demographics Report" published online (April 2007)

<sup>ii</sup> Baker, Dan and Greenberg, Cathy et al: "What Happy Companies Know - How the New Science of Happiness Can Change Your Company for the Better", Pearson Education Inc/Prentice Hall, NJ (2006)

<sup>iii</sup> Baker, Dan and Stauth, Cameron: "What Happy People Know – How the New Science of Happiness Can Change Your Life for the Better", Rodale, NY (2004)

<sup>iv</sup> Amabile, Teresa M. and Kramer, Steven J: "Inner Work Life – Understanding the Subtext of Business Performance", Harvard Business Review (May 2007), 72

<sup>v</sup> Bassi, Laurie and McMurrer, Daniel: "Maximizing Your Return on People", Harvard Business Review (March 2007), 115

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