

HEIDRICK & STRUGGLES



# The new energy executive

What the BP Oil Spill reveals about the essential and defining attributes of the next generation of leadership

by **Les Csorba**, Partner, Heidrick & Struggles

# The new energy executive

While the complete impact of the BP oil spill is yet to be determined, we can be certain of one thing – the disaster will be a game-changer for the largest industry on the planet. Change in the oil and gas industry will be manifested in many ways – commercially, technically, and most assuredly, from regulators. Yet, the most significant change may come in the executive profile of those who lead oil and gas companies.

The petroleum industry functions not by the innovation of new technologies and execution of strategies, but by the individual choices of men and women in leadership. It is the executives and their teams who plan the drilling projects, determine budgets and timetables, deploy assets, and set the tone for the cultures and values of the organization. The Macondo Well accident and the ecological disaster that followed must therefore alter the skill-set of the energy executive, or for that matter, the skill-set of any executive managing a global enterprise. Leadership mattered more than we could have ever imagined.

## Timely leadership lessons

The BP oil spill and its causes and consequences raise a number of difficult questions that executives face every day. And while investigations will examine what went wrong and procedures put in place to prevent future disasters, it will be the leaders who will need to push the reset button and begin asking the tough questions:

- What should companies do to enhance the planning and contingencies in the event of horrific accidents or disasters?
- What is the right tolerance for risk and how should it be properly managed?
- What should companies do to create functional organizational cultures that motivate employees to speak up freely when things go awry?
- What is the right management/decision framework of the business; namely, weighing economic factors versus operational design issues in making decisions?
- How can companies create the highest devotion to safety and balance it with the objective of increasing shareholder value? Can they not properly achieve both?
- How can companies develop the kind of external and internal leadership that will prevent or, at a minimum, significantly mitigate the damage of disasters that may occur in the future?
- Finally, what should the profile of the new executive of these high-risk enterprises look like? What are the essential executive attributes?

Instead of waiting for the final conclusions of the President's Commission on the devastating consequences of the BP Oil Spill, companies can begin to build more functional organizational cultures that foster excellence, safety, integrity, and profitability. But such cultures are not created in a vacuum. They are not found in mission and vision statements published in annual reports and posted on office kitchen walls. The tone is set at the top by individual leaders and reinforced every day. Before the attributes of the New Energy Executive (or, for that matter, any executive) can be identified, these leadership lessons of the Macondo Well disaster must be understood:

- **Don't run.** CEOs and executives must take responsibility and resist the temptation to deflect blame.
- **Be compassionate.** When people's lives are destroyed, CEOs and executives should express sensitivity and display high emotional intelligence.
- **Be collaborative.** CEOs and executives should do everything possible to forge a partnership with government, community leaders, and other industry peers in managing a crisis.
- **Be transparent.** Companies should be transparent and get out front because the truth will ultimately come out.
- **Get real.** Executives should remember that it's never about them, and they should always place the interests of others ahead of their own.

For the even the most casual observer, these lessons of crisis management of the Macondo Well disaster are uncomplicated. And while BP deservedly gets most of the heat, there is plenty of blame to go around. Yes, BP has had a spate of safety incidents recently, but the industry should seize the opportunity to renew and strengthen their safety resolve. Looking back on the crisis years from now, if BP and its industry partners have mitigated the ecological disaster, they will be commended for the unprecedented resources, manpower and assets that are now being deployed.

In 1982, during the Tylenol tampering incident, Johnson & Johnson set a corporate standard for crisis management by conducting a massive recall and quickly creating tamper-proof packaging. Just as Johnson & Johnson provided safe products for millions of people around the world for decades, the offshore drilling industry has had a strong record for safety and environmental stewardship, drilling over 50,000 wells safely in the Gulf of Mexico since 1947. Taking the lead from Johnson & Johnson's unprecedented response in 1982, BP and others must react with the same level of transparency and a renewed commitment to safety. In fact, the industry as a whole has now taken a first step in that direction as major oil companies such as Shell, Exxon Mobil, Chevron and ConocoPhillips have agreed to pool US\$1bn to form a new company that would respond to major oil spills offshore.

However, it's not simply a question of crisis management. It is about the kind of leadership attributes that might prevent a crisis from happening, and if a crisis does occur, the ability to mitigate and manage the effects before they become unmanageable. In short, a leadership upgrade is also necessary.

