AN ANGLE ON ABERDEEN

A perspective on your business agenda

Autumn 2015 - www.kpmg.com/uk
Welcome to the second edition of An Angle on Aberdeen which highlights the pressing issues and opportunities facing business leaders in the north east. We offer insights into a wide range of topics many of which no doubt feature on your management agenda. Read on and see if our experts can give you a fresh perspective.
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“The industry knows the scale of the issue in front of it, and is working on the remedies it needs to take for its future health.”
A REALISTIC VIEW, TINGED WITH OPTIMISM, OF THE TASK WHICH LIES AHEAD

At the start of 2015, we spoke about the challenges facing the region’s oil and gas businesses, and the related service providers. Those challenges haven’t gone away but we believe the industry at least knows the scale of the issue in front of it, and is working on the remedies it needs to take for its future health.

We know the region is not just about oil and gas, but with such a contributory force to the local economy, it is sensible for us to start there.

Oil price
The effect of the oil price on the industry, as it continues to struggle to keep its head above water, is undoubtedly having an impact on the wider economy as activity levels lessen. The low price is forcing businesses to examine, often with a forensic lens, how they operate, how they can be more efficient, and how they can collaborate.

There is a realistic sense of the hard work and challenges still to come. We’re expecting the next 18 months to be as difficult, if not more so, than the last, but it is not an insurmountable challenge.

In July, 41 new offshore exploration licenses were issued by the newly-formed regulator Oil and Gas Authority (OGA). Adding to those already issued in the last six months, it leads to one of the largest licensing rounds since the mid ’60s. Surely this is a sign of faith that there is still life in the basin. The latest Oil and Gas UK report indicates an increase in production levels – a positive sign from the sector.

However, businesses, no matter what part of the supply chain, or even distantly-related, cannot sit back and wait to ride out the difficulties. The Wood Review highlighted three areas where the sector needs to improve. We’ve already identified cost-cutting, and the new regulator is now up and running. The third – collaboration – is perhaps the biggest challenge of all. How can the industry come together to share best practice, experience and supply chains, to ensure a sustainable and viable future for all?

Innovation, innovation, innovation
Over the course of our second Angle on Aberdeen, we will examine some of the issues industry leaders and boardroom tables here and abroad are weighing up.

Issues such as the analysis of data to apply efficiencies. Perhaps once the domain of strategists or IT teams, having real-time data on your business to hand can help identify areas requiring immediate management attention.

We’ll look at how businesses can continue to innovate in an increasingly competitive marketplace, particularly entrepreneurially-led or owner-managed businesses. How can the next generation apply their built-in awareness of technology and innovation to drive traditional businesses forward?

Continuing on the theme of the next generation, we’ll look at why the industry must work hard to attract the best talent to ensure long-term viability and address the recognised skills shortages. The challenge will then be to ensure that talent is retained and its digital and innovative-mindset be harnessed by the sector.

Of course, cost management and cash preservation remain central pillars of the day job. We examine various aspects of these, from supply chain management, procurement efficiency and contract management through to communication with key stakeholders.

The world of taxation is constantly changing, with political and societal drivers being in play far more nowadays. We look at some changes, and the conclusion that fiscal measures alone cannot solve the North Sea’s challenges.

Finally, we examine the driving issues in the decommissioning debate. In the short to medium term, will this create opportunities and momentum in the M&A market as operators look to dispose of assets?

Hopefully you will find food for thought in the following pages of our Angle on Aberdeen.

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“Taking early positive action, even where you may believe you are not affected, or going to be affected, increases the options available.”
THE RIPPLE EFFECT IS FLOWING THROUGH THE OILFIELD SERVICES SECTOR

The full impact of cost reduction measures in the UK Continental Shelf (UKCS) is still to be fully felt.

Why?
Among the oil majors, balance sheets have proved resilient, supported by low financing costs, coupled with their ability to defer exploration and development expenditure.

