The Herald
SCOTLAND'S LEADING QUALITY DAILY NEWSPAPER

New Shell chief ready to slash and burn

DOUGLAS HAMILTON

May 29 2009

Peter Voser, the corporate firefighter who helped Royal Dutch Shell clamber out of its reserves scandal, is wasting no time in putting his mark on one of the world's biggest energy companies.

Shell's stern Swiss-born chief financial officer will not officially become chief executive of the UK-Dutch titan until July, but he is already taking steps to restructure Europe's largest oil company in a move to trim costs and reduce debt.

Voser said this week that Shell will consolidate three divisions into two, focused on the Americas and the rest of the world, almost two years after a similar reorganisation by its British rival BP.

The exploration and production, gas and power, and oil sands units will be merged along geographical lines starting on July 1. Thousands of the 22,000 people in the units will be "impacted," Shell spokeswoman Kristen Smart said, without specifying the number of jobs that will be lost.

Voser, who will take over the top job from Jeroen van der Veer, sent out a blunt memo to staff that pulls no punches. He said in the e-mail: "Our behaviours need to change. We will become a simpler place to work. These are key changes, aiming to make our company fitter for the future."

The moves mark Voser's first major efforts to streamline Shell's operations, which he said had become "too complex". He wants to make decisions faster amid a near 60% slump in oil prices from a record $147 a barrel set in July 2008. Voser also pledged to speed up the time it takes to get new projects off the ground.

"The proposed new start from Voser is perhaps too late to support outperformance versus peers," said Jason Kenney, an Edinburgh-based analyst at ING Wholesale Banking.

"BP instigated such measures over a year ago and is well under way in adapting its business to a lower oil price environment," he added.

Van der Veer said earlier this month that Shell may be forced to cut jobs if the recession persists. Gearing, the ratio of debt to equity, is expected to triple by the end of the year as Shell finances the oil industry's biggest spending programme even after oil prices slumped 56% from a record high.

In the staff memo, Voser said that costs were "simply too high" and that in future fewer people will make strategic decisions. "More people will implement them, and improving performance will be our guide and goal."

Voser is copying the strategy put in place at BP by its chief executive Tony Hayward. BP, which has attacked costs more vigorously than Shell, has merged its gas and power unit with its main exploration and refining units as part of a restructuring programme announced in late 2007. Hayward expects job cuts to exceed an original target of 5000 by the middle of this year.

Shell's restructuring moves came only hours after Linda Cook, who headed its gas and power unit and missed out in the race to succeed Van der Veer, announced her resignation. It also follows a shareholder revolt last week against pay awards for executives in 2008 when the company missed performance targets.

Cook, was one of the most powerful women in the global corporate world and was known in the petroleum industry as "the first lady" of oil and gas. She is expected to step down from Shell's board on Monday. Cook, an American, has offered no explanation why she decided to quit but industry analysts say she was unhappy over the merger of her division.

Marvin Odum, currently the company's US chief, will become director for Upstream Americas, while Malcolm Brinded, head of exploration and production, will take on the role of executive director of Upstream International.

Shell will also set up a new division to handle project delivery and technology. It will be led by Matthias Bichsel, who is also Swiss. Some Shell employees complained on their website Royaldutchshellplc.com that a "Swiss Mafia" is running the group.

Shell's downstream business will be expanded to include trading and alternative energy, excluding wind. It will continue to be led by Mark Williams.

"The industry and Shell face considerable challenges from high costs, volatile energy prices and competition for new projects," Voser said in the memo.

Voser has spent the past four years helping Van der Veer battle to restore Shell's

Search this site
Home
LIVE UPDATES
News
Sport
Entertainment
RSS Feeds
MAIN SECTIONS
News
Sport
Business
Politics
Budget09
Features
Going Out
Herald Society
SocietyAwards08
Fashion Awards
Maggies
Schools Tables
Property Awards
Politician 2008
BLOGS
Herald Blogs
FESTIVALS
Music Festival '09
Herald Angels
GlasgowFilm
International Festival
Fringe
Book Festival
AyeWrite09
Celtic Connections
Festival Archive
MULTIMEDIA
Podcasts
Slideshows
Video Week
Burns
Motors videos
Film Trailers
Glasgow 2014
Edwin Morgan
Video Archive
PICTURE GALLERY
Reader Pictures
Politician awards
Picture Archive
SERVICES
Order Your Paper
Search This Site
Free Daily Email
Back Issues
News Archive
Photo Sales
Contact us
Help & FAQs
Digital Edition
FAVOURITES
Crosswords
The Diary
Letters
Local News
Local Dating
Local Weather
Today's page 1
ADVERTISING
Appointments
Motors Online
Homes
Book ads online
View ads online
Classifieds
Family notices
Courses
Advert guide
RELATED SITES

IN YOUR AREA
Weather
- please select -
Local News Search
-- please select --

reputation with investors.

The firm's reputation was sullied by one of the energy sector's biggest-ever corporate fiascos in 2004, when it emerged that it was overstating its oil reserves.

The admission led to lawsuits from investors and fines by regulators and prompted the departure in March 2004 of Phil Watts. Van der Veer took the helm in October of that year.

While the company, which is based in the Dutch city of The Hague, has bounced back over the past two years, Shell is still facing a huge battle to replace the oil it extracts from the ground.

Shareholders said Voser's appointment was welcome and surprising, because some had expected him to leave the oil industry. He has a reputation for keeping a tough grip on costs in an industry noted for lavish spending.

Fund manager Andy Lynch of chroders said: "I'm a happy camper. Of the executive board Voser was by far and away the best qualified person to take Shell forward."

Voser made history at Shell when he was appointed chief executive. It was the first time that the top post went to someone who is neither British nor Dutch. The Royal Dutch Shell Group was created in February 1907 when NV Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) and the Shell Transport and Trading Company of the UK merged their operations - a move largely driven by the need to compete globally with the then predominant US petroleum company, John D Rockefeller's Standard Oil.

email article to a friend print article larger type smaller type

Post this article to:
Del.icio.us :: Newsvine :: NowPublic :: Reddit :: Yahoo