

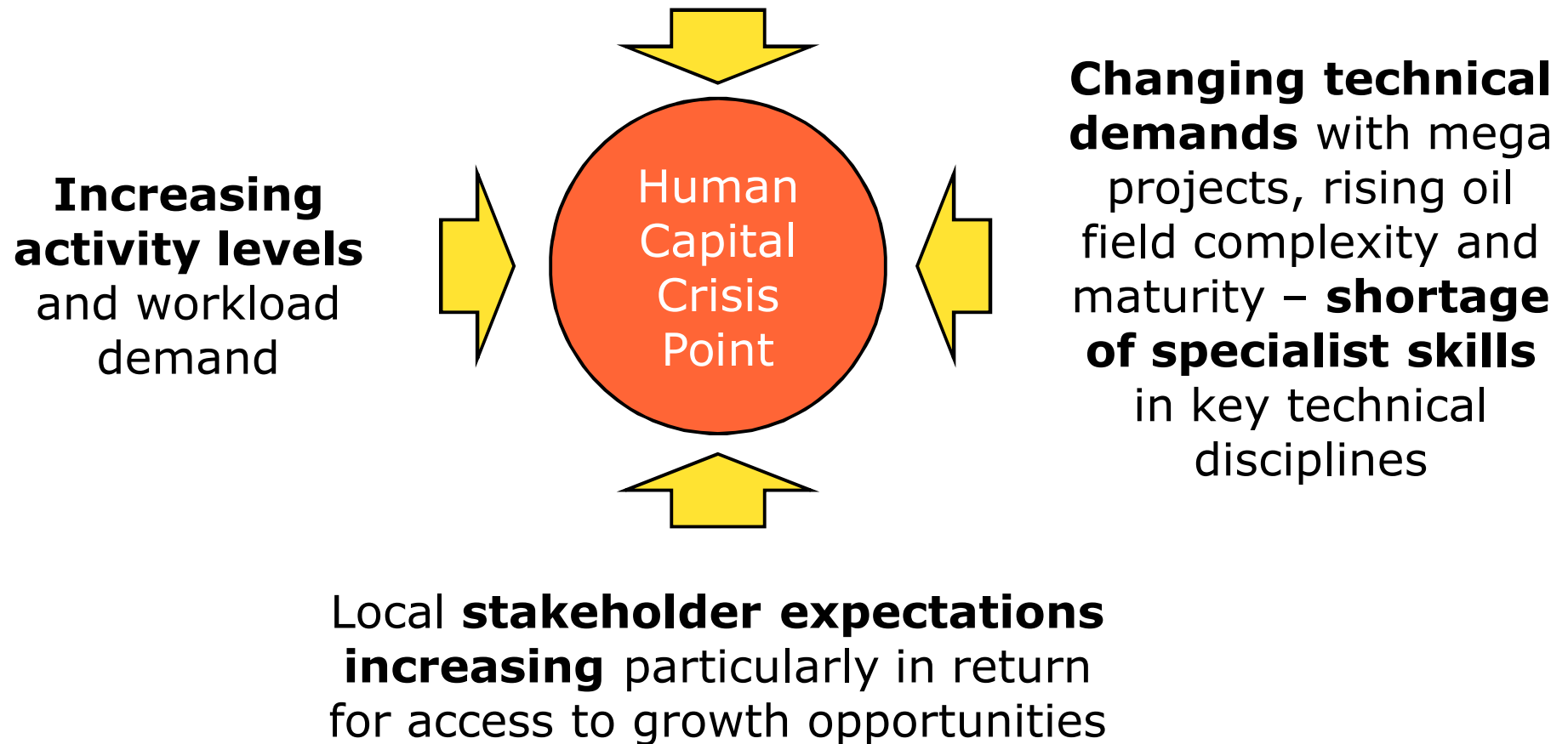
BAIN & COMPANY

Building Human Capital in Oil & Gas

Bain's Point of view

Oil & Gas industry at a crisis point?