These companies are using the low-priced environment to deliver efficiencies while positioning themselves for the long haul. They are following the trend of cost reductions and project deferrals with a view to reducing waste and clawing back value lost with lower oil prices.

The oilfield services supply chain will feel the ripple effect and be hit with the consequences.

The next twelve months are critical. Oilfield service businesses heavily dependent on UK operations, not sufficiently diversified across the life cycle, or highly leveraged, will be exposed.

We are increasingly concerned for these businesses as we see more instances of stress and distress. Vulnerable companies are experiencing pressures not seen since the late 1990s.

And there may be more on the horizon. The economic and political conditions that started the oil price decline haven’t changed and the efficiencies being taken in the supply chain will continue whether oil prices are following a ‘U’, ‘V’ or ‘W’ curve.

Be aware of the challenges
Burying heads in the sand doesn’t work. It is better to stand tall, look around and see the dangers that might create difficulties.

Taking early positive action, even where you may believe you are not affected, or going to be affected, increases your options. Although it may not be until current contracts end that problems surface, the implications from the new market dynamics should be fully considered.

Identify potential cash flow problems that may be looming and take early action to address matters proactively to maintain control of your destiny.

We are working with businesses to help assess their supplier risk in case of default or helping their supplier work through its challenges. Supplier failure can have significant implications – consider a situation where part-built structures are not completed.

Corporates and their stakeholders who have so far believed that their business can weather any storm, should re-assess matters to understand key risks including counterparty risk.

Then plan for the downside scenarios
Sustainable methods for improving efficiency, streamlining operations and entities, reducing costs, improving cash and working capital processes and devising contingency plans should be considered.

Independent challenge processes looking at the business with an objective and clear lens can help ensure that turnaround and contingency plans are robust, giving comfort to management and stakeholders that everything is being considered.

Consider partnerships and different ways of working, we are seeing instances where corporates help fund their customers and obtain payment at a later stage so that both parties share the risk.

Stakeholders are key
Communications and managing expectations can make a big difference through establishing and strengthening trust with key stakeholders.

Companies need to manage a myriad of stakeholder relationships - including shareholders, lenders, customers and suppliers, project counterparties, pension trustees and employees – all critical to their strength and value generation.

For example, major lenders are now undertaking a second round of assessments of their exposure to potentially stressed businesses so taking a proactive approach to the challenging conditions is particularly important.

Perceived loss of control may see financial stakeholders impose onerous conditions and information requirements, distracting management from the critical day job of running the business. If changes to financing terms, refinancing propositions or waiver requests are necessary, these will require careful preparation, supported by a credible plan underpinned by robust controls and demonstrable cash management processes.

A two pronged approach, strengthening business operations combined with managing the stakeholder positions carefully will help differentiate a business from weaker market participants and earn the time and space to implement effective strategies to manage volatility and preserve value.
“Now is an ideal time to ensure there is a strategic fit with suppliers, delivering the right balance of innovation, service and value.”
HELPING BUSINESSES THRIVE IN THE LOW PRICE PARADIGM

With the UK oil and gas supply chain being worth as much as £35bn per year, it comes as no surprise that Supply Chain and Procurement (SC&P) has been central in supporting the drive to adapt to reduced oil prices.

To date, much of the focus has been on direct cost reductions. However, the industry is increasingly looking at how it can transform, innovate and collaborate. There is no single silver bullet but by taking a marginal gains approach, there are a number of angles SC&P can now take to help their businesses thrive in the new low price paradigm.

Cash optimisation
More astute management of cash and inventory can make real and valuable gains to organisations’ bottom line earnings.

Low interest rates are delivering poor returns to organisations with cash on their accounts. Many suppliers are cash constrained and need liquidity, so they will welcome the opportunity to offer improved terms in exchange for early payment. Such an agreement helps the supplier’s cash flow whilst delivering an improved return for cash that would otherwise have remained on account.

