The COVID-19 Workforce Challenge

Strategies to manage your workforce to come out stronger in recovery

April 24, 2020
<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Experience and Specializations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryan Isherwood (A&amp;M)</td>
<td>Houston</td>
<td>In his 30+ years in the energy industry, Ryan specializes in helping leaders and organizations transform through organization redesign, behavioral change, leadership alignment, and culture change.</td>
</tr>
<tr>
<td>Kevin McMahon (A&amp;M)</td>
<td>Houston</td>
<td>Kevin has 25 years of management and consulting experience. He has practical hands-on experience, leading large scale organizational change, organizational design, talent management, merger integration, and carve-out work.</td>
</tr>
<tr>
<td>Riz Shah (A&amp;M)</td>
<td>Washington D.C.</td>
<td>Riz has 20+ years supporting project owners / operators, improving performance by effectively leveraging technology and analytics to enhance ROI and reducing the associated risks that can occur during execution.</td>
</tr>
<tr>
<td>Faiz Khanbabi (A&amp;M)</td>
<td>Houston</td>
<td>Faiz has 13+ years of experience leading change management programs for Oil &amp; Gas clients to maximize the employee experience and minimize the risks associated with an uncertain workforce.</td>
</tr>
<tr>
<td>Teal Reamer (BTS)</td>
<td>Houston</td>
<td>Teal has 10+ years experience in designing and leading behavior change and people development engagements for executives, managers, and individual contributors at Fortune 500 energy companies.</td>
</tr>
</tbody>
</table>
COVID-19 presents a widespread range of challenges ultimately resulting in several projects being shut down or delayed. The severity of the impact deepens when the recovery path looks uncertain.

### Current Challenges for the Capital Projects Industry

**Travel Ban**
- Mandated shelter in place and travel bans
- Virtual work is causing companies to accelerate adopting digital technologies

**Global Recession**
- Brent Crude oil prices dropping below $25; 26M US unemployment claims since virus hit.
- OPEC+ Deal cutting global supply to 20 million bpd; storage capacity concerns remain
- Large players cutting 2020 Capex by at least 20% with most cuts occurring in 3Q and 4Q

**Employee Safety**
- Provide adequate PPE & enforcing new social distancing guidelines
- Large number of OSHA complaints and essential workers protesting
- Planning for increased absenteeism

**Supply Chain Risks**
- Product delays from production facilities in Asia
- Material delays and project impacts

**Legal Issues**
- Contracts not protected by force majeure clauses
- Labor law risk exposure

**Tech**
- Historically very slow to adopt new ways of working
- Alignment across all industry participants will be a challenge

Several large players have responded to the current crisis by reducing capital expenditure and operating expenses. The $30B of Capex reductions may be further reduced over time.

<table>
<thead>
<tr>
<th>Company</th>
<th>Recent 2020 Capex Reductions</th>
<th>Original 2020 CAPEX budget ($)</th>
<th>Amount Reduced ($)</th>
<th>New Plan for 2020 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exxon</td>
<td>30%</td>
<td>33B</td>
<td>(10B)</td>
<td>23B</td>
</tr>
<tr>
<td>Shell</td>
<td>20%</td>
<td>25B</td>
<td>(5B)</td>
<td>20B</td>
</tr>
<tr>
<td>Chevron</td>
<td>20%</td>
<td>20B</td>
<td>(4B)</td>
<td>16B</td>
</tr>
<tr>
<td>Total</td>
<td>20%</td>
<td>18B</td>
<td>(3B)</td>
<td>15B</td>
</tr>
<tr>
<td>BP</td>
<td>25%</td>
<td>15B</td>
<td>(3B)</td>
<td>12B</td>
</tr>
<tr>
<td>ConocoPhillips</td>
<td>10%</td>
<td>7B</td>
<td>(700M)</td>
<td>6.3B</td>
</tr>
<tr>
<td>Marathon Oil</td>
<td>46%</td>
<td>2.4B</td>
<td>(1.1B)</td>
<td>1.3B</td>
</tr>
<tr>
<td>Schlumberger</td>
<td>30%</td>
<td>1.7B</td>
<td>(500M)</td>
<td>1.2B</td>
</tr>
<tr>
<td>Halliburton</td>
<td>60-65%</td>
<td>1.2B</td>
<td>(720M)</td>
<td>480M</td>
</tr>
</tbody>
</table>

