Performance improvement

Positioning Canadian oil and gas companies for success from the inside out
Contents
The business case for performance improvement ....................... 1
Blending tools to achieve greater results ................................. 4
Facing performance improvement challenges .............................. 6
   Limited awareness of performance improvement programs ...... 8
   Reduced understanding of potential benefits ....................... 10
   Inadequate support from upper management ..................... 12
   Improper governance during implementation .................... 14
   Insufficient sustainability of achieved benefits .................. 16
Reaping the benefits .................................................................. 17
Setting the stage for success .................................................. 18
How EY can help ..................................................................... 20
The business case for performance improvement

Understanding the impact of programs on oil and gas companies

Oil and gas companies are now more global, and some are becoming more processed-based. Cross-functional stakeholders are increasingly demanding results that are more difficult to achieve given the ongoing economic uncertainty and challenging market conditions. Low natural gas prices, oil price uncertainty, WTI-Brent differential and heavy oil differentials are forcing upstream companies to focus on improving efficiency and reducing costs. The capital and operating costs for deepwater wells offshore, unconventional resources such as oil sands and horizontal drilling techniques are also compounding the industry’s cost challenge. That’s where performance improvement comes in.

Performance improvement is an operational philosophy of management that can benefit customers, shareholders, employees and suppliers alike. Companies facing capital and operational cost constraints within the oil and gas sector are employing performance improvement programs and tools to help drive down costs and improve their bottom line. These programs include Lean, Six Sigma, Kaizen, Just in Time and Continuous Improvement. They provide tool sets to capture and drive efficiencies and maximize value within organizations – and they’re rising in popularity. The number of oil and gas companies employing performance management programs has increased since 2005. Research shows that this sector had only 5%-25% saturation compared with 40% today. Further, research indicates that 266 Fortune 500 companies employ these tool sets within their businesses. A large opportunity remains, however, for growing companies to move the needle and continue to grow and adopt performance improvement philosophies.

266 Fortune 500 companies employ performance management program tool sets within their businesses
These programs can address ongoing problems and inefficiencies within a company that enable teams to refocus on innovation and strategic initiatives. They can stimulate a culture of improvement among all levels of the workforce. And, perhaps most importantly, uniting employees under a common goal that sheds light on how each of their individual actions impact the company’s value chain. In the oil and gas space, these programs can do even more. Performance improvement programs can reduce drilling and completion costs by evaluating the movement on pad sites and rigs, downtime, maintenance and reliability of the operations, as well as effective operations mobilization throughout the sites. They can also reduce cycle times of approvals, planning and construction by reducing non-value-add time as well as rework that commonly occurs in project planning and development stages of well, pad and oil sands sites.

Performance improvement programs also have a direct benefit to the bottom line and provide a competitive advantage that can’t be ignored. Companies that undertake these programs save anywhere from US$24m to US$100m and beyond, based on interviews with North American-based oil and gas companies. Six Sigma and operations management projects average 1.7% savings in revenue over the period of implementation for the programs. Six Sigma initiatives also typically return 2%-4% of sales to the bottom line in the second and third years of implementation for small companies and 1%-2% of sales in the second and third years for large companies. Average Black Belt projects save organizations US$175k and, when dedicating 100% of their time, can execute five to six projects over a 12-month period, adding approximately US$1m in benefits. Yet, statistics show that the energy sector lags behind other global industries when it comes to realizing the potential of performance improvement programs. Many do not understand all of the necessary elements prior to and while implementing these types of programs.

Many companies in the energy sector grapple with how to remain low-cost, efficient and effective while pursuing growth. Concern revolves around whether short-term cuts will impair long-term growth. This is especially challenging for companies that have undertaken significant improvement efforts during previous oil and gas cycles. What’s important to recognize is that there’s always performance improvement work to be done, and it must not be forgotten when gas and oil prices rise and less focus is on the bottom line. Oil and gas companies that take a long-term approach to continuous improvement within their firm will be even better positioned to pursue growth, sustain improvement and reap the year-over-year rewards.

