

ARTICLE

The seven functions of an executive leadership team: Refocusing the C-suite on the work only they can do

Eighteen leaders of oil and gas companies offer insights on how, after a period of significant disruption, their executive teams can refocus on the work only they can do, from long-term strategy to culture and talent development—and why they should. Their thoughts can offer perspective to peers in other sectors as well.



This article is one in an ongoing series of articles, discussions, and interviews exploring how leaders are building lasting competitive advantage by treating their leadership pipeline as a strategic asset.

The seven functions of an executive leadership team:



Vision and strategy



Resource allocation



External stakeholder communication



Culture



Personal leadership



Talent and team development and performance



Organizational accountability

Executive leadership teams across industries have faced extraordinary challenges in the past several years. Nowhere is this more true than in oil and gas. From a historic price collapse to shifting negative sentiment from institutional investors, the industry faced very real and complex challenges between 2015 to 2019. Then, the Covid-19 pandemic hit, sending leaders into survival mode: managing one day at a time with a focus on employee safety, cost-cutting, and tackling existential issues. All these factors created a sense of urgency throughout the industry. “Over the last three years, we’ve become much more tactical as an industry. The furthest out we were looking was about six months,” one energy executive told us.

This survival mentality has meant that many oil and gas executive leadership teams (ELTs) have dipped into more hands-on execution and have fallen behind on bigger-picture responsibilities.¹ In this environment, executives may struggle to slow down and take time to mull challenges over. But, as Peter Drucker has written, “thinking is [the executive’s] specific work.”²

At the same time, the oil and gas industry is undergoing a generational shift in leadership. In 2019, the average age of a public company CEO in exploration and production and oilfield equipment and services was approximately 60. Leaders who have been in C-suite roles since 2015 have led through crisis after crisis, with few opportunities to train and develop the next generation of leaders. Now, they must.³

It’s time for leaders to pause and reset, to pull themselves out of the immediate-response way of working and refocus on the work that only ELTs can do in order to set the industry up to thrive both today and as the next generation of leaders steps up. Our experience—and our interviews with 18 energy executives—suggest there are seven of these main functions, across industries: vision and strategy, resource allocation, external stakeholder communication, culture, personal leadership, talent and team development and performance, and organizational accountability.

We spoke with the executives about how they view these responsibilities, particularly in today’s context. Many of their insights will be useful to senior leaders across sectors. In the following sections, we share their on-the-ground insights about what it means to carry out each of the seven functions well.



Vision and strategy

In his book, *The 7 Habits of Highly Effective People*, Stephen Covey writes that one habit is to begin with the end in mind. This is just as true of an effective executive leadership team. “You have to know who you are and what your purpose is as an organization, and you build everything around that,” one energy executive said. “This requires exceptional discipline: you can’t chase the shiny objects.” In addition, the approach must be both actionable and measurable. “Vision without execution is hallucination,” said the same executive.

1 In his book, *The 7 Habits of Highly Effective People*, Stephen Covey describes the four quadrants of management in a way that offers a useful distinction: quadrant I pertains to issues that are both urgent and important while quadrant II refers to priorities that are important but not urgent. Quadrant II is the realm of the executive, though O&G executives have been stuck in quadrant I for the last several years. See Stephen Covey, *The 7 Habits of Highly Effective People*, New York: Free Press, 1989.

2 Peter Drucker, *The Effective Executive*, New York: HarperCollins, 1967.

3 For more on the talent challenge in energy see Les T. Csorba, “The next energy crisis? Talent,” Heidrick & Struggles, heidrick.com.

Of course, developing a clear strategy in an industry facing so much disruption is a complex challenge. “Although your short-term tactics to drive execution of a strategy may change, the C-suite has to continue to guide the organization through long-term thinking, positioning the company for future success by thinking three to five years into the future,” said another executive. “If you are thinking of a strategy that requires changes year over year, you are not an executive leader; you are managing.” However, ensuring that strategy remains relevant requires continuous scrutiny. “You have to keep enough white space in your calendar that you are regularly thinking about the future and positioning your company to be at its highest potential throughout the market conditions,” said one energy executive.

