

Leadership's Role in Capability Development

- Presentation to the SBC HR Forum

SBC HR Forum, Paris

December 2009



The oil and gas industry today is increasingly challenging

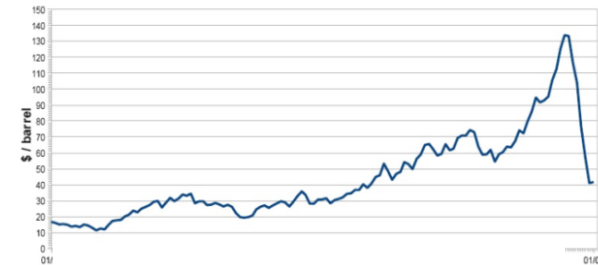
CHALLENGES IN THE OIL & GAS INDUSTRY

COMPLEX RESERVES



ECONOMIC TURBULENCE

Crude Oil Prices 1998 – 2009
(West Texas Intermediate – monthly averages)



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SKILL INTEGRATION

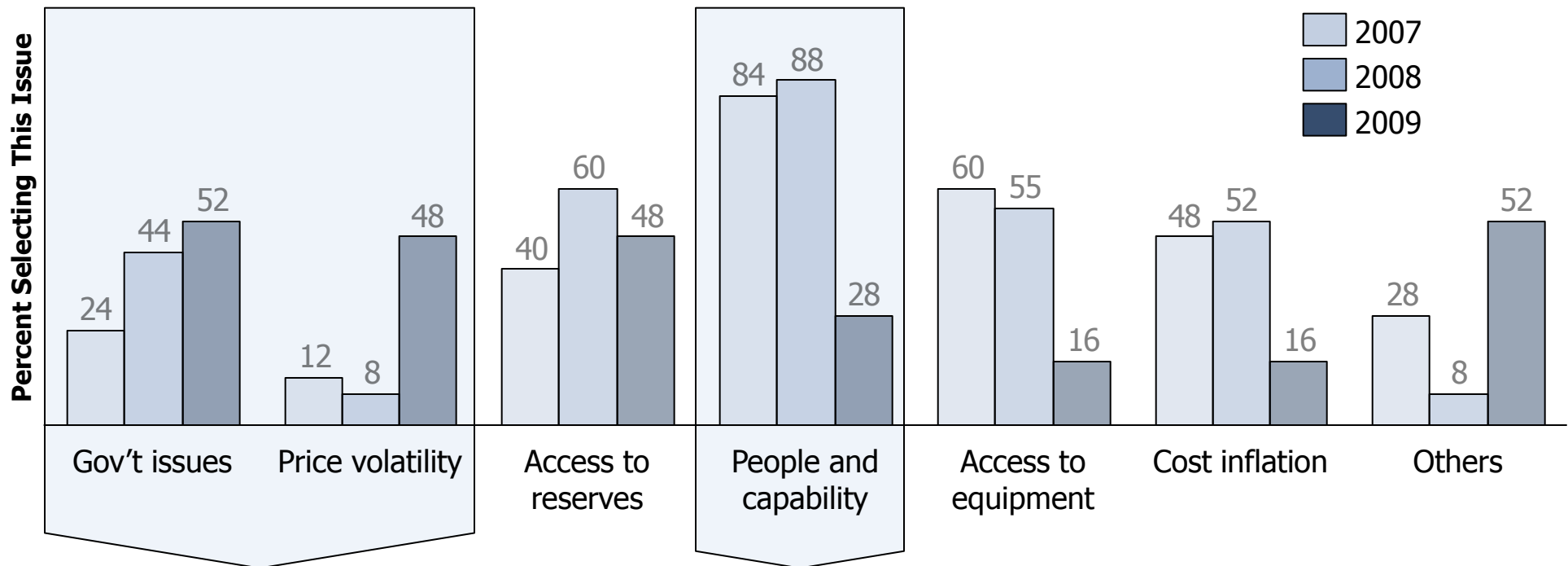


SCARCE TECHNICAL TALENT



The current economic crisis makes it easy to forget that capability remains an important long-term challenge

WHAT IS THE MAJOR CONSTRAINT(S) FOR YOUR COMPANY THIS YEAR? (SURVEY OF LEADING OIL AND GAS CEOS)



