It has been a year of change in the Energy sector, but CEOs globally appear cautiously optimistic about what’s coming down the pipe for their companies in the years ahead.

Despite significant challenges ranging from new market entrants to environmental regulations, CEOs remain focused on growth. Forty-two percent of Energy CEOs are more confident about their prospects for growth over the next 3 years than they were last year, while 76 percent expect their headcount to rise over the next 3 years. Global expansion is also high on the agenda – with 52 percent of CEOs planning to dedicate significant financial resources to their expansion efforts.

These and other findings outlined in this report show that while it’s a turbulent time for Energy companies – it’s also a time of opportunity, where companies recognize the need to take more risks if they are to achieve their long-term objectives.

This report shares the insights of CEOs within the global Energy sector, a key segment of our 2015 Global CEO Outlook – a survey of over 1,250 CEOs representing many of the world’s largest companies. To find out more about our overall results, visit: www.kpmg.com/energyCEO.

We hope you enjoy the findings.

Sincerely,
Michiel Soeting
Cautious optimism of CEOs are more confident about their company’s prospects for growth over the next 3 years than they were last year. Only 18 percent are less confident.

Expanding horizons of CEOs plan to dedicate significant financial resources to their global expansion efforts with the majority of CEOs believing the US offers the most opportunity for new market growth.

Competition from every direction of CEOs worry about new market entrants disrupting their business model, while 67 percent worry about current competitors taking business away.

Organizational models set to evolve of CEOs say their operating model is going to be transformed over the next 3 years.

Few ready for cyber attacks of CEOs say they are not fully prepared for a cyber-event.
Cyber security

Data and analytics

Talent management

About the survey
STRATEGIC PRIORITIES
Energy prices at 62 percent and global economic growth at 55 percent are the biggest issues impacting energy companies.

Talent pool is ranked lowest at 17 percent.
What are the strategic priorities for your organization over the next 3 years?

The top strategic priorities over the next 3 years are **geographic expansion** at 34 percent **developing new growth strategies** and **reducing cost structure** at 33 percent. **Promoting and advancing the company** at 13 percent and **consolidating, rather than expanding** at 14 percent are viewed as the lowest.
What are the most critical challenges you expect to face as CEO over the next 3 years?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring financial growth</td>
<td>33%</td>
</tr>
<tr>
<td>Focusing on operational excellence</td>
<td>30%</td>
</tr>
<tr>
<td>Expanding geographically</td>
<td>30%</td>
</tr>
<tr>
<td>Streamlining our processes</td>
<td>25%</td>
</tr>
<tr>
<td>Adapting to government regulation</td>
<td>25%</td>
</tr>
<tr>
<td>Managing reputational risk</td>
<td>22%</td>
</tr>
<tr>
<td>Ensuring financial health</td>
<td>21%</td>
</tr>
<tr>
<td>Strengthening our brand</td>
<td>20%</td>
</tr>
<tr>
<td>Spurring innovation</td>
<td>20%</td>
</tr>
<tr>
<td>Understanding changing customer expectations</td>
<td>18%</td>
</tr>
<tr>
<td>Change management</td>
<td>17%</td>
</tr>
<tr>
<td>Development of human capital</td>
<td>15%</td>
</tr>
<tr>
<td>Becoming a more data driven organization</td>
<td>12%</td>
</tr>
<tr>
<td>Maintaining, strengthening consistency of corporate culture</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Ensuring financial growth** at 33 percent is the most critical challenge over the next 3 years and becoming a more data driven organization and maintaining, strengthening consistency of corporate culture at 12 percent each were ranked the lowest.
Which of the following areas/functions will be most transformed over the next 3 years?

- Operating model: 58%
- Strategy: 53%
- Business model: 47%
- Marketing and sales: 44%
- Operations: 42%
- Product mix: 28%
- Distribution channels: 25%
- Manufacturing: 19%
- Customer base: 17%
- Management structure: 14%

The areas/functions that will be most transformed over the next 3 years will be the operating model at 58 percent and strategy at 53 percent.