And the work doesn’t stop with setting the vision and strategy to get there. ELTs must be relentless in pursuing and talking about this vision, focusing on tomorrow while the rest of the organization focuses on today. All of this requires a comprehensive view of the organization. “The best leaders move seamlessly between looking at the past, the present, and the future—thinking about how they did, what they’re currently doing, and how they’ll be better down the road,” said one executive. “But it is the C-suite that is the only group looking at the future.”



Resource allocation

Resource allocation is the intersection where strategy meets execution. It is how an ELT truly prioritizes the near-term execution of the organizational strategy—through the effective allocation of resources that delivers the greatest returns. But, as one executive noted, “By the time we are executing, the world has changed in unpredictable ways.” Since every strategy comes with thousands of potential actions, ELTs must regularly prioritize where to focus their resources. “You have to execute a strategy as if your life will end tomorrow,” said one executive. “And the only way to do this successfully is to prioritize; you cannot do everything at once.” Indeed, it’s as much about choosing what not to dedicate resources to as it is about choosing what to dedicate resources to. Consider which financial, time, and talent investments would bring the biggest return. “Who are the stars you want to feed? Who can you take some from? Where do acquisitions fit in?” asked another executive.

From there, it’s critical for ELTs to measure results in ways that lead to sustainability for the long term. “The oil and gas industry has been guilty of getting caught up with growth over return on capital,” one executive pointed out. But that approach is catching up with the industry as resources are becoming more precious and access to capital is constrained. “You have to be relentless about intentionally analyzing resource allocation—and you have to be equally deliberate in measuring its impact and rate of return to ensure it’s being used to its maximum impact,” said another executive.

Naturally, deciding where to allocate resources involves assessing risks, and ELTs must be prepared to take them. “If risk paralyzes you, you can’t go anywhere,” said one executive. “Even in a crisis situation, you can play offense and take some big bets through calculated risk.” Today, risk mitigation is broader than ever before, from cybersecurity to supply chain accessibility and reliability, digitization, talent, and balance sheet and capital sourcing. According to one executive, “It’s thinking about the high-level risks that could torpedo your company, and how to allocate resources protects against that.”



External stakeholder communication

It is the ELT's responsibility to effectively tell the organization's story—something that has become both more complicated and more important than ever in oil and gas.⁴ "A poorly communicated message will have devastating impacts on market valuation and investor engagement," said one executive. "Your story should be clear and simple, and you have to make sure that investors and analysts understand the story in the way that you intend. This requires an intentional approach to direct engagement with your shareholders through formal and informal channels." As Warren Buffett has said, "Don't invest in a business that you don't understand." It's the ELT's job to make sure investors understand the business and the value proposition of the investment.

This message should do more than inform; it must also compel action. And it should, ideally, come from the CEO. "Given the choice, stakeholders always want to hear how the CEO thinks about the business. They are looking for authenticity," said one energy executive.

And stakeholders extend beyond investors: "Being good corporate citizens is incredibly important," said one executive. "You want your people, your customers, your suppliers, and your investors to be proud to be associated with you." Part of achieving this is advocating not just for the company but for the entire industry. Making the case for how the industry has a positive, long-term impact on global communities, beyond just providing jobs, is one way. For leaders across industries, environmental, social, and governance (ESG) concerns, for example, are areas where companies can both do good and potentially appeal to investors. "Companies are increasingly seeing obligations and opportunities related to ESG," said one executive. "If they can address both, they can achieve the goal of being an investible ESG business."

Finally, seeing as the board represents the shareholders, it's critical for ELTs to be intentional in their communication to—and savvy about their relationship with—the board. One executive noted, "You can have an unsuccessful investor and still be successful, but you cannot have an unsuccessful relationship with the board."