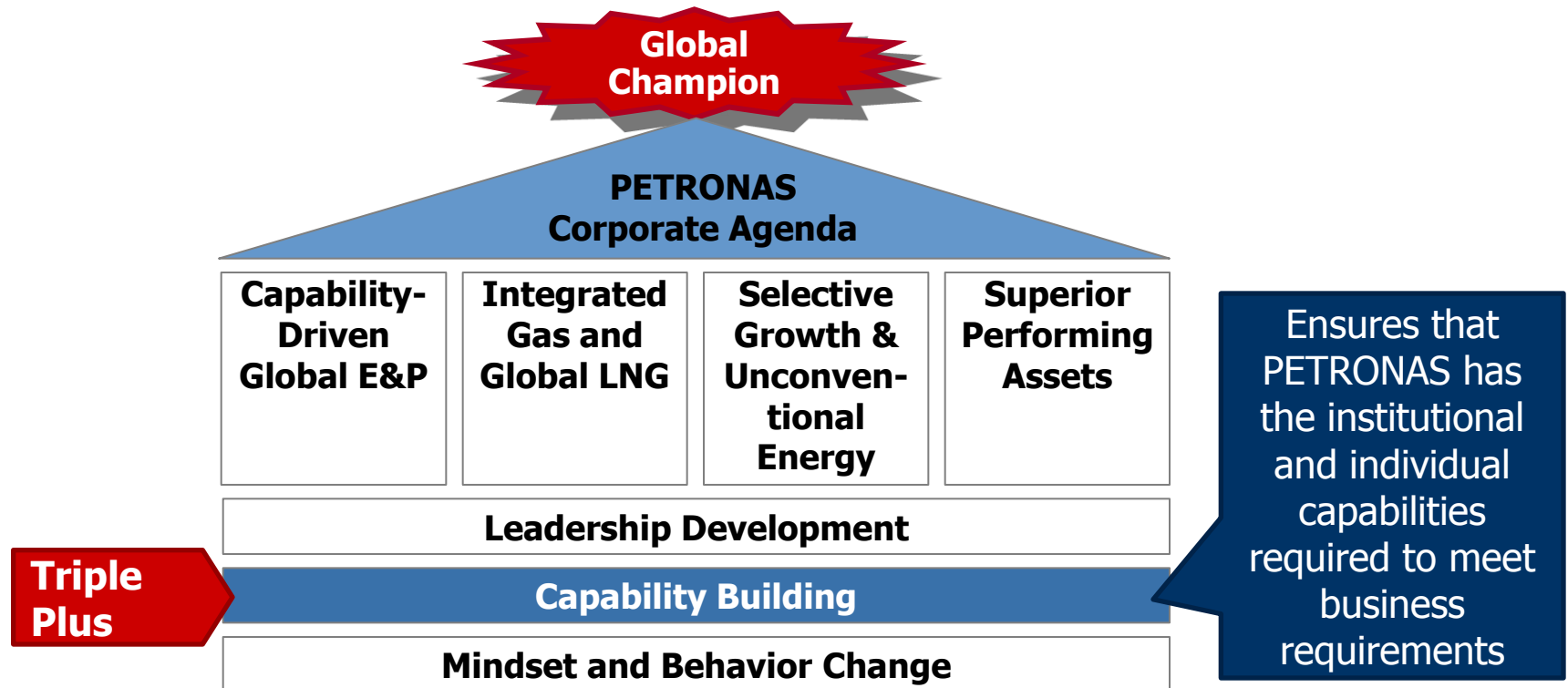
**Turbulence and volatility
at the forefront...**

**... capability development
moves to the backburner**

* From 2008 SEB Enskilda Annual E&P Survey

For oil and gas companies, capability building should be a part of the foundation in their corporate agenda

