


Talent's role in the energy transformation



Building a better
working world



In an era of abundance, many oil and gas companies are rethinking their strategic approach and retooling for the future. Those plans should include an effort to keep key employees.

Talent's role in the energy transformation

There is a reality in the oil and gas business that is often forgotten in good times and painfully remembered when the market isn't so good: high commodity prices can hide a lot of mistakes.

Inefficiencies, inaccuracies, wasteful spending and delays can be minimized because of ever-increasing revenues. During a downturn, however, poor employee performance is magnified, impacting every aspect of the business – from financial performance to your reputation as an effective joint venture partner.

More than ever, oil and gas companies need smart, talented and experienced employees with the skills and knowledge to unlock opportunities and deliver on strategic plans. As companies work to transform themselves to thrive in an era of abundance, identifying, retaining and rewarding talent will be a critical factor in their success.

Focus on engagement

Holding on to highly skilled employees is always a challenge. But it can be especially difficult during a downturn, when cash is tight and companies are looking to scale back rather than add expensive perks and benefits. The fact that the industry as a whole is in a similar situation isn't always a deterrent to turnover; employees who work in staff positions, such as accounting, legal or human resources, may be looking to change industries to escape energy's up-and-down cycles. And technical employees may become concerned about the company's future or their own role in it and seek opportunities with a stronger competitor.

A proven strategy in response to employee concerns during difficult times is to enhance the company's level of employee engagement. Engagement improves workplace culture, helps connect employees to the company and its objectives, and strengthens retention efforts. Of course, building a more cohesive, committed workforce won't happen overnight, but subtle changes in the culture that are perceived to be more "employee friendly" can have a major impact on the decisions that key individuals make about their future.

Finding the right fit

Smart companies tackle this challenge by focusing on:

- ▶ **Increased communication:** Improving formal and informal channels of communication can help senior management share strategic and tactical information more effectively, strengthen workers' understanding of the company's goals and objectives, and help key employees see how they fit into the big picture. It can also empower workers to share ideas and suggestions for improvements – big and small – that can make a bottom-line difference, increasing employee buy-in. In addition, during downturns, employee attention to company announcements or news typically increases, and enhanced transparency can help cut through market “noise” and verify that the organization receives and understands key messages.
- ▶ **Schedule flexibility:** Helping employees achieve a better work-life balance can be an especially successful retention strategy. The most popular options being implemented by oil and gas companies for key employees include compressed workweeks, the addition of new part-time roles or job sharing, telecommuting and unpaid furloughs that allow employees to retain their medical benefits. Creative scheduling can make a significant difference for employees who are struggling with responsibilities outside of work, such as caring for children or elderly parents. This type of flexibility – especially during a time of reduced activity – can be critical in retaining high-performing employees who might otherwise step away from work because of other commitments.
- ▶ **Internal mobility:** Giving valuable employees stretch roles or project leadership positions to gain skills and broaden their experience is a win-win. It boosts morale and sends a clear signal that the individual is important to the company's future. At the same time, internal mobility gives the company's most important employees insight into different functions and strengthens their overall understanding of the organization. However, companies must make it clear that these opportunities are enhancements to the employee's career and not additional work without proper compensation.
- ▶ **Special access:** Top performers appreciate having access to special training or one-of-a-kind programs that will enhance their knowledge base and enable them to network with other talented individuals across the company. For example, a monthly strategy discussion session with select senior executives – available by invitation only – can be a powerful reward for high-performing employees.
- ▶ **Non-monetary benefits:** Inexpensive benefits such as financial planning services or wellness classes can also help with engagement and retention, especially if they are tied to the company's core values (e.g., leading a healthy lifestyle is a component of safety).

The most important takeaway for executive teams and human resources professionals is that every individual is unique, with different needs and aspirations. No single program or benefit will be valuable to every key employee, so providing a variety of enhancements is necessary.

One of the biggest differentiators in how valuable employees view engagement efforts is age.

In general, younger employees have a greater appreciation for non-monetary rewards such as enhanced training and development; schedule flexibility for personal travel, hobbies and volunteer work; and opportunities for foreign assignments. Younger workers enjoy unique workspaces that support collaboration and interaction with peers, along with the latest technology and tools.

Not surprisingly, older workers respond more to long-term benefits, such as enhanced 401(k) options, and may also appreciate additional time off for managing family needs. They also are more likely to value traditional workspaces.

To serve key employees in all age groups, smart companies are developing customized benefits programs that allow individuals to prioritize the rewards that are most meaningful to them.