Culture

Corporate culture is often seen as ambiguous and amorphous to organizations. But it requires defining and articulating core values, behaviors, expectations, and practices that guide and inform the actions of all team members by which the organization will be known. Heidrick & Struggles studies have shown that companies that link culture to strategy and focus on how people work together as they make that link also see better financial performance.⁵ "This is the most important function of the ELT," one energy executive noted. "Culture defines what kind of organization you will be—including management decisions such as corporate structure." Indeed, culture has repercussions across the organization: it affects the company's ability to attract and retain talent, which then has implications on its ability to execute its strategy and meet its goals. "If you have a broken culture, it doesn't matter how great your strategy is," another executive said. And, on the flip side, many of the decisions ELTs make in other areas have repercussions for the culture. "If you have the right vision but you don't provide the right incentives to reward behaviors, you won't drive culture," one executive noted. "You have to ask, 'Are we measuring the right things and are we rewarding them properly to drive the culture that we want?'"

4 Our research and decades of experience working with the energy industry suggest that successful leaders will need to think like activists, relate like diplomats, serve as advocates, and develop a new humility. For more, see Les T. Csorba and David Pruner, "The new energy leader," Heidrick & Struggles, heidrick.com.

5 "Aligning culture with the bottom line: Putting people first," Heidrick & Struggles, heidrick.com.

The four principles of culture shaping

Other work at Heidrick & Struggles has allowed us to develop four core principles for shaping culture intentionally:

Purposeful leadership: Key aspects of being purposeful as a leader are being inclusive, leading with influence instead of authority, and adapting leadership approaches to the way people work. Inclusive leaders also foster collaboration by involving many people in implementing new ideas, instead of operating in a silo and dictating change.

Personal change: Leaders should be role models to live the culture and challenge others—including board members—to do the same. Leaders who don't currently make the links between culture and financial performance will benefit from shifting their mindsets in that direction. Once they think of culture as a strategic

asset and connect the missing links between culture and financial performance, they can be role models for and encourage other leaders to do the same.

Broad engagement: Ensuring employees at all levels of the organization are appreciated and challenged can help drive broad engagement. The more energetic and communicative leaders are about the culture-shaping process, the more likely momentum will spread throughout teams.

Systemic alignment: Along with recognizing that culture shaping must be reinforced across all parts of the organization, leaders must ensure that talent development and review processes, onboarding, and training include ways to develop and bolster the aspects of culture that are most important to driving financial performance; this includes board member onboarding and reviews. We have seen companies be most effective when they use balanced scorecards that include financial performance and culture performance metrics to regularly assess progress.

A recent survey Heidrick & Struggles conducted of CEOs in nine countries around the world, across sectors, highlighted the importance of those links: 72% of CEOs in industrial or energy companies cited culture as a top-three influence on financial performance, and 62% said that linking strategy to culture is very important or crucial to culture having a positive effect.⁶

Intentionality is key: every organization has a culture, whether its leaders are deliberate about it or not. It falls to the ELT to intentionally define, articulate, and role model the core values and behaviors to which the organization needs to adhere. "It's not just following what is expected of you but being out in front on all things. You need to consistently be at the leading edge of the culture of the organization," said one executive. Another executive elaborated: "Culture is constantly evolving. What we have to do is to make sure that it is evolving in the right direction." (See sidebar, "The four principles of culture shaping.") That includes deciding where to anchor and where to flex. "Some leadership teams really struggle to balance values with being adaptable to an ever-changing environment," said another executive. "Don't lose your values, but balance them with humility such that you are open to new ideas and opportunities."

A few values are critical for any thriving culture. For one, an atmosphere of experimentation. "You have to allow for growth through mistakes and have a tolerance for lack of perfection," said one energy executive. "Otherwise, those in the organization will go into career preservation." Another value is enthusiasm and a focus on winning. "Executives set the pace and enthusiasm for the business," said one executive. "They need to shift from hating to lose to loving to win—creating a winning culture in which people are enthusiastic about the mission and want to run in order to win together." And respect for everyone across the organization is also key. "The company has to engage across the organization and allow for ideas to flow. If you don't have a culture that allows that, you will miss out on a lot of good ideas," said one executive.

⁶ "Aligning culture with the bottom line: Putting people first," Heidrick & Struggles, heidrick.com.

