

Sharpen up

At Royal Dutch Shell's strategy update in March, chief executive officer **Peter Voser** was in a bullish mood as he outlined the company's growth plans in the next two years and addressed why his staff are the real asset. Michael Jones reports on a dynamic and more streamlined vision for the company.



Peter Voser

Peter Voser was appointed chief executive officer on 1 July 2009 having served as chief financial officer (CFO) and executive director of Royal Dutch Shell from 2004. From October 2004 to July 2005 he was also CFO of the Royal Dutch/Shell Group of Companies.



“We are sharpening up,” said Shell's CEO Peter Voser as he announced the priorities for the company until 2014. The take-home headline for many from this centred around the announcement of an additional 2,000 staff leaving Shell across 2010-11, mostly in downstream and corporate functions. However, Voser was keen to stress that the “sharpening” was a necessary means of making a leaner, meaner and more efficient workforce for the future.

“On jobs and staffing reductions, the 5,000 job losses in 2009 were mainly linked to the upstream business, Global Solutions and projects in research and development,” he said. “Then we announced 1,000

[additional job losses] in 2010, driven by corporate functions and by downstream. We have refined our plans in the meantime and in order to give a transparent view to staff as well, we have now included the two years that will see these major exercises that we are carrying out, and that's now 2,000 [job losses] in those two areas in countries across the globe.”

Shell's job cuts have been spread globally around the company's operations “so you don't have big pockets sitting in one country or another”, according to Voser. However, this does not include retail and manufacturing divestments.

“These are job reduction numbers rather than divestments,” said Voser.

Voser's strategic plan for the next two years involves trimming staffing in some key areas and continuing to add talent to others.

“To be clear, we are still hiring staff,” he said. “Graduate hire has not stopped. It's a little bit lower than the year before, but there is a full emphasis on that. We have growing business parts and we are growing skills areas there as well. This is optimisation on the one side, but also growing in another.”

Still improving

Voser emphasises continuous performance improvement across every layer and level of the company.

“What I want to achieve is an organisation that, day in and day out, looks for continuous improvement and therefore optimises costs and processes, and looks at margin enhancing exercises or initiatives that are revenue enhancing,” he said. “That's where I want to get to.” >>



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He sees staff as the core means of facilitating this, despite the job losses going forward.

"By embedding all of this continuous improvement drive into our plans, you will always have some internal work to do in terms of staff numbers, but I don't think that you will have target-setting on staff," he said. "But we will have target-setting around competitive performance – that's the way we are going. We are in a transition phase at the moment to solve what we have started."

Getting that synergy right between overall group strategy and staff is sometimes difficult to maintain and Voser highlighted how this is always being reassessed at Shell.

"On one side, we have a talented workforce with a very good intellectual horsepower and drive, and strong business acumen," he said. "But when I became CEO in the middle of last year, I thought the organisation of the company was working against us. Shell had become too complicated and slower than I'd like, and was working on too many areas and options. So we started to change that with the reorganisation last year, which I called 'Transition 2009'. That reorganisation is now complete, but we don't stand still here."

Transition 2009 was a programme that enabled, along with other initiatives, a reduction in underlying costs at Shell by more than \$2 billion.

"Cost reduction and performance are now embedded in Shell, and we will push this programme forward in 2010, with more focus and more urgency," said Voser. "I look at costs very closely. Equally important, these changes are all about improving the efficiency of our staff and our organisation. This means making decisions and implementing strategy more quickly and having clear accountabilities and a more competitive focus by Shell. This will be a powerful platform for future performance."

Keeping staff

In response to a direct question from *World Expro* about how Shell attracted and retained the strongest and brightest human capital, Voser was quick to demonstrate the main objective behind this.

"This is always the challenge: to keep your best talent," he said. "But the best way to do that is to have the best projects, the best portfolio and the best opportunities in

the long term, because that is what will keep and drive graduates, as well as senior hire and all of the Shell staff we have."

For Voser this means ensuring that the wider strategic focus remains appealing to all staff. "If you are working in a company with the best project outlook and the best opportunities, people will want to be part of it," he said. "We are not shy to engage in big projects. We are not shy in going for new technologies and I think that's why people get out of bed in the morning for us. And we will make sure that we keep that."

Voser's vision of that accountability being spread through the company is clear: "The reorganisation last year has put more of our

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staff into front line sustainable development activities, rather than head office, and I hope to see the benefits of that in the future."

Both personal and process safety are embedded in the company's strategy, and the remuneration structure for the staff.

"We have made progress on safety and on other performance measures in 2009," said Voser. "However, we still had fatalities last year, and we have to make further improvements here."

Shell's performance record in these key areas is constantly improving and for Voser this is a paramount concern.

The reformer

Even before he took the reins at Shell in 2009, Voser set out his stall as a future reformer of a company that he saw as bloated, dysfunctional and under performing. In a now famous leaked internal email released to all Shell staff a month before he succeeded then CEO Jeroen van der Veer, Voser stressed that "our behaviours need to change if we want to enable leadership performance in a strong performance culture".

At that time Voser was the Group CFO and had a clear view on how to implement cost-savings while pushing performance. A key part of that plan was to ensure that "fewer people will make strategic decisions,

more people will implement them, and improving performance will be our guide and goal". His bold vision for Shell was to make the company "a simpler place to work" and "a company fitter for the future. For most people in Shell, very little will change in the day-to-day work they do. But how we work will change".

In 2009 Voser felt that Shell's talented workforce – who had enabled them to be "a company of firsts, ever since the Murex brought the first shipment of kerosene through the Suez Canal in 1892 en route from Baku to Bangkok" – had been hamstrung by a management structure "organisationally too complex" and

"too consensus-oriented". He questioned whether or not Shell was "still a company of firsts today".

Part of the organisational reshuffle that followed Voser's appointment in E&P resulted in Shell's upstream activities being cut down to consist of two businesses: Upstream Americas covering North and South America; and Upstream International covering the rest of the world. Marvin Odum, then Shell's executive vice president for EP Americas, became director for Upstream Americas and Malcolm Brinded, previously Shell's executive director Exploration & Production, became executive director of Upstream International.

Shell and Voser have worked hard to implement this reorganisation strategy and have geared up the entire organisation for high performance, sharper delivery, profitability and competitiveness. Fourth quarter 2009 results at Shell were affected by the weak global economy, but according to Voser, the strategy is on track, "although the near-term industry outlook does remain challenging. We are taking steps to improve our performance, to bridge the company, and our shareholders, into a period of significant growth in the coming years".

The human factor remains the key behind this drive at Shell, even if that means slightly fewer of them in the future. ■