

# Clouds are starting to lift on the oil & gas sector

The majority of oil and gas industry CEOs believe that global economic growth will improve in the next 12 months, for the first time since crude prices nosedived in 2014.



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Moreover, 83% of industry CEOs report that they are “very” or “somewhat confident” in their own companies’ prospects for growth in the next 12 months, and 91% say they are “very” or “somewhat confident” of revenue growth over the next three years. These are some of the highlights from the report titled *CEOs sound a note of optimism*, which is part of PwC’s 20th annual Global Survey of 1,293 CEOs around the world.

“A sense of growing confidence about the future appears to have taken root in the oil & gas industry and, judging from CEOs’ responses to questions about the global economy and their own companies’ growth prospects, it’s not just about rising commodity prices,” says Chris Bredenhann PwC Africa advisory oil & gas leader.

Almost half of CEOs – 48% - say they expect the headcount at their organisation to increase, compared with only 12% who expect headcounts to shrink. The survey findings also reveal that oil & gas companies, which have long been technology-intensive at the wellhead, are beginning to extend their technological capabilities, especially digital capabilities, to the rest of their operations.

## An end to retrenchment as world economies grow

Most CEOs believe that their organisations will grow in tandem with the world’s economies signalling an end to the industry’s long period of retrenchment and the start of a new phase in which increases in available capital will enable companies to grow from within. A large majority of CEOs (83%) say that organic growth will drive their companies’ growth or profitability.

## The emergence of strategic alliances

Although most CEOs say that they are employing organic growth as the main driver of their companies’ growth, they don’t dismiss the value of inorganic growth. Strategic alliances have emerged as an important lever, with 60% of CEOs saying that strategic alliances will be critical in delivering growth, compared with 39% who say mergers and acquisitions (M&A) will.

Oil & gas companies are increasingly teaming up with technology companies to speed the application of emerging digital technologies, such as the internet of things (IoT), to their operations. As for acquisitions, 64% of CEOs whose companies have acquired another company in the past 12 months said they did so to introduce new capabilities, such as new processes, tools, or skills, rather than to drive growth.

## **Technological advances move beyond the wellhead**

Like their counterparts in other industries, many oil & gas CEOs are deploying digital transformation to deliver sustainable cost reductions, enhance revenue growth, and support better decision-making. However, there is more to transformation than significant investment in digital solutions – new skills and capabilities are critical. For transformations to take place, companies need cultures that promote cross-functional collaboration, information sharing, and speedy decision making. “Many companies will need to reassess their cultures as well as hiring strategies to ensure they are well-positioned to reap the full benefit of technological advances,” Bredenhann adds.

The survey also shows that CEOs are unsure if they will be able to find the new skills they need. Two-thirds (67%) of oil & gas CEOs say they are concerned about the availability of digital skills in their workforce, and even more (71%) say they’re concerned about the availability of digital skills in the industry as a whole. Only 40% of CEOs say that it is somewhat or very easy to attract digital talent to their organisations.

Yet very few are working intensively to attract digital talent: Only 41% of companies say that they are implementing continuous learning and development programmes, and only 39% say they are modernising their work environments by rolling out digital tools, creating collaborative physical spaces, and the like. A mere 19% say that they are improving compensation and benefit packages to lure digital talent.

Despite the challenges ahead, it is clear that oil & gas CEOs believe the clouds over their industry are starting to lift. Prices for their goods are up, demand is rising, and companies are boosting their capital spending to increase profitability, while continuing to press for cost efficiencies.

“As executives in a highly cyclical industry, CEOs know the upswing can’t last forever, but they appear confident that with a few good years ahead of them, they can upgrade their workforces, incorporate new technologies into their operations, and, at last, get growing again,” Bredenhann comments.