Management structure at 14 percent and customer base at 17 percent are the least to be transformed.

Looking further

Read more: Addressing the challenges in the current energy price environment

Oil & gas price volatility can bring significant financial stress to oil & gas exploration and production (E&P) companies. The current price volatility has led many E&P companies to cut capital spending and has left many to consider ways to restructure their company financially.
### Which C-level functions will become more important to your organization over the next 3 years?

<table>
<thead>
<tr>
<th>Position</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief operating officer</td>
<td>54%</td>
</tr>
<tr>
<td>Chief financial officer</td>
<td>52%</td>
</tr>
<tr>
<td>Chief information officer</td>
<td>45%</td>
</tr>
<tr>
<td>Chief marketing officer</td>
<td>37%</td>
</tr>
<tr>
<td>Chief strategy officer</td>
<td>31%</td>
</tr>
<tr>
<td>Chief innovation officer</td>
<td>25%</td>
</tr>
<tr>
<td>Chief compliance officer</td>
<td>25%</td>
</tr>
<tr>
<td>Chief security officer</td>
<td>15%</td>
</tr>
<tr>
<td>Chief client experience officer</td>
<td>8%</td>
</tr>
<tr>
<td>Chief human resources officer</td>
<td>5%</td>
</tr>
<tr>
<td>General counsel</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Which of the following are you devoting capital to in the next 3 years?

<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of a business</td>
<td>31%</td>
</tr>
<tr>
<td>Increased employee compensation and training</td>
<td>30%</td>
</tr>
<tr>
<td>New product development</td>
<td>29%</td>
</tr>
<tr>
<td>Internet of Things, Industrial Intranet or other aspects of technology</td>
<td>21%</td>
</tr>
<tr>
<td>Acquisition of a business</td>
<td>33%</td>
</tr>
<tr>
<td>Business model transformation</td>
<td>34%</td>
</tr>
<tr>
<td>Expanding facilities</td>
<td>34%</td>
</tr>
<tr>
<td>Advertising and marketing/branding</td>
<td>32%</td>
</tr>
<tr>
<td>Geographic expansion: outside home country</td>
<td>52%</td>
</tr>
<tr>
<td>Geographic expansion: within home country</td>
<td>32%</td>
</tr>
<tr>
<td>Strategic priorities</td>
<td></td>
</tr>
</tbody>
</table>
Do you feel adequate attention is being paid to achieving cost efficiencies?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>99%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Clearly energy CEOs feel adequate attention is being paid to achieving cost efficiencies at 99 percent. The energy industry was highest compared to the eight other industry CEOs interviewed. The technology and investment management industries were the lowest at 85 and 87 percent respectively.

If you were to ask your top government official to focus on one of the following issues in the next 3 years, what would it be?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing energy independence</td>
<td>33%</td>
</tr>
<tr>
<td>Reducing regulatory complexity</td>
<td>20%</td>
</tr>
<tr>
<td>Fostering innovation</td>
<td>12%</td>
</tr>
<tr>
<td>Global fair trade</td>
<td>8%</td>
</tr>
<tr>
<td>Improving conditions for low to middle class</td>
<td>7%</td>
</tr>
<tr>
<td>Reducing geopolitical risk/terrorism</td>
<td>7%</td>
</tr>
<tr>
<td>Investing in education, skills development training</td>
<td>6%</td>
</tr>
<tr>
<td>Focus on simplification of corporate taxes</td>
<td>5%</td>
</tr>
<tr>
<td>Immigration reform</td>
<td>3%</td>
</tr>
</tbody>
</table>

Increasing energy independence at 33 percent is the highest while immigration reform is rated the lowest at 3 percent.
### How comfortable are you with your current business model?