Over the decades, inventory has ballooned with many businesses now requiring increased warehousing for stock they often have little requirement for. Gaining control of inventory allows organisations to manage depreciation, realise any locked-in value through disposals, optimise yard space and contribute to industry collaboration through sharing stock, thereby releasing cash and reducing annual operating costs.

Contract management
In negotiating contract terms, organisations typically invest significant effort to ensure contracts offer best value and are optimised to the needs of each party. As priorities and responsibilities change over time, terms, incentives and breaks are often neglected. Proactive contract management is essential to ensure contracts are fit for purpose, the relationship is effectively managed, and all parties are benefiting from the contractual framework. With the current market situation, now is an ideal time to ensure there is a strategic fit with suppliers, delivering the right balance of innovation, service and value. Renewed terms can often result in a better partnership, improving the value proposition to the buyer and incentives for the supplier.

Despite intentions, contract terms are often incorrectly reflected through invoicing. Our experience of conducting over 10,000 contract audits has found some 70% are overbilled, typically by 1-5%. Some issues are more readily visible, such as inaccuracies around time and materials reporting. However, a large number of contracts contain pricing mechanisms with an inherent blind spot when it comes to ensuring the buying organisation is receiving the correct price, such as cost plus pricing, open book arrangements or pass through costs from sub-contractors. Conducting a contract audit can provide transparency on actual costs and identify inaccuracies such as, for example, non-inclusion of rebates and discounts, incorrect overhead apportionment and intercompany mark ups. Addressing issues now can restore cash to the business and aid future contract negotiations.

People, process and technology
As businesses review their strategy, scale and business model, it is vital to ensure SC&P is right sized to meet the business’ needs. With skilled supply chain professionals supporting the business using optimised processes and appropriate technology, SC&P will be empowered to support the value chain in an industry fit for the 21st century. Considerations can be given as to whether legacy systems, often heavily customised, can give way to lighter, highly configurable technologies, often hosted on the cloud on a subscription basis, reducing both capital outlays and ongoing general and administrative costs. Data analytics can deliver insights to the wealth of information available in support of both process and cost optimisations.

As SC&P has so far been instrumental in achieving substantial cost savings on the UKCS to date, it will continue to be so as the industry focusses on the fundamental cost per barrel reductions to be won from transformation, innovation and collaboration.
“Whether or not the powers to redistribute wealth via the tax system are actually used, is entirely a matter for the next Scottish Government.”
Devolved tax powers
At Holyrood, April 2016 sees the introduction of a Scottish Rate of Income Tax (SRIT). This follows the earlier devolution of Landfill Tax and Land & Buildings Transaction Tax. SRIT operates by allowing Holyrood to increase or decrease tax rates for Scottish taxpayers, with the Scottish Exchequer being able to spend any increase, or having to fund any reduction. In practice SRIT may not result in any imminent changes because a change to one tax band has to be applied equally to all bands. So a hike in tax applying to high earners would also affect those earning the Living Wage, or even below. Conversely, a tax cut would benefit high earners as well as depriving the public purse from much-needed funds. So SRIT may become a matter of political shouting, rather than heralding any real change.

However, from April 2017 or 2018, the full devolution of tax powers will allow Holyrood to levy as much tax as it wants on high earning individuals, as well as creating new lower tax rates to benefit the low paid. This wealth redistribution would only affect Scottish taxpayers. The location of one’s principal residence is primarily what determines whether or not someone is Scottish. For example, an executive who commutes from Norwich to Aberdeen, rather than taking up residence here, could benefit from lower UK rates. Or, in a different scenario, lower Scottish tax rates could attract the executive to live (and spend money) in Scotland.

Whether or not the powers to redistribute wealth via the tax system are actually used, is entirely a matter for the next Scottish Government. The same applies to the question of whether to raise more or less tax in total. Until political manifesto commitments are made in the run up to the May 2016 election, who would care to predict what will be implemented?