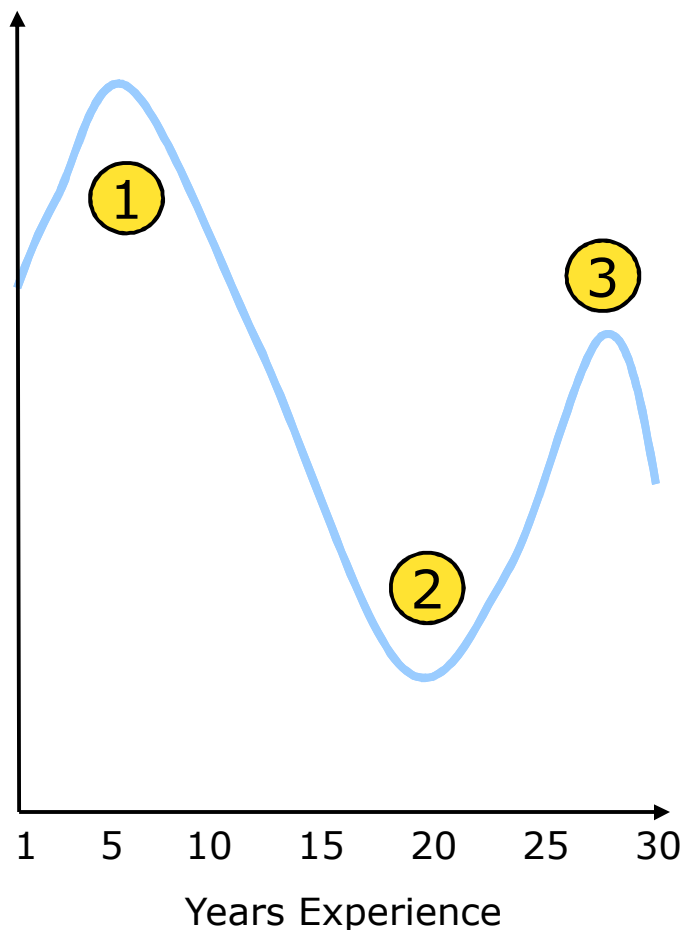
Ageing workforce – **The Big Crew Change**



The three ages of the workforce for a typical NOC

Staff years of experience

Staff Headcount



- ① Many **young nationals**, entering the workforce but short of experience
- ② A **shortage** of 10-20 year experienced staff
- ③ Reasonable amount of **mature professionals** (expatriate and nationals with 20 years plus experience) but possibly **up to 50%** retire in next 5-7 years – **The Big Crew Change**