<table>
<thead>
<tr>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very comfortable</td>
<td>53%</td>
</tr>
<tr>
<td>Somewhat comfortable</td>
<td>43%</td>
</tr>
<tr>
<td>Somewhat uncomfortable</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Looking at the next 3 years, what statement best describes the company you lead?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will be largely the same firm we are today</td>
<td>78%</td>
</tr>
<tr>
<td>We are likely to be transformed into a significantly different entity</td>
<td>22%</td>
</tr>
</tbody>
</table>
Please indicate your level of concern in terms of the following:

**Your competitors’ ability to take business away from your organization:**
- Not at all concerned: 33%
- Somewhat concerned: 34%
- Extremely concerned: 33%

**New entrants disrupting your business model:**
- Not at all concerned: 26%
- Somewhat concerned: 53%
- Extremely concerned: 21%

**Your products/services relevance 3 years from now:**
- Not at all concerned: 28%
- Somewhat concerned: 50%
- Extremely concerned: 27%

**Keeping current with new technologies:**
- Not at all concerned: 28%
- Somewhat concerned: 45%
- Extremely concerned: 27%

**Loyalty of your customers:**
- Not at all concerned: 13%
- Somewhat concerned: 50%
- Extremely concerned: 36%

Looking further

**Read more: The Agile Utility**

Today’s utility company has never operated in such a dynamic, challenging and uncertain environment. The long-term growth outlook is promising but filled with uncertainties. There are a number of significant transformational forces at work changing the industry in profound yet unpredictable ways.
As CEO, which of the following best describes your past, current, and future involvement in strategy and execution?

- I’m focused equally on strategy and its execution:
  - Past 3 years: 39%
  - Currently: 54%
  - Next 3 years: 6%
  - Not applicable: 1%

- I’m focused mostly on strategy:
  - Past 3 years: 20%
  - Currently: 66%
  - Next 3 years: 6%
  - Not applicable: 2%

- I’m focused mostly on execution:
  - Past 3 years: 14%
  - Currently: 44%
  - Next 3 years: 8%
  - Not applicable: 48%

Further insight

Energy CEO’s survey responses reflect the uniquely challenging times presented by today’s markets for energy players across the value chain. While capital markets insist on dividends and growth, the recent severe downturn in oil prices, coupled with elevated global economy and demand pressures and escalating regulatory requirements, affect all energy segments and present CEOs no easy path.

Thus, Energy CEOs reflect dual priorities to both develop new growth strategies, as well as reduce cost structures and increase cash flow from operations. Consistent with these priorities, the top challenges they indicate include the needs to strengthen processes and achieve operational excellence, while responding to ongoing regulatory and market changes in order to ensure financial growth.

Given these tumultuous times, it is not surprisingly that a majority of chief executives in energy are focusing their time on leading their companies in rethinking their strategies and business models. Asset and business portfolios are being evaluated rigorously to assess fit, including current profitability, upside potential, and having the competitive advantages and position necessary to drive current and future margins. The imperative to drive competitive advantage is leading companies to consider the cost and value impact of their products and services on customers, and whether their business model propositions to customers offer a strong enough solution. The use of alliances and M&A is escalating to create more compelling solutions as well as capture cost reductions through synergies.

Looking ahead, CEOs are seeking to balance risk with the need for new business models to drive growth, recognizing that challenging times require new approaches. And they anticipate thereafter shifting their focus from setting new strategies to ensuring their execution.

Andrew Steinhubl
Principal, Strategy leader of KPMG’s Energy and Natural Resources Group in the US

Andrew has over 30 years experience including corporate vision and strategy, transformation performance and technology and new business building examples. Prior to joining KPMG, he worked most recently at Booz and Company – where he previously served as the North America Oil and Gas Practice leader and the Houston office managing partner.
GROWTH AND INNOVATION
Prospects for growth for the energy industry over the next 3 years.

- **36%** Same level of confidence
- **36%** Somewhat more confident than last year
- **19%** Significantly more confident than last year
- **9%** Somewhat less confident than last year
- **0%** Significantly less confident than last year

A total of 55 percent were somewhat or significantly more confident than last year that there would be growth in their home country over the next 3 years.

Prospects of the global economy in the next 3 years.