UK tax changes
Meanwhile, Westminster has made several UK tax changes. One change, as well as affecting high earners with large dividend incomes, will make it less beneficial to operate as limited company contractors. This is due to the operation of higher tax rates on dividends.

In another move, some individuals of non-UK origin will start to find the special “non-dom” tax rules less accessible, with a resultant increase in tax bill. Several changes have negated the impact of certain tax planning, where the line between acceptable and “contrived” planning continues to move.

On a positive note, however, the UK Government continues to support innovation with increased tax benefits available for R&D and profits attributable to certain patents. The reduction in UK corporate tax rates to 18% from 20% is welcome, albeit not applicable immediately.

Westminster retains all powers over oil taxation. Significant steps have been taken to provide fiscal incentives to address challenges arising in high cost oilfields. But when the oil price is in the US$40s and even US$50s, the tax system alone struggles to provide all the answers to kick-starting exploration and optimising production.

International crackdown
Finally, at the OECD level there is unprecedented co-operation between Governments. They share a goal of stamping out corporate and individual tax evasion and perceived avoidance. Playing in part to the appetite of the electorates, countries, including the UK, have been falling over themselves to be first in line to be seen to take a hard line in this area. The ink is far from dry on all of the OECD proposals but they look set to affect the way in which cross-border transactions are priced, the ability to obtain interest deductions and the application of certain tax treaty provisions. Society will continue to exert pressure to encourage taxpayers to pay what is perceived to be their ‘fair share’ of tax.

In a world which changes at an alarmingly fast pace, the rules affecting UK and Scottish individual and corporate taxpayers are evolving quickly too.
“The long-term nature of family ownership allows leaders to dedicate resources for innovation and risk-taking, thereby fostering a spirit of entrepreneurship.”
Entrepreneurial behaviour in business often stems from a combination of new ideas, relevant expertise and useful contacts – all of which can open the door to new markets and generate growth.

With family businesses, however, embracing new, innovative thinking involves looking internally as well as externally. A change to the family business model doesn’t just mean a degree of administrative upheaval. To innovate in a family business context may mean diversification and championing of technological advances – including investing in new digital channels – or geographical expansion.

In a family business environment such major changes can also shape the exit strategy of founding members, work to encourage younger members of the family into the business, and help to create a clear succession plan for future generations.

**Quick thinking**
While it may be perceived to be the opposite, implementing innovative thinking in a family business is often more viable than in many other companies. This is due to strong relationships, collaboration between the generations and a simpler management structure. As long as you can honestly and accurately assess the strengths and weaknesses of your family business, you’ll be well placed to begin your journey on a successful innovation programme.

- Family businesses naturally nurture a more personal approach to the running of a company. This creates a level of trust between all involved which allows new ideas to flow freely and be implemented quickly.
- Often there will be at least two generations involved, leading to an interesting mix of ideas and values. The best scenario is when a company-wide philosophy of learning is encouraged, allowing each generation to share their unique knowledge and experiences.
- Many family businesses are owned and managed by just one main family member in each generation, even if there is also an external board. If the owner or board agrees there is a need for innovation, it can be put into practice quickly through exploring and then executing on those ideas.

The long-term nature of family ownership allows leaders to dedicate the resources required for innovation and risk-taking, thereby fostering a spirit of entrepreneurship. But the reality is that innovation is unlikely to happen if not managed effectively. Strong leadership is needed to ensure true collaboration between the team tasked with generating ideas and the team responsible for implementing them.

**Collaborate to innovate**
Trust is a key component within family business but collaborating effectively may involve establishing a relationship with a partner outside the core business (or, perhaps, even with competitors). So before starting any collaborative process, it’s important to analyse what the management team consider to be the sacred cows of their business. Where would (and wouldn’t) they be happy to share information, co-create a product or enter new markets?

