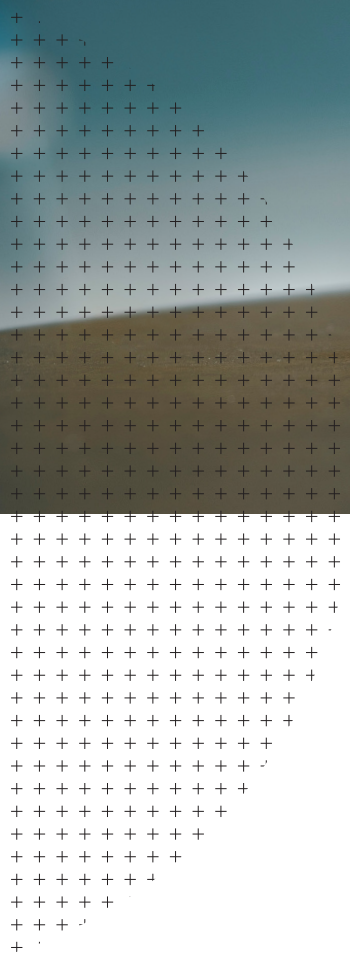


The Leadership Equation: Balancing Growth and Culture in Energy Sectors

by **Marcus Emmet**
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The Talent Surge

As backlogs in nearly every power and energy submarket surge to historic highs, manufacturers and suppliers are responding by expanding their asset footprint and increasing both white-collar and blue-collar employee headcounts. It is essential that senior leadership have ability to carefully and competently manage this expansion, which means companies need to be proactive in assessing where they have

leadership gaps or deficiencies. Leaders need to identify where they may be lacking and attract game changing operational, functional and executive leaders who can ensure businesses successfully and sustainability capitalise on this historic growth period.

While demand for manufacturers in the energy sector has been relatively stable for many years, the past two years have seen a new phase of



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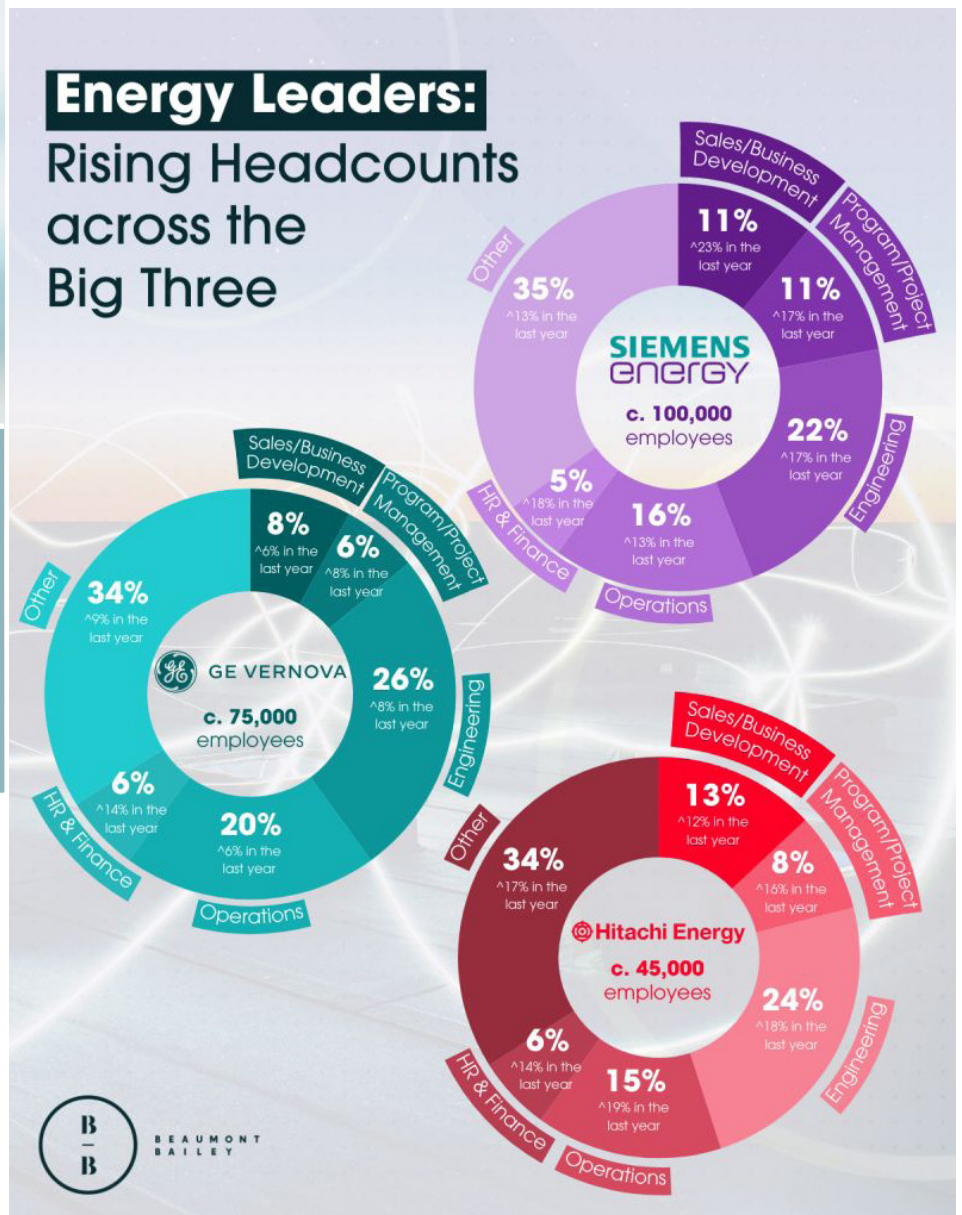
exponential growth in employee headcount. This shift signals that the long-discussed net-zero transition has become one of the dominant labour market trends of the 21st century. As Fatih Birol, Executive Director of the International Energy Agency (IEA), notes, we are witnessing an *"unprecedented acceleration"* that is *"creating millions of new job opportunities all over the world – but these are not being filled quickly enough."*^[1]