- **52%** Somewhat more confident than last year
- **28%** Same level of confidence
- **12%** Somewhat less confident than last year
- **8%** Significantly more confident than last year
- **0%** Significantly less confident than last year

Fifty-two percent seem somewhat more confident than last year of the prospect of the global economy in the next 3 years, while none were significantly less confident than last year.
Propects for growth for the energy **industry** over the next 3 years.

Only 8 percent are somewhat or significantly less confident than last year at the prospects of growth in the **industry** over the next 3 years.

Propects for growth for your **company** over the next 3 years.

Forty-one percent have the same level of confidence at the prospects of growth in their **company** over the next 3 years, only 9 percent are significantly more confident than last year.
Which of the following best fits your current growth strategy?

Growth strategy in 3 years (organic vs. inorganic).

Organic growth will stay the same over the next three years while inorganic growth will increase from 4 percent to 23 percent.
Please identify which of the following best fits your future growth strategy (next 12 months).

- **Acquisition** at 44 percent and **financial restructuring** at 42 percent best fits their future growth strategy. **Sale** at 8 percent and **dividend payout** at 6 percent are the least fit for future growth over the next 12 months.
Only 4 percent of CEOs do not plan to make any changes to their company capital structure over the next 3 years, 54 percent of CEOs consider acquisition to be key for their company growth strategy over the next 3 years.
In looking at the next 5 years, which year do you believe that your firm will record its greatest profits?

- 2015: 1%
- 2016: 23%
- 2017: 28%
- 2018: 37%
- 2019 and/or beyond: 4%
- I don’t know/too difficult to predict: 7%

CEOs believe 2018 (37 percent) will be the year that their company will record its greatest profits. Only 1 percent believe 2015 will be the year to record the greatest profits.

In which regions do you see the greatest potential for new market growth?

- United States: 66%
- Western Europe: 47%
- Central Europe: 45%
- India: 40%
- China: 35%
- Eastern Europe: 34%
- Middle East: 32%
- Australia: 26%
- North Africa: 23%
- South America: 23%
- Russia: 21%
- Singapore: 20%
- Japan: 18%
- Brazil: 17%
- Sub-Saharan Africa: 7%
How would you categorize your overall growth strategy?

- Very aggressive: 47%
- Moderately aggressive: 46%
- Moderately conservative: 7%

CEOs categorize themselves as very aggressive (47 percent) and moderately aggressive (46 percent) for their overall growth strategy, only 7 percent are moderately conservative.

Which is more important to your company’s overall well-being over the next 3 years?

- Overall focus on operational efficiencies: 42%
- Overall focus on growth: 58%

Overall focus on growth at 58 percent is more important to the company’s overall well-being over the next 3 years.
Do you have a formal, company-wide process for innovation?

- Yes, my company has a process, and has started implementation: 48%
- Yes, my company is developing a process, but has not begun implementation: 43%
- Yes, my company’s process is a fully developed process already implemented across all units: 9%

Is your organization innovating fast enough to ensure a competitive future?

- Yes: 92%
- No: 2%
- Unsure: 6%

Overall 91 percent of energy companies have started implementation or a fully developed process across all units. This is among the highest of the other industries second only to auto and healthcare.

Forward looking

Read more: M&A Predictor

The world’s largest corporates are expected to show an increased appetite for M&A deals and will likely have more capacity to fund prospective transactions in 2015, according to the latest analyst expectations.

CEOs state 92 percent of their organizations are innovating fast enough to ensure a competitive future.
What is the greatest barrier to innovation in your organization?

- **Budget constraints**: 17%
- **Current technological resources or capabilities not up to date**: 14%
- **Executing against an innovation plan**: 13%
- **Lack of formal innovation process or plan**: 10%
- **Rapidly changing customer dynamics**: 9%
- **Lack of buy-in from executive leadership or decision makers**: 8%
- **Inability to manage and analyze data**: 7%
- **A culture not rooted in innovation**: 6%
- **Inability to attract the necessary talent**: 6%
- **Conflicting visions among executive leadership**: 6%
- **Executive lack of innovation process or plan**: 4%

The greatest **barrier to innovation** in energy companies is budget constraints at 17 percent followed by current technological resources or capabilities not up to date at 14 percent.