As of April 15, 2020

Source: US Energy Information Administration
An organization’s ability to embrace and tackle the talent and workforce challenges resulting from COVID-19 will be critical to recovery.

### Top Ten Human Capital Challenges

1. Providing a Safe Workplace
2. Leading with Empathy
3. Communicating across Stakeholders
4. Engaging a Remote Workforce
5. Enabling Frontline Supervisors
6. Assessing Critical Workforce
7. Retaining Key Talent
8. Containing Labor Costs
9. Managing RIFs
10. Retaining Institutional Knowledge

Source: A&M Project Experience
Providing a Safe Workplace

It is critical for organizations to provide a safe workplace and equipment for essential workers. In addition, consider flexing existing HR policies to help employees adapt to the new normal.

Flex HR Policies
- Increase leave flexibility
- Facilitate effective remote work / infrastructure
- Implement travel and quarantine parameters
- Flexibility for labor support

Safe Work Practices
- Practice social distancing
- Isolate potentially ill individuals
- Work station / common area sanitation
- Entry temperature check requirements

Serving Customers Safely
- Adhering to Owner's safety guidelines
- Incorporating social distancing in the construction build (sq. foot by person)
- Modified HVAC standards and limiting enclosed space
- Restructuring layouts in cafeterias and mess halls

Source: OSHA Guidance on Preparing Workplaces for COVID-19
Leading with Empathy in a Crisis

Employees are experiencing collective stress, and leadership must be purposeful and visible by creating a stable support system.

- **Build a Network of Teams**
  - Implement teams/task forces to carry out responses
  - Foster collaboration and two way dialogue across network

- **Elevate Leadership**
  - Empower others to lead crisis response
  - Create new “normal” process for decision making

- **Agile Decision Making**
  - Do not react to uncertainty by waiting, but pausing, assessing, and then acting
  - Scenario based planning: Act based on best readily available data

- **Treat Employees with Empathy**
  - Pay attention to how people are struggling and provide support
  - Show compassion and sensitivity to challenges

- **Communicate Transparently**
  - Getting ahead of the rumor mill or misinformation
  - Provide frequent updates

Communicating across Stakeholders

Focusing on one group too much or too little may impact bottom line. A well executed communications strategy is inclusive of all stakeholders, transparent, timely, and purposeful.

1. Crisis Management Teams
2. Communicate with Employees
3. Communicate with Customers
4. Reassure Shareholders
5. Be Proactive with Communities

Source: Harvard Business Review - Communicating Through the Coronavirus Crisis – March 2020
Engaging a Remote Workforce

Creating a culture that fosters collaboration and engaging employees becomes more challenging when the workforce is working from home whilst navigating personal situations.

- **Informal Channels to Connect**: Provide forums where team members can still ask questions and connect with peers to maintain collaboration.
- **Clarify Tasks and Priorities**: Ensure there is clarity about deadlines and priorities.
- **Establish Communication Boundaries**: Establish norms, including which medium to use when.
- **Leverage Collaboration Tools**: Accelerate adoption of digital tools (Zoom, MS Teams, SharePoint, Webex, Asana, Slack).
- **Setting up a Home Office**: Provide reimbursement or allow staff to take office resources: monitors, videoconferencing equipment.
- **Leading Practices**
  - Provide employees childcare, dependent care, benefits, and other concierge type services.
  - Plan for informal check-ins like Virtual Happy Hours and introduce new team members.
  - Monitor your team’s well-being through surveys/check ins to identify risk of burnout.
  - Use downtime to cross train employees to manage furloughs effectively.
  - Allow for time to check-in and provide feedback.

