

BIG OIL ON THE PRECIPICE OF CHANGE... CAN GEN Z HELP?



ALTOPARTNERS
Executive Search & Leadership Advisory

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As of 2020, the global workforce amounted to approximately 3.3 billion people, with [six million](#) of those found in the oil and gas sector.

Many oil and gas (O&G) companies are looking to reinvent themselves by practicing capital discipline, focusing on financial health, committing to fighting / dealing with / working on climate change, and transforming business models. According to a 2022 [Deloitte outlook](#), the journey of transformation has just begun for the industry, and simply managing or riding oil price cycles are no longer viable options. The survey recommends that over the next 12 to 18 months, O&G strategists should:

- Streamline and optimise their resource portfolios
- Embrace and develop smart goals for the energy transition
- Attract, train, and retain employees in a tight labour market
- Come to terms with additional environmental, social, and governance (ESG) requirements

The question of attracting and retaining employees is crucial to the future of the industry. Cycles of hiring and laying off employees mean that O&G companies are not seen as reliable employers – a problem compounded by the way that a tenured and ageing workforce reduces the available talent pool. In a tight labour market, even O&G companies which have progressive strategies and healthy balance sheets, have difficulty standing out to potential employees. More than 75% of respondents in the Deloitte survey believe that flexible and agile workforce structures that empower remote, hybrid, and cross-border teams would help companies compete and retain talent.

But would that be enough to attract young talent? How can these businesses reinvent themselves to become appealing to the next generation of leaders? AltoPartners global experts in the placement of C-suite talent in the oil and gas sector know first-hand the trouble that some of these companies have with attracting Generation Zero (Gen Z) and the steps they need to take to pivot their reputations.

“Big Oil is standing on the precipice of something. But no one can agree what it is. A long, slow decline? An abrupt collapse? An increase in demand? A remarkable reinvention?”

— Kevin Hall, Managing Partner at AltoPartners Canada & Global AltoPartners Board Member

A recent climate change protest outside the United States Capitol building and the White House left some teenagers so weakened by a hunger strike that they required wheelchairs, [according to the Washington Post](#).

It is these teenagers who would ordinarily be the next generation of people to enter the ranks of oil company workers – but traditional energy is not likely to be high on their list of career choices.

WHAT DRIVES GEN Z? A SEARCH FOR TRUTH!

Labels like Millennial or Baby Boomer are mostly useful to marketers, but the term Gen Z does seem to have relevance and resonance. This generation, born between 1995 and 2010, has four core behaviours, according to a [McKinsey survey](#).

Those four behaviours are anchored in one element: a search for truth. The survey also found that Gen Zers:

- value individual expression and avoid labels
- mobilise themselves for a variety of causes
- believe profoundly in the efficacy of dialogue to solve conflicts and improve the world
- make decisions and relate to institutions in a highly analytical and pragmatic way.

[CNBC](#), citing a [Deloitte survey](#) notes that climate change / protecting the environment is the No. 1 concern for Gen Z, followed closely by unemployment and health care / disease prevention. Gen Zers also want the companies they work at to be environmentally friendly. Jen Cannon, vice president of business development at Impax Asset Management, which manages \$45 billion in assets, says: "We're in a transition to a more sustainable economy. If I'm a company that doesn't even address climate change, what's the future of my organisation?" Failing to address Gen Z's environmental concerns – as witnessed in 2021 relating to seismic explorations off the South African coast - not only puts a company's reputation at risk but also its future workforce. "They want to have a job that's in line with their values," Cannon said.

But does Gen Z understand the energy industry anyway?

Kevin Hall, Managing Partner at AltoPartners Canada & a member of the Global AltoPartners Board, points out that making broad generalisations about Gen Z might not be useful, any more than generalisations about the oil industry are useful. "As with every industry sector, there are companies that operate ethically, use sound and evolving environmental practices, adhere to regulatory controls and have sound business policies; and there are those that don't. Many working within the oil and gas sector are frustrated by what they see and hear from people with limited or no knowledge of the industry," Hall says, adding that it's easy to support the total elimination of every industry which has an environmental impact. But, he says: "The oil and gas industry has delivered what has been asked of it by the energy consuming global community. With an increase in the demand for electricity the question must also be asked – where will this electricity come from? Coal burning power stations? Nuclear? Hydrogen? Biofuels? Alternate (solar, wind, hydro, tidal)? All have environmental consequences."

Over half of oil and gas employees are worried about an impending oil and gas talent crisis. Should they be anxious?

AltoPartners global experts say that this issue does worry O&G companies. Scott Eversman, Managing Director at Diversified Search / AltoPartners USA, where he leads the firm's Energy practice, says concern about the industry's ageing workforce has been on the table for many years, while Nicolás Mora Schrader, Managing Director at Equation Partners / AltoPartners Chile, says: "The O&G industry in Chile is very concerned with the perception that younger generations have of this industry. Global warming, climate change, and corporate sustainability are very important elements that new generations are strongly evaluating when deciding for one job or another."