Average operations management program savings as a % of the corporations revenue by sector

Key questions

Companies considering performance improvement should ask themselves the following:

- Are there gaps in our performance?
- Has cost reduction led to lost opportunities?
- Do our improvement efforts continue to repay our investments?
- Am I satisfied with how quickly I see measurable results?
- Am I looking at cost reduction opportunities to mitigate headcount reductions?
- How can I emerge as a low-cost leader in a high-cost environment?
- Have I managed to sustain improvements in the past?
- Have I managed to drive cultural and behavioral change in the organization?
- How am I looking to increase effectiveness and achieve efficiencies in your organization?
- Have I applied multiple performance improvement tools in the past without success?
Performance improvement programs achieve greater results when companies blend a variety of tools. This is especially the case in the oil and gas sector, where many find it a challenge to integrate the manufacturing methodology and tools as they speak a different language than this. Companies must then adopt a more fulsome repository of concepts and tools tailored to oil and gas sector terminology, and performance measures can address a more substantive variety of issues, opportunities and innovations.

The value of blending different methodologies and tools into the performance improvement program may combine the strengths of programs, such as Lean thinking to drive out waste and Six Sigma statistical measurement to reduce process variation, and cover gaps that each tool may create on its own. Blending allows for a multifaceted, philosophical approach encompassing customer, systematic and process components for business improvement, increasing quality, speed and cost reduction. Research shows blending commonly occurs in health care, financial and manufacturing firms and will continue to grow within the oil and gas sector.

Common performance improvement programs include a blend of Six Sigma, Lean, Total Quality, Just in Time, Kaizen, Total Productive Maintenance and Total Reliability.

Additional tools that are commonly seen in the performance improvement toolbox, include:

- **Six Sigma:** developed by Motorola in the 1980s, it is the most prominent toolset. It follows a well-structured improvement methodology to reduce process variability and drive out waste within business processes using effective application of statistical tools and techniques. It’s a disciplined method using rigorous data and statistical analysis to pinpoint the root causes of issues and establish ways of eliminating them. The overarching goal of Six Sigma is to sustain improvement over the long term.

- **Lean:** arguably the second most prominent toolset and shares much in common with Six Sigma. Its objective is to free up capital from non-value-added activities and invest it back into the business. It focuses on reducing “muda”: waste within business that is not directly related to the customer and stakeholder bottom lines. The program is less focused on statistics compared with the later Six Sigma.

- **Total Quality Management:** a management philosophy and company practice that aims to harness the human and material resources of an organization in the most effective way to achieve the objectives of the organization.

- **Total Productive Maintenance:** a method for improved machine availability through better utilization of maintenance and production resources.

- **Kaizen:** a structured methodology to improve issues and identify opportunities and implement those with high benefit that require a smaller amount of effort.

- **Innovation:** a system that uses innovation toolsets such as TRIZ to produce out-of-the-box thinking to common issues, new product development or root causes of waste.
Whether blending a series of performance improvement programs or homing in on one, it’s important for companies to spend time understanding each tool set, what they have to offer and how they may be applied to their business.

Performance improvement is not one size fits all. Companies must identify the specific tools that can bring value to their firm. Culture plays a substantial role here. Finding the best program fit is as much about understanding how the program will engage employees as it is about aligning business needs.

Equally important is the ability to measure the success and performance of these programs. This measurement should tie to companies’ ongoing scorecard and key performance indicators. Terminology, metrics and calculations not only need to be rooted in the performance improvement methodology but must also be tailored in order to be understood and accurately applied within the sector.

“I have seen many performance management programs come and go since my career started in aerospace manufacturing in 1989: TQM, process reengineering and self-directed work teams, to name a few. The trouble I see, even more evidently today, is that most “programs” are not designed to succeed under our current traditional management style. The challenge is not to implement or add on some new techniques, practices or even principles - the task should be to develop consistent behavior patterns across the organization. My conclusion is that it is best to reframe the question of ‘inadequate support’ to that of ‘creating awareness.’ By showing senior leadership what is possible, and have them trained in the Plan-Do-Check-Act coaching process with an advance group, only then will we see superior results.”