## The defining attributes of the new energy executive

What are the most essential attributes of leadership for the **New Energy Executive** – what we might call the 'defining attributes'? Assuming that executives already have outstanding records of business growth, profitability, and operating and leadership success demonstrated throughout their careers, the following defining attributes will distinguish them as next generation executives:

### Maniacal safety mindset

Practically every energy-related business that operates heavy equipment around high pressure and high temperature environments promotes a 'safety first' culture. The reality, of course, is that many of those 'safety first' companies operate instead with the philosophy that 'we're not ultimately in business to be safe, but to provide products and services and enhance value.' But by devoting maniacal attention to safety, high-risk businesses can be both safe and profitable, and outperform their peers.

Executives of such enterprises must have a proven, not probable, track record of building safety cultures and they must impose a no-tolerance policy for managers and employees who cut corners. Companies should read between the lines of any resume of external or internal talent and probe for specific examples of a safety mentality. *During previous safety incidents, what were the key lessons the candidate learned? To what extent has the candidate become a champion or evangelist for safety within the organization?* Of course, the more details and specificity the better.

## Risk managers

Most executives do not view themselves as risk managers of the enterprise, but primarily as custodians of a P&L or as chief spokesperson of an enterprise. They tend to leave the details of risk management to their operating leadership, their CFOs, or even committees of their boards. That will need to change. Company executives must be as watchful as ever for what Nicolas Nassim Taleb referred to in his 2010 book, as 'black swan' events, the most unusual and highly unpredictable events that can be catastrophic and can change history.

At the top of the CEO's agenda (which may include strategic growth, global expansion, and capital raising) must be a big circle around managing risk. Just ask Lehman Brothers, whose risk committee met only twice in the two years preceding the company's crash, which precipitated the devastating credit crisis. CEOs and other senior executives should manage risk before a crisis by laying out all of the contingencies and detailed plans – preparing for the worst and hoping for the best.

Rigorous risk management and meticulous attention to details combine to become a core attribute of the next generation executive. Such executives should be identifying areas of vulnerability in order to turn what could be a black swan disaster into a white swan triumph.

## Integrated decision making

While more information will emerge about the causes of the Macondo Well disaster, there is a strong sense that the root cause of the accident lay in the 'management / decision framework.' Some companies in the industry have been suspected of basing decisions more heavily on economic factors than on operational / mechanical factors. For example, if a piece of equipment has a lifespan of 24 to 48 months, a more conservative operator (such as Exxon Mobil) might do a complete reliability and maintenance inspection at about 20 to 24 months.

Some argue that BP may have opted for a 'run to failure' plan on their equipment, or at best conducting inspections at 48 months to see if they can get as much out of the equipment as possible (e.g. the technique they used to test their Alaska pipelines). While BP has been a strong commercial performer, generating massive returns

*"In the age of the 24-hour news cycle, authenticity and executive communication skills have become essential."*

from their trading business, some observers give them lower marks for operational excellence, which consists of a combination of reliability, safety and the cost to operate. Companies need to ensure they know the business they are in and that their leadership talent has all the attributes critical to operating their business. Instead of letting economic factors dominate decision-making, companies should use an integrated framework that balances economics and operational excellence.

## Accountable and self-effacing

Peter F Drucker, the father of modern management, said that accepting responsibility is one of the primary requirements of any leader. The best 'see leadership as responsibility rather than as rank or privilege,' Drucker wrote. 'Effective leaders are rarely permissive. But when things go wrong – and they always do – they do not blame others.'

The most effective executive understands that he or she – and no else – is ultimately accountable for the actions of the enterprise. To assess whether prospective internal or external executives have such attributes, companies should explore some simple questions of character and leadership: *Are they more ambitious for the enterprise and their employees than for themselves? What evidence is there that they de-stratified the rank or privilege of leadership and positioned themselves as servants? Who have they mentored?* These are essential questions in determining whether an executive has the super-attributes of accountability and, yes, a little humility.

## Authentic communicators

BP's failure to release immediately the video of the leaking well suggested that the company was hiding something, which created instant distrust. In the age of the 24-hour news cycle, authenticity and executive communication skills have become essential.

