

JUNE 2014

Leading in the 21st century: An interview with Shell's Ann Pickard

After building a career in Africa, Australia, and now the Arctic, the Royal Dutch Shell executive vice president has developed core leadership principles to safeguard employees and the environment.

Ann Pickard, the executive vice president, Arctic, at Royal Dutch Shell, built her career in the far-flung corners of the global oil-and-gas industry. In this interview with McKinsey's Rik Kirkland, she discusses her leadership principles, the impact of listening, and the satisfaction of empowering all employees. An edited transcript of Pickard's remarks follows.

Distributed leadership

I believe in pushing leadership all the way down, so that every single person is a leader and making choices, and in holding them accountable and responsible for those choices and for delivery of the performance. When I got to Nigeria, after some time I realized we actually had a second-class group of citizens in Shell. And that was an attempt by Shell to do the right thing to get local employment into the right places, but these were people who didn't have the education or the background, necessarily, to meet Shell's traditional hiring standards.

But what you ended up with, effectively, was a second class of citizenship in Shell. And once I figured that out, to me it wasn't the right thing to do. So how do we go about changing it? And this was a large group of people. What became clear to me is that we needed to make some of these people full-time, real Shell employees.

And we went through a long process of talking to people, involving people in the decisions, and testing people. And not lowering Shell's standards, but broadening Shell's standards so that if you

were really competent at your job, you should be a Shell employee. If you were not, you should not be. And out of that, we ended up with about 400 new Shell employees and a lot more that didn't become Shell employees and who were let go.

I never had a single complaint from the people that we let go. And on the other hand, to this day, there's not a week that doesn't go by that I don't get an e-mail from somebody saying, "You changed my life." And those people—today, five years later—are still talking about this, and their loyalty in doing the right thing for Shell is just stronger than ever. I mean, to me, that's empowered leadership down there.

Sprints and marathons

I think the world is far more interconnected. We've got Alaska thinking about Norway thinking about Greenland. The interconnectedness becomes absolutely important. I think, again, building resilience is talking to my organization about how this is not a sprint; this is a marathon.

You know, we are building energy resources for 20, 30 years, not for tomorrow. So we've got to think about this as the long term, not as the short term, getting that mind-set into things. There may be a lot of data coming at you today, a lot of things happening real fast, but we need to go slow and steady for the future here. We did a rather forensic look back, as you can imagine, on what happened in 2012,¹ and I think one of the key things that became apparent is there was an on/off switch.

Now, sometimes the on/off switch was caused by external events, but sometimes the on/off switch was caused by Shell. In other words, don't spend the money unless you're sure you're going to have the legal environment to go forward. Don't spend the money unless you're sure you're going to have the permit. No, I can't tell you that I'm going to have that permit until June, but we need to *plan* like we're going to have that permit in June. And so probably the biggest lesson is to make sure we could smooth out the on/off switches wherever we could and take control of our own destiny.

Knowing when to listen

When I think about the big things that have had an impact on me in my life, people would be surprised that it's not necessarily actual business things, sometimes. Sitting there in Australia, in the Great Sandy Desert, with the aboriginals, and Shell was sponsoring a program of taking some

¹ In 2012, a number of incidents, followed by unfavorable legal rulings, forced Shell to halt operations in Alaska.

of their old legends and marrying them up with modern science. And listening to their stories and trying to understand why, now, their lake, which was traditionally dry ten months a year but always had water at least some of the time, no longer had water.

Going to Gabon and sitting there in some of the most pristine forests and talking to WWF about why these areas were pristine and them telling me, not knowing who I was, that it was because Shell held the keys and protected access to these environments.

When I look back on my career, those are the highlights, you know? Not necessarily operating to get this oil out of the ground at a cheaper rate or a faster rate or whatever. It's more, how do we impact the communities and the environment that we operate in?

Ann Pickard is executive vice president, Arctic, for Royal Dutch Shell. This interview was conducted by **Rik Kirkland**, McKinsey Publishing's senior managing editor, based in McKinsey's New York office.

Copyright © 2014 McKinsey & Company. All rights reserved.