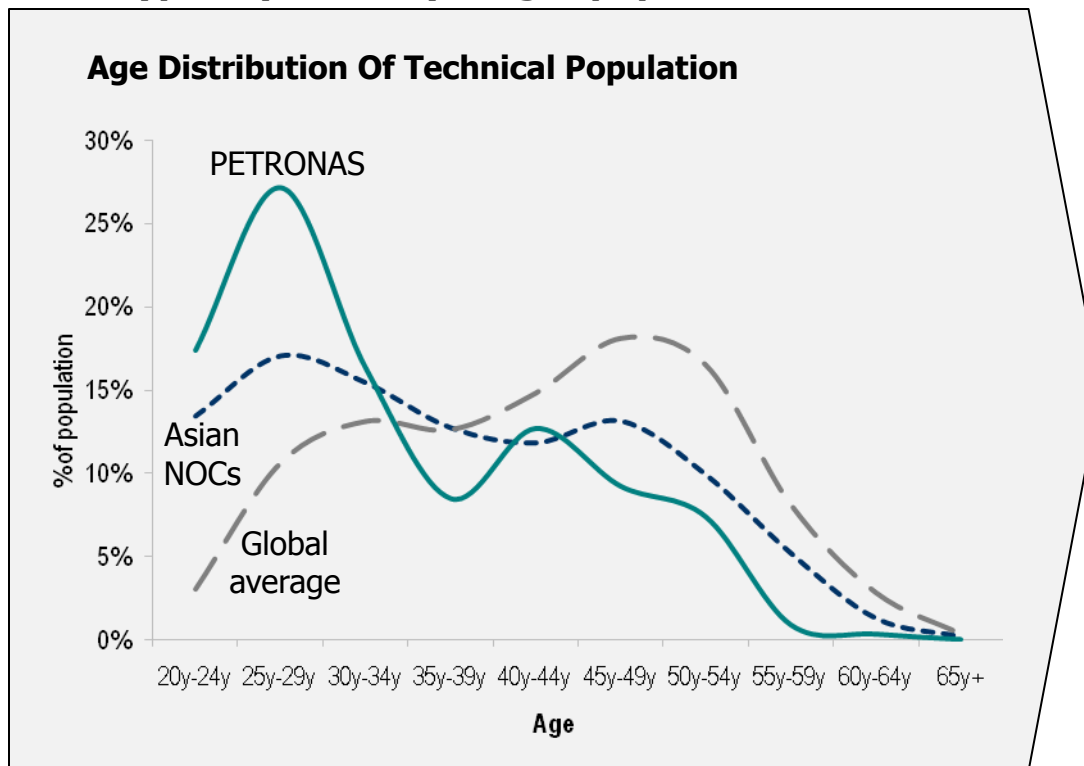
EXAMPLE: PETRONAS CORPORATE AGENDA



For young oil and gas companies, there are an additional number of unique challenges

SPECIFIC ISSUES FACED BY YOUNG OIL & GAS COMPANIES

NOCs typically have a younger population ...



... which leads to unique issues around capability building

- **Disproportionate number of seniors to juniors**
 - Not enough available time for seniors to coach and mentor juniors
- **Unique pressures of going international for the first time**
 - Lack of experienced staff results in a “learning as we go” approach
- **Absence of mentoring culture**
 - Many seniors went through “trial and error” learning and often expect juniors to do the same

Oil and gas leaders need to have an effective response to the capability challenge

LEADERSHIP RESPONSE TO THE CAPABILITY CHALLENGE

DAUNTING CHALLENGES...

CAPABILITY BUILDING CHALLENGES

- **Countering short term perspective**
 - Resist temptation to cut training budget to save costs
- **Changing mindsets**
 - Instill sense of urgency
- **Building a long-term vision**
 - Ensure capabilities are relevant for the future

... REQUIRE AN EFFECTIVE RESPONSE

LEADERSHIP RESPONSE

Define Direction

- Assess situation
- Define objectives
- Develop the process

Build A Program

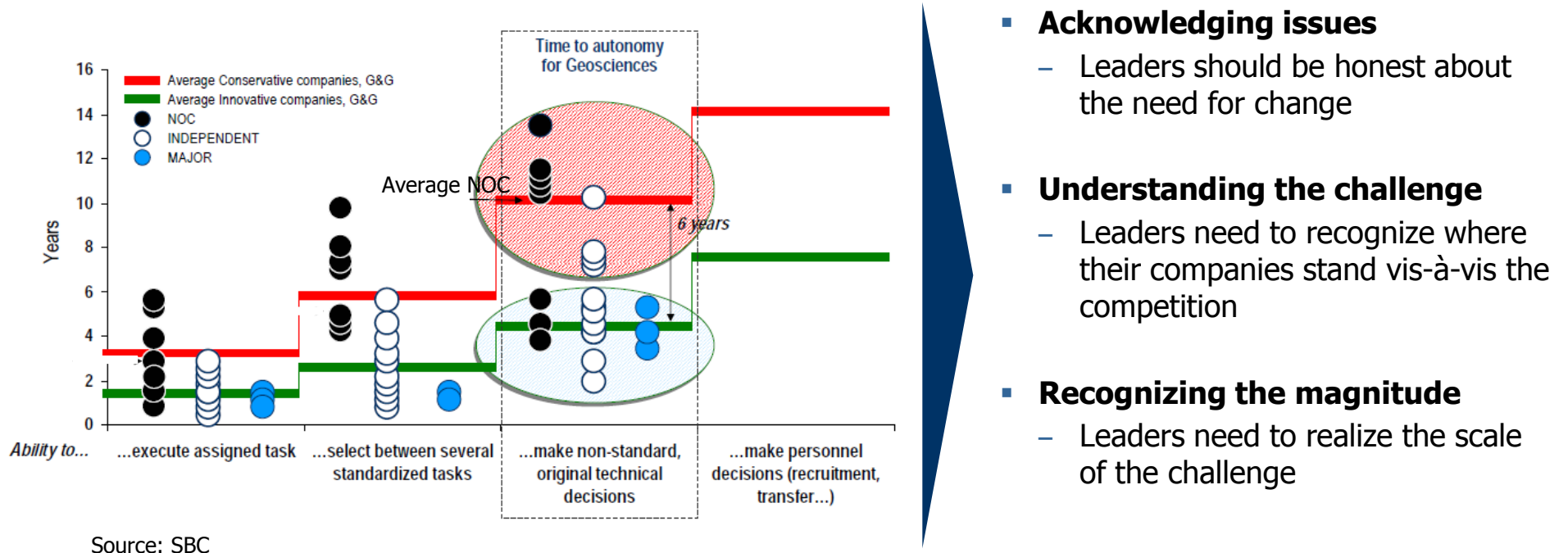
- Establish clear goals
- Develop a comprehensive framework for change