However, it is not about charisma or flowery rhetoric but about transparency and truth-telling. By and large, we know what happened. It certainly helps no one to point fingers, deflect blame, and speculate on the extent of the damage. Even worse are the kind of responses BP's CEO at the time initially provided: 'I am not stonewalling. I was simply not involved in the decision-making process.' In addition to getting out front and being truthful, executives need to acknowledge what they do not know (e.g. spill rate, root cause, or the extent of the ecological damage). Learning that lesson and being authentic is as important as truth-telling.

Before executives step in front of a bank of microphones and are forced to address the public, they should be honed and authentic communicators who can connect with people. They should have already demonstrated authentic communication inside the company by being cheerleaders for a culture of integrity, transparency, safety and collaboration. In addition, the best communicators are always the best listeners. They keep their doors open, walk the halls, and make no distinction between employees or managers.

Companies should be less enamored of sophistication or even impressive results. They should root out phoniness and be more impressed with those who are able to own up to their failings in leadership and discuss how they have grown since. Like integrity, the attribute of authenticity has become a 'must have' in any executive profile.

## Continuous 'people' improvement

Most executives like to think of themselves as having a continuous improvement mindset, but few actually do. The CEO or executive agenda is so cluttered with execution, strategic planning, and meeting quarterly results that little time is actually devoted to upgrading systems, processes, procedures, and even less to upgrading leadership.

But the mindset of continuous improvement cannot succeed without a respect for people, or those precisely responsible for building such cultures. For example, the companies who have embraced Lean or Six Sigma (such as GE) recognize that high respect for people (employees, customers, suppliers, communities) is the essential ingredient of any continuous improvement process such as safety. Some might argue that BP's CEO was in fact trying to promote continuous improvement and a culture change, except that he was doing it with people who grew up within the BP corporate culture. It is important not only to develop talent internally, but also to acquire external talent who can model the desired behavior and promote real cultural transformation.

Executives should be probed about their track record of building people-oriented continuous improvement cultures. *What processes have been put in place for people to speak freely? Have they created functional cultures where the elephants in the room can be discussed openly?*

## Emotional intelligence

Perhaps the most obvious attribute missing among some of the executives managing the BP spill crisis is empathy or sensitivity. It's hard to recover for then-CEO Tony Hayward's blunder heard around the world, 'There's no one who wants this over more than I do... I would like my life back.' However, it is worth asking whether other high-profile executives, divorced from the everyday realities of the lives of average people, might have responded in the same way?

For far too long, companies have been enamored with executives who have excellent pedigrees, academic credentials, or high intellectual competence. Malcolm

*"The best communicators are always the best listeners. They keep their doors open, walk the halls, and make no distinction between employees or managers."*

Gladwell's exposure of the 'talent myth' at Enron in his landmark piece in the New Yorker in 2002 drove home the realization that companies had perhaps placed too much emphasis on class smarts and less on street smarts, too much interest in IQ and less on EQ (emotional quotient). Clearly, companies will need to spend more time assessing the emotional intelligence of external or internal leaders to see if they have personally experienced adversity, have served others more than themselves, and have developed selfless character as a result.

One of the common traits revealed in the Level 5 leaders that Jim Collins discovered in his research for his epic book Good to Great was that all of those CEOs had experienced some kind of hardship in life. This attribute (the crucible of life, if you will) produced the rare combination of intense competitiveness and selfless humility – perhaps the secret of genuine leadership. Indeed, the human compassion and empathy that comes from triumphing over adversity may be the most defining attribute of the next generation executive.

It is precisely because the oil spill crisis was precipitated and then mismanaged by leaders that it provides a remarkable opportunity for leadership. The most consequential factor in any successful enterprise is not merely the success of innovative technologies (ultra deepwater drilling, for example) or the execution of business strategies, but rather the depth, breadth, and substance of the leaders who drive all of functions. Drilling technologies, blowout preventers, policies and procedures, or even contingency plans don't drive, produce and reinforce safety, integrity and transparency – leaders do.

At Heidrick & Struggles, we are working with boards of directors and executive leadership teams to ensure they have in place the very best practices in leadership development. For nearly 60 years, we have helped the world's most prestigious companies build and develop winning leadership teams.

