**Shell shake-up to cut costs**

*Ed Crooks in London*

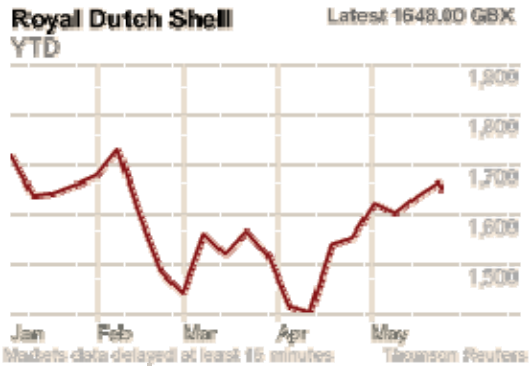
*Thousands of jobs are expected to go at Royal Dutch Shell in the restructuring launched by the new chief executive to cut costs and improve performance.*

Peter Voser, who formally takes over as chief executive on July 1, launched the changes at a meeting of Shell's top 200 managers in Berlin.

In an e-mail to staff, he said the company was organisationally too complex, and its culture "too consensus-oriented". He said his objectives were to cut costs, speed up large projects and make Shell "a simpler place to work".

Some analysts were sceptical on Wednesday, saying the attack on costs should have come sooner and aspects of the new structure still seemed over-complex.

Shell is to merge its gas and power division into its exploration and production business, which will take control of the Canadian oil sands operation from the downstream division.




That combined business will have a workforce of 22,000. Shell sees "great scope to simplify the organisation and improve efficiency". Functions such as accounting, health and safety and IT management, now run separately in each division, could be combined.

It will also expand its downstream business to add the energy trading unit to the existing refining, marketing and chemicals division. Alternative energies – excluding windpower – will also come under the downstream arm.

There will also be a third business, projects & technology, to administer the company's technical services and major projects.

The restructuring will see some changes in senior management. Marvin Odum, Shell's current executive vice-president for exploration and production in the Americas, will become director for Upstream Americas; while Malcolm Brinded, who is now executive director for exploration and production, will become executive director of Upstream International.

Mark WIlliams will remain in his current position as director of the downstream business.

Shell will cut jobs among its 2,000 head office staff in The Hague. Some roles will transfer to operational businesses and others will be lost.

Shell refused to give a target for total job cuts but left open the possibility of setting a figure once Mr Voser, previously finance chief, had had more time for his restructuring. Analysts said they expected a few thousand jobs to go from a workforce put at 102,000 at the end of 2008.

Analysts said the focus on cost-cuts and the push for clearer lines of responsibility would move Shell closer to the example of ExxonMobil, the industry leader for operational excellence.

"Fewer people will make strategic decisions," Mr Voser said. "More people will implement them and improving performance will be our guide and goal."

Analysts welcomed the move to create a projects and technology unit to centralise functions such as engineering design and R&D, again following Exxon's example. Some queried a split of the newly-merged E&P plus gas and power business into two units, one for the rest of the world and one for the Americas.

Jason Kenney of ING said Mr Voser's plan was similar to the changes by Tony Hayward, chief executive of BP, but came more than a year later.

Financial Times, London, 27 maio 2009, Companies, online.