

A socially responsible recruitment strategy will drive sustainable growth



For decades to come, oil and gas will continue to be our main source of energy, and consumption will only rise as populations increase and millions of people are lifted out of poverty.

Consequently, thousands more engineers and other personnel are needed to extract this energy. Many companies, however, are seeing their business operations and profits threatened by a shortfall of talent to meet recruitment needs. How can the industry overcome the imminent recruitment crisis?

In the first part of this special report, John Egil Mæland, head of Mercuri Urval's Oil and Gas recruitment division, explains how companies can overcome this shortage of personnel and give the world the energy it needs.

Planned projects and investments in the energy sector have reached record levels in recent times. However, many projects have already been halted due to a lack of skilled workers.

Where is the dearth of talent felt the most?



A lack of technologists is hampering expansion for companies in exploration and drilling operations – capital projects (major projects onshore and offshore), maintenance and modifications, subsea and operational support are all affected.

Among oil and gas operators, the talent gap is particularly pronounced in specialist functions within geology, geophysics and reservoir engineering, but there is also a large shortage of qualified personnel within

drilling operations and project management.

Many new offshore rigs are currently under construction, and these will soon have to be manned. This is a major obstacle, since there is a pressing lack of qualified senior drilling personnel and rig managers. Finding rig managers who are motivated to change jobs seems virtually impossible, since they are usually enjoying very favourable conditions where they are.

Spiralling costs



The lack of people also contributes to skyrocketing costs. In desperation, some companies multiply salaries while battling to recruit much-needed key personnel. The situation is on the verge of spinning out of control, with the introduction of unsustainable costs that may halt the progress of

energy projects. Some projects, particularly those aimed at improving oil recovery in mature fields, must be carried out now if they are to be profitable. The situation is affecting profitability in the industry, and might eventually affect energy security internationally.

As an example, Brazil plans to use its enormous oil and gas resources to implement positive social change to lift many more citizens out of poverty. However, the lack of qualified personnel threatens the development of its energy industry, since this is one

of the factors driving up costs to unmanageable levels. Some companies have apparently had enough, and are considering pulling out of Brazil to focus their efforts on places where it is easier to make a profit.

Why this lack of personnel?



The reasons are manifold:

First is the ever-growing demand for energy. Ever since the 1980s, energy companies have been finding less new oil than they are producing, putting pressure on reserves. The world is hungry for energy, and lots of it: in recent years, each percentage increase in the global GDP has resulted in 2/3 per cent growth in energy consumption. Consequently, the energy industry's level of activity and investment has skyrocketed. Financial services group Pareto estimates that global exploration and production investments could rise from USD 560 billion in 2012 to USD 1,000 billion in 2017.

As a major global exporter of oil, gas and technology, Norway's mature oil and gas industry exemplifies this: for 2013, Statistics Norway has estimated investment in the national petroleum sector at no less than USD 37.1 billion¹ (NOK 207.8 billion).

This is the highest annual estimate since Statistics Norway launched the investment survey in 1985, with increases registered for field development and operation, exploration and work onshore. There is increased activity in all segments, from exploration and development through production and maintenance, to cessation and removal.

Additionally, new technology – such as innovations in optimal directional drilling – has led to increased oil recovery across the world and an elongation in the lifespan of “old” oil and gas reservoirs. This in turn is driving up the demand for engineers to follow up the continued production, while specialists are also needed to maintain and upgrade ageing facilities. Technology development has also led to discoveries of new reservoirs in mature areas where it was believed most resources had been exploited – putting more pressure on personnel to get such projects up and running.

¹ Statistics Norway, Oil and gas activities, investments, Q1 2013 –

<http://www.ssb.no/en/energi-og-industri/statistikker/oljeinv/kvartal/2013-03-06?fane=tabell&sort=nummer&tabell=10123>

Subsea projects a major driving force



Currently, subsea projects are a particularly strong driver in the upsurge of investment and activity, partly because new reservoirs in shallow waters are becoming more difficult to find. Subsea operations are run through remote-controlled installations placed on the seabed, often at previously inaccessible depths. According to oil and gas business intelligence data firm Rystad Energy, the global subsea market will be worth approximately USD 49 billion (NOK 277 billion) in 2013, soaring to USD 89 billion (NOK 500 billion) by 2016.

Thousands of existing and planned subsea installations will need people to build, operate and maintain them. Yet there is a lack of engineers and project managers. Exploration and production of reservoirs located several thousand metres below sea level puts high demands on the competence of the people running the operations and maintaining safety. The same can be said as operations move into cold and extreme climatic conditions in the High North.

Alarm bells are starting to ring



Authorities are sounding the alarm over the recruitment and competency crisis that could soon be upon us.

Norway has, in many respects, led the way in socially responsible oil and gas operations, and now Norway's regulatory body, the Petroleum Safety Authority (PSA), has sent out a strong signal by expressing concern over the industry's ability to tailor its level of activity to the available capacity and expertise.

The Norwegian government is worried that the high volume of work on the Norwegian

Continental Shelf (NCS) could impact on safety.

The PSA believes that some players have failed to understand what operating in an acceptable manner on the NCS entails. The regulator has twice had to reject applications for exploration drilling consent over the past decade because the operator did not possess satisfactory capacity and competence. In time, more governments across the globe might start to share their point of view if socially responsible action is not taken.

