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The Market for Talent *Challenges and Approaches*

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People will be a constraint, at least in the near term

Graduate PTP Supply – Demand Balance 2005 - 2009





In the near term, the problem is being addressed

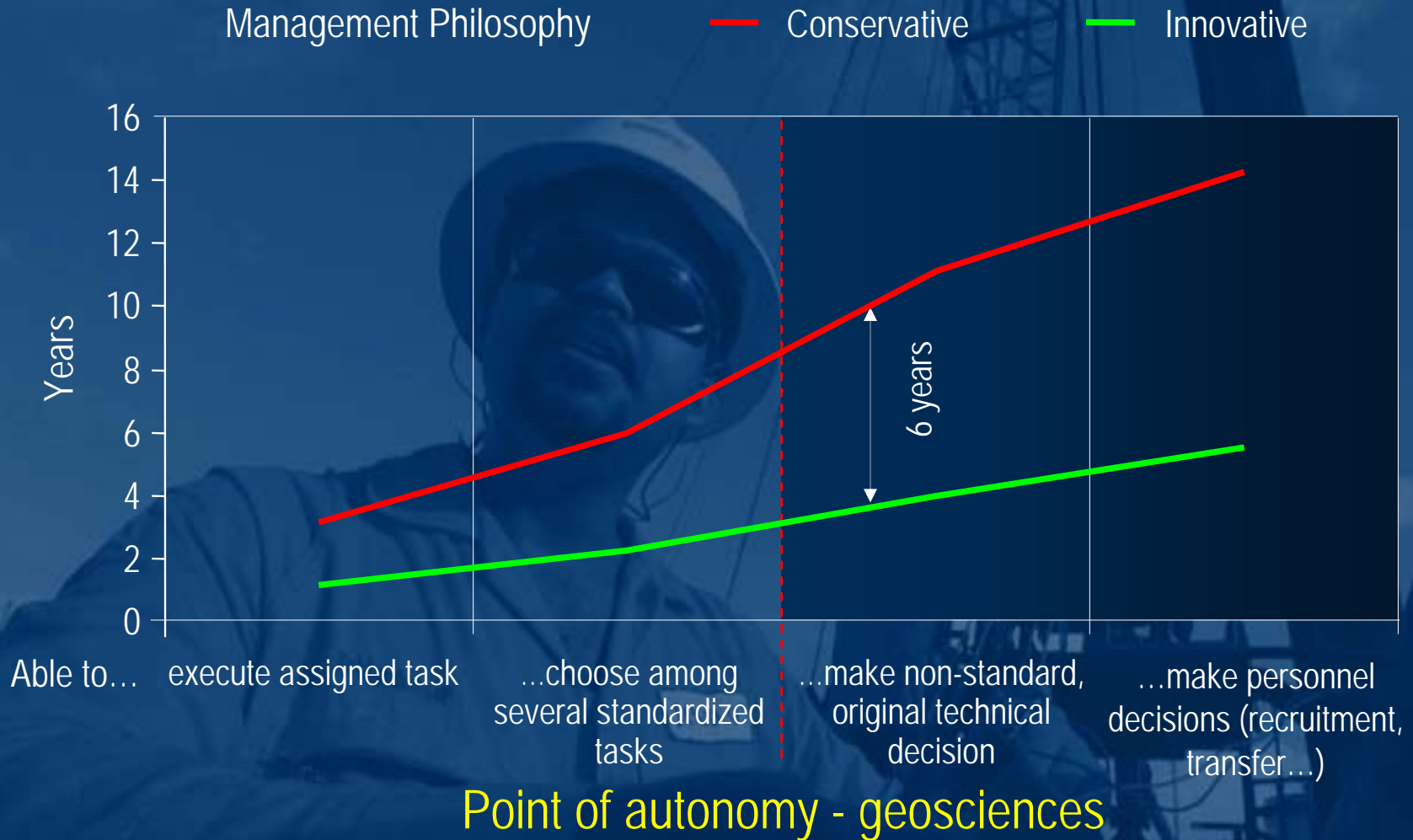
- Recruiting has increased
- More work has been outsourced
- Projects have been deferred as factor costs have risen
- Many companies increased dividends or bought back stock, decreasing the amount of capital which has to be invested in growing the production base
- Fewer news stories about the E&P people crisis



The human capital problem has been deferred, not solved

- Companies learned to slow development of staff between 1985-2005, which has not been fully reversed
- Functional groups have been re-founded but many organizations still lean toward near-term operational optimization
- Companies have recruited more internationally, but the leadership in 2025 does not reflect the target asset mix at that time
- Managing down demand has its limits, and consequences

Some companies clearly can develop staff faster than others



The leadership challenge of today is whether companies will truly re-commit to growth

- Most actions taken so far will not alter the long term supply balance for human capital
- The human capital challenge will only be met when large numbers of highly qualified young people choose to spend a large portion of their careers in the energy industry
- That sale will only be made when the leading companies in the industry are viewed as growth companies
- While growth goals have been announced publicly, the investment pattern, employment history, and production profile of the industry do not necessarily project a growth message

Building credibility around growth

Litmus Tests

1. Have plow-back ratios increased to expand the future production base?
2. Is the organization tuned to acquire and develop new assets?
3. Have exploration and development processes been updated to reflect a heightened level of activity?
4. Have decision making processes been adjusted to encourage more risk-taking?
5. Do measurement and reward systems favor the innovator over the asset steward?