

**Lessons from the Top:
The endless value of feedback!**



This Eric Salmon & Partners, 'Lessons from the top' is a thought leadership article based on an interview by Simone Maggioni with Lorenzo Simonelli, Chairman and CEO of Baker Hughes.

SM: *You speak often about the importance of being a role model, as a CEO what does it mean exactly and how can you do that in an organization of tens of thousands of people working all over the world?*

LS: Well, first of all, I think I take it very humbly as well. I think it's important to have role models as you are growing up and as you're growing through leadership. I know for myself, I have expressed in the past that I have had role models from my father, from other leaders that have helped me and guided me, and I think to be viewed as a role model today is very humbling, from employees, and from colleagues. The definition of a role model is somebody that you look up to, somebody that provides a

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guidance, provides a view of the way in which you should behave, and it is somebody that, at the end of the day, you can see as being the type of person that you want to be. I think it is important that within leadership you build those role

models and those characteristics and then you live up to them as well. So throughout my career, I have

always looked toward role models to be able to guide me; to be viewed as a role model is very humbling because it means that... it is an honour, but it is also a responsibility: to be able to guide, and to be able to behave in the right fashion, and to be able to make the right decisions. That doesn't mean decisions are always correct, because the financials may not always work. But the aspect in which you made the decision is correct, and the way in which you have behaved and the way you provide respect and dignity to all those people around you is correct. And to me that's the importance of being a role model.

SM: As the CEO, is there a way to check, a way to measure if, and to what extent your being a role model actually works and trickle down the organization?

LS: There is, and I think at the end of the day there is an aspect of leadership that to be a leader you need to have followers, and followers tend to go towards role models that they feel can lead them into a challenge or overcome uncertainty and also achieve something on the other side. And so I am

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continuously asking for feedback, continuously looking to improve myself and actually get guidance from those around me in regards to whether or not I am a leader that can be followed. And, by being a leader that can be

followed, you become a role model also for others, and I think they go hand in hand with respect to especially turbulent times and managing through chaos and the cyclicity of different industries.

SM: Are people willing to give feedback to the Chairman and CEO? Do you find that people are still comfortable or eager to give you feedback transparently, genuinely?

LS: Definitely, I get feedback. You have to make it a safe zone, and that doesn't mean that everybody will feel safe. There is an inner circle of individuals you spend time with: They see you when you are preparing for a meeting, they see you when you are preparing for a presentation. They are actively involved in the creation of an end product, and they are the people that can give you feedback. I look at numerous occasions where if I am going to an event and I have to communicate – I will get feedback from people around me: my communicators, I will get feedback from my assistant. I will also get feedback from my team members, also during meetings where we must make decisions. You have to make it a safe zone where individuals are comfortable stating their views, stating their opinions. And that's why you have to be careful as a leader not to come across as too authoritarian or too pronounced in one direction to begin with. Speed is of the essence, but you have to pace speed so that there is the opportunity for feedback to be given as well.

SM: May I take the liberty to ask you what would be one thing that you would like to do even better?


LS: You can always improve in the clarity and conciseness of the messaging and the way in which you tailor messages to different audiences. And within this world, where people are bombarded by news, the ability to communicate very clearly, concisely and effectively is a skill that is very important. It is something that, especially when you are leading a larger organization, you need to make sure that you can reach out to 55 thousand individuals and that is not easy. How do you win the hearts and minds of individuals when they see so many other news streams, they hear from so many different people and how do you effectively do that? I think communication is one of the fundamentals in leadership that continues to be very, very important.

SM: Well, you have certainly set the bar already pretty high. You talk about culture and the importance of changing behaviours inside the organization. Probably one of the most important requisites for reaching your strategy and objectives. Is there a particular kind of behaviours that you have spotted, that you are working on that is more important for you?

LS: There is the saying that “culture eats strategy for breakfast,” and I think it is very true that if you don’t have the right culture within an organization that allows the aspect of ingenuity, innovation, risk-taking, then your strategy won’t be successful. And, within a culture where you are constantly having to innovate you need collaboration, you need the aspect of clarity and people being able to disagree but align as well and move forward. And that is a culture where there is trust, a culture where there is an affinity towards a purpose statement and where you are driving the company. I think culture is of the essence of the fabric of every company that is successful. If you don’t have the right culture or you have differences of culture then you see fragmentation, you see disloyalty, you see distrust. In an effective team and when you have the ingredients of the right culture you can achieve anything.