Further insight

**A deeper look at Oil & Gas**: Unsurprisingly, the fall in the oil price has focused CEO’s attention on financial and organizational restructuring. Free cash flow forecasts have been slashed and small/mid cap companies now need to focus on managing their access to capital markets. With equity markets essentially closed to this group, their relationships with lenders have become as important as ever, especially as the number of covenant negotiations and waiver requests in the sector is dramatically increasing. Alternative funding solutions are also becoming more popular as ‘distressed funds’ seek investment opportunities. Larger, more diversified companies now employ significantly more rigorous capital allocations programs, prioritizing value over volume, and are also focused on making significant organizational changes and headcount reductions. Interestingly however, acquisitions are also a key growth focus area, presumably as the more financially strong companies look for distressed ‘bargains’ as a result of low oil prices. To date however, largely due to successful restructuring, large numbers of such distressed situations have not arisen.

**Emma Wild**
Head of Upstream Advisory Practice, KPMG in the UK

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Emma has nearly 20 years of international experience within the oil & gas sector, and financial services. Emma is responsible for delivering a comprehensive view of business decisions and growth opportunities based on integrated technical, financial and commercial skills.
RISK AND REGULATION
Which of the following risks are you most concerned about?

- Environmental risk: 44%
- Operational risk: 53%
- Strategic risk: 13%
- Emerging technology risk: 21%
- Information security risk (cyber): 18%
- Geopolitical risk: 16%
- Conduct risk (fraud): 9%
- Talent risk: 20%
- Supply chain risk: 15%
- Market/treasury risk: 18%
- Third party risk: 18%
- Operational risk: 39%
- Regulatory risk: 34%

Which of the following areas of regulation are you most concerned about?

- Environmental regulations: 51%
- Corporate tax regulations: 23%
- Corporate financial reporting: 10%
- Labor regulations: 7%
- Trade regulations: 6%
- Privacy regulations: 3%

CEOs are concerned most about operational risk at 53 percent and least about fraud at 9 percent.

Energy CEOs are not surprisingly most concerned about environmental regulations (51 percent). Of lowest concern for energy CEOs is labor regulations (7 percent), trade regulations (6 percent) and privacy regulations (3 percent).
Which statement best describes your risk profile as it relates to your growth strategy?

**Income**

- 39% We are not taking enough risk
- 56% We are taking the right amount of risk
- 4% We are taking too much risk
- 1% Unsure

CEOs are taking the **right amount of risk** at 56 percent best describes their risk profile as it relates to their growth strategy.

How would you characterize your current approach to acquisitions in terms of risk taking?

- 33% Risk level has not changed
- 62% Focused on taking less risk
- 6% Willing to take on more risk

Sixty-two percent of CEOs are focused on taking **less risk** while 6 percent are willing to take on **more risk**.
Why are you willing to take more risk with acquisitions?

- 67% Confidence that deal value will be realized post-integration
- 67% Robust cash availability to deploy
- 44% In the new normal we need to look at riskier targets
- 44% Confidence in the economy
- 33% Confidence in structuring of deal terms
- 33% Today’s environment calls for quicker action and with it an increasing degree of risk
- 22% Inexpensive debt markets

CEOs consider confident that deal value will be realized post-integration and robust cash availability to deploy as equal at 67 percent each.

Looking further

**Vital risk insights**

Success in today’s global marketplace demands that leading companies keep up with the remarkable pace of technological change and innovation, particularly in regard to business intelligence software. Capturing market share often involves taking advantage of social media solutions such as apps on smart phones and tablets, interactive visualization, and scenario modelling. Such solutions are also becoming important tools for tracking the effectiveness of governance, risk management, and compliance activities.

