

“Leadership for the Upturn: Are Your People Ready?”

A virtual panel discussion produced by DrillingContractor.org

Sponsored by The REACH Group

Question: A lot of employees have military backgrounds where leadership was driven hard, and the oilfield employs many veterans. Do you see your HR departments identifying these employees to help with leadership training or will it be outsourced all the time?

Answer: In choosing a Leadership Development program, you need to fit it with the current culture or the culture that you desire. The military does have a strong leadership programs but they are designed to fit that culture. So the military leadership may not necessarily be the most appropriate model for an Oil and Gas company. You should always consider your company's culture, vision, and values then customize the approach your organization actually needs. Many veterans have a lot to offer; however, your first objective should be how are you going to achieve the organization's goals. Then decide what characteristics are required to be delivered and be successful. Some may have military backgrounds, while others come from elsewhere.

Question: What technologies and/or processes are being used to capture loss of knowledge from the retiring generation?

Answer: The process of capturing knowledge is specific to each individual company. The focus should be on the process, rather than the technology. The "capturing" is quite simple. You need to interview anyone who has key knowledge within your organization before their retirement date and ensure that the appropriate people have reviewed this knowledge and have the opportunity to seek clarification from the retiree. It needs to be captured in some form that allows for future access.

Question: What specifically will the new leaders in oil and gas be focusing on?

Answer: If your question is regarding CEOs, then their focus will be on positioning their organizations and specifically continued development of the supervisory and management skills to be more competitive and able to grow with a solid safety culture. If your question is more about the hundreds of managers in supervisory roles, then their focus would be safe and efficient operations. What's different today would be the increased need to keep crews focused on the task at hand.

Question: Panel: 1) How should leaders face the challenges in emergency situations? 2) How to overcome organizational silos and how to change them? 3) How to get your employees stepped out of their Comfort Zone?

Answer: 1. It depends on the emergency, but you have to think of people's safety first, then the environment and thirdly the asset integrity. You need to utilize the additional human resources at your disposal and calmly direct so that others can focus on effective execution. 2. The preference is externally facilitated workshops to break down barriers and find common goals. Once you have common goals, these groups can work together more effectively. 3. Getting the leaders into the trenches with their employees and assisting them to identify and manage potential risks when they are stepping out. Show them that the new zone is beneficial and safe, then take the step together outside the zone.

Question: 1a. The downturn has seen many leaders subjected to stress and, as a result, many 'leaders' behaved out-of-character and totally abandoned good leadership skills and practices - Why?

1b. How can we help them to avoid this behavior and the resultant loss of credibility.

1c. Should they still be in the role?

2. How can leaders change and openly accept that their business model may not have been

appropriate or robust enough to adequately cope with the 'normal' cyclic nature of our industry? We know it's coming, so why are we not better prepared? That is what leadership is all about - NOT making money and growing regardless of the consequences. Consequences that are normally much greater relatively for those lower down the chain who end up being laid off. Can they change the model across the industry?

Answer: 1a. Unfortunately, that is what stress does to many people. 1b. As leaders of leaders, it is your job to appreciate that your leaders are also human and that they will be affected by stress. You must then anticipate the potential fallout and use more direction with your reports, as well as, increase the clarity of your expectations. You also need to increase the frequency of your follow-up and the detailed inspection of what you would normally do with your employees. 1c. Perhaps some of them shouldn't, but that needs to be evaluated and perhaps resolved with additional training/coaching to that individual. 2. High debt is probably the number one culprit here. As long as money is available to fund projects, people will take risks. Smart O&G entrepreneurs over the years have learned not to incur large amounts of debt because of the industry's cyclical nature.

Question: Will Brazilian Pre-Salt reservoir be a good opportunity?

Answer: Yes.

Question: As an organisation gets larger there can be a tendency for the institution to dampen the inspiration. How do you keep this from happening? What is one mistake you witness leaders making more frequently than others? What advice would you give someone going into a leadership position for the first time?

Answer: 1. Personal involvement, and I mean face time at every level in every department in the organization. As the organization grows, you either find additional talented, passionate leaders to do this or you will in fact lose inspiration, innovation and passion. 2. Two common

mistakes: A. Allowing your HR department to implement a Leadership Development program because it is probably something they have never done before. That doesn't make sense to me. B. Misunderstanding appropriate delegation of responsibility. That is to say, you are always accountable and therefore when you delegate, you must ensure that the person you are delegating to is as competent. This will ensure a successful result or you must complete the task with them to ensure success, because YOU are accountable. 3. Listen to people's advice especially those reporting to you. Triple your patience, triple your listening and appreciate that you do not have all the answers.

Question: How could we as the oil field operator to exploit the downturns of the market? How about being as the drilling provider?

Answer: That is the million-dollar question. There are a few operators that are using this downturn to drill cheaper and acquire both production and exploration assets. Some contractors are investing in developing their people to gain the advantage. (See the video panel discussion).

Question: We all hope the upturn will happen sooner rather than later, and that when it happens it is relatively quick. With this in mind, what do operators and rig contractors perceive they will be looking for from service providers in order to help them be as ready as they can be for the increased activity?

Answer: There will be a higher expectation that the vendors and contractors will manage themselves and the operators business at a higher level than before. Third parties will need to be ready to take on more responsibility.

Question: What main concern does the panel have about Leaders in the industry today?

Answer: There has not been enough emphasis on leadership skills vs competency skills. An investment in leadership skills needs to take place to ensure that a company can take

advantage of the upturn. For example, new drillships are essentially a \$280 million annual business, so why have we not invested in business skills or leadership skills to run a \$280 million business?

Question: What do the panelists see as the critical actions required to install confidence back into the offshore sector in order to make it attractive as a career path for aspiring business leaders?

Answer: People's confidence will mainly come from the increased rig utilization and the markets upswing. People are attracted to industries for safe and fair working conditions, stability, income and the opportunities. In our case, travel adds additional interest. As the market returns, so will a lot of opportunity. What companies such as Pacific and Rowan are doing with Leadership Development programs sends a strong message that they not only care about their people, but are providing resources for personal development. This signals their seriousness about the future.

Question: Having experienced many downturns, I believe the deepwater drillers are in deep voodoo. Even without the precipitous decline in commodity prices, the industry clearly has massively overbuilt. Several of us saw it coming and like Ross Perot in the 1992 Presidential Debate, heard giant sucking sounds. Is there a way out of this morass? What are the factors that may help revive the deepwater industry? How many deepwater drillers will survive?

Answer: The deepwater segment will return once crude supply contracts are filled and new crude is needed to meet the new contracts. This could be from OPEC cuts and if not, will happen in 2018-2019 once OPEC nations have burnt thru reserves. The longer the wait, the stronger the rebound because removing all these large projects that deepwater is known for, means much less supply coming online in a few short years.

Question: As a Petroleum Engineering graduate, what will be the best advice you can give to secure a role in the industry? Would you advise to take up industry recognised training and certification during the downturn?

Answer: Yes, I would. My other advice, is to align myself in an organization that is well positioned for the return and does not have a lot of debt.

Question: 1) What has been the effect on leadership of the Great Crew Change? 2) Did companies effectively plan for and manage the Great Crew Change? 3) What percent of released employees are companies expecting to return to the industry when demand returns? 4) What leadership training is expected to be in the shortest supply?

Answer: 1. The current market conditions have accelerated the Great Crew Change and the need for developing younger talent. 2. Some did, some did not. The super majors probably did a better job at having a plan to address the Great Crew Change. 3. There have been several studies that are making some guesses as to how many will return. However, no matter the percent, it will be slow and steady. 4. I'm not aware of any shortage currently. However, the best way to determine a shortage is to do an assessment that can validate the assumption or not. Then a customized program can be created.

Question: What is required to keep work force motivating and engaged in downturn?

Answer: Communication is always the key regardless of a downturn or not. But it is not just the word, tone is even more important. And finally, your behaviors must support your words. Remember, don't paint an overly optimistic picture, employees appreciate the honesty.

Question: How are leadership exceptions different now from pre-downturn?

Answer: Leadership expectations are going to vary from leader to leader; organization to organization. We see more people saying "do more with less" but that usually means safety and efficiency suffer.

Question: Coaching and mentoring is key to develop great leaders, what can small to medium size companies do better than large corps on an obviously smaller budget?

Answer: You should look at the potential ROI for any Leadership Development program and try to maximize that ROI through customization of the program and the effect it has on your culture.

Question: What hurdles do industry leaders foresee with implementing international standards of QHSE with the emergence of markets such as Iran and Mexico?

Answer: It will be a question of holding your standards and this will take additional effort and perseverance. Therefore, your message must be clear and then you must follow-up on the message. It must be apparent how serious you are about it. Sharing your message again and again is very important to drive the message and ensure people understand you mean what you say. You can't say it once or twice and expect it to stick.

Question: What are drilling contractors doing to reduce trip time and flat time?

Answer: Many are bringing in organizations like REACH to discover the root causes and make a lasting change. Some companies are throwing internal resources at the problem. However, as soon as the market turns, those resources will be reassigned to other projects or to their previous roles and the effort made will be lost in most cases.

Question: In regards to leadership traits, characteristics and skills, when you look at the leaders of today and within our Industry, where do you feel the gaps are that are possibly holding organisations back from becoming greater than just good?

Answer: This is company specific and individually specific. This is why REACH performs an assessment before each engagement to focus on the identified needs that bring the greatest value.

Question: What would be the priority of leadership skills that companies should seek to develop within a company, and how would they differ for the Operational vs. Service sectors within the industry?

Answer: That is unique to each organization and their needs. This is why REACH always starts with an assessment so that priorities can be clarified.

Question: What are the most significant challenges to overcome make this approach stick?

Answer: Attitudes and senior leaders giving sufficient time to ensure success.

Question: Two questions: (1) how could people manage to get focused on preparing themselves besides the high levels of stress feeling because of the lack of job security? (2) What did we learn from Macondo in terms of leadership (lack of)?

Answer: Let's remember that leadership is used on a daily basis in every operation whether it is recognized as leadership or not, whether effective or not. Macondo was more about a lesson in decision-making rather than "leadership." It is important to recognize this distinctive difference.

Question: What are new and imaginative ways to motivate discouraged team members facing growing uncertainty in the company's direction and future development plans? What tools can

I use to promote collaboration and think tank effectiveness during these difficult times and change the growing trend to accommodate or even compromise without long term consideration and due diligence towards decision making processes?

Answer: Communication and honesty. If you tell people the truth, they will respond with appreciation. At the end of the day, the objective for today's work is to complete it safely and efficiently. This is to everyone's advantage, always. The recommendation is for you to keep your crews focused on what they can manage.

Question: Coaching is widely accepted as an excellent tool to develop leadership. What is the appetite for coaching in the oil industry?

Answer: The appetite is clearly increasing.

Question: How do organisations retain their top talent during: a) a prolonged market downturn such as this; and b) during the subsequent upturn when opportunities to move around become readily available?

Answer: People usually leave their supervisor rather than the company. So, during a downturn, there are not very many people leaving an organization because the opportunities are not there. But as opportunities return, people will want to work for the organizations that are professionally led and managed.

Question: How does the industry recover from the massive talent loss sustained in the last two years and how do we draw young talent back to an industry notorious for binge hiring and firings?

Answer: Part of the answer is to invest in your Leadership Development now in anticipation of the return. And the talent doesn't necessarily have to be young.

Question: What are the essential ingredients to lead consistently and authentically? How do great leaders deal with adversity / conflict resolution or enroll people they don't connect with on a personal level to deliver? With the impending experience drain - how will this industry develop technical competence and "disruptive" leadership - what behavioural based programs are available to "grow" the next gen leader?

Answer: 1. Sincerity, honesty, and legitimate interest. 2. Patience and understanding and legitimate possession of the skills to do exactly that. 3. I am not sure that "disruptive" leadership is necessarily a good thing. There is no magic pill for next gen leaders, what people need are basic functional, usable supervisory and leadership skills that are proven to work in the industry. We need to focus on getting that in place. If you can achieve that successfully, then your operations will be in a good place.

Question: How can drilling contractors and service companies work together to maximize synergies to bring the most value possible to our operators customers?

Answer: We have to want to, there has to be a win-win in it for all parties. Therefore, all parties concerned must work to identify the mutual opportunity, this is really a business development function.

Question: What challenges do you expect to face regarding new and rehired employee training? How do you plan to tackle them?

Answer: The challenges will largely be the same; however, you may face more skepticism from rehires. Over communicate with all the new and rehires to increase their level of comfort.

Question: Just prior to the downturn, there was a lot of discussion about "the great crew change" and the challenges that the gap between experienced workers and industry demand

places on O&G company leaders. In what ways has the downturn affected that dynamic, and are companies proactively doing to meet the challenges?

Answer: The Great Crew Change has clearly been accelerated by the downturn. Some companies are being proactive, while others are not.

Question: How do we, as an equipment/service provider, get onboard with this kind of initiative at minimum cost at the same time as our customers (guess who, the drillco's!) are urging us to cut our prices / costs so deeply? I guess I am just concerned that this approach means hiring consultants which in this climate may not be the highest priority for most companies. Maybe you will prove me wrong! Look forward to it.

Answer: If in fact, you have a limited budget then carefully explore what can be accomplished without sacrificing quality. Any Leadership Development program should have a positive ROI. You need to ask yourself what do you hope to gain? So customize the program to maximize that benefit, and yes you will need an experienced professional to deliver that ROI. Remember, this is not an exercise on how little you can invest, but what is the greatest gain. It only takes one event for an employee utilizing their new leadership skills to produce cost savings or increased profitability that more than covers the program cost. Also, if you go cheap on a leadership development program, you send a strong message to your entire company, that you are really not serious about investing in them. So what are your chances they will take it seriously.