The board can provide helpful perspective here. “Every company has blind spots that hinder decisions,” said one executive. “The board needs to help the management team objectively consider and measure its culture and spur conversations about intentionality and continuous improvement.”⁷



Personal leadership

Modeling leadership is the first principle of culture shaping. Leaders must live by the principles they’re espousing, modeling the culture for the rest of the organization and the behaviors they expect of all leaders. “For generations, leaders were trained to be hard and commanding,” said one executive. “Today, it’s all about setting the example with how you communicate and behave.”

At a foundational level, executive leaders must have a few characteristics, starting with virtue. “How the [ELT] models their leadership is absolutely essential. I cannot put enough emphasis on this. Your character defines your destiny. All the great failures in history are failures of character. What does character mean? It comes from demonstrating virtue,” said one executive. “If you make virtue a habit, it becomes a reality.”

A passion for the business is also paramount. “Leaders must be able to share their passion with those around them and create positive momentum for others to follow,” said one executive. Beyond this, leaders must have integrity, model faith in coordinated efforts, and have courage. “Leaders must have courage to challenge others in the right way, such that they promote discovery and exploration without forcing an opinion,” shared one executive. This ability to inspire is absolutely critical. “Almost always, the delta between success and failure is how a leader inspired or failed to inspire their team,” said one executive.

The best, and most inspiring, leaders understand their people and prioritize hearing from them. “There can be a central office mentality that executives must fight against,” said one executive. Another elaborated, “Your first line of defense is the people in the field engaging with and delivering value for your customers.” Leaders must spend as much time there as possible and allow for the ideas that originate there to flow throughout the organization—or risk missing out on a lot of good ideas. But it’s not just about garnering ideas; it’s also about knowing people, making them feel known, and giving them the opportunity to demonstrate what they contribute. One executive points to two questions leaders should ask employees throughout their careers: “Tell me about your family” and “Show me more about what you do.”

Leaders must also invest in understanding the full range of operations of the business, especially if they’re coming from a functional role. If they do not they risk losing credibility. Said one executive, “If you are in the drilling business, you must be interested in the business of drilling.”

Finally, the visibility of the role comes with a lot of weight that leaders must be conscious of. “Respect the weight. Not the weight that you carry but that your title carries,” said one executive. Another went on: “You have to be careful what you say and ensure you’re consistent and aligned with the leadership team at all levels because the higher up you are in an organization, the more apt people are to remember what you say and overemphasize it.” This pressure is particularly acute today, as leaders are infinitely more visible than they were a few decades ago.

C-suite leaders must realize that they have become public figures and that this carries a whole new weight of responsibility. Everything a leader says and does carries consequences, and so leaders must be self-aware and bring intentionality to all that they say and do. Just as a pebble when dropped in a pond creates a ripple, so, too, do the smallest words and actions of the C-suite leader reverberate throughout an organization.

⁷ Alice Breeden, Rose Gailey, Ian Johnston, and Kate Rankine, “Getting on board with culture,” Heidrick & Struggles, heidrick.com.



Talent and team development and performance

Talent and team development and performance entails recruiting, training, retaining, equipping leaders, and ensuring succession at all levels. It involves not only thinking about making people effective in the role that they're in currently but seeing their highest potential and challenging and supporting them to continue to grow—fundamentally, treating their talent and leadership pipeline as a strategic asset. And a leader's success in this area is tied to their success in other areas. "If you don't have the right team in place, the right talent in key roles, you cannot effectively drive culture," said one executive. It can also keep the company from achieving strategic goals. "We put our five-year vision together and looked at our talent and capabilities and realized we had to build a much deeper bench," said another executive. It's therefore important for ELTs to link talent management with strategic planning, making it a priority and potentially even a strategic advantage.

Most companies, other recent research we have conducted shows, don't even have succession plans just two levels below the CEO's direct reports—only 22% do. Yet 92% of executives said that specific development and promotion opportunities, the kind that deeper succession plans would help identify, would also help retain them.⁸ At a time when energy executives are facing acute recruiting and retention challenges, this matters more than ever.⁹ "Over the next 10 years, it will be increasingly difficult to recruit people into the oil and gas industry," said one. "We need to be unbelievably deliberate to create opportunities for talent."