Further insight

There is no doubt that executives are aware of the need to manage risk; it is clearly seen as a high priority within energy companies. However now, more than ever, CEOs need to be equipped with greater insight and specificity as to how much risk their companies are taking overall and how much more capacity remains to take on additional risk.

Thirty-nine percent of energy CEOs feel their organizations are not taking enough risk with their growth strategy, but how will they really know when they are?

Only a small minority of energy companies have a clear articulation of their overall risk capacity and appetite for risk. Those that do often characterize appetite in terms of general statements (e.g., we have a low risk appetite for compliance risk) to communicate levels of risk-taking that they have agreed with their board that they will not go beyond. Very few have connected risk appetite with the objectives at risk in their strategy to use it not only as a decision-making tool, but one that answers: ‘Are we taking enough risk?’.

Michael Wilson

UK Lead Partner, Risk in the Boardroom and Global Lead, Energy Risk

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Michael has 24 years of experience which includes evaluating and designing governance frameworks & risk management programs, assessing board effectiveness, designing risk and compliance reporting frameworks, conducting best practice/benchmarking reviews, and helping companies implement ERM and GRC programs.
CYBER SECURITY
How prepared is your company for a cyber event?

- Fully prepared: 55%
- Somewhat prepared: 39%
- Not where we need to be: 5%
- Unsure: 1%

Fifty-five percent of CEOs believe their companies are fully prepared for a cyber event.

How often have you met with your executive team and/or board of directors on cyber security?

- 7-10 times: 34%
- 4-6 times: 57%
- 1-3 times: 4%
- Never: 4%

CEOs have met 4-6 times 57 percent and never at 4 percent.
Convene multiple meetings with the board about cyber security.

Fifty-one percent are planning to take steps in the next 3 years while 7 percent plan to take no action to meet with their board.

CEOs plan to take steps in the next 3 years to convene multiple meetings with their cyber security team at 60 percent.
Thirty-seven percent of CEOs have **taken steps** to preempt a cyber security breach, 30 percent report they have no plans.

Fifty-nine percent plan to hire a cyber security consultant in the next 3 years.

**Hire a cyber security consultant.**

- **30%** Have taken preemptive steps
- **59%** Planning to take steps in next 3 years
- **11%** No planned action

**Steps taken to prevent a cyber security breach**

- **37%** Have taken preemptive steps
- **33%** Planning to take steps in next 3 years
- **30%** No planned action

**Looking further**

Read more: [Cyber CEO Survey](#)

Keeping data safe is no longer an afterthought at most organizations – whether it’s customer data, or IP or the more mundane data necessary to run the company. KPMG International recently surveyed over 1,200 chief executives from many of the world’s largest and most complex companies and discovered what keeps them awake at night. This report, a follow-up to the KPMG CEO Outlook Survey, seeks to provide perspectives on the global cyber security landscape and track insights on the coming 3 years.
Fifty-two percent of ENR CEOs are planning to upgrade their current technologies in the next three years and 40 percent have already taken preemptive steps.

Eighty-four percent have or plan to deploy new technologies in the next 3 years.
Within the Energy sector, respondents consider their organizations to be more prepared and confident. There are perhaps reasons for the degree of confidence. They have been more actively targeted than many over the last 5-10 years, and therefore their maturity is more advanced than within some others such as construction, retail or large parts of transport for example. However we see an interesting dynamic between the level of understanding of the risk, the maturity of the organization and the continued levels of investment. We find that many of those organizations that have the deepest understanding – often after living through severe incidents in the past – and that as a result have the most mature cyber security capability are often those that continue to invest on an ongoing basis; they understand that getting to a tolerable position is going to take many years and significant investment, and that even when they are at that tolerable position there will still be an ongoing requirement to work to maintain it.

