

# IIC Partners Industry Insights



## Trends Driving Change in the Energy Sector



Like so many industries, the energy sector is being impacted by an overall shortage of skilled talent at the senior level. This shortage is exacerbated by the volatile nature of the industry in recent years. From the fall of crude oil prices to the rise in alternative natural energy sources; from the discovery of natural oil and gas in new regions to the deregulation of the industry in some countries – energy, as a profession, is being catalyzed by change.

This diversification and overall growth in the sector is driving demand for experienced talent to fill executive level roles. Add to that the exodus of baby boomers retiring from executive level positions, and the energy sector is exposed as a critical front in the war for talent.



### Driving Forces in the Energy Sector:

- ◆ Price of crude oil
- ◆ Discovery of natural oil and gas in new regions
- ◆ Deregulation
- ◆ Growth of alternative energy sources
- ◆ Increased demand from emerging countries

# Demand for Upstream Executives

With the discovery of new oil and gas deposits in established energy producing areas such as Canada, Norway and offshore East Africa and untapped areas such as the Mediterranean Sea and South America, upstream business needs remain active with a heavy emphasis on candidates that possess technical and scientific acumen. There has also been an increase in the demand for talent by clients involved in the exploration and development of liquefied natural gas (LNG).

There are still major exploration projects to be undertaken in the Norwegian offshore and Canada offshore oil fields. Combined with the recent discovery of gas in high volumes in offshore East Africa, demand for executive search and talent management within the Energy sector will significantly increase across all functional roles.

The recent opening of the Mexican energy market to private investment means that the need for executives at all stages of the development process will be high and there is not enough talent in Mexico to meet this anticipated demand.

Qualified engineering talent, especially bilingual candidates are always in high demand. Cynthia Kaplan, Energy and Mining Industry Partner, Delta Top Talent based in Mexico City notes that Mexico needs to focus more of its educational programs and resources on STEM fields (Science, Technology, Engineering, Math). "According to the Mexican newspaper, "el Economista", there will be a shortage of 135,000 technical professionals. About 20% will be managers and executives to lead projects and serve in key business development and government relation roles. Mexico needs to develop a long-term strategy of producing future talent by introducing better programs in STEM fields earlier on in the educational process. Resources should also be directed towards developing a much higher level of English speaking skills for students," Ms. Kaplan commented.

Mexico will need to look beyond its borders to find executives willing to relocate or attract expat Mexican nationals to lead the new developments that will take place. "The possibility of joining a growing company in Mexico can offer a candidate the opportunity to be a 'big fish in a little pond' and may enable them to reach a top position more quickly," Ms. Kaplan added.

On the production side of the industry, clients are seeking talent within oil sands developments, for example shale oil or gas production. Activity in the gulf coast of North America has also meant an increase in demand for executives to assist in exploration activities.

**IIC Partners interviewed five specialist search consultants from its Global Energy Practice Group to discuss how the changing energy landscape is impacting the need for senior executives across the industry, and the key role executive search firms play in identifying and recruiting top talent.**



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# How Will The Talent Gap For Senior Executives Be Filled?

## Recruiting Outside the Industry

Given the scarcity of talent within the energy industry, one possible solution to filling the talent gap is to explore executive talent from alternative industries. Scott Doupe, Office Managing Partner at Conroy Ross Partners based in Calgary, Canada, notes that while energy companies may be unwilling to consider executives from other industries for upstream roles, there are opportunities at mid and downstream. “Producing companies interested in hiring resource specialists, for example engineers and geologists, are not open to exploring candidates from different industries. In Canada, most upstream clients will not consider candidates lacking domestic oil and gas experience,” Mr. Doupe said. “However, the market is in high growth mode as pipelines, LNG terminals and a new refinery are being built. Clients

involved with these large, complex facilities and projects tend to be more open to exploring candidates with exposure to different industries. Pulp & paper, auto manufacturing, chemical production and power generation experience provide transferable skills that these clients are willing to explore,” he added.

## Recruiting Within the Industry

While those executives without a background in energy may find a harder time landing a role in energy, the demand for cross industry experience within the sector is high. Anecdotal evidence suggests that companies managing offshore wind projects are seeking candidates from the oil & gas sector, due to their project management and health safety and environment expertise.







# Investment in Education

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Scott Doupe  
Office Managing Partner  
Conroy Ross Partners  
Calgary

In countries such as Mexico where there is simply not enough local talent, the country will need to look outside its borders to find executives. One such solution employed previously by countries such as India and China as they saw their own explosive growth is to encourage Mexican nationals living abroad to return to their home country. However, as a long-term solution the country will need to ensure it has the education and training in place to equip the next generation to lead work on energy projects.

Cynthia Kaplan, details some of the strategies that are being implemented to groom future talent in Mexico. “Many of the same technologies used in the US will be used in Mexico. PEMEX is creating a University to train engineers and two Universities based in Texas are speaking with UNAM (National Autonomous University of Mexico) and Tecnologico de Monterrey to offer Mexican students the opportunity to participate in shale and heavy oil recovery research projects. However, one of the main issues is the lack of sufficient English speaking skills. Perhaps one of the benefits companies can offer is an intensive English instruction course. This effort has to be a collaborative three way partnership between governments, businesses and educational institutions,” Ms. Kaplan said.



