

## The Skills Gap in Oil & Gas - 2018

### A Cautious Recovery?

As the oil and gas industry recovers on the back of a strengthening oil price, the issue of the skills gap is again hitting the Board room agenda.

Few people refer to the Great Crew Change anymore: the downturn and the resulting lay-offs of the past few years meant it appeared to be a manageable problem. With an uncertain future for the industry, firms were more concerned about cutting costs and staying afloat with an oil price below \$40 than retaining, let alone attracting, experienced and talented staff.

Estimates on the numbers of jobs lost in the downturn vary: Grave & Co, a Houston based consultancy, set the figure at 440,000, globally. Others – such as Robin Davies and Alan Fortune, quoted in Rigzone, put it higher, and including the “domino-effect” in other parts of the energy sector, suggest it might have reached 1.2 million.

This has left companies exposed at the leadership level: Joy Kirst, of executive search firm Grojean Associates, highlighted the issue [in a recent blog](#), “the industry will have a smaller pool of talent to choose from when looking at senior management succession planning. There could also be the real possibility that there are no qualified employees from which to choose within a company.” And it’s not just at the leadership level. Middle management, especially in the service companies, took big hits, and this will put effective project execution at risk.

Although sentiment is improving, it may be a cautious recovery, labelled in a [recent Rigzone article as the “New Normal”](#) with a strong focus on cost efficiencies, and digital technologies.

Nonetheless, the outlook for jobs seems positive: US Bureau of Labor stats show thousands of new jobs in oil and gas since the lows of 2016; in the UK there’s talk of 40,000 new vacancies to be filled in the next two decades.

### New Normal, New Roles, New Skills

When it comes to the sort of skills that are in demand, the common theme is (understandably) technology. An [Opito/Oil & Gas Institute/RGU report](#) stated “It will also create new opportunities and new jobs, which currently don’t exist. With the rapidly evolving technology agenda impacting businesses across the globe, there is a real opportunity for the oil and gas and the wider energy sector to be a more proactive adopter of new technology and innovation.” The report also points out that in addition to the technological roles, there will be a key requirement for skills in areas such as change management and project management. Quoted in Rigzone in 2017, Regina Mayor, Energy sector head at KPMG, highlighted this too - “IT enablement, Big Data, data and analytics and robotic process automation – those will be the areas we will see more job opportunities”

Some argue that changing social attitudes present a challenge for oil and gas HR professionals looking to hire millennial talent in the US and Europe. First, many of those younger engineers laid off in the downturn will not return to an industry they feel treated them poorly; second, many millennials perceive the oil industry as representing the most negative aspects of big business – environmental damage, financial greed, faceless corporations; third, there’s a view that the industry is poor at innovating, applying new technology and providing career development for millennials. The idea is that other sectors are better at meeting the expectations of the new generation. However, while this may be true, we believe that the “Millennial” factor is overdone and is a particularly Western issue: these generalisations ignore a range of other factors such as regional,

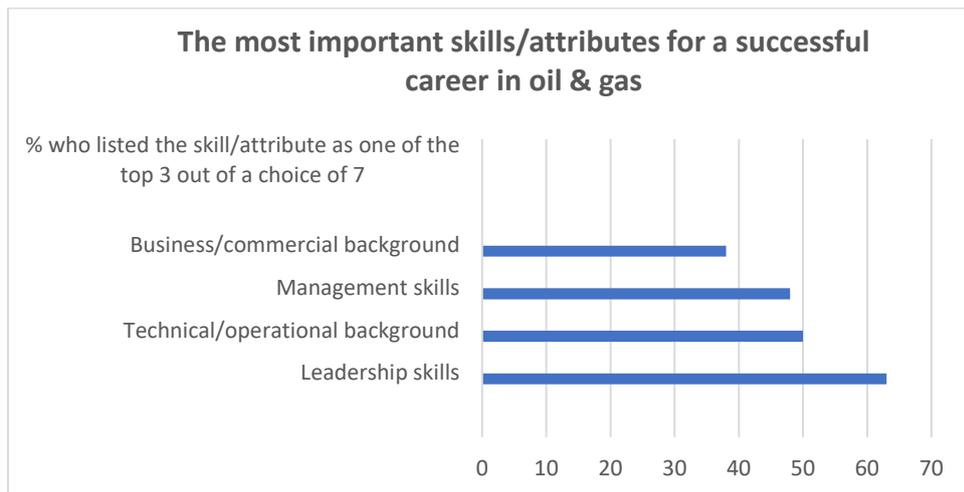
cultural and economic variations. In Africa and the Middle East oil and gas companies are still seen as a source of economic security and well-paid jobs. A more important consideration, perhaps, is that many of the new jobs – in data, AI etc – also exist in other sectors. Oil & gas firms will compete with a vastly wider range of companies to get the talent they want.