This is because the cyber landscape is constantly changing. Beyond the IT cyber threats that organizational security departments have become familiar with a new threat is emerging in the Energy landscape – the direct compromise of critical production assets. As the industrial control systems [ICS] used to manage asset’s production processes have evolved companies have been able to reduce costs and improve efficiency by consolidating engineering and IT services. The more mature organizations are also looking to improve effectiveness by adopting sophisticated data analytics on their production data. As a consequence operational and corporate systems are sharing infrastructure and previously standalone control systems are being integrated into corporate intranets or even with the internet. However, in doing so, Energy companies may be exposing previously hidden vulnerabilities on their production assets and the exploitation of these vulnerabilities could have an immediate operational, safety, environmental impact beyond the traditional financial, and reputational impact seen with an IT system compromise. This new threat doesn’t mean that businesses should halt the process of converging systems, but that they need to have the skills to identify and manage the risk – adding yet another cost into already stretched cyber security budgets.

Energy companies are already exposed to significant business pressures that compete with Cyber Security for resources, and often increase the cyber risks to the business. Oil & Gas has the obvious pressure from continued low market prices when compared with 18 months ago. Power & Utilities on the other hand are still under post-recession pressure to prevent a rise in their output prices despite significant rises in the input costs over the last 8 years. This often encourages them to choose risk acceptance rather than mitigation, though that is not often a formalized decision and is rarely if ever provisioned. That is not the limit of the problem though. Those conditions often drive other cost reduction exercises within the IT environment that might increase risk such as a deeper and faster push to outsourcing, and the fragmentation of services with the push to the cloud. All in all, the smart operators recognize the heightened importance to ensure every security pound or dollar spent hits its mark and they realize that they will achieve greater success in doing this with help than they would if they did it on their own.

Malcolm Marshall
Global Leader Cyber Security
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Malcolm is the Global Cyber Security Leader and partner in Information Protection and Business Resilience. He has over 27 years of experience advising clients on mitigating the risks involved in harnessing technology. Malcolm works across all sectors with a particular focus on oil and gas, banking and telecommunications.
There are skills gaps in our business and they will worsen in the next 3 years.

There are skill gaps now but we are working to improve the situation in the next 3 years.

We have no skills gaps now but anticipate they will emerge over the next 3 years.

The majority of energy CEOs do not think their skills gap will worsen in the future.
Are you confident that you have the right talent in place to drive success in your organization in the next 3 years?

Ninety-eight percent of CEO are confident they have the right talent in place to drive success.
Please rate the following functional areas with respect to your skills gap.
How do you expect your organization’s headcount will change over the next 3 years?

<table>
<thead>
<tr>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase more than 25 percent</td>
<td>1%</td>
</tr>
<tr>
<td>Increase 11-25 percent</td>
<td>15%</td>
</tr>
<tr>
<td>Increase 6-10 percent</td>
<td>34%</td>
</tr>
<tr>
<td>Increase less than 5 percent</td>
<td>26%</td>
</tr>
<tr>
<td>Stay the same</td>
<td>21%</td>
</tr>
<tr>
<td>Decrease less than 5 percent</td>
<td>3%</td>
</tr>
<tr>
<td>Decrease 6 percent and greater</td>
<td>0%</td>
</tr>
</tbody>
</table>

Organizational headcount will increase over the next 3 years.
Do you feel your company has a high performance culture?

Companies have a high performance culture based on 96 percent of CEOs.

Looking further

Read more: When one crisis meets another – focusing on talent for the long-term.
In order to avoid mistakes of the past, energy & natural resources companies will need to take a strategic long-term approach to managing their talent.
Which of the following are priorities as part of your management style development plan?

- Consistency of management style: 46%
- Becoming a more visible, external spokesperson for the company: 50%
- Becoming more collaborative with the executive team: 47%
- Becoming more hands on: 50%
- Focusing more on communicating our mission and purpose internally: 52%
- Becoming more collaborative with all levels of management: 49%
- Delegating more to the executive team: 50%
- Becoming more data driven: 47%
Further insight

The truth is there are skills gaps and talent risks in the energy workforce, and they are only going to get worse unless talent is realized as critical to business performance. As the prices of oil rebound and profits rise once again, energy companies are forgetting the impending talent crisis that is approaching faster than ever. It is predicted that the majority of the energy workforce is approaching retirement age and with them they will take decades of knowledge and experience without which the business will suffer. Just planning to increase head count to compensate does not balance this out and drastically increasing headcount is a talent risk, just as high turnover.