CAN O&G COMPETE WITH OTHER INDUSTRIES?

Austin Ume Zurike, Consultant at AltoPartners Australia with a 30-year track record across diverse industries, including energy, offshore oil & gas, shipping, shipbuilding and marine operations, in West Africa, Europe, the Middle East, and the Asia Pacific, agrees – but points out that this is not a new trend. “Ever since the collapse of the industry in 2015-16, there’s been a talent drought.

“Although there was some rebound during the recovery period in late 2017, the pandemic exacerbated the problem.” He says that climate change and environmental sustainability concerns might be in the news now, but that other factors have contributed to the loss of interest in the industry.

“Big Data, artificial intelligence, machine learning and other technology trends have become more attractive. Few people would want to spend weeks or months in the harsh environment of the oil rig at sea or on an oil platform in some remote location when they can sit in the comfort of their homes creating content for social media, writing code, or trading Crypto.”

He also notes that in less developed economies with high unemployment rates - and many of the African oil producing economies fall into this category - young people are hungry for any job and an opportunity to work in an oil company is still considered a privilege, available to only very few. José Caetano Silva, Founding Partner at Talent Search / AltoPartners Portugal, Angola and Mozambique, puts it succinctly: “In countries like Angola... there’s no such a thing as the ‘Z’ generation... they need to work... period.”

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— Austin Ume Zurike

WHAT TALENT DOES THE OIL INDUSTRY NEED? IF IT CAN FIND IT!

For those Gen Z people who are prepared to work in the sector, technical skills are a good place to start. Hall says skills are needed in the areas of geoscience, engineering, computer science and environmental science.

Ume Zurike points to a possible win-win path for young people and the industry. "The disciplines that are likely to be in demand are those aimed at 'greening' the industry. Roles that are related to the environment and sustainability, decarbonising technologies, such as Carbon Capture and Storage (CCS), are likely to be more attractive.

"Also disciplines that are most likely to attract Gen Z to the oil companies are those that involve the use of technology to innovate the industry."

Nathalie Deroche, Partner at Leaders Trust / AltoPartners France, singles out project management as being in urgent demand – and this is echoed by Hall: "The energy industry will always need experienced and agile leadership."

IS IT DIFFICULT TO PLACE TALENT IN O&G COMPANIES? YES & NO

AltoPartners' search experts report mixed results in talent placement in the O&G industry, based largely on the specifics of the markets in which they work. While Mora Schrader in Chile reports no difficulty in placing C-level executives with long careers, Ume Zurike, based in Australia, says some C-Suite executives who have garnered significant mileage in oil companies are moving to sectors with more green credentials to avoid the 'stigma' that has come to characterise the fossil fuel industry.

"In the regions where oil companies are not so vilified, placing talent is not so difficult ... there are now opportunities for local talent to ascend to positions that would have been otherwise filled by expats."

Canadian Hall says there is still a good supply of experienced executive human talent either in the marketplace or residing within companies looking to move after being 'hunkered down' since 2014 – but Deroche, in Paris, says the usual rotation from one company to the other has slowed down. She notes that talent is tending to prefer smaller companies, and that there is a feeling that energy companies are too big.

Raúl Lacaze, Partner at Bäcker & Partners / AltoPartners Argentina, interviewed several human resources directors at Argentinean energy companies, and notes that the problem of attracting talent is found more in the non-technical segment of the industry, which represents approximately 30% of the market. Specialists continue to be interested, he says.

HOW DOES BIG OIL DEAL WITH ITS LOOMING TALENT CRISIS?

In this shifting and changing environment, how do oil companies see their future business in 10, 20 or 30 years' time?

Eversman says these companies "accept that there is a looming crisis, therefore, most are appealing to the 'cool science' element in O&G, but they realise there is a reputational repair aspect to their recruiting." As part of that reputational repair, Mora Schrader suggests that companies that distribute gas have adopted innovation and technology as part of their strategy. Ume Zurike concurs: "Some have set up renewable energy divisions, some are strategising to focus more on gas than oil (gas is seen to be the lesser evil of the two), while others are rebranding – adding 'energy' to their name."

Hall says the Canadian oil and gas industry is moving from fossil fuel to clean-tech. "In fact, the energy industry is the largest spender on clean tech in Canada, responsible for 70% of the more than \$1.4 billion invested in Canadian clean-tech each year. This is only going to grow in future and represents significant and varied career opportunities."

These transitions are risky though. Says Hall: "One of the key deciding factors is that the pure economic financial returns from most alternate energy investments don't even come close to those attained in the oil and gas industry. There is however an environmental and social responsibility to drive the development of clean-tech energy sources."