- **Enhance Shared Support Services**

- **Virtual “Water Cooler”**

- **Cross Train Employees**

- **Don’t Forget the 1:1s**

Source: A&M Project Experience
Enabling Frontline Supervisors

Frontline supervisors are expected to deal with challenges they have never experienced before and serve as crisis managers without sufficient soft skills training.

1. **Disrupt**
   - Reimagine how we work together & rally around a shared challenge

2. **Shift**
   - Help leaders evolve in their roles & work processes

3. **Live**
   - Remove barriers to optimize for resiliency & efficiency

4. **Reinforce**
   - Provide the social and structural supports & tools to enable them every day

Source: BTS Project Experience
Assessing Critical Workforce

The new landscape may cause a shift in assessing who is truly critical to your business.

Source: A&M Project Experience
Retaining Key Talent

Retention strategies include a broad mix of intentional programs that should be implemented dependent upon the demographics of your workforce.

Financial Retention Programs
- Combination of cash, equity, and other financial vehicles
- Short-term retention incentives tied to business goals
- Long-term incentives to motivate and retain

Non-Financial Retention Programs
- Leadership recognition, mentorship program, provide flexibility
- Enhanced career paths, leadership access, or special projects
- Opportunities that allow employees to advance, develop, and fulfill goals
- Acknowledging service milestone

Customized Critical Talent Retention Strategies
- Monitor engagement
- Deliver a higher ROI
- Enhance employee experience

Primary retention driver for Baby Boomers
Primary retention driver for Gen X, Millennials, and Gen Z

Source: A&M Project Experience
Options for Labor Cost Containment

Organizations must consider RIF alternatives to overcome future talent shortages, but still reduce overall labor costs in the short term.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furloughs</td>
<td>+ Immediate cost saving</td>
<td>– Constantly transitioning activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Must be processed by week</td>
</tr>
<tr>
<td>Wage / Salary Reductions</td>
<td>+ Market wages decrease in downturn</td>
<td>– Potential turnover in competitive positions</td>
</tr>
<tr>
<td></td>
<td>+ Immediate cost saving</td>
<td>– May lead to collective bargaining for hourly</td>
</tr>
<tr>
<td>Shift Reductions / Reduction of Hours</td>
<td>+ Immediate cost saving</td>
<td>– Potential turnover in competitive positions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– May lead to collective bargaining</td>
</tr>
<tr>
<td>Hiring Freeze</td>
<td>+ Low complexity and easy to initiate</td>
<td>– Days to hire may increase after recovery</td>
</tr>
<tr>
<td>Merit Increase Freeze</td>
<td>+ Low complexity and easy to initiate</td>
<td>– Impact to employee morale</td>
</tr>
<tr>
<td>Deferred Compensation</td>
<td>+ No impact to day to day operations</td>
<td>– Limited to highly compensated employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Material interest payments in downturn</td>
</tr>
<tr>
<td>Contingent Workforce Reductions</td>
<td>+ Low complexity and easy to initiate</td>
<td>– Increased workload for non-contingents</td>
</tr>
<tr>
<td></td>
<td>+ Minimal legal risk</td>
<td></td>
</tr>
</tbody>
</table>

Source: A&M Project Experience
Managing RIFs Effectively

Executing RIFs in the current climate may be inevitable, so it is critical to execute these effectively to minimize disruption to business and limit exposure.