So, having lost or laid off experienced industry professionals, and potentially unattractive to the younger generation of recently qualified engineers and technicians, does this mean firms have a skills gap crisis? In our view, no: but the nature of the skills gap is changing, and it's not clear that the industry is responding properly yet.

## 2018 Skills Gap Survey

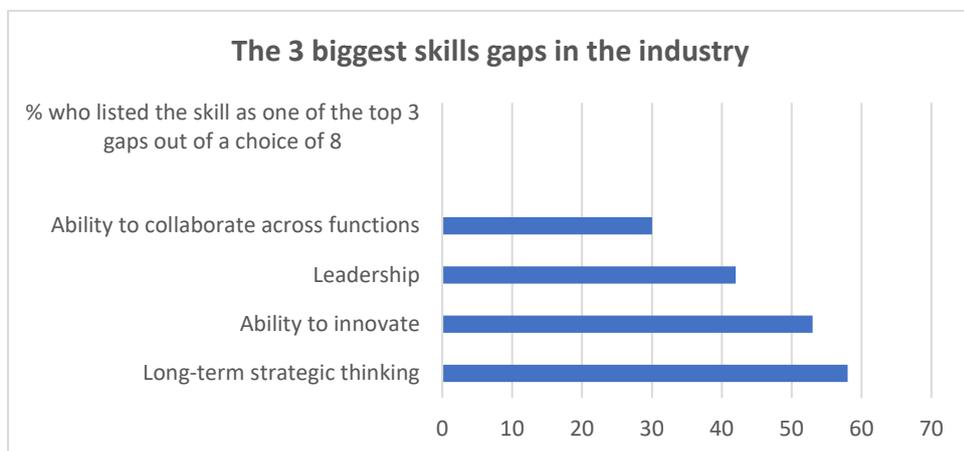
As part of the debate on industry talent, we recently repeated our survey of oil & gas professionals to ask their views on the skills gap. As before, it was an informal survey and we do not claim it to be representative of the whole industry, but it highlights a few issues relevant to the debate, and we will focus on two points: leadership, and strategic decision making.

As in previous years, Leadership skills topped the list of attributes respondents felt were necessary for success in the industry, but the trend shows a slight move away from technical or operational experience – a trend matched by respondents' own personal development plans.



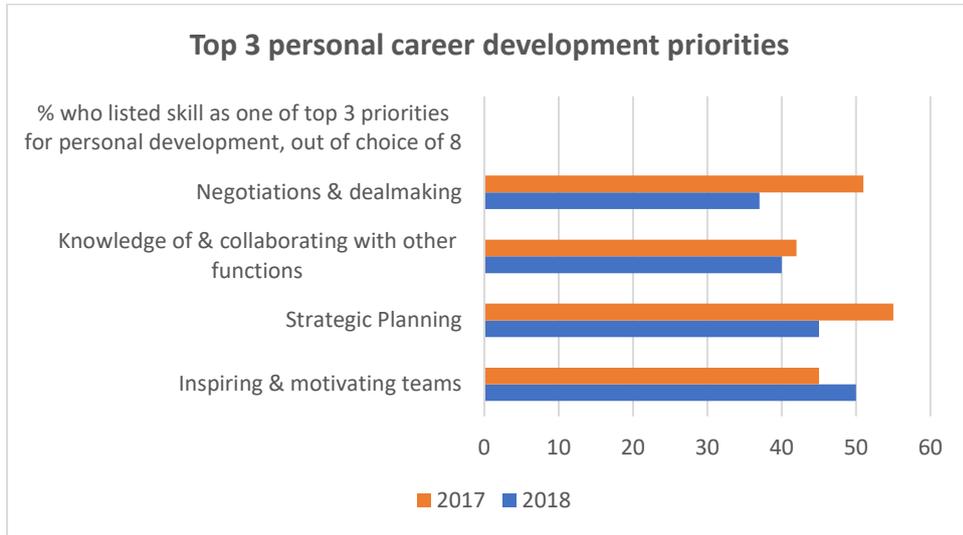
Source WBC Skills Gap Survey 2018

In terms of the three biggest skills gaps, these remain the same: long term strategic thinking, ability to innovate and think differently, and leadership.