"Major investors have stated they will not invest in traditional oil and gas companies, regardless of their productivity improvements and realignment on clean-tech... Indeed, there is, and will likely continue to be, a reduction in capital dollars available towards oil and gas extraction activities. At the same time, there has been an explosion of ETFs in sustainable and clean tech companies, providing more investment capital which will increase their ability to attract talent to the detriment of the non-renewable energy companies."

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— Kevin Hall

WHAT WOULD MAKE AN O&G COMPANY ATTRACTIVE TO YOUNG PEOPLE?

Perhaps because of these economic constraints, some companies simply do greenwashing, says Olivier Carlander, Partner at Leaders Trust / AltoPartners France, but Gen Z's search for truth combined with their immersion in the digital world means that greenwashing is unlikely to work.

For that reason, Eversman says most companies focus on company culture as a way of attracting people to their ranks. Ume Zurike points to the kind of company culture that might make a difference: "Demonstrate genuine desire for good environmental stewardship and sincere intention to decarbonise. Gen Z want, not only to be heard, they want their opinions included in key decisions that affect their future and the environment.

"They want to work for companies that will guide them through a future-proof career path, while developing their skills and being mentored. Companies providing flexible work schedules, so they can blend work with personal interests, stand a better chance."

Cutting to the chase, Carlander recommends attractive employment packages, which Deroche says need to be backed up with employment that offers opportunities for concrete, smart and documentable achievement. That's because Gen Z's concern about the reputation they attach to their CV by joining an oil company might be overcome by the career value they can derive from the position.

WHAT CAN BOARDS & TOP LEADERSHIP DO NOW?

Lacaze says that companies in the industry should try not to identify themselves as oil and gas but rather as energy businesses, and that they should be emphasising social responsibility action in the fields of climate change and renewable resources. Mora Schrader says that the long term strategy for boards is finding a balance between “business as usual” and innovation towards electro mobility and renewable energies. Another key element has to do with building good relationships with the communities where their main assets are located.

Hall says that most of the boards his company works with are already “ahead of the curve” in this area, even though the speed of change may have surprised some. He says that large integrated oil and gas companies need to put more than token (greenwashing) effort into reducing the environmental impact of existing production and developing alternate energy.

“Oil and gas companies also need to actively and better communicate the innovation and other initiatives they are driving to Gen Z and Millennial audiences in particular. With adversity comes opportunity. The oil and gas industry has historically attracted more than its fair share of entrepreneurs, top talent and investors.

“There is no reason to believe that this will not continue into the future. Many oil and gas companies also continue to recruit young talent as future industry leaders. It is so important to develop a talent and succession pipeline. Boards / senior leadership and stakeholders need to continue to do the ‘right’ thing even in the face of adversity. There is so much at stake.”

Top tips for O&G leadership

- **Eversman:** Engage deep (into the ranks) and early. Find out how the youngsters see / feel about the company. There is much good O&G companies can do to address climate concerns IF they are honest and have a clear(ish) path forward on how they are going to address greenhouse gas emissions, transition to net zero, etc.
- **Mora Schrader:** If you haven’t already, start thinking about designing and implementing an ambidextrous business strategy, combining efficiency and innovation: be capable of developing the current business, while at the same time exploring new business opportunities. This new conception of the company implies an effort to systematise innovation and make it part of the day-to-day.
- **Lacaze:** Emphasise the empowerment of employees as a lever to facilitate transformation towards a more agile and attractive management style. As part of that, cultivate the practice of recognition and feedback, as this is key to attracting and retaining talent.
- **Hall:** Actively communicate with the community on the environmental innovation and clean-tech initiatives taking place in the industry and its impact. Advancing technology is impacting all industries - banking, healthcare / personalised medicine, digital commerce, AI / machine learning, communications, media, and supply chain. Gen Z and Millennial talent have some amazing career choices. The oil and gas industry must play to its strengths to be recognised as an industry of choice to attract young talent, with a continued focus on reducing environmental footprint and speeding the transition to clean-tech energy sources.

THERE IS A LONG WAY TO GO - **START WITH HIRING WOMAN?**

A [McKinsey report](#) from 2019 says that in 2009, "O&G was the 14th most attractive employer among engineering and IT students; now it is 35th".

McKinsey says is critical for the O&G industry to deepen and diversify its pool of talent, and that one way to do that is to bring in and retain more talented women. But, as of 2019, half of the 250 O&G companies surveyed by McKinsey didn't have a single woman in top management; another third had only one.

As much as companies are forward-thinking in terms of pivoting their businesses to attract Gen Z, what are the strategies they have in place for attracting women? The place to start would be focusing the whole company on sustainability - [starting with the board](#).

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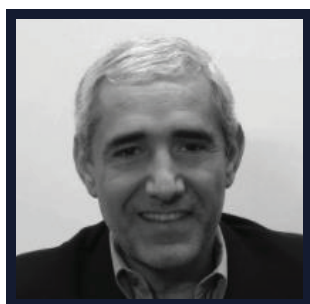
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