Our experience has taught us that managing and developing executive talent is as important as acquiring it. To assist clients transform the way they manage and upgrade their talent – and ensure the sustainable business success their stakeholders and the community demand – we have assembled a cadre of deeply skilled consultants well-versed in human capital management and leadership

team dynamics. Our leadership consulting professionals are assisting executive teams and boards with best practices in critical areas of talent management, including:

- **Talent Recruitment:** A higher standard of executive recruitment and more holistic evaluation that transforms the headhunter into a soulhunter.
- **Talent Management:** Talent strategy, succession planning, and rigorous assessments of high potentials that include thorough 360' referencing to determine both strengths and gaps.
- **Executive On-Boarding:** Assimilation activities, transition consulting, and team development.
- **Executive Team Development:** Professional coaching and mentoring programs to ensure that all new employees are inculcated with a company's values of integrity, safety, and long-term sustainability. These are coaching and development plans that emphasize experiential over educational development.
- **Board Building:** Board assessment and board coaching.

Companies that rigorously invest in the development of their leaders will not only be heeding the lessons of the Macondo Well accident and preventing future ecological disasters, but also gaining distinct market advantage. The industry can save money and save lives. It can build shareholder value and serve as good corporate citizens. After all, the greatest competition in the marketplace has never been for customers but for the best leaders who can enhance value, promote safety, and mitigate any crisis. ■

---

**Les Csorba** is the Partner-in-Charge of the Houston office of Heidrick & Struggles where he has assessed and recruited energy executives including CEOs, CFOs, and Board members. He is also the author of TRUST: The One Thing that Makes or Breaks a Leader.

+1 (713) 751 3047

[lcsorba@heidrick.com](mailto:lcsorba@heidrick.com)

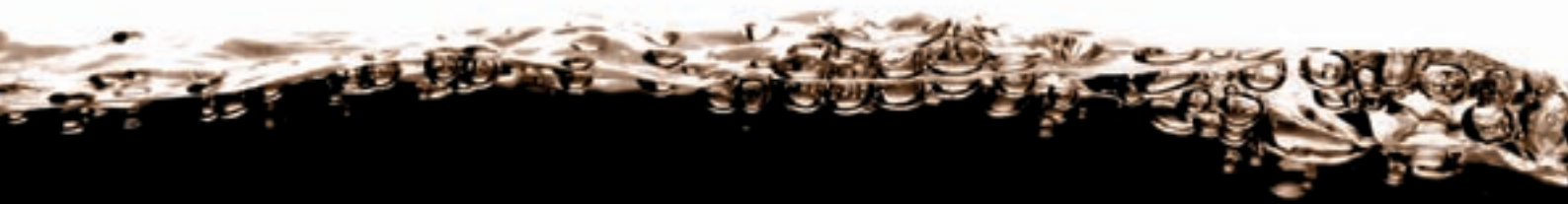
*A shorter version of this piece was originally published in the Houston Chronicle, July 18, 2010*

# Industrial Practice

Our Industrial Practice team, which consists of the Natural Resources Practice and other specialty practices, combines unparalleled search resources with a deeply consultative approach. Working closely with the client, we develop the ideal candidate profile against the organization's unique competitive challenges, business objectives, and leadership culture. By considering far more than candidates' functional or industry backgrounds, we enlarge the talent pool to help find the talent most qualified to meet those business objectives and address the client's real hiring needs. Perhaps most importantly, this approach helps avoid the disastrous mismatches between candidate's capabilities and role requirements that

have plagued many industrial companies during this time of dramatic change and increasing complexity.

Our dedicated group of over 125 consultants has deep experience in each industry sector. We serve every region around the globe, including China, Russia, the Middle East, Eastern Europe and other emerging markets. The more than 1200 assignments we conduct for clients each year include executive search, leadership development and consulting projects. This work has earned us outstanding customer satisfaction ratings and created long-standing relationships marked by the trust we develop and the results we deliver in every engagement.



## HEIDRICK & STRUGGLES

Heidrick & Struggles is the leadership advisory firm providing senior-level executive search and leadership consulting services. For almost 60 years, we have been building deep relationships with the world's most talented individuals on behalf of the world's most successful companies. Through the strategic acquisition, development, and retention of talent we help our clients – from the most established market giants to the newest market disruptors – build winning leadership teams.

[www.heidrick.com](http://www.heidrick.com)

*Copyright ©2010 Heidrick & Struggles International, Inc.  
All rights reserved. Reproduction without permission is prohibited.  
Trademarks and logos are copyrights of their respective owners.*

201001JNTSRG47