The misconception is that talent is not a stagnant business process which can just be optimized and then left alone to be efficient. Talent is integral to the business, as a company is only as good as its people. Talent issues cannot be addressed through band aid-like fixes since it is a holistic process that needs to align with business strategy to be truly effective.

The bottom line is that CEOs seem to be confused about talent, and HR needs a bigger seat at the table. Whether organizations plan to mature through organic or inorganic growth, HR needs to be consulted to ensure strategic talent requirements are being met for long term sustainability. HR also needs be empowered to leverage more data, as this will help better refine the language of talent within the organization and educate senior leadership on the links between talent and business performance. Only by aligning the people strategy with business objectives will energy CEOs be able to see the crisis on the horizon and prepare for the oncoming storm.

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Robert has over 20 years experience focusing on people and change projects across the globe. Some of his focus areas include the review of HR function, implementation of global HR operating models, HR transformation, and optimizing the performance of HR functions.
DATA AND ANALYTICS
In your view, how effectively is your organization using data and analytics (D&A) to improve performance?

- 47% Considered a leader of D&A usage
- 46% Use D&A fairly effectively
- 6% Usage of D&A under evaluation
- 1% We are struggling in this area

Further insight

In order to maximize the benefits of D&A, companies must integrate the collection, enrichment and analysis of data into their business processes. The key is understanding what business questions can be addressed through D&A, and of those, which are most likely to lead to business improvements and add value. Or in other words, how to turn data into insights into value. D&A techniques and tools have developed rapidly in recent years, particularly with large volumes of structured and unstructured data, but there are many areas of business where the data is patchy as well as difficult and expensive to gather.

As reflected in KPMG’s 2015 global thought leadership report, Going beyond the data: turning data from insights into value, 97 percent of organizations say they are using D&A in some area of their business, and D&A is moving into the boardroom where it factors into major business decisions. As D&A enters the mainstream and becomes part of everyday business, executives and their boards are increasingly starting to question whether their organizations are realizing the full value of the insights they are getting from their data, or whether they are sophisticated enough in their approach to D&A to drive actionable insights.

To optimize the use of D&A and derive value that enables better decision-making, business managers, working closely with D&A specialists, must target their questions to address real business concerns. Support from senior management in the use of D&A is critical. Without encouragement from a well-informed cadre of senior executives, D&A is unlikely to demonstrate its full impact on the management of growth, risk and costs, or, worse still, may fail to add value to the business at all. Energy companies have many of the building blocks in place to capitalize on D&A. However, they often lack the data- and D&A-focused strategies as well as the challenges of data mining required to realize the promise that investors and analysts believe D&A holds for the energy sector.

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KPMG in Germany
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Thomas is the D&A leader for KPMG in Germany and a partner in Germany’s Consulting practice. His work focuses on the risk and performance-based analysis of an organization’s business processes and the development of appropriate governance models. He heads up the Continuous Auditing/Continuous Monitoring solution and leads the German firm’s activities in the GRC tooling space.

Looking further

Read more: Data and Analytics: A New Driver of Performance and Valuation
Companies that invest wisely in data and analytics technologies and human expertise are likely to develop effective D&A strategies. As these strategies improve companies’ fundamental businesses and operating models, they achieve stronger competitive positions and higher market valuations. These results, in turn, encourage companies to continue developing the right data and analytics strategies.
Research conducted in mid 2015

1,250 Global CEOs participated across 10 countries and 9 sectors.

45-minute online survey

3 year outlook

163 Energy global CEOs

9 Sectors:
- Banking
- Insurance
- Investment Management
- Automotive
- Manufacturing
- Retail/Consumer Markets
- Technology
- Healthcare
- Energy

Countries:
- France
- Germany
- Japan
- China
- Australia
- India
- Italy
- Spain
- UK
- US