One great example of this is the Oil and Gas Innovation Centre (OGIC) in Aberdeen, which takes an industry-focused approach to bring together university capabilities and know-how in tackling identified business needs. Truly demonstrating the ways in which a collective approach can result in real operational change, the OGIC will fund industry demand-led projects for technology companies operating in the UK Continental Shelf (UKCS) that require innovative approaches provided by universities.

Using employees, customers and/or suppliers to foster open innovation can also reap rewards. This process involves sharing any problems, questions and thoughts with others to consider, resolve and propose solutions.

**Incentive for change**
Using patents to protect any inventions your business makes can be a costly business but it’s worth bearing in mind that a lower rate of corporation tax can apply to any profits made from patented intellectual property (IP) assets. The Patent Box, which is a relatively new UK Government sponsored incentive regime, taxes profits from patented interests at 10%; considerably less than the standard tax rate.

Whilst most businesses will be aware of the R&D tax benefits available, some owners still mistakenly believe they are difficult to qualify for, underestimate the potential benefits, or simply don’t think the incentive will apply to their business.
“Predictive data analytics will become increasingly central to minimising costs and maximising production efficiency.”
HOW FORMULA 1’S PREDICTIVE ANALYTICS CAN FUEL SUCCESS IN THE NORTH SEA

As the oil and gas industry and governing bodies work together to reduce costs to meet a production efficiency (PE) target of 80% on the UKCS by the end of 2016¹, achieving operational excellence is fundamental in the drive to maximise productivity and minimise costs. The industry is already showing signs of improvement, with PE up to around 65% from a low of 60%¹. However, the UKCS remains billions of revenue short per annum and, despite deep cuts, operating costs are unsustainable for many.

As shown by organisations – both inside and outside of the industry – that thrive in the face of adversity, companies must take a highly disciplined approach to their transformation in order to prosper, making both strategic and tactical changes through the principle of marginal gains to deliver cumulative and sustainable improvements over time. With the low price environment, this is the opportunity to reshape the North Sea industry for years to come.

Where data analytics fits in
Of the shortfall in PE, 20% is attributed to planned shutdowns, with a further 46% attributed to unplanned outages, often as a result of equipment failure². Time on tools is another key indicator, sometimes being less than five hours from a 12 hour shift. As such, minimising equipment failure, optimising planned shutdowns and optimising workforce utilisation are key to maximising operational and production efficiency. Predictive data analytics and decision support tools can play a significant role in achieving this goal.

Minimising equipment failure
Failing equipment means production can be lost, resources are diverted from planned work, costs to resolve are high and mean time to repair is long. Predictive data analytics can take disparate data feeds from the environment, processes and equipment to predict likely equipment failure points, from which scenarios can be modelled to optimise maintenance schedules. To take an example from Formula 1 racing: a car is limited to four engines over a season before penalties are incurred. Predictive data analytics and decision support modelling allows the team to analyse data from the car and environment to maximise performance, whilst also ensuring equipment life is optimised and critical failures are minimised. This is a capability being applied to a multitude of plant centric industries, and its application to North Sea assets can play an essential part in minimising equipment failure.

Optimising planning and scheduling
Whilst the plant is shut in, revenue stops. To maximise revenue it is vital shutdown scopes are minimised to essential activities and that they are delivered as efficiently as possible. Predictive analytics and decision support modelling enables planners to model scenarios, providing simplified decision making and optimised plans. For example, McLaren Applied Technologies has developed Decision Insight technology (that has its heritage in Formula 1), and worked with a consortium of leading companies to optimise landing capacity and scheduling at Heathrow airport. The technology analyses all the factors influencing landings and prescribes options at an operational level e.g. which flights to move or cancel, while also predicting the impact of these actions. This has contributed to an increased departure punctuality of 20%, reduced emissions and an extra landing slot being added for the first time in 20 years. With the production potential of North Sea platforms often exceeding US$1m per day, complex decision support through analytics can provide the critical edge in integrated planning and scheduling across multiple asset portfolios. KPMG is currently exploring such opportunities through our alliance with McLaren.