Indeed, the IEA's latest *World Energy Employment report*^[2], highlighted that global energy employment rose to 67 million people in 2022, an increase of 3.5 million from pre-pandemic levels. Looking ahead the International Energy Agency (IRENA) shows in their *World Energy Transitions Outlook*, that energy transition is expected to create 40 million additional jobs in the energy sector by 2050^[3].

Energy's 'Big Three'

Over the past two years alone, Siemens Energy and Hitachi Energy have each increased their headcounts by over 15%, while GE Vernova has seen a rise of more than 9%. This level of growth is more akin to that of a Silicon Valley startup than a global manufacturing giant, but the unrelenting demand is pushing traditional norms aside.

The following breakdown illustrates where this headcount growth has occurred within these businesses:



*Data publicly available from Linked In platform – accessed August 2024

Unsurprisingly, the engineering and operational teams have seen the most significant increases as companies work to scale up manufacturing and distribution output. These teams are expected to experience even higher intake levels in the coming years as they expand their manufacturing capacity and operational footprints.

A clear demonstration of this came recently, as Siemens Energy announced plans to recruit over 10,000 employees by 2030 in their Grid Technologies division to address a €30 billion order backlog^[4]. This will be supported by a €1.2 billion capital expenditure outlay aimed at building new factories and boosting manufacturing capacity across the US, Europe, and Asia, ultimately expanding the division by two-thirds.

