

Making Great People Decisions at the Top of Energy Companies

World Energy interviews Carol SingletonSlade, Global Head, Energy and Infrastructure, Egon Zehnder International

Egon Zehnder International is a global firm offering expert executive search, management appraisal and talent management services to the world's largest corporations, emerging growth companies, governments and educational and cultural organizations. Egon Zehnder opened its first office in Zurich, Switzerland, in 1964. Today 370 Egon Zehnder International consultants operate from more than 63 wholly owned offices in 37 countries.

Carol SingletonSlade has held numerous positions in the energy sector. She was a senior financial and planning advisor for Atlantic Richfield Company and a senior geophysicist for British Gas E&P. Carol joined Egon Zehnder International in 2000. She is based in Houston.

World Energy: What are the most significant leadership trends you are seeing in energy?

SingletonSlade: We work with the upper levels of management and the boardroom, so I'll speak to what we see there. There is a new focus developing in boardrooms. After Sarbanes-Oxley, most boards became preoccupied with governance and conformance. But as we consult with boards and conduct board-level assessments today, quite a few directors say they want to add more tangible strategic value. They want to do more to help the business. Then, when we share our findings with the board as a whole, they are surprised to hear that that's what their colleagues want too.

World Energy: What specific challenges are top-of-mind for boards?

SingletonSlade: Boards want to spend more time working on strategy. In the energy sector, many boards sense their company falling behind the curve of the extreme changes in the geopolitical environment. They recognize that new strategies are needed to continue to deliver the returns shareholders expect. So across energy, we see boards moving to play a more prominent and proactive role in crafting strategy.

Corporate social responsibility, or CSR, is another growing concern within the energy field. Regulatory and social pressures continue to grow. And let's face it, the sector as a whole has not excelled at communicating in the CSR arena. Public perception of the industry is not favorable. Energy company boards understand that the stakes in CSR are very high, and they will continue to be more active in CSR.



The talent challenge is daunting. Today we hear many more energy company board members and executives state unequivocally that better talent management is essential to growing shareholder value. They realize, of course, that the talent issues facing energy are complex. They want their companies to pursue talent strategies commensurate with the challenges.

World Energy: What should talent strategies aim to accomplish?

SingletonSlade: At the leadership levels where we work, boards need to implement succession plans for themselves, not just for the company's CEO. The expectations and scrutiny of boards are rising very fast. Successors must bring even more to the table than the directors they will replace.

Our board practice is growing. We will work with energy company boards to assess their current composition, relative to the demands and challenges the company foresees, to achieve the required blend of director experience and skills. We help boards meet diversity goals, plan committee assignment rotations and prepare for committee chair nominations. You need to plan ahead to maintain a strong, competitive board.

Of course, one of the most important roles of the board is CEO succession, which is an acute concern in energy. When we conduct CEO and C-level executive searches for our energy clients, we find that the candidate pool is thin. Energy did not actively pursue talent in the 1990s. At that time, many of the best young management candidates were recruited into financial services, dot-coms and management consulting firms. So today, energy faces a demographic dip in experienced executives, right when the demands on energy leaders are rising dramatically. Energy companies must identify, from a diminished pool of experienced candidates, future executives who can do more.

World Energy: Can it be done?

SingletonSlade: Yes, but it will require more innovation. We introduced measured behavioral appraisals to help our client companies more concretely identify which leaders have the potential to fill critical roles and the specific ways those rising leaders must be developed and supported to succeed.

The increasingly complex challenges facing energy make it more difficult to predict who will be best suited for top executive posts. But rigorous assessment eliminates some of this risk. Remember, many rising energy leaders have had little opportunity to demonstrate the competencies they will need to guide companies through the uncertain territory ahead. So their past performance is not the only indicator of future potential. Collaboration and influencing competencies, for example, will be essential to the effective leadership of CSR and to building organizational capability. Sound assessments can help a company more fully understand which rising leaders have the competencies required to effectively adapt to growing complexity and change.

World Energy: How are competency-based assessments actually conducted? How do they work?

SingletonSlade: If done correctly, appraising talent at the executive level is much more than a pen-and-paper exercise. We utilize intensive behavioral interviewing and 360-degree references to determine the range of competencies executives have developed to date. We probe to get a detailed, behavior-based picture. We will also corroborate and clarify what candidates tell us they did by talking to people who have witnessed their leadership behaviors. These interviews are structured and highly disciplined to reveal how a candidate actually works, so we can report our findings as concise and concrete behavioral measures. We specify the observable behaviors that define each competency level on uniquely described scales. And we have a database of thousands of energy industry executives against which to identify and compare. All this allows us to shape very clear recommendations for our clients. We provide insight-rich data to guide client companies' executive appointments as well as their executive development efforts.

For example, a global client has worked closely with us to assess its senior people. When the CEO makes key executive appointments, he can now see where

the best candidates are around the world. The perfect person for a job at headquarters might be hidden away somewhere in Indonesia. So it's no longer just about who you know, where you've been seen or even what you've accomplished in a more narrowly defined role. It is also about your objectively assessed potential.

World Energy: But isn't effective leadership as much about the team as the individual?

SingletonSlade: Sure, you don't want to fall into the trap of placing too much faith in one or two high-potential executives. It's just not possible to find all the leadership competencies energy companies need in one person. You need a high-performing leadership team. So team competencies, as well as individual leader competencies, are vital. Egon Zehnder International is breaking new ground in assessing and developing team performance. We have identified a clear set of behaviorally defined team competencies, including balance, alignment, resilience, energy, openness and efficiency. Again, we study a team's behaviors to gauge these team competency levels.

World Energy: What should an energy company demand from a global search and talent management firm?

SingletonSlade: Objectivity and deep understanding of the challenges the energy market is facing. The stakes in choosing top executives are extraordinarily high. Research published by the Harvard Business School shows that the top 15 percent of executives can deliver double the value of their average colleagues. If more of your company's next CEO and leadership team are drawn from that top 15 percent – if you more consistently identify who is actually in that group and who is not – it can mean millions and potentially billions of dollars, lost or won.

Energy companies have always been cognizant of risk. Applying a proven and objective methodology will help to mitigate the risk in choosing the next generation of executives to lead your energy business.

Egon Zehnder International
700 Louisiana Street
Suite 2750
Houston, Texas 77002 USA
+1 713 331 6700 tel
+1 713 222 0960 fax
www.egonzehnder.com