Concerns shared by major industry players



Oil giant Statoil has said that if it doesn't have enough people with the right expertise to do the work it would rather pass up the opportunity rather than compromise on safety.

Statoil has also expressed its concern about lower safety standards on new offshore developments due to the market's pressed situation, while capacity problems are frequently mentioned as a major obstacle by industry experts across the board.

In a report commissioned by the Norwegian Ministry of Petroleum and Energy, the Boston Consulting Group finds that although the Norwegian supply industry believes it has the capacity to meet growth demands, 73 per cent of respondents state that access to qualified personnel is a major obstacle to meeting the increased demand. The report finds that engineers with more than 10 years' experience are in particularly short supply².

How then can companies go about finding the talent they need? Here is our six-step guide:

1. Reach out internationally

Many companies hope to solve the problem by recruiting internationally, away from the most pressured energy industry hotspots. This can only be a partial solution as qualified and experienced personnel are badly needed all over the world.

2. Avoid recruitment "cannibalism"

Stealing talent from competitors and offering ever increasing compensation packages does not increase the total amount of qualified talent available. Rather, some parts of the industry have entered a circle of "cannibalism", where companies devour each other's talent pool.

3. Identify young talent

On its own, the educational sector can't turn out sufficiently qualified personnel for the oil and gas sector quickly enough. Besides which, academia can't offer new talent the hands-on industry experience that is so sought after.

Therefore, companies across the production cycle need to take responsibility by offering training programmes for inexperienced but promising talent. Combined with having good leaders, development opportunities will attract new employees. Continuous training schemes should be a part of any oil and gas company's long-term business strategy. In this way, young people in particular will gain the skills and experience needed to meet the industry's needs.

Just see how the world's major football clubs have established academies to attract and identify children and young players. FC Barcelona took on star player Lionel Messi at the age of 13. This is a strategically clever, cost-efficient and profitable way of developing assets in-house.

² See "Capacity in the Norwegian petroleum supply industry", November 2012 – http://www.regjeringen.no/upload/OED/pdf%20filer/Rapporter/Kapasitet_i_den_norskbaserte_petroleumsrettede_leverandorindustrien_28-11-2012.pdf#search=petroleumsrettede%20leverandorindustrien

4. Source people from other sectors

With some training, structural engineers working in other sectors can be transferred to energy projects. With its products and services in high demand, subsea specialist Subsea7, for example, has successfully met some of its recruitment needs by running a three-month intensive course for non-gas-and-oil engineers.

5. Train to grow and retain

True, investing in training schemes will represent a cost, but in the long term it will pay off. It can actually mean considerably lower remuneration costs, since inexperienced oil and gas graduates and engineers and other personnel recruited from other sectors demand significantly lower wages than their experienced oil and gas counterparts.

Furthermore, the talent pool will increase in size, easing the pressure on costs due to more sustainable remuneration levels and more readily available talent to see projects through. Some of these trainees might eventually look for greener pastures and higher pay elsewhere, but many of them will feel loyal towards the organisation that trained them, and will stay on, giving their company a competitive edge.

6. Develop leaders

Develop the right leadership capability and keeping talent becomes much easier. Don't forget to select, train and develop leaders that are attractive to the future talent you will need. Are your leaders Talent Magnets?

Think! Don't saw off the branch you're sitting on



Poaching engineers from other sectors – for example from infrastructure and public services – can in some countries eventually mean that public projects are halted, or are performed to lower standards. The industry depends on being able to operate in societies with well-functioning infrastructure and public services, and debilitating other sectors is not a sustainable way of doing business.

Several companies in the energy sector – operators, service companies and technology providers alike – already have good training programmes in place. However, too few companies take responsibility for training new candidates.

Some companies choose not to invest in training, preferring instead to shop around

in companies that do – offering compensation packages that really are unsustainable for the industry as a whole.

Throwing money at the few candidates that are available, while not taking the responsibility to provide training to inexperienced talent, is therefore socially, operationally and financially irresponsible – like sawing off the branch you're sitting on.

Even those companies with good training programmes need to recruit some experienced external personnel. The second part of this report outlines the factors oil and gas businesses should consider when undertaking such a recruitment process.

Don't miss the second article in this series "The vital role of employer branding in the energy industry", where John Egil Mæland explains how having a solid brand reputation is particularly important in the oil and gas sector, making it much easier to attract the right people.

Feedback or questions?

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Before joining Mercuri Urval, John gained broad experience at senior management level in the process industry and the drilling and well services sector. He is also a highly experienced consultant in areas such as general management, supply chain management and business development. He has worked in the United Arab Emirates, the Netherlands, Scotland and Norway.

About Mercuri Urval

As pioneers in predicting the impact of people's capabilities and personality on business results, we have always considered the recruitment, selection and development of people to be extremely important, and that continues to be the core of our business.

Today, Mercuri Urval has grown organically to become a leading consultancy, working with more than 3,000 clients in over 50 countries every year. As we have grown, our services have expanded to include a range of Board and Executive, Talent Management and Business Transformation solutions, designed to meet our clients' needs to strengthen their people's performance.