Executing on this vision can be difficult; selecting the right mix of benefits and experiences takes a good deal of insight into employee needs, as well as the willingness to accept some trial and error. Focus groups and surveys, along with one-on-one discussions with key employees, can help companies improve their engagement through meaningful changes that impact the greatest number of people.

Align incentives with objectives – now

Most oil and gas companies have programs in place to identify key contributors and develop them for future leadership opportunities. And many have formal succession plans that provide a road map for how talent can be deployed as the organization changes or grows.

But an increased focus on employee retention gives companies an opportunity to take a holistic view of their compensation and incentive plans and determine whether they are driving the proper behaviors.

It's not uncommon for companies to have objectives and rewards that are not in alignment, which eventually harms engagement and makes good employees wary of investing their future there.

People will *always* make decisions on the basis of how the company's reward structure is set up, and those decisions are sometimes in direct conflict with what is best for the company. For example, imagine an incentive program that rewards engineers and geologists for the number of wells drilled in a quarter, regardless of whether those wells can be brought online profitably. What will likely happen?

Leading companies align employee incentives with their key business strategies. Those who do so realize a significant advantage now, which will pay off even more when prices rebound and activity picks up.

Value diversity

Being recognized as welcoming and fair can go a long way toward retaining key employees.

In recent years, many oil and gas companies have made substantial efforts to improve their workforce diversity. By broadening their search activities to include nontraditional talent pools and developing programs to support and assist workers from all backgrounds, companies have made important gains.

Maintaining – and improving – that performance will require companies to verify that all employees are receiving the proper training, development, support and opportunities for advancement.

These efforts typically include formal programs, systematic processes and technology-driven planning to see that employees have a defined career development path and that promotions and leadership opportunities are open to all talented, deserving individuals.

We can help

A recent EY survey of energy companies in the upstream, downstream and service sectors showed that the industry is still committed to developing people despite a difficult market environment.

Smart companies are seeking employee retention strategies that enable them to engage and motivate the key individuals who can help them weather this competitive landscape. In fact, many survey respondents said their companies were planning investments in training and development and adding less costly – but valuable – benefits for employees.

Are your company's engagement and retention efforts strong enough to keep your best performers? EY suggests considering the following questions:

- ▶ Do you know what engages your top performers? Opportunities? Compensation? Benefits? Work-life flexibility?
- ▶ Have you analyzed which rewards programs are most highly utilized and valued by employees?
- ▶ Have you increased your transparency and improved communication to employees?
- ▶ Are you open to improving flexible work options or adding new scheduling arrangements for key individuals in certain jobs?

At EY, we've helped many organizations in the oil and gas industry develop tailored approaches that fit the needs of the business and its employees. To learn more about how EY can help your company enhance its engagement efforts and retain its most valuable employees, contact:

Rachel Everaard
+1 713 750 8294
rachel.everaard@ey.com

Glenn Nevill
+1 817 726 3309
glenn.nevill@ey.com

EY survey offers insights into US oil and gas HR strategies

In late 2015, EY People Advisory Services deployed a People Strategy Survey to assess current practices in human resources (HR) strategy and how those strategies were changing in response to the current market environment.

A total of 38 companies – representing the upstream, downstream and services sectors – participated in the survey, answering questions related to talent strategies, HR operations, benefits management and more.

Survey results revealed five major trends impacting talent retention and HR management in the oil and gas industry:

- ▶ Talent management is a strategic imperative in a sustained downturn.
- ▶ Adding “softer,” less-costly benefits can improve employee engagement.
- ▶ Human resources technology can help drive efficiencies with a lower cost of implementation, quicker deployments and improved reporting.
- ▶ Updating and streamlining global mobility programs can minimize risks and reduce costs.
- ▶ Many companies are implementing changes to their organizational design to seek efficiencies and shape a nimbler, more agile organization for the future.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

How EY's Global Oil & Gas Sector can help your business

The oil and gas sector is constantly changing. Increasingly uncertain energy policies, geopolitical complexities, cost management and climate change all present significant challenges. EY's Global Oil & Gas Sector supports a global network of more than 10,000 oil and gas professionals with extensive experience in providing assurance, tax, transaction and advisory services across the upstream, midstream, downstream and oilfield subsectors. The sector team works to anticipate market trends, execute the mobility of our global resources and articulate points of view on relevant sector issues. With our deep sector focus, we can help your organization drive down costs and compete more effectively.

© 2016 EYGM Limited.
All Rights Reserved.

EYG No: 00515-164GBL
1603-1887737 SW
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com