Source WBC Skills Gap Survey 2018

As far as personal career development is concerned, 2018 responses showed a small shift away from operational skills and deal making. Perhaps this reflects the shift in activity – a more collaborative approach to doing business and fewer deals. But “Inspiring and motivating teams” and “Strategic planning” remain the two key areas they want to focus on, as in previous years.



Source WBC Skills Gap Survey 2018

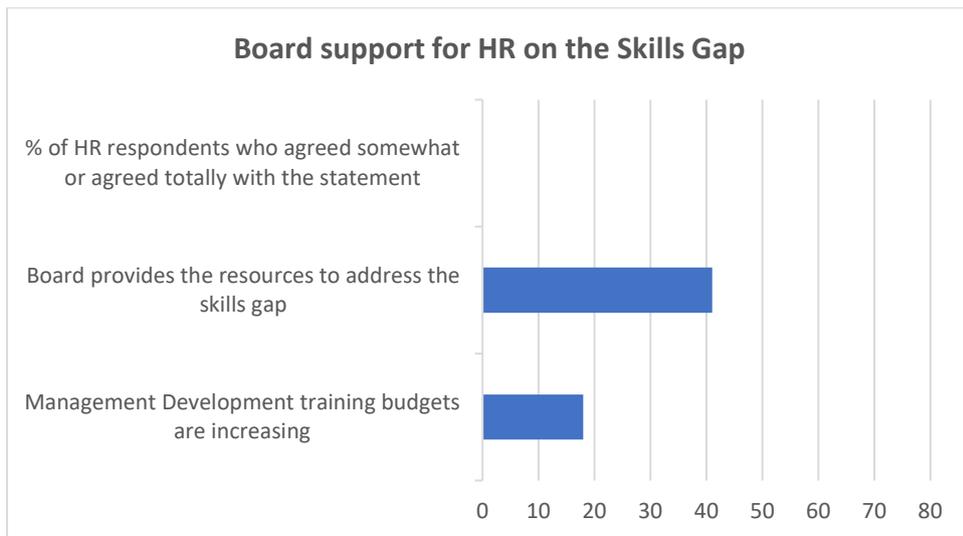
We also asked HR respondents what their biggest “people” challenges are. Top of the list are developing leadership skills in technical and functional experts, and developing or recruiting specific technical experts, especially in the digital sector.

Interestingly, when asked about the key attributes for a successful career, all HR respondents included Leadership skills, compared with only 63% of all other respondents, reflecting that their perspective is not coloured by a technical or functional expertise.