SM: Does it take a long time to see some tangible results in changing or shaping the culture?

LS: You have to take things in small sizes, and you can see progress in culture by taking certain tasks on and by building the momentum. It does take a long time to convert a culture in totality, but it doesn’t take a long time if you break it down into smaller pieces, and that means also to be task-oriented. So how do you take certain elements of an activity and develop the right culture in that activity? How do you develop a small team and develop the right culture in that team? And then it manifests itself



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and it grows. They often say a community grows over time: It grows through small groups coming together and then actually integrating and becoming a community. Culture is very similar to that. It doesn't have to take a long time. It is really starting and breaking it down into smaller elements of activities and also being conscious of the fact that you have got to build the right behaviours within that team setting.

SM: What kind of roadblocks do you anticipate on your strategic path of Baker Hughes? Can you identify some elements in the near-middle term that are worth paying attention to?

LS: There is always going to be externalities that you don't control but you must be aware of. If you think of geopolitical tensions, you think of black swan events that take place. Within an energy expansion, an ecosystem of energy that's developing, those are going to come up. You have seen them even with some of the events that are taking place today. You have tariffs discussed between countries, you have new legislation that is going against some policies of the past, and as a company there is always going to be these externalities that you don't control, so you have to be ready to overcome them. And you overcome them by also staying very focused on what you believe and also what you see is the end point. From a Baker Hughes perspective, we see that there is going to be a requirement for more energy, and we are going to need hydrocarbons, geothermal, hydrogens, and carbon capture, utilization & storage. The world is headed toward a lower carbon economy, and believing in those fundamentals from a long-term perspective helps you to navigate some of the short-term volatility and some of those elements that you don't control. We have been here for over 130 years. We look to be here for many centuries going forward. And that is also, as a leader, the requirement you have, to ensure that the company is here for the next decades, the next century. That is the privileged role that I have: as the leader, navigating that. You have to make sure that you stay aware of the externalities but also stay focused on the task at hand.

SM: You certainly have a lot of fans around that hope that Baker Hughes can come up with some breakthrough technology to help save the planet. That is a really high purpose.

LS: I think it is good to have a purpose statement, and luckily it is not us alone. If you look at the energy landscape of tomorrow, it is going to be multiple stakeholders getting together and making sure that we find the right solution. I am an optimist by nature, and I think we can solve the challenges of tomorrow and make sure that there is affordable, secure, and sustainable energy for everybody.

SM: *The artificial intelligence acceleration and the human factor (in terms of talent, the competences, and the mindset that you are looking for), are they equally important, or which one is more concerning for the impact it may have on your organization?*

LS: Generative AI or artificial intelligence is a significant opportunity to accelerate the pace of change and also to identify new ways of doing things at an accelerated pace. There are risks associated with cybersecurity, risks involved with what happens in the future, and you need to be aware of those. I view generative AI or artificial intelligence as a big opportunity for companies -- and also for the energy sector

-- with regards to improving reliability, improving productivity, improving efficiency. I also think human talent is always going to be necessary, and the human mind is always going to be critical in being able to drive ingenuity and to make decisions. No matter how well your generative AI tool

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performs, the ingenuity human brain, with regards to creativity, is necessary. We must make sure that we nurture those. There are fundamental skills that can be repetitive and can be handled by generative AI, and then there are high level skills where we need to make sure we have the competencies in people and individuals that have been trained to do those. I think that can be an aspect of living in harmony between the two and, within a company, both are very necessary.

SM: *And your assessment is that your organization at large can receive the arrival of artificial intelligence?*

LS: Yes. I think it can, and I know from my own learnings and also experience, as I am starting to apply artificial intelligence and generative AI in my work. It is to also free myself up, to spend more time on the creative aspects of strategy development and on the other elements that are more value added. You can free up time and productivity by utilizing generative AI and artificial intelligence. You know, there is practical ways in which, on a daily basis, I try and also experiment and use different tools to see how it is going to impact the company as a whole. I have had a mentor now, on generative AI, for the last year, to essentially bring me up to speed, because it is new. As a leader, you have to constantly be realistic and know that you are not going to know everything and you have to be taught things along the way. I have been very fortunate to be mentored by somebody who is a lot younger than I am but also very close to understanding the new technology. I am applying it in my day-to-day activities to see how I can increase my own productivity and efficiency.