Jim Pascual, Subsurface Integration Lead
Talisman Energy
Performance improvement programs are not without challenges. Implementing a performance improvement program does not guarantee improved performance. There are several factors that can determine whether a program is effective or ineffective. While many may seem simple in nature they carry a big punch and can have detrimental effects on a performance improvement program’s success. That’s why identifying and addressing these challenges head-on is so important. We’ve honed in on the top five challenges preventing oil and gas companies’ success below.

**Limited awareness of performance improvement programs.** Increasing awareness of what performance improvement can accomplish and the tools that can be used is the first step in forming a strong culture of improvement.

**Reduced understanding of the potential benefits.** Implementing a tracking or validation process to capture results realized from performance improvement programs is essential to understanding how the program benefits the company through cost savings or productivity gains.
Inadequate support from upper management. Leadership teams are responsible for setting the strategic direction for a company, and if they fail to understand the value of an improvement program, there is reduced likelihood it will move forward. Providing the capabilities and resources for management support is important for any project, and performance improvement is no exception.

Improper governance during development and implementation. Because of the multitude of projects that can be part of an improvement program, the program managers must diligently ensure all the pieces are working toward a common goal in terms of coordination, measurement and monitoring, decision-making and prioritization.

Insufficient sustainability of achieved benefits. It’s common for company personnel to revert to previous habits or behaviors once the fanfare surrounding an improvement program dissipates. The benefits realized by an improvement program must be maintained and integrated into the working processes and culture of the company over the long term.

“Without a doubt, the success of any business excellence or improvement program is directly linked to adequate support from top management. Any system of improvement that does not comply with at least the following elements would not have a solid foundation for its full adoption and deployment and eventually will reduce the level of success by the company. The executive team should be a champion and provide direction with high visibility, leadership engagement, participation and support. A clear governance structure and guidelines are needed to drive adoption. Dedicated resources are also required to manage the process and train. Metrics should be established with a clear communication of the current and desired state. The process must fit the culture, and opting out is not an option.”

Gabriela Rico Gamino, Group Lead, Continuous Improvement, Encana Corporation
Limited awareness of performance improvement programs

The success of any program depends on awareness and buy-in from employees. That means spreading the word on what the program is, how it will help the company and how it will be executed is crucial to achieve adoption and awareness from the front lines to the executive level.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Description</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance improvement is not included in strategy</td>
<td>Performance improvement is frequently omitted from corporate strategy, and executives have been known to downplay the importance of these programs. This is primarily due to a lack of awareness and understanding of the programs themselves.</td>
<td>Management must take a detailed look at its strategic objectives, vision and goals to clearly identify how a performance improvement program will contribute to the company’s strategy.</td>
</tr>
<tr>
<td>Limited knowledge of the performance improvement program by management and employees</td>
<td>A lack of knowledge or understanding around performance improvement inhibits the ability of employees to engage and contribute to the overall success of the program.</td>
<td>Providing management and all employees with necessary information about performance improvement is an essential part of ensuring teams are engaged and contribute to the program’s objectives.</td>
</tr>
<tr>
<td>Inadequate translation to the oil and gas industry</td>
<td>Many of the statistical terms and concepts within performance improvement programs such as Lean and Six Sigma are not easily transferred to energy sector companies.</td>
<td>Performance improvement teams must adapt terminology and tool sets to their respective companies and industries without undermining the key methodology and concepts. It’s important to have a strong awareness of terminology and tools applicable and appropriate for the oil and gas sector. Time must be taken to thoroughly evaluate terminology and change when appropriate.</td>
</tr>
<tr>
<td>Inconsistent communication regarding performance improvement</td>
<td>Companies that do not communicate performance improvement program information risk creating confusion among teams who may not understand how the program relates to their job or how they can contribute.</td>
<td>Consistent communication is required to ensure employees remain a part of the process – and the program’s success. This communication is not only a requirement of executives and corporate teams, but also the middle-management individuals whom many employees look to for guidance and direction.</td>
</tr>
<tr>
<td>Unsupportive culture for performance improvement</td>
<td>A limited awareness of performance improvement can produce an unsupportive culture.</td>
<td>Culture is the subconscious backbone that helps model behaviors, processes and decision-making. It is a key element that helps or hinders the success of a company’s strategic initiatives. Management should strive to build a culture that enables performance improvement programs. This begins with a strategy and communication of the cultural transformational process. Creating a culture of performance management has been shown to be successful in enabling further cost savings and improvements.</td>
</tr>
<tr>
<td>Challenge</td>
<td>Description</td>
<td>Recommendations</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Lack of coordination with onboarding and training programs</td>
<td>Many firms do not include the culture and the methodologies that employees may see throughout their career in the onboarding program. There can also be competing tool sets, such as project management and problem-solving training, that needs to be tied in to the performance improvement program.</td>
<td>Performance improvement teams must work with human resources teams to incorporate performance improvement information in onboarding programs. All training programs that involve elements of process improvement, root cause analysis, problem solving or innovation need to be reviewed by the performance improvement team to help ensure that there is not any competing information or methodologies that could lead to confusion among employees.</td>
</tr>
</tbody>
</table>

