



Gerald Bouhourd, founder, C&S Partners:
“Human Resources are the only strategy for Oil Services going through the current overcapacity crisis”

Thierry Pilenko, Chairman of C&S Partners’ Advisory Board has made it clear that the current crisis is a re-run of 2014 and one, notably, that is linked to overcapacity. Have you been able to identify those Oil Services companies that are best placed to emerge from this crisis?

Gerald Bouhourd. The current crisis, while it is undoubtedly more severe, is a re-run of 2014 with the common factor being a surplus of capacity in the supply chain – overcapacity of physical assets, such as drilling rigs, construction & pipe-lay vessels, supply & support vessels, etc.

In the current landscape, when a business rests on physical assets only and where the competition is fierce, major EPC or OFS contractors are the first victims, as we saw in 2014 in the US or the North Sea (I am thinking of Harkland).

Therefore, the best weapon or strategy is to have an **integrated offer**, proposing a large range of services, offering added value and generating cost-synergies for the end client through a single interface.

Very concretely, it is the strategy followed by Subsea 7 with Schlumberger or TechnipFMC: in both cases these companies, or alliances, offer more than just a simple asset – such as a construction vessel – but, rather, an integrated project with multiple synergies, be they cost or risk. Without being a miracle solution – the market being constrained – this strategy does, nevertheless, allow one to gain market share and be in a better shape to weather this type crisis.

A second strategy to adopt is to have **more flexible models of organization** to mitigate severe hits. Certain players, notably from onshore and offshore EPC contractors, learnt the lessons of the previous crisis half a decade ago. Some among them, on top of having standardized their products or technology, also stripped back their teams to ‘core business staff’ as a way of allowing sub-contractors absorb the vagaries of the market, be they good or bad.

What does this crisis teach us from a human resources perspective?

When one talks about integrated offers or flexible organizations, we clearly talk about human resources in a broad sense as it is about acquiring, training and retaining a very talented staff, operationally-speaking (business development, project management, supply chain management etc.) and functionally (contracts, financing or human resources etc). Simply put, many of our customers talk of developing 'engineer-managers' managing a complex supply chain, as opposed to pure engineers sitting at the drawing office. Although rather simplistic, this formula has some merit as it sets the right direction for the human resources department.

This throws up a real paradox, for while OFS or EPC contractors are having to restructure their operations at the moment in light of the crisis, they need to keep hold of talent that is crucial to their differentiation, those whose skills are vital to the future of the industry... and employable in others. Here is an example of note: one key European player made their sales staff temporarily unemployed but agreed to pay their executive MBA tuition for 2021, if they promised to stay with the company.

What is the correct strategy – or behaviour for Executives to adopt?

The best leaders do a number of things that set them apart from the pack. The first is the **mental agility they generate among their teams** and always being on the lookout for 'black-swans'. Let's be realistic: No one could predict the Covid-19 outbreak or the unprecedented sharp fall of the crude, but one should always plan for catastrophic scenarios, however unpredictable the source may be: How to manage the cancellation of half of the order book? How to react to the loss of a customer who represents 30% of the turnover? What are the fallback scenarios if a country closes its borders? Etc.

As an illustration, one of our European clients, very much affected by the 2008 crisis, had set up this type of scenarios, regardless of the root-cause, and they were ready in 2014. Mentally and with scenarios already played and with teams lined up and mentally ready. And today – it does not make things easy and even less joyful - but they follow the «play-book» they have updated in 2014.

Another important key to good leadership at the moment in extreme, but all too frequent, cases is chapter 11 bankruptcy. In 2018 and 2019, we had the occasion to support management teams in this regard. What we observed was that those that got out of the situation were the ones who resisted the temptation to spend all their time 'outside' the company; with investors, shareholders or creditors. Instead they focused their energies on clients and people, remaining visible and engaged with both. In this way they were able to stay true to their values and head in the right direction. To the point that customers could play a key role vis-à-vis the lenders. We learnt so much from these teams that went out from chapter 11 that we've developed a 'going chapter 12' offer!



Indeed. Speaking of purpose or sense, do you think that you are purposeful & helpful during this crisis?

We are neither caregivers nor a critical element of any vital supply chain. At the moment the usefulness of the consultancy is probably in inverse proportion to their presence on social media!

At C&S, we are staying in our remits, trying to humbly play our advisory role to our customers, who are often critical on vital supply chains.

We do a lot of pro-bono work as well, especially for none-for-profit organizations which have very little project management or business continuity expertise. We are also spending quite a lot of time and coaching effort on individuals who have been affected by the crisis and are looking for their next challenge.

Supporting and helping entrepreneurs is also part of our DNA and we do a lot too.