SM: *That is also part of being a role model, isn't it?*

LS: And taking feedback.

SM: *And taking feedback. I can see the circle. You always wanted to be a CEO, you had clearly a personal vision and ambition. When you look at younger people, what are you looking at?*

LS: I have always wanted to run something and to create something that had a benefit to others.

I think what I look for today are people that are curious, people that are wanting to drive to an outcome,

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people that are wanting to accomplish something that is greater than themselves at the point where they are. It is the leadership traits. That doesn't mean that they necessarily have to be a CEO. They have the characteristics though of

being able to be curious, lead to something different, and want to accomplish something. That is important in leadership. So, more than looking for CEOs, I am looking for leaders and people that can make a difference in the day-to-day activities.

SM: *Is it somehow better or worse than in the past? Is there any trend in terms of young leaders?*

LS: I think there is still a lot of good talent out there. I would say that, just given the emergence of social media, the emergence of new technology, it is a lot more chaotic. To find those leaders is more complicated, and you have to spend time looking. It is a large part of my role, socializing and being able to interact with young talent to see who those people are. There is a lot to consider and also different aspirations, but leadership and the foundations of leadership are very much the same as they were 10 years ago. It is the aspects of the traits that you have that are key.

SM: *Moving to a different subject: as the Chairman of a Board of Directors, what is a good Board of Directors, a performing Board of Directors?*

LS: It is similar to the way in which you construct a team. You need to have individuals that have a set of critical capabilities that can be relied upon, and that can give you different views and different thoughts so as to be able to make better decisions. When you are looking to create a Board of Directors, you are looking for that variety as well as camaraderie of a team that can work well together and also has different skill set. Some being equity-based, some being engineering-based, some being technology-based, some being leadership-based. You put together a team that then can actually help you achieve

the right outcomes. The sports analogy is always a very good one, because you want to have the right team around you that can make you successful, so you have to pick the right players.

SM: How can you say, at the end of a period, if the Board has done a good job or a bad job? What do you really expect?

LS: Well, the primary responsibility of the Board is obviously to provide a governance to a company, and also to safeguard the shareholders. You know if it has done a good job if, during the tenure of that organization, the shareholders have benefitted, and also if there is been no event that is negative associated with the company. I think you do have the opportunity to look at certain external aspects to judge whether or not the Board has been successful in its role or oversight of the company and also the protection of the shareholders and other stakeholders at large. I think seeing it more and more that Boards are holding themselves responsible and accountable for those aspects or the impact on stakeholders.

SM: As the CEO you are facing different stakeholders. Obviously you have the shareholders, they expect a certain return on investment, certain dividends, certain share price. Then you have other stakeholders. Is there a trade-off between the objectives of the stakeholders? I am thinking of investment decisions that may have an impact on shorter term profitability versus longer term. What is your view?

LS: I think it is very important, as a leader, to have conviction in your decisions and there are always

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trade-offs. The importance is being open about those trade-offs and acknowledging those with the different stakeholders. There is the aspect of long-term prosperity and long-term growth, profitable

growth that is common to all as a designed outcome. You have to be able to lead through that and have the conviction with your decisions, which is why being a CEO is not an easy responsibility. You take that burden on, with regards to being able to vocalize, communicate, and bring others along with you. There will be people that want something more short term, and you have to convince them that the longer-term aspiration is going to yield even better benefits to all the stakeholders. It comes down to that openness and transparency. Ultimately, people want the same thing: They want companies to continue to grow, to provide dividends, to provide employment, and provide good back into the community. You can achieve those by continuing to make the right decisions on a long-term basis.

SM: *In concluding our conversation I have a little curiosity.*

LS: Sure.

SM: *You come across as very positive, very serene, balanced. Do you ever get upset in your role?*

LS: Like everybody else, I experience all emotions. As a leader, it is natural that you do. I think it is also important to always take a step back and reflect upon your role, ask if you enjoy it, because you are doing something that is good for the long-term. You have to be pragmatic about the emotions. Do I get angry? No, I try not to get angry. Do I get frustrated? Definitely. Are there more stressful moments than others? Yes. I always try to look at it from a standpoint of: Am I doing the best that I can? Am I open to feedback? Am I willing to take risks and lead? If all of those are yes, then I continue on, and I am very serene in the path that I take.

SM: *Thank you very much.*

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