Improving workforce utilisation
People costs account for a substantial portion of operating costs, yet time on tools is all too often worryingly low. Lean principles applied to planning, scheduling, materials, supervision and performance are vital in optimising workforce utilisation. Through predictive data analytics the variables of personnel, skills, priority, capacity, shifts, logistics, inventory etc., can be modelled to further optimise team performance offshore. For example, one complex consumer goods manufacturer has applied Formula 1 pit stop choreography methodology to reduce changeover routine times by 61%. The prize for operators is to build high performing teams who achieve increased productivity, safety and cost efficiencies.

Laying the foundations
For the UKCS to thrive, lessons must be learnt from leading organisations outside the industry, such as in Formula 1, where organisations have to constantly reinvent themselves and challenge the status quo, as well as best in class operators who are already succeeding in positioning themselves for the years to come. Many are only just beginning to fathom the potential but as companies evolve to suit the low price environment we can expect predictive data analytics to play an increasing role in helping them minimise costs and maximise production efficiency.

¹ New Oil & Gas UK Guidance on Planned Maintenance Shutdowns to Improve Efficiency and Reliability Offshore, 30 July 2015
² Department of Energy & Climate Change, Maximising Economic Recovery Conference, OGUK 2014
“By becoming much more innovative about their approaches to selling assets, separating the question of decommissioning liability from the question of asset ownership, companies could help break through the current log jam in mature-asset sales.”
STRATEGIC APPROACH TO DECOM ACTIVITY COULD CREATE NEW OPPORTUNITIES IN UKCS

Oil and gas operators will have to approach the challenge of decommissioning in new ways if the goal of maximising economic recovery from the UKCS is to be achieved.

New opportunities
In its Decommissioning Strategy: A New Imperative for E&P Firms report, KPMG states that adopting a more strategic approach to decisions regarding late life assets could open up significant new opportunities for operators, helping to break the log jam in mature asset sales, and potentially creating new models for operator cooperation and the delivery of decommissioning services.

Challenging economics, deteriorating infrastructure, technical limits on further recovery and regulatory pressure mean that change in the offshore industry in mature provinces like the North Sea is inevitable, with industry forecasts predicting that the pace and scale of decommissioning activity is set to increase.

New models
As assets enter decommissioning, we also see enormous potential for the creation of new decommissioning service models. Developing these models will accelerate learning and efficiency and allow a much more integrated approach across multiple assets. There is enormous scope for increased collaboration among operators, going beyond information sharing, to develop new approaches, for example, in standards related to the plugging and abandonment of wells and other related questions, arrangements for joint campaigns on related assets, and potentially even the creation of new entities to allow common buying of services and execution of end-to-end programmes.

Questions of liability
By becoming much more innovative about their approaches to selling assets, separating the question of decommissioning liability from the question of asset ownership, companies could help break through the current log jam in mature-asset sales, getting late-life assets into the hands of specialist owners who could operate them more effectively for longer, supporting the goal of maximising economic recovery.

Strategic choices
To date, the industry has often treated decommissioning as a technical and cost challenge, with much of the discussion revolving around supplier capacity, tax relief, safety and environmental issues. KPMG believes that the decommissioning decisions that operators will make are as strategic as choices about major development projects and exploration, and must take account of factors including asset portfolios, value realisation, business models, and relationships with partners and suppliers.

The Wood Review and the new Oil & Gas Authority (OGA) recognise the real threat that a poorly coordinated and badly executed approach to decommissioning poses to maximising economic recovery in the UKCS, if companies operating mutually dependent infrastructure decommission earlier than they might. High operating costs in the basin and low commodity prices bring this threat closer.

In reviewing the decommissioning landscape and options for E&P from a strategic perspective, two of our conclusions have important implications for the OGAs basin-wide agenda.