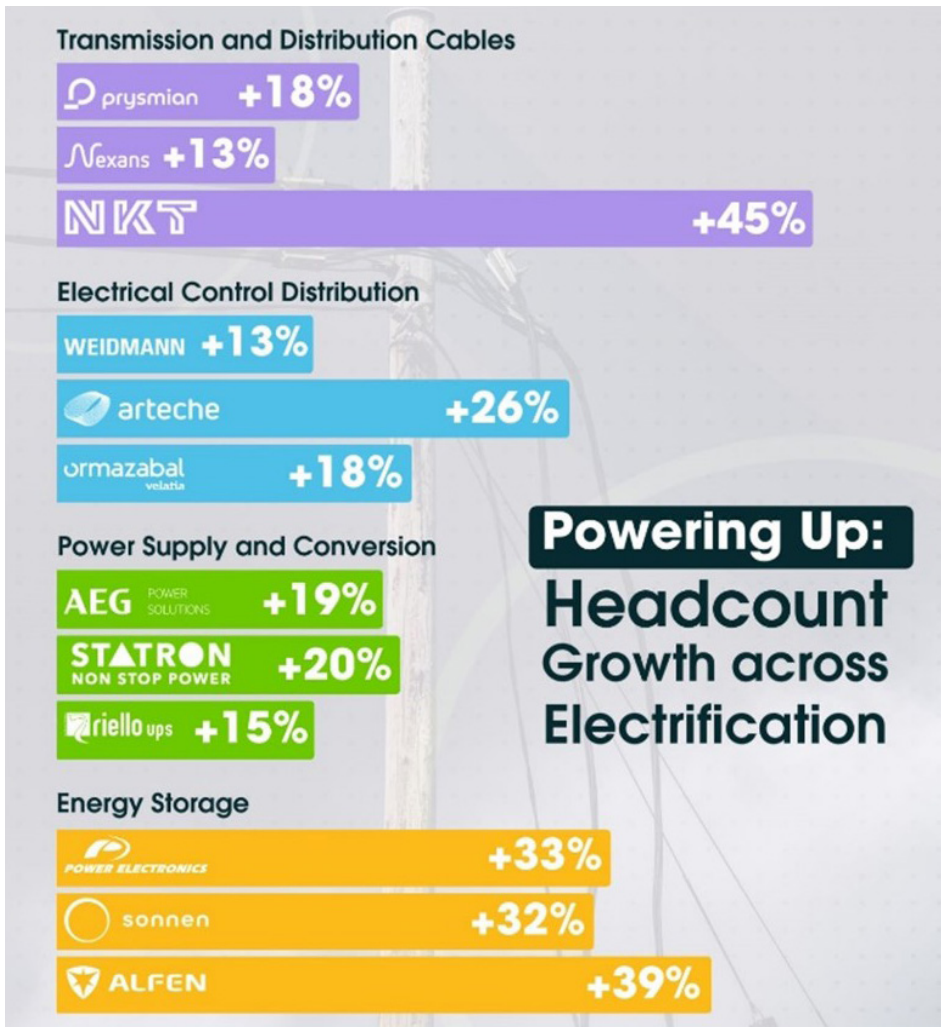
Similarly, in June 2024, Hitachi Energy, also amassing a \$30 billion backlog, recently committed €4.5 billion to be spent across manufacturing,

engineering, digital, R&D, and partnerships in all major business lines by 2027^[5]. This is additional to the \$1.5 billion investment to ramp up global transformer production, including the addition of 2,000 new employees in Sweden and 4,000 in India, announced in April 2024. GE Vernova is expected to make a similar investment commitment in the coming year.

Industry Wide

The recent surge in headcount and asset ramp up is not limited to the big three; our research suggests this trend is actively playing out across manufacturers throughout the energy and electrification value chain in Europe and the US.

The graphic below highlights the growth of various European head-quartered organisations across different segments of the energy and infrastructure sectors over the past two years:



*Data publicly available from Linked In platform – accessed August 2024



Photo: Shutterstock



Growth is even larger in the United States – Deloitte recently reported^[6] that as of late 2023, nearly 300 new clean technology and semiconductor facilities were announced for development. These projects represent over \$430 billion in investments and include the creation of more than 234,000 new manufacturing jobs, before 2031.

The Challenges Facing Leadership Teams

While all this is extremely positive for the industry, this growth poses several challenges that leaders must successfully overcome. From our market conversations, it is clear which the top priorities that leaders have are:

Organisational Structures and Operational Complexity

In times of growth, senior leaders are responsible for ensuring that the organisational structure evolves in a way that supports scalability without becoming overly complex. For leaders to succeed in this environment, they

must be collaborative in assessing the current structure and identifying potential bottlenecks that could arise as a company expands. We found that, in cases where the opportunity to correct existing inefficiencies hasn't already been taken in the years leading up to this point, then bringing leaders from outside of their organisation, can be hugely effective in identifying and executing strategic changes that long serving individuals might be blind to, or are unwilling to address in a proactive manner.

Another observation we've made in recent times is that many organisations are fostering a renewed culture of empowerment for middle management, to bridge the gap between executive leadership and frontline employees. This has led to decisions being made closer to the action, with the purpose of avoiding escalation to higher levels of the organisation – this flexibility and quick decision making is an organisational cultural trait which has become crucial in a dynamic and evolving market.

Acquiring and Developing Leadership

As the "Big Three" and their high-growth counterparts scale operations at an unprecedented pace, the key to maintaining organisational resilience and sustaining growth lies in the development and acquisition of strong and confident leadership teams.

