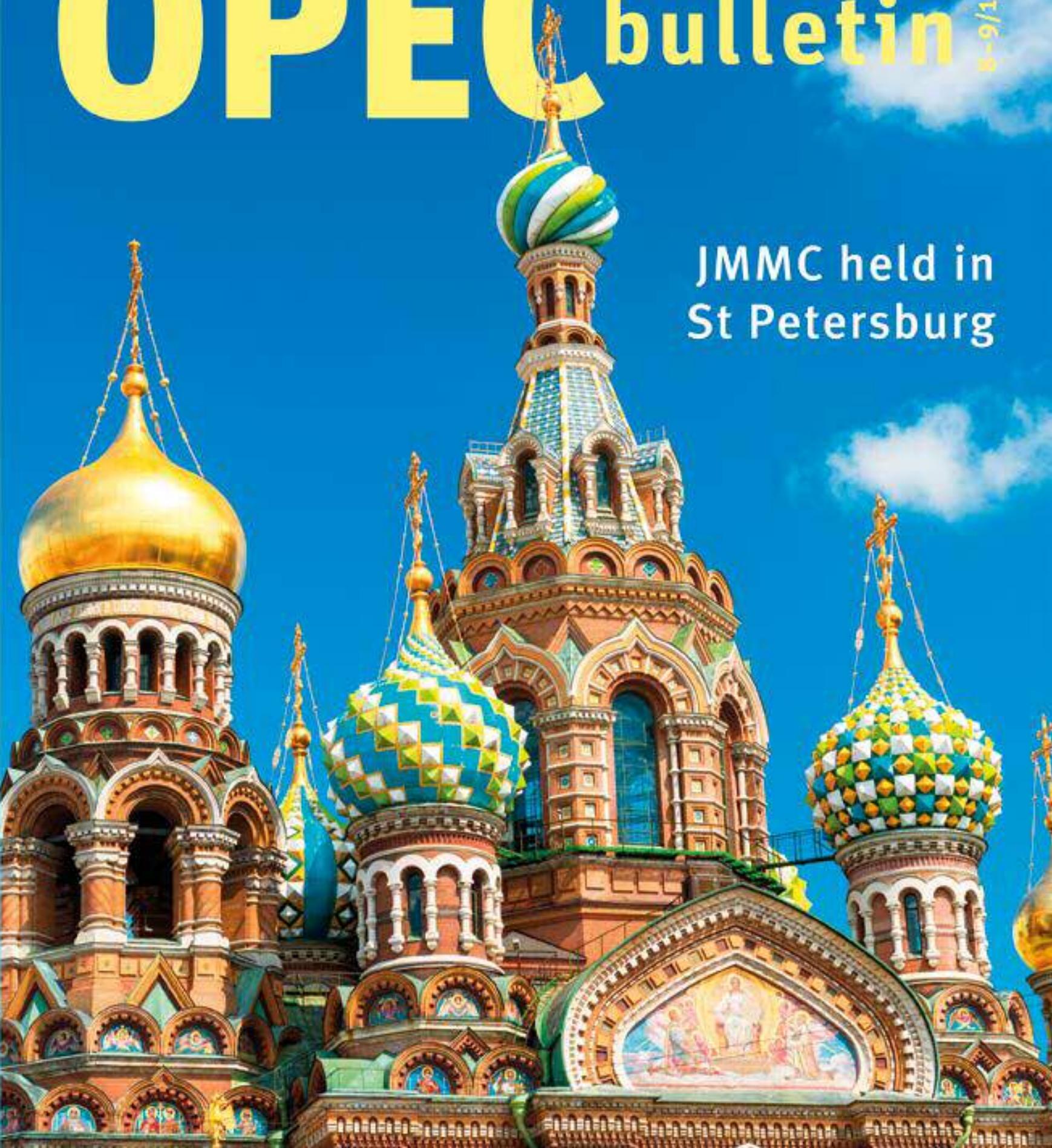


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Executive education as the way to power the future



Professor Jonas Puck, Academic Director of the MBA Energy Management.

Nobody can reliably predict today what the future of global energy supply will look like. While fossil fuels will continue to dominate the global energy mix for many more decades, the energy mix will continue to evolve with a greater role for non-fossil fuels, particularly renewables. It begs the need to ask questions such as: How might this transition take place? What new technologies will have the potential to meet the ever-increasing demand for energy around the globe? What can the energy industry do to tackle environmental issues? And what particular challenges will this present for managers in the energy industry?

In the following interview, Professor Jonas Puck, Academic Director of the MBA Energy Management, explains not only why focusing on executive education will help overcome energy challenges in the future, but also what valuable benefits an MBA in energy management can bring for professionals and executives alike who want to make sure they are ready for the imminent transformation of the energy sector.