Leaders need to be asking, "How are we recruiting? Where are we recruiting from? What are we doing to develop talent at all levels? Have we prioritized our people just as we prioritize our customers?" Getting to the front lines as a leader will help, but with all these considerations in mind, the energy executives we spoke with highlighted a few critical focus areas for ELTs.

Who to look for

Sometimes, pure talent isn't the most important consideration. "You want highly virtuous and talented people, but if forced to make a choice, I'll take virtue over talent," said another executive. "The most dangerous person is someone who is extremely talented but not virtuous." And leaders can't underestimate the importance of a diversity of perspectives and experiences—especially at the board or ELT level. "You have to be intentional in recruiting people who will not fall into 'the way we have always done it' and are willing to voice an alternative perspective in order to drive deeper discussions, greater insights, and better decisions," said an energy executive.

Investing in the right people

"You must know your people well enough to see who the engines of the organization are and who's driving innovation, keeping in mind these may not be people in leadership positions," said one executive. Once you've identified these people, you need to invest in them. Be mindful about people's development, make time to consistently sit down with them and provide feedback, and help them see their path forward. "People get frustrated and leave when they do not have a clear view of their future opportunities," said one executive. "We want to develop our people so that they can get another job any day, but we want to treat them in a way that they don't want to leave."

⁸ Proprietary surveys conducted of 750 executives across sectors in six countries, spring 2023.

⁹ For more on retention, see Ed Manfre, Jonathan McBride, and Sharon Sands, "Three tactics for retaining your best people," Heidrick & Struggles, heidrick.com.

Part of this effort could be training people to fulfill critical needs for the business. “Many companies have a culture where people are conditioned to bring problems to the CEO, who then provides a solution,” said one executive. “We need to decentralize critical thinking and problem solving by training people in these areas and encouraging them to bring ideas for solutions, even if imperfect.” At the same time, ELTs must recognize when someone isn’t the right fit and know when to move on. “The biggest mistake we make is waiting to make leadership changes—especially when a toxic leader feels too important to be fired,” said one executive. “Never underestimate the positive impact that can come from changing out leaders when it is needed.”

Rethinking succession planning

ELTs should be thinking about succession throughout the organization, not just the C-suite. “You have to be prepared for the unpredictable when it comes to people and succession,” said one executive. “The more that you can have optionality on talent throughout the organization, the better you are.” Humility is important in this endeavor: executives need to be confident enough in themselves to surround themselves with people who are smarter than they are. As one executive put it, “Build your team with future CEOs.”



Organizational accountability

“Accountability requires both authority and responsibility,” noted one executive. Innumerable factors influence how a company performs, but ELTs have ultimate accountability and must own this—no excuses. This accountability stretches from financial and operational performance to the strength and health of the culture, talent retention, and governance continuity. “If you are invested in my company, I am going to worry about your capital as if it were my own. When you take that view, it takes you to a different level of responsibility as a leader,” said one executive. Another executive shared a story about joining an organization that had never done an employee survey. When he conducted one, only 40% of respondents said they were proud to work there. The leadership team shared the results with the whole company, committed to owning the change, and regularly redid the survey to track results until they increased that number to 91%. “When you achieve your goals, you make a big deal out of it. And then you reset the bar,” said another executive.

Indeed, executives note that accountability is not only about taking responsibility for the past but about changing the future: “You will get the results that you tolerate,” said one executive. “There is far too much focus in understanding what happened versus understanding what we are going to do next time to prevent it from happening again.” And it should be focused on real outcomes: “Set high standards, measure performance, and reward results. Do not reward effort,” said another executive.

Although ELTs must be ultimately accountable, when they embed accountability in the organizational culture, they can put more focus on the other six functions. When they don’t, as one executive put it, “your entire existence will be putting out fires and plugging the gaps that others have failed to fill”—returning to the situation they are working their way out of.