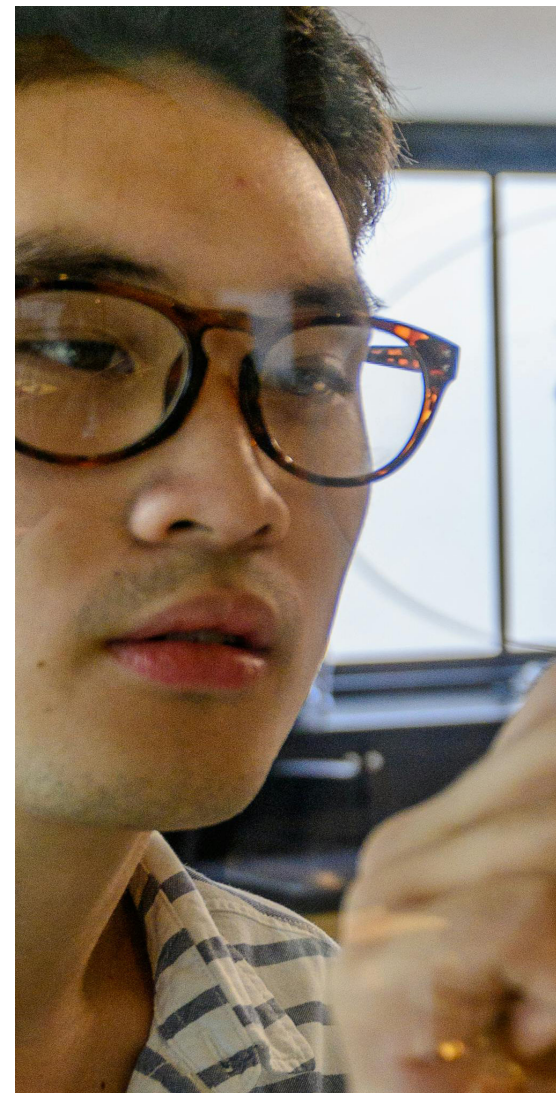
Many organisations we've worked with have seen great success when they look externally to address talent gaps and see the addition of fresh perspectives at senior level, often from adjacent industries, a vital component of their growth strategy. The willingness to be pre-emptive when it comes to hiring senior level talent can vary immensely, however we've found a mindset shift is occurring across both public listed multinationals and privately owned legacy businesses. This resulted in an uptick in the demand for transformative leadership and the scramble for top talent is certainly well underway.

As technologies across the value chain evolve, in areas such as solution services for example, businesses are embracing cross-industry talent with diverse backgrounds. We've built up an extensive and ever-growing network of leaders from industries that have already undergone digital transformation and customer experience revolutions who bring fresh perspectives and innovation. Having placed and seen the enormous impact they've had in this sector and strongly encourage clients to consider leaders from outside the industry to drive transformation projections and bring in the cultural change necessary for sustained success.

Another observation we have made in recent times is the changing face of leadership in the modern world. Demand for leaders with evolved emotional intelligence and strong inter-personal skills is on the rise. Leaders who prioritise authenticity, empathy and adaptability are often favoured by boards. This approach is not limited to senior leadership - it is being encouraged and applied across entire organisations and promoted as essential skills for all employees.

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With 40% of the current skill requirements in advanced manufacturing evolving in the next five years^[7], we anticipate many of our clients actively developing managerial and soft skills throughout their workforces. This investment and targeting of skills is aimed at created a teams that are well-equipped to handle fast-paced change and an influx of human capital.



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Maintaining Company Culture

Perhaps the most prominent challenge facing leaders in the past 18 months is how they maintain the core identity and culture of their businesses whilst they scale at pace. The addition of new employees, especially in such large numbers, risks disrupting the cultural fabric of an organisation.

Although all Siemens Energy, GE Vernova and Hitachi Energy are



recent post spinoff organisations, the founding principles that have driven their historical success remain intact and relevant. Thus, leaders have been taking numerous steps to ensure there is no dilution or fragmentation of these values. First class leadership in these circumstances is demanding more than ever consistent and clear communication. To maintain engagement across all generations of the workforce, there is a growing emphasis that leaders need to spend more time articulating value and strategic objectives frequently across various channels.

Indeed, a multinational organisation we've worked with for some time, has in the last year placed a greater responsibility on executive leaders to be more actively visible than they have been previously – face to face, but also by regular internal newsletters, digital platforms, workshops and townhall meetings to reinforce the message that these principles are not just corporate

rhetoric, but are integral to how the company operates.

Conclusion

The rapid growth in the energy sector presents both opportunities and challenges for senior leadership. Successfully navigating this landscape requires leaders who can manage complex organizational structures, empower middle management, and maintain the company's core identity. Proactive identification and development of leaders with strong emotional intelligence and adaptability are crucial. Attracting talent from diverse backgrounds, including adjacent industries, can bring fresh perspectives and innovative solutions.

The sector's success hinges on leaders who balance growth with sustainability, embrace change while preserving core values, and lead with competence and compassion. As the industry scales, the cultivation of such transformative leadership will be pivotal.

References

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- [2] IEA 'World Energy Employment 2023' report – November 2023
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