<table>
<thead>
<tr>
<th>TARGET SETTING</th>
<th>ASSESSMENT AND SELECTION</th>
<th>FINAL SELECTION</th>
<th>DETAILED PLANNING AND EXECUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine high-level staffing targets by function</td>
<td>Conduct Assessments</td>
<td>Finalize RIF impact</td>
<td>Execute on force reduction</td>
</tr>
<tr>
<td>Approach</td>
<td>Evaluation and selection of potentially affected staff</td>
<td>Define new roles and responsibilities</td>
<td>Prepare employee communication kits</td>
</tr>
<tr>
<td>Staffing and cost baseline, clustering</td>
<td>Activity assessment and reallocation</td>
<td>Due Diligence (disparate impact, ADEA, WARN, severance, etc.)</td>
<td>Develop termination/ transfer process</td>
</tr>
<tr>
<td>Activity and volume analysis</td>
<td>Proposed organization charts – hierarchy, reporting relationships, and supporting processes</td>
<td>Position impact profiles</td>
<td>Communications planning</td>
</tr>
<tr>
<td>Internal and external benchmarking</td>
<td>Validate with sponsor / steering committee</td>
<td>Develop severance pay plans and model financial impact</td>
<td>Train mgmt. on process &amp; comm.</td>
</tr>
<tr>
<td>Quantitative modeling of staffing targets and costs</td>
<td></td>
<td>Create final org structure</td>
<td>Implement changes</td>
</tr>
<tr>
<td>Collect relevant background data (job descriptions, financial information, etc.)</td>
<td></td>
<td></td>
<td>Est. post-RIF plan</td>
</tr>
</tbody>
</table>

Source: A&M Project Experience
Retaining Institutional Knowledge

Furloughs and RIFs put additional pressure on organizations to retain critical institutional knowledge by implementing digital tools and practices.

Documentation Management

- Easy to upload, tag, search and filter
- Lessons learned
- Current state processes
- Tips & Tricks
- Mobile accessibility

RACI & Handoffs

- Handoffs documented
- Delineate who’s on first, second
- Deploy role based training to address gaps

Knowledge Transfer Plans

- Formally documented activities to transition
- Scheduled milestones to track progress
- Proactively managed
- Actively monitored

Knowledge Sharing Culture

- Intranet portal
- Discussion forum
- Recorded sessions
- AI chat bots
- Recognize contributions to knowledge base

Source: A&M Project Experience
Questions

*Please submit your questions in the chat.*
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About A&M: Global Reach & Operational Breadth

37 YEARS OF EXPERIENCE ACROSS 4 CONTINENTS

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Solving complex problems is in our DNA. After 37 years of resolving some of the most urgent challenges in business history, we’ve honed critical expertise that clients at all levels of health can use to achieve rapid results.

Senior-level experts with deep industry experience. Our senior leaders, many of whom are former C-Level from industry, bring deep insight into the opportunities and challenges faced by businesses with practical approaches that work, versus theoretical approaches that fail.

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- Contractor Selection & Mgt
- Due Diligence
- Operating Models and Procedures
- Sourcing strategy and procurement
- Cash Mgt
- Capital structures
- Org design
- Contracting

Operations
- Assessment & Optimization
- Supply Chain
- Lean Six Sigma
- Organizational Transformation
- Process Transformation

Human Resource
- HR Operational Improvement
- Performance & Rewards
- Talent Management
- Change Management
- Program Management

Technology Services
- IT Transformation
- “Big Bet” Initiatives
- Merger Integration & Divestitures
- Executive Technology
- Advisory Services

Finance and Accounting
- Finance Strategy
- “Big Bet” Initiatives
- Finance & Accounting Ops
- Shared Services
- Treasury, Cash Mgt & Tax
- Accounting Advisory & Remediation
- SOX Readiness

Merger Integration
- Integration Strategy
- Plan & Execute Day 1 / 100 Day Goals

Strategy
- Corporate & Business Unit Strategy
- Operational Efficiency
Across 32 offices in 22 countries, BTS works with its clients to...

- Turn strategy into action through people
- Shift leader mindsets through coaching
- Build innovation and digital transformation capabilities
- Develop great leaders
- Increase business acumen
- Leverage cutting-edge assessments for selection and development
- Change and sustain culture
- Accelerate your sales and marketing results
- Create scalable, personalized experiences using digital technology