

## Top 6 Trends for the Oil and Gas Industry

*Booz Allen Hamilton report reveals that Cyber Risk Management is one of the largest issues Oil and Gas companies face*

By Hannah Bender, PropertyCasualty360.com January 6, 2014



From control room operators, to chief information security officers, to rig managers on drill sites, gas and oil industry executives are making decisions that will impact all areas of the industry, taking risks in exchange for the possibility of a greater reward. Success in the industry is dependent on compliance with new regulations, keeping up with technological advances, handling threats and embracing opportunities that are continually present in the Oil and Gas industry.

A study by Booz Allen Hamilton, a management consulting firm, has partnered with its clients in the gas and oil industry to examine the short and long-term trends for the industry, identifying six key trends that could impact the Oil and Gas business sector.

“It is striking to see how regulation, the cyber threat environment and internal challenges are converging to shape the path forward,” said Emile Trombetti, senior vice president of Booz Allen. “It is critical that industry leaders consider how these trends provide challenges and opportunities for their organizations that can ultimately help them better prioritize and meet their strategic and business goals.”

Following is Booz Allen Hamilton's predictions for trends in 2014.



## **1. The technology supply chain will increase the need for cyber risk management**

Oil and Gas companies have already embraced networked infrastructures in order to efficiently operate. In improving operations, these companies have come to rely upon more vendor materials, products and services than ever before.

Despite this progress, Booz Allen asserts that the industry is just beginning to come to terms with the cyber risk management challenges that come with a more open network and reliance on the technology supply chain. For Oil and Gas companies to effectively face the issues involved with cyber risk, it is suggested that company leaders assess the security of third-party vendors and protect their assets.



## 2. Cyber risk management will become more customized

Hackers can go after Oil and Gas companies, and industry leaders should be prepared. Companies should create unique approaches to minimize the impact of an attempted attack and protect critical assets.

For Oil and Gas companies, in particular, focus should be toward the development of comprehensive and custom risk management plans that are tailored specifically to circumstances when entering high-risk environments, such as ventures into new geographic locations, markets and products. A recent ABI research study predicted that cyber-attacks against Oil and Gas infrastructure will cost companies \$1.87 billion by 2018. Making sure that a comprehensive plan is in place can help protect against the costly losses associated with cyber-attacks.



### **3. Future competitive advantages depend on technological innovation**

In recent years, Oil and Gas companies have become more innovative when it comes to drilling. Technological advances have enabled companies to venture into new territory and gain a competitive advantage in the industry.

Cloud computing, mobility and knowledge management have become part of the industry as a means for efficiency. As companies become more innovative, however, special attention should be paid to protecting the R&D that went into creating this intellectual property, creating another layer of security that must be implemented.



#### **4. Striking the right balance between strong cyber risk management and regulation will become more challenging**

Although regulations can help companies secure themselves from cyber threats, they often apply a one-size-fits-all approach to security. Often, this method does not take into account a company's unique vulnerabilities that come with its specific business processes. Sometimes, there is conflicting priorities between what is defined by the regulations and what is needed for the specific company to ensure adequate protection against cyber intrusions.

Additionally, the shifting regulatory environment can make it difficult for Oil and Gas companies to keep up. Industry leaders must find a balance between compliance with environmental regulations and handling geopolitical issues that can impact the bottom line.



## **5. An aging workforce is creating unique risk management, infrastructure and HR challenges**

Like many industries, the Oil and Gas is facing a shrinking pool of individuals who have expertise in the area. Booz Allen Hamilton asserts that most individuals who have the institutional and technological "know how" about their own company's cyber risks and operations are on the brink of retirement, but according to Ernst & Young, nearly 90% of senior human resources executives at 22 top international gas and oil companies believe that there is a talent shortage in the industry, referring to the problem as one of the top five business issues facing the company.

This is resulting in a knowledge gap between new employees and experienced industry leaders. According to Ernst & Young, nearly 90% of senior human resources executives at 22 top international gas and oil companies believe that there is a talent shortage in the industry, referring to the problem as one of the top five business issues facing the company.

Younger employees cannot meet this gap on their own, and gas and oil leaders should work to capture, retain and integrate human capital intelligence across the business.



## **6. Data will continue to create differentiators**

Oil and Gas companies work with more data concerning their assets than ever before, but they risk falling behind in the industry if they do not make this data work for them. Businesses must understand that while the data can present opportunities, it can also raise challenges.

Industry leaders should analyze and present their data that allows the firm to create action. Using the information to drive business strategies and understanding anomalies can help businesses in the Oil and Gas industry to have greater success.