These seven functions are not new: they have long comprised the role of executive leadership teams. But a lot is riding on the shoulders of today's energy executives and their teams, and many have been pulled in competing directions. By re-grounding themselves in their most basic responsibilities, they can put themselves on a better course to thrive for the long term. Their success matters for the world. Energy is central to the story of humanity and the history of human flourishing—inexpensive, reliable, efficient energy. And it starts with doing the work only they can do to ensure they all achieve their highest potential—not just as individuals but as teams, as organizations, and as communities.

The role of transparent internal communication

Across all seven functions of the executive leadership team, communicating decisions internally is key to success.

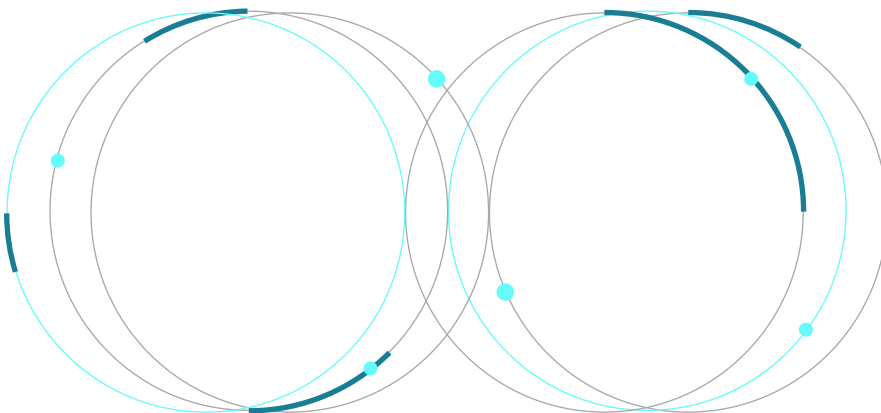
"I spend as much time communicating internally as I do with external stakeholders," said one executive. As executives make decisions about the vision and strategy, for instance, they must communicate those messages and what they mean throughout the organization deliberately and consistently. And as they make decisions about where to allocate resources, they must communicate those priorities across the organization and, in particular, to the people and functions most affected.

One executive elaborated on their approach: "Transparency and communication are critical. We used to do a quarterly, telephonic town hall with no Q&A. Now I do a monthly town hall that is live, and with a live Q&A. I do a podcast that is two to three levels deep in the organization and I broadcast it to the entire company.

We have a communications app that reaches the entire organization, and where I post regularly. Every time I am at a location, I do a 90-second clip of what I am learning. I also have everyone on my leadership team doing the same thing. How you engage and how you connect with your team across the world matters and it drives the culture. That's how you create trust and credibility."

When communicating across the organization, leaders consider their audience and adapt accordingly. "You need to be knowledgeable in how to communicate with different audiences. And within an audience, you need to adapt to the highest denominator in that group and the lowest," said one executive. "Bad communication leads to bad credibility."

Finally, communication matters even more on tough topics, whether across the organization or in the C-suite: "You must display the courage to address the issues that are uncomfortable," said one executive. "C-suite conversations should not be an internal victory lap; it should be where we address the most difficult topics and conversations."



About the author

Doug Orr

is a partner in Heidrick & Struggles' Houston office and leads the global energy sector as part of the Industrial Practice.

dorr@heidrick.com

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Robert Drummond

President & CEO, NexTier Oilfield Solutions; Independent director, EXPRO Group Holdings NV

Doug Foshee

Chairman, president & CEO, Sallyport Investments

Ann Fox

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Cris Gaut

Executive chairman, Forum Energy Technologies; Independent director, EOG Resources

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President & CEO, Matr Infratech

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Chairman & CEO, Diamondback Energy

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Leaders of Heidrick & Struggles' Industrial Practice

Global

Jonathan Graham
Global Practice Managing Partner
jgraham@heidrick.com

Asia Pacific and Middle East

David Hui
Regional Managing Partner
dhui@heidrick.com

Europe and Africa

Fabrice Lebecq
Regional Managing Partner
flebecq@heidrick.com

Americas

Jane Bargmann
Regional Managing Partner
jbargmann@heidrick.com