OPEC Bulletin: Prof Puck, why do you think continuing education and training are crucially important for managers in the context of coping with the challenges of global energy supply in the future?

Professor Puck: We live in incredibly dynamic times: What is an unqualified success today may be doomed to failure tomorrow. The energy sector, too, is becoming more and more unpredictable. Markets, technologies and the economic environment in

general are constantly and, even more importantly, radically changing. The greater the environmental uncertainty and volatility, the more important the edge specialized education and training can give you.

What we urgently need today, especially in the energy industry, is managers who are capable of responding flexibly and adequately to changes in their environments. However, they cannot do this unless they see the broader context, are aware of how things interrelate and understand what effects their interventions will have.

So, an MBA could provide managers with this know-how and the proverbial big picture?

The right MBA can at least make a significant contribution here.

Could you expand on that a little? What benefits does an MBA with a specialization in energy management offer?

Yes, with pleasure. There are different dimensions to consider in this context. One of the most significant is the breadth of knowledge. In other words, the big picture you just mentioned. Let me give you an example: Oil prices are low, so one might think that the traditional energy sector is struggling and that renewable energies stand to benefit from this. However, the situation is far more complex. While it is true that the big oil companies are suffering as far as their upstream, ie oil-producing, activities are concerned, they are greatly benefiting from low oil prices on the downstream side of things – when it comes to refining, gas stations, etc – as people are buying much more. As a result, renewables are coming under pressure, as well because there is less demand for them when oil prices are low.

What is more, one problem with renewable energies is that they frequently fail to meet peak demand since they are subject to natural fluctuations. When the wind does not blow or the sun does not shine, no energy is produced. And this is where coal, gas and nuclear energy come in: They can help meet peak demand, and they can do so at very short notice. On some markets, an increase in the demand for renewables would, therefore, go hand in hand with greater demand for fossil fuels. This can be changed only through innovation, particularly in the field of efficient energy storage.

All this goes to show just how complex the situation is. And it becomes even more complex in view of the fact that energy supply has long ceased to be a regional issue. Nowadays, energy is a global phenomenon.

And apart from the “breadth”?

A high-quality MBA program also offers depth of knowledge. It goes without saying that essentially an MBA with an energy specialization is a general management program. And that is a good thing.

However, in the course of working on their master's thesis, for instance, students are given the opportunity and the flexibility to explore in greater detail topics they are particularly interested in, allowing them to become subject-matter experts. Moreover, our students and our lecturers come from many different areas of the energy industry. Thus, participants also greatly benefit from the insights that their colleagues bring to the program; and carefully chosen experts, who are their teachers, help them develop their understanding of the latest industry trends and developments.

Very often, people's decisions are based not only on facts but also on their attitudes and perspectives. Here, an MBA offers a unique setting; it brings together individuals who share similar concerns and skills, providing them with an opportunity to exchange views and opinions with one another in a non-hierarchical environment.

What other dimensions are there?

Getting risk management right is also crucial. Spreading risks is a good idea, especially when you operate in highly volatile and unpredictable markets. Diversification is key in this context. In order to get risk management right, it is fundamentally important to take action at different levels. To begin with, there is strategic risk management. This is where traditional oil and gas companies might experience considerable pressure in the coming years.

Although fossil fuels will very likely continue to be in great demand for a long time, their business model is under pressure. One way of managing this risk is to invest in other areas of the energy industry. The more diverse your portfolio, the better you will be able to compensate for the loss of a segment. Needless to say that the success of such measures largely depends on your ability to assess risks accurately – which is something you can learn.

Then, there is, of course, financial risk management. Here, the key question is: What can my business do as far as financial hedging is concerned, and which of the available options are the best in my particular case?

And finally, there is risk management at the executive level. How can I make sure to always achieve the best results possible for my business when interacting with the outside world, eg in the context of negotiating with clients or partners, and at the same time pursue an internal leadership strategy that safeguards my interests and those of the workforce.

All of these issues are repeatedly addressed in the course of an MBA program, and being able to share your experience with your fellow students and ask them for advice is, of course, hugely beneficial.

What feedback do you get from students?

When I meet our students on graduation day and ask them what they have benefited from the most, many tell me that they now have a much better understanding of the global interplay of a wide variety of topics. Above all else, however, they stress that they have learned to regard failures and wrong decisions as chances for new beginnings, ie as entrepreneurial opportunities. It is this mindset that enables people to create something revolutionary and, in doing so, make a contribution to meeting the global challenges facing us in the 21st century.