

what we heard

IHS CERAWeek 2016

Leading through Disruptive Transformation Discussion Highlights

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From exploration to distribution, the energy industry is confronting historic challenges and opportunities that are testing the ability of its leaders to navigate uncertainty; manage innovation in a time of cost cutting; and prevent a repeat of the “lost generation” that hampered growth a decade ago.

To hear firsthand how industry leaders are confronting these issues, we convened our annual CEO Breakfast Panel discussion at IHS CERAWeek 2016. The conversation was moderated by Carol SingletonSlade and Steve Goodman of Egon Zehnder and our panelists included leaders from across the Energy value chain:

Dave Hager, Chief Executive Officer of Devon Energy

Bob V. Patel, Chief Executive Officer of LyondellBasell

Gary G. Rich, Chief Executive Officer of Parker Drilling

Klaus Schäfer, Chief Executive Officer of Uniper

Here is what we heard:

Downturns reveal how well you managed the upturn. Our panelists felt they were in a better position to weather the current storm than they might otherwise have been because of decisions made when times were good. ***Strict performance benchmarking, staying strategic in hiring people and deploying assets and a focus on efficiency*** were highlighted as earlier practices that have paid off now that the tide has gone out.

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Innovation is essential. Managing costs only goes so far; innovation is arguably more imperative in today's uncertain environment. Specific examples were shared, including how investment in completion technology has doubled well productivity in the last year, and another where creating a culture in which scientists and engineers work side by side allowing for a better exchange of ideas and insights. This ***commitment to innovation must also reach beyond the technical, to embrace processes and systems throughout the organization.*** An ongoing commitment to innovation

is also a powerful signal to employees that the company is building for the future instead of merely fighting to survive.

Embracing change starts with communication. Being visible on the front lines is critical for CEOs and senior leadership: hearing employees' concerns, incorporating their feedback, outlining the direction of the company, and perhaps most importantly, letting employees know how their contributions are helping make the company better and stronger. This level of visibility requires a significant time investment; with examples of leaders ***spending half of each day communicating and interacting with the employee base.***

That goes double for the board. The quarterly meeting is inadequate for boards to provide the guidance and counsel that is required when tough decisions come one after the other in real-time. ***Careful consideration should be given to whether the structure and processes of boards should be adjusted to keep pace with extended volatile environments.*** And in this environment, the CEO has to take responsibility for ensuring the board is kept fully informed and up to date. New CEOs may underestimate the amount of time this task requires.

The talent pipeline entry point is the most vulnerable. The extent of the downturn and the larger societal sentiment away from energy careers as a result of the uncertainty poses a challenge to long-term leadership development. To prevent another lost generation, companies are continuing to invest in their relationships with universities, maintain attractive internship programs and are ***investing in strategies to identify, develop and retain their high potential talent.***

Know what you can control. The industry is grappling with a wide array of unknowns, from the current oil price to the direction of the Chinese economy. ***In such an environment, the best course of action is to combine the ability to pivot quickly with cost-effective and efficient operations and a culture of excellence.***



When times get tough, collaboration gets tested. The energy industry is defined by its chain of upstream and services relationships. One causality of the downturn is the collegiality that usually exists among market players. In times of scarcity, win-win situations often become zero-sum games. Our panelists noted that ***it was in challenging times that values and principles are most needed, and the true character of a company becomes most apparent.***

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Egon Zehnder is the world's leading privately held executive search and talent management consultancy with more than 400 consultants in 69 offices across 41 countries. The firm provides senior-level executive search, board search and advisory, CEO succession and family business advisory, as well as leadership assessment and development to the world's most respected organizations. Egon Zehnder's clients range from the largest corporations to emerging growth companies, family and private equity-controlled entities, government and regulatory bodies, and major educational and cultural organizations. For more information: www.egonzehnder.com.

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