Sustain Momentum

- Develop performance management systems
- Establish intervention plans
- Reward success

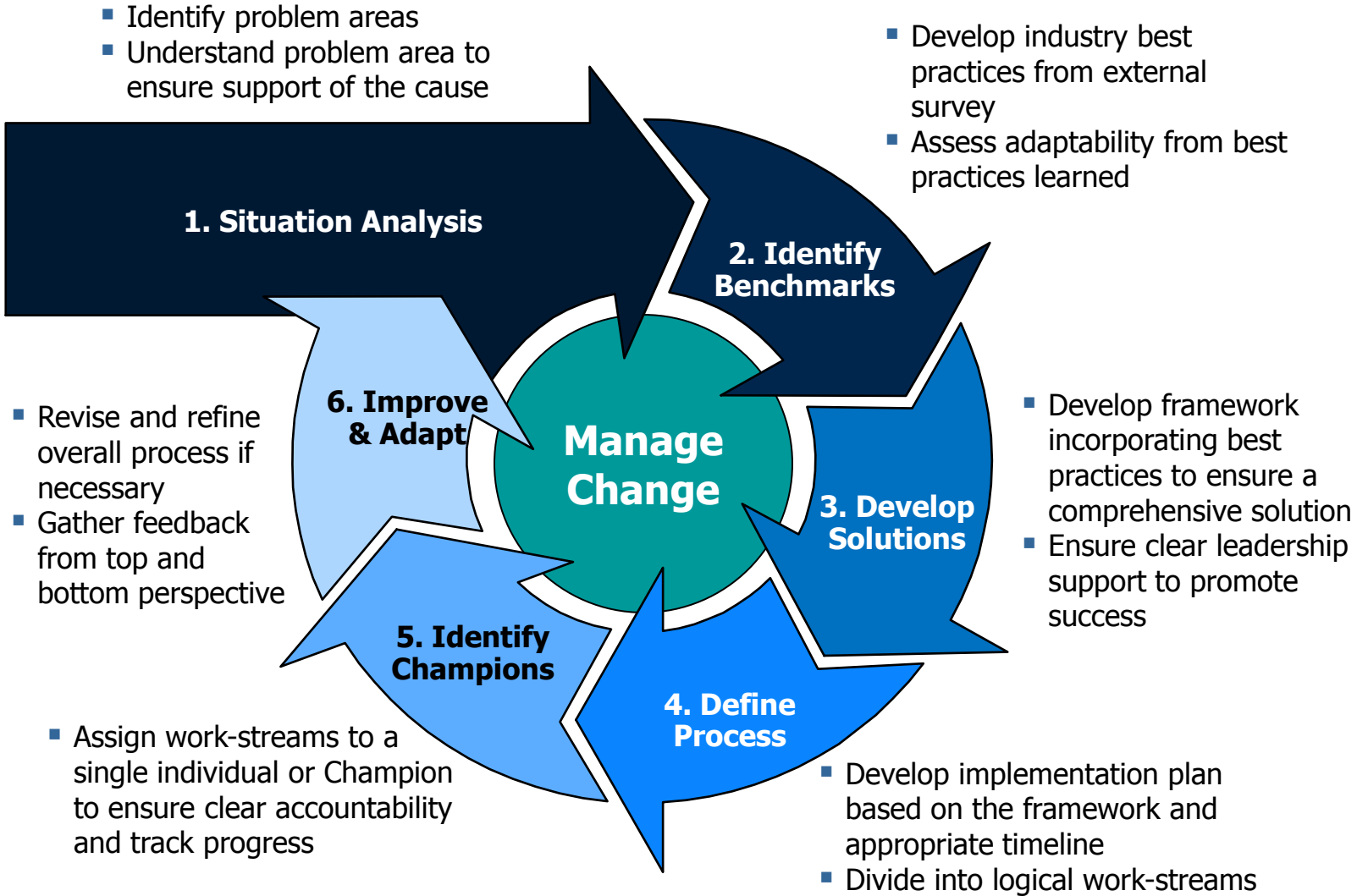
1 Defining the corporate direction must be clear – with the leadership united behind an explicit case for change