“Most leaders today expect change to be a rapid event; a one-time occurrence. They grow impatient when told change goes through a series of phases that, in total, require a considerable length of time. A change conversion requires profound changes in thinking and deeply established habits. I have found the successful leaders are those that behave daily in particular ways. In other words, success is based on what you do, not on who you are. These leaders recognized that the methods they insist on others using are ones they themselves adopt.”

Mike Bonine, Continuous Improvement, Devon USA
Reduced understanding of potential benefits

The second most common challenge to overcome when implementing performance improvement programs is ensuring each and every employee, at all levels, understands the program and the potential benefits. It’s not enough for a company’s workforce to be aware of the program. To contribute to the program’s success they first must understand the objectives and process.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Description</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited knowledge of savings as the median savings reported from performance improvement is US$180k per project</td>
<td>Research from iSixSigma shows that the average dollar amount saved from Fortune 500 companies employing performance improvement tools is approximately 2% of total revenue. The median savings reported from performance improvement is US$180k per project. But while cost saving is a significant measure of success for performance improvement programs, many companies neglect to track this information.</td>
<td>Performance improvement program success can be measured as cost savings, cultural integration, customer satisfaction, reduction in cycle times, or a number of other metric factors that can be translated back to a defined dollar value. Managers must increase their awareness of the potential savings to ensure the benefits of a performance improvement program can be fully realized. Having this understanding will also allow them to question values outside of any expected ranges. Potential soft savings must also be discussed and outlined to management in advance as it is not always possible to measure soft savings, and some of these savings can support strong improvements that create value similar to that of a hard saving.</td>
</tr>
<tr>
<td>Inadequate measurement tools</td>
<td>Tools used to measure performance improvement savings are frequently inadequate. Tracking and measuring benefits is usually not standardized, leading to inconsistency in how these benefits are reported.</td>
<td>A process or documented approach to measuring performance improvement benefits should be in place in order for companies to adequately calculate the value of items saved within the project. The framework should be established to validate the savings seen to ensure accuracy and credibility.</td>
</tr>
<tr>
<td>Incorrect personnel usage for savings measurement</td>
<td>Having the right people in place to validate cost savings information is extremely important and many times overlooked. Companies often defer these responsibilities to financial or accounting personnel who may not be integrated into the performance improvement business unit.</td>
<td>Validation requires dedicated personnel. Companies must involve accounting and financial personnel within performance improvement divisions to track financial benefits in addition to operational people with the proper technical knowledge to determine accurate savings. Management should take an active role defining how and when to validate savings, including who does the validation. Auditing validation techniques will help establish consistent and repeatable methods.</td>
</tr>
</tbody>
</table>

“Responsible, proactive and innovative decision making can keep the focus on sustaining achieved benefits. Continuous improvement must be diverse and productive over time as conditions change.”

Andy Brooks, CEO, Flint Transfield Services
### Inconsistent reporting of cost savings