To request a copy of The Decommissioning Strategy: A New Imperative for E&P Firms, please contact abid.shami@kpmg.co.uk
"To secure the medium and long-term future of the industry, talent management needs to be higher up the agenda. This will require engagement from senior executives in businesses of all sizes."
TALENT MANAGEMENT: TAKING A LONG-TERM APPROACH

Even as the price of oil remains relatively low, the energy industry finds itself facing a talent crisis.

Skills shortage
Effective leadership is required to address the skills shortage that has challenged the industry since the 1990s and it is important for businesses to find ways to balance their long-term needs with the current focus on payroll reductions and project postponements that have come in the wake of depressed oil prices since late 2014.

Based on a survey of more than 2,500 oil and gas professionals carried out by KPMG in conjunction with Rigzone, the industry’s ongoing talent problem is primarily attributable to a failure to anticipate demographic-related issues. Employees first hired in the 1970s and 1980s are now approaching retirement, and an industry-wide slump in the 1980s and 1990s, combined with inadequate workforce planning, has translated into a lack of qualified personnel ready to replace them.

The survey revealed a deeply concerning lack of internal candidates (only 21% of companies are able to draw from their own ranks) and defined strategies for talent management (only 23% have planned sufficiently) based on self-assessments by operational professionals from a broad cross-section of the energy sector. Additionally, only 24% of respondents believed that their company’s leadership team was effectively engaging employees.

Talent planning
For many companies in the oil and gas sector, long-term strategic talent planning has not been the priority, and most short-term strategies to address talent needs have fallen short. This has led to significant shortages, inflated salaries, the overuse of third-party contractors and widespread poaching. The energy sector could benefit from attracting more talented people in the early stages of their careers – traditionally they have worked with schools, universities and other training institutes to secure trainees. Intensifying the focus on those programmes that have worked well in the past could help address the skills shortage in the medium and longer term. Organisations are also targeting non-traditional sources for recruits, such as military veterans as they become focused on an inclusive talent strategy.

Employee retention
It is also important to review retention strategies to ensure investment in talent is protected in the medium term. All aspects of the employee value proposition should be considered from pay (short and long term) to training and development and the broader organisational culture. This review should support the long-term goals in terms of retention strategies and forge a link between the organisation’s purpose and the employee’s value system.

Strategic direction
By taking a strategic approach, even as they deal with the multiple challenges posed by the current low oil price, companies can secure considerable advantages when it comes to competing for new talent. If the industry does not change its approach the crisis will persist, and when the price of oil increases it will worsen.

Drawing upon the survey findings, KPMG has identified five key strategies that companies can implement now to deal with the talent crisis over the long term:

• Defining a strategic workforce planning model that takes into account the needs of the present and the future. The model could include the talent and skills the organisation needs and whether that talent is available in-house or not;

• Making the most of analytics in order to gather objective data to guide decision making. Organisations could use existing data to target recruitment efforts to help source the required talent;

• Managing third-parties more actively in order to optimise their strategic contributions to the company. A strategic workforce planning model could include the cost and productivity of third-parties to ensure these service providers are deployed efficiently;

• Safeguarding knowledge by implementing programs to ensure that experienced workers pass on their company and industry knowledge to the next generation e.g. phased retirement and planned knowledge transfer; and

• Re-thinking the employee value proposition to attract, develop and retain people in the earlier years of their careers.

To secure the medium and long-term future of the industry, talent management needs to be higher up the agenda. This will require engagement from senior executives in businesses of all sizes.

For more information and to download a copy of the “When one crisis meets another: focusing on talent for the long term” report please visit www.kpmg.com/ENRtalent.
YOUR KPMG CONTACTS

For more information or for a free initial discussion about your business issues please contact Abid Shami, Head of Business Development, KPMG in Aberdeen, on abid.shami@kmg.co.uk or 01224 416982.

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