TIME TO AUTONOMY FOR DIFFERENT OIL & GAS COMPANIES



2 Systematic large-scale transformation is required to ensure successful change

6 STEPS TO IMPLEMENTING CHANGE



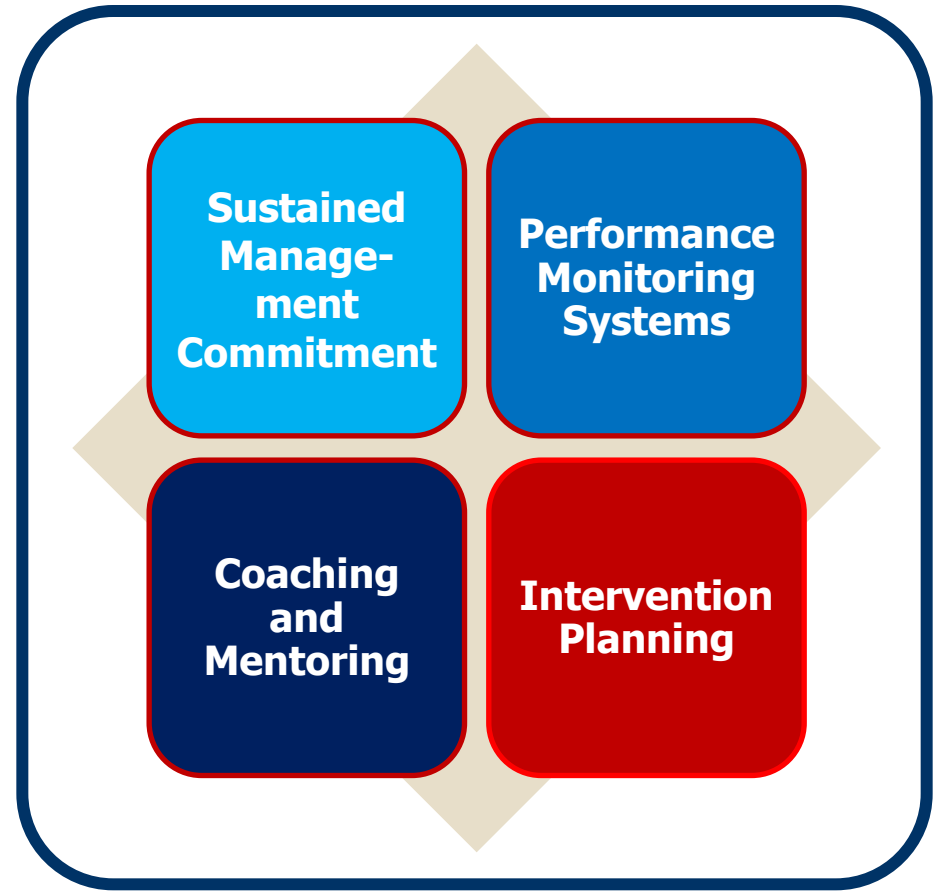
3 Combating organizational inertia is critical to ensure capability building efforts are sustainable

POTENTIAL SOURCE OF RESISTANCE

Factors leading to corporate inertia ...

- Premature declaration of victory
- Inconsistent and uneven early implementation
- Lack of buy-in from middle management
- Resistance from junior staff who do not understand

SUCCESSFUL TACTICS TO COMBAT ROADBLOCKS



Dedicated Resources and Infrastructure for Change

Successful capability building will confer deep and distinctive competitive advantage

ASPIRATIONAL SUCCESS



ENERGISED WORKFORCE



TECHNICAL EXCELLENCE



GLOBAL CHAMPIONSHIP

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