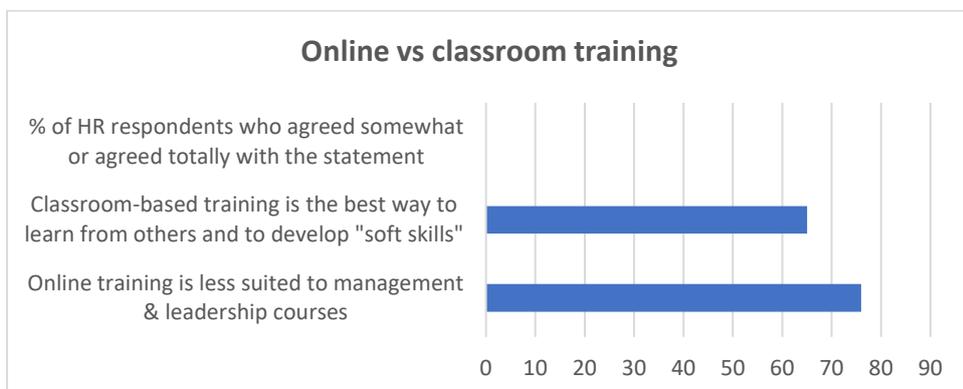
Source WBC Skills Gap Survey 2018

HR respondents also commented on the board-level support for talent development. Just under half agreed that the board recognised the skills gap issue and was providing the right resources, but fewer than a fifth agreed that their training budgets were increasing. This disconnect suggests that Boards need to do more than simply voice support. As [Joy Kirst of Grojean](#) stated, “Companies within the energy sector must facilitate the involvement of HR at strategic decision-making levels ...[with] leadership development programs tailored to meet both the employee’s specific development needs and the company’s profile for future leaders. HR professionals must be seen as true strategic partners.”



Source WBC Skills Gap Survey 2018

Technology means that training can be delivered in multiple ways, but HR professionals were clear about the limitations of online training when it comes to leadership and management development. This even applies to the Millennial generation, for whom Millennial expert [Ryan Jenkins suggests classroom courses](#) delivered by senior leaders to ensure transfer of knowledge and wisdom across the generations.



Source WBC Skills Gap Survey 2018

## Leadership, Strategic Planning & Decision Making

Leadership is a common theme that runs through all the commentary on the future of the oil industry. Management is about efficiency, process – managing the status quo for today; leadership is about innovating, looking to the future and if necessary changing direction. With an industry going through unprecedented change, it's no surprise that leadership is such a major issue. We have written on the topic of leadership several times before ([see the paper by Yanos Michopolous](#), who will run our Leadership in Energy course next month in London).

When talking of leadership, the usual topic is the “soft skills” aspect – often described as emotional intelligence. But an equally important element of leadership in business is the ability to take a long-term view and make strategic decisions – which requires both hard and soft skills.

What sort of decisions might these be in an oil business? Many are the same as in any sector: which markets to operate in, which partner to form a JV with, what products/resources to develop. Some are topical, driven by technological or social change – adapting the business to make more use of Artificial Intelligence, digitalisation, Big Data, moving into renewables; others might be about changing the business model, eg service companies moving into operator roles, or up-ending the supply chain to improve efficiency. But all will – or should - have a significant (and positive) impact on the long-term future of the business, and are likely to involve both risk and change.

There are three sets of skills involved in strategic planning and decision-making. It starts with analytical skills: understanding the geopolitical, market and business context the firm is operating in, using tools such as the PESTLE analysis, Porter's 5 Forces, Ansoff and Boston matrices. This helps the leader identify trends, risks and opportunities; but the likelihood is that any analysis will be incomplete or ambiguous. In deciding on a strategic direction, therefore, the leader needs other attributes – courage, vision, and the experience and wisdom to make connections. As Kotter says in “What Leaders Really Do”, they continuously “gather a broad range of data and look for patterns and linkages that help explain things.....the direction setting aspect of leadership does not produce plans, it creates vision and strategies.”

And finally, there's the implementation piece – making sure the strategy is executed effectively: this will involve many of the “soft skills” of leadership, especially if it means significant change. The leader must know how to communicate the vision and inspire others – in different functions, in different regions and cultures – to achieve the common goal.

## Two ways to tackle the skills gap

It's not a crisis, and oil firms aren't embarking a massive hiring spree. But there is likely to be a demand for skills that the industry doesn't currently have in abundance – mostly in data and technology fields, but also in change management and leadership. What should companies and HR do about this?

**Invest in staff training at all levels**, focusing on developing transferable skills so that staff can adapt to the changing nature of the oil business and work beyond the narrow confines of a single function. Many of the vacancies predicted for the next decade are likely to be roles that don't currently exist.

**Hire from outside the industry.** Many of the skills required for the “New normal” are not specific to the oil industry, and outsiders can bring a fresh perspective, challenging “groupthink” attitudes that become entrenched in a business dominated by insiders.

*If you would like to discuss any of the issues raised in this paper, or our management training programs, we would love to hear from you. Please email us at the addresses below:*

Angus Warren – [angus@warrenbusinessconsulting.com](mailto:angus@warrenbusinessconsulting.com)

Simon Philips – [simon@warrenbusinessconsulting.com](mailto:simon@warrenbusinessconsulting.com)