# The Role of Executive Search

Executive search consultants believe that demand for their services within the sector will remain high, even with the recent increase of in-house recruitment teams and the rise of unbundled search offerings.

“The demand for executive search will continue and as businesses evolve, so will executive search. Sustainability of the energy sector is being questioned as the price of oil drops, but the outcome will be some mergers and acquisitions. These will yield searches for new management teams,” said Jane Christopherson, Managing Partner at The Curzon Partnership based in London.

“Adding value to a client remains the key to differentiating a search firm. In some cases, there is high demand for an external objective party to perform a search for reasons of transparency and good governance” she added.

The barrier to identifying and reaching out to executives may be perceived as low due to the rise in online research tools such as LinkedIn.

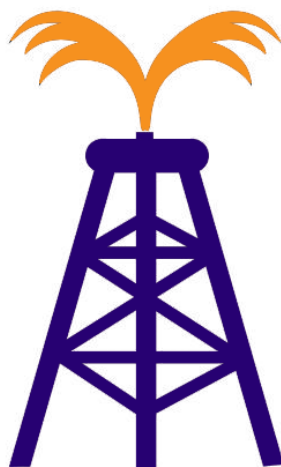
In spite of this the skills and gravitas necessary to identify and connect with leading executive talent is not a commodity.

The breadth and depth of research a professional search firm delivers cannot easily be replicated. The trusted relationships that search consultants have developed with key talent are irreplaceable.

In order to address the shortage of skilled senior workers, a number of IIC Partners search firms have created an Energy Talent Pipeline, following the career trajectory of individuals in the sector. This proactive tracking of talent will empower IIC Partners to quickly tap a list of possible sources and potential candidates when an opportunity presents itself. The Energy Talent Pipeline is a proactive management tool of passive candidates, and should not be compared to the usual database of executives that all search firms have on hand.

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Jane Christopherson  
Managing Partner  
The Curzon Partnership  
London



## Energy Talent Pipeline



Proactive tracking of passive talent



Executive Search firm engages untapped talent



Elite and best talent presented to Client



## Top 5 Negative Impacts of Unplanned Executive Departures

1. Damage to company culture
2. Loss or delay of new products / services
3. Lead to departure of other executives
4. Loss of revenue
5. Adverse publicity

# Talent Retention

One of the biggest challenges faced by organisations in the energy sector is retaining the talent that they have in place. Due to the shortage of talent, senior executives employed in sought after positions are often approached to change companies. It is vital that organisations hold onto the best workers that they have.

IIC Partners surveyed 1,270 senior executives and 80% of respondents reported that it would take up to a year to find a suitable replacement for their position. These findings point to a significant gap in succession planning in parallel with the growing talent shortage within the energy sector. This operational oversight combined with the growing exodus of senior talent from the workplace, will leave many organisations unprepared. Survey participants were asked what the top five negative impacts of an unforeseen executive departure would have on their company:

- ▶ 38% reported that it would damage company culture
- ▶ 18% said it would lead to the loss or delay of new products or services
- ▶ 16% said it would lead to the departure of other executives
- ▶ 14% said it would lead to loss of revenue
- ▶ 13% said it would lead to adverse publicity

Across the energy sector, clients are willing to provide additional methods of compensation to incentivize and retain executive talent. Cash compensation and retention bonuses compared to stocks or options continue to be a key driver for attracting talent. Ginger Napier, Partner of Clarey/Napier International located in Houston, Texas, has seen this trend from her clients. “We are beginning to see clients offer retention bonuses paid twice annually, and signing bonuses have reappeared into the compensation fold. Additionally, vacation and flex days are often key negotiating factors” Napier said.

Talent retention is crucial to ensuring a company’s success. Executive search firms play a critical role by assisting organisations to develop and implement succession planning strategies across the C-level which will help to minimize the internal and external disruptions of an executive’s unexpected departure.

## About IIC Partners Global Energy Practice Group

The IIC Partners Global Energy Practice Group is a collaborative forum where partners share industry knowledge and best practices. With consultants drawn directly from the energy industry, our knowledge of international energy markets is exceptional. Our strong global network transcends searches that are seamless and successful, with demonstrable sensitivity to the culture of the company and the country where the role is based. The Global Energy Practice Group executes searches for a range of clients from mid-sized companies to multinational organisations, private equity-backed start-ups, utilities, and regulatory authorities.



## About the IIC Partners

IIC Partners Executive Search Worldwide ([www.iicpartners.com](http://www.iicpartners.com)) is a top ten global executive search organisation with 51 offices in 34 countries. All IIC Partners member firms are independently owned and managed and are clear leaders in local and national markets, allowing bespoke solutions for client's leadership talent requirements. For more information, please contact IIC Partners Executive Director, Christine Hayward, at [chayward@iicpartners.com](mailto:chayward@iicpartners.com).

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