Developing human capital – a strategic issue for the oil and gas industry

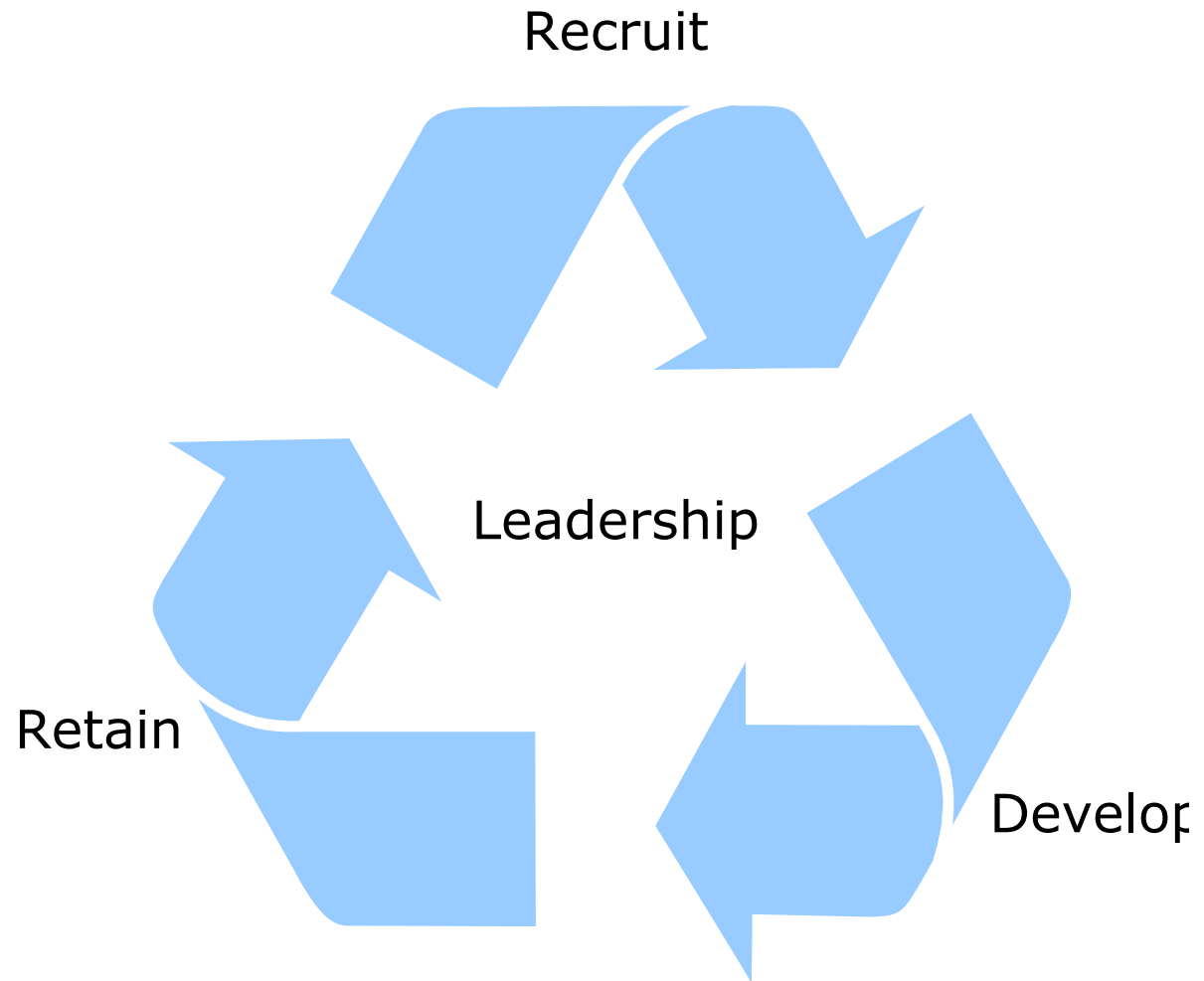
- Rapid industry expansion since 2000 in response to rising oil and gas prices - **Middle East, Brazil, Caspian, Canada, Australia, US onshore gas**
- Industry demographics **short on mature professionals** – a legacy of last oil price crash when those fired left and were lost to the industry forever
- **Impacts all** – IOCs, NOCs and service companies
- **Shortage of staff impacts ability to deliver** and meet commitments made to host governments and local partners
- **Skill gaps** in core capabilities; **drilling, project and discipline engineers** and **petroleum engineering**
- 2008 oil price fall **temporarily threatened programs**; uncertain recruitment, accelerated retirement, staff development programmes cutback

Short term responses...stop gaps at best

- **'Paying over the odds'**
 - Poaching and sign on bonuses
 - A zero sum game
 - Doesn't always get the top talent
- **'Launching ad hoc recruitment efforts'**
 - Un co-ordinated
 - Not always matched to business need
- **'Raiding the retirement homes'**
 - Bringing back retirees on part time contracts
 - Focus on delivery but not development

...Or set and execute a new strategy to win

- Set a baseline - deal in facts, not opinion and conjecture
- Develop a clear outlook on business capability needs over the next 1,3, 5 and 10 years
- Balanced focus on recruitment, staff development and learning and retention



Recruitment, development and retention – some elements for success

Recruitment

- Build a long term view of supply and demand
- Strategic recruitment – widen the net
- Integration and on-boarding

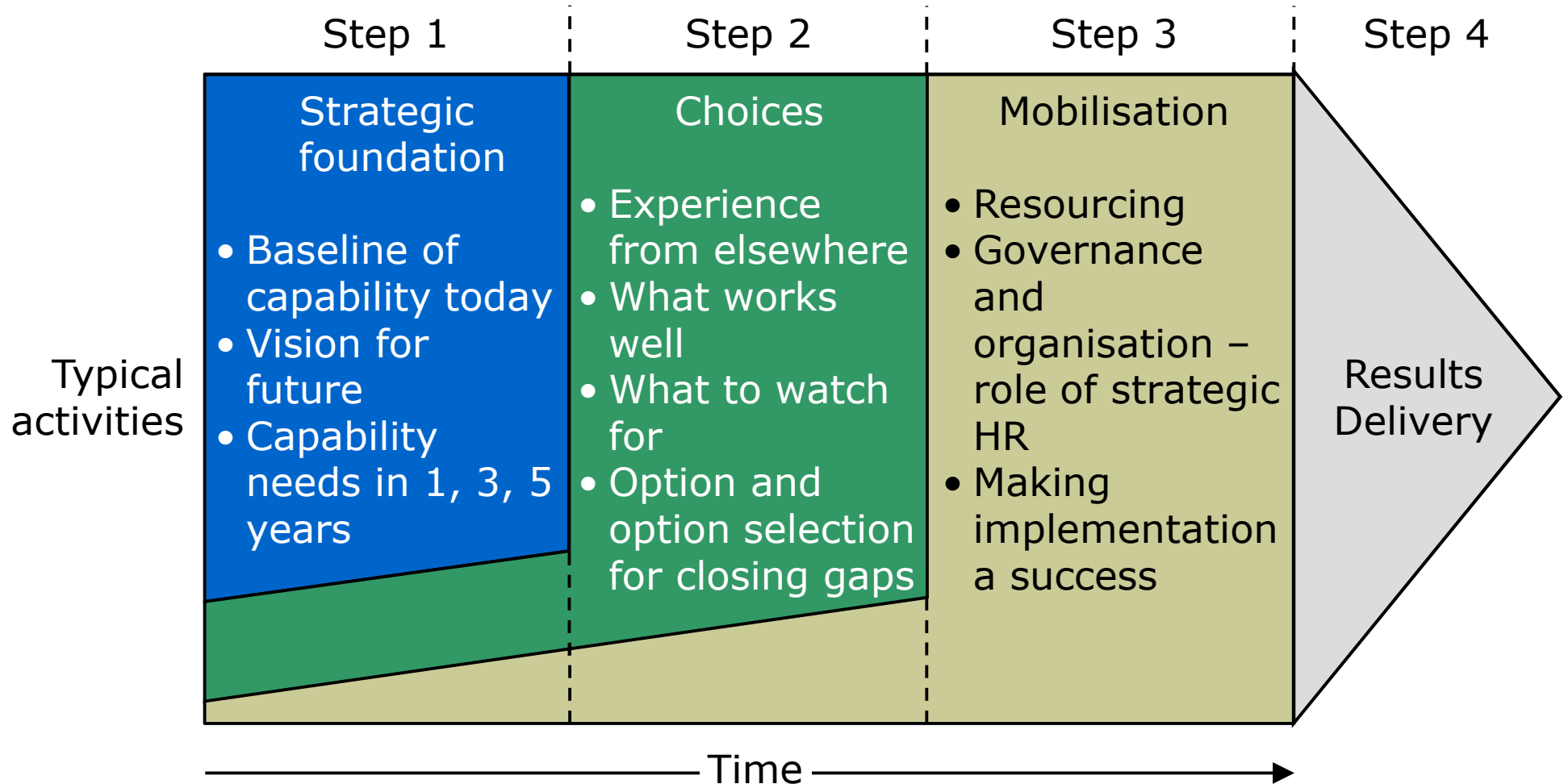
Development

- Accelerated development –self assessment, e-learning, IT tools
- Academies
- Re-invigorate coaching and mentoring
- Don't pull the plug in a downturn

Retention

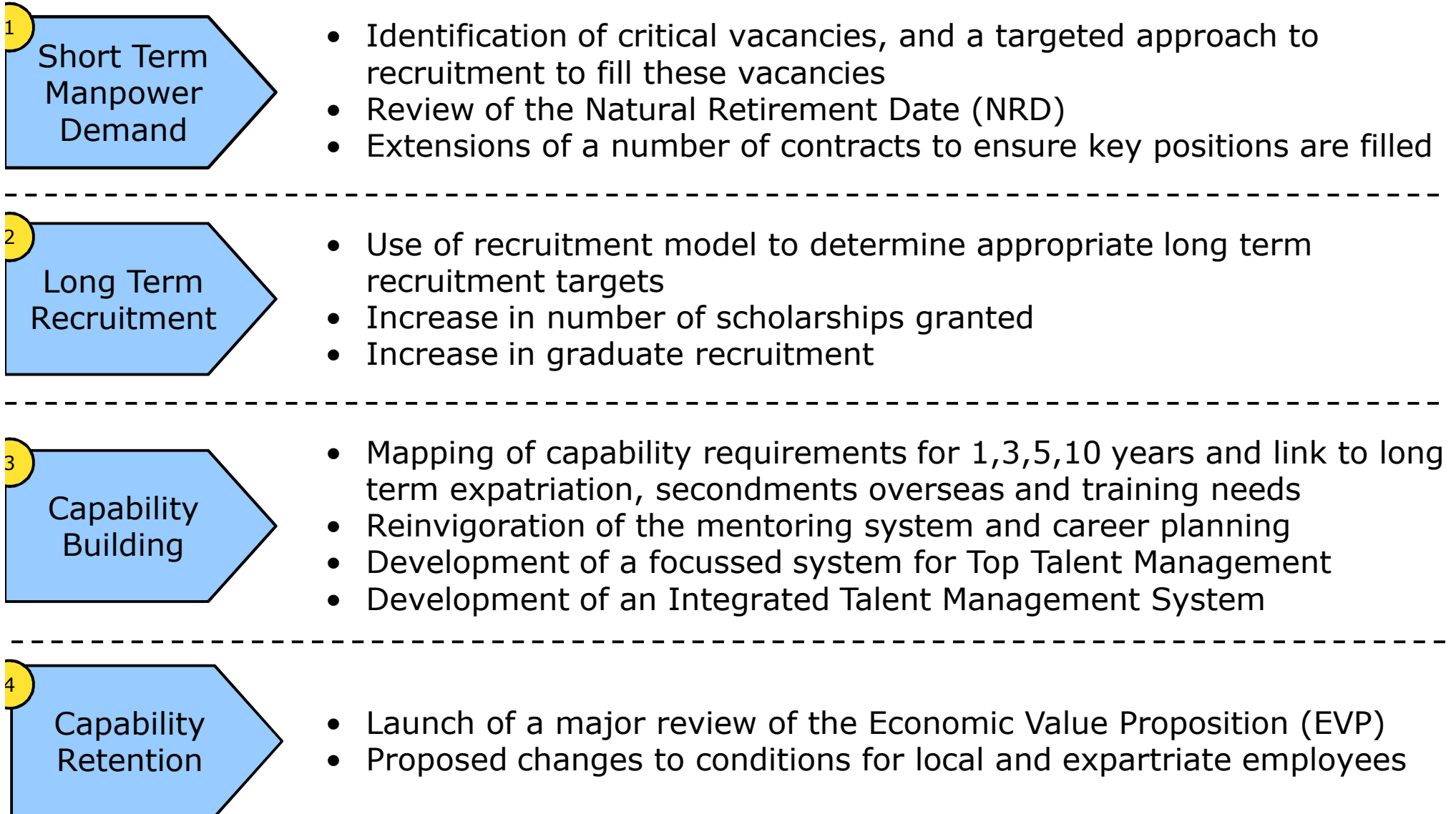
- Playing to strengths and passions
- Find out what makes staff tick
- Identify intangibles to offer
- Diversity and inclusiveness

A typical approach to building a human capital strategy might follow four steps



Oil company example – human capital strategy based on four main elements

Actions



Questions to discuss: is your human capital strategy working?

- Do we win when competing in major recruitment efforts?
- Are we able to retain good staff?
- Are we seen as employers of choice?
- What capability gaps do we have and how will these needs change over time (1, 3, 5 years)?
- How are we tracking capability and skill gap closure?
- What options do we have to close gaps?
- How can we accelerate learning?
- Are we capturing knowledge effectively as people exit/retire from the business? Can they continue to play mentoring roles?
- Are line managers encouraged to actively develop staff? How are they rewarded?
- Do all staff have clear objectives and get frequent performance feedback?
- Are our succession and resourcing plans robust?
- Do HR, Technical and Operations functions work effectively together?

Summary

Bain's Point of View : Building Human Capital in Oil & Gas

- A **robust strategy** for recruitment, development and retention of human capital is essential
- Must be high on the **leadership agenda** and be owned by the business **not just HR**
- **Executing this strategy** is a real source of competitive advantage and winners will adopt proactive and resilient strategies
- Strategy will generally have **many components and moving parts** – there is no silver bullet – requires parallel consideration of **retention** of key staff, new **recruitment, training** and **allocating** right staff to right job
- **Promises made to stakeholders** will be remembered and must be delivered on - leadership team must be aligned on direction, pace and key messages
- Define **business capability requirements** (technical, operational and commercial excellence) and how these will change over time
- **Local stakeholders** are increasingly looking to see product development, innovation, technology development etc. moving close to the point of application. **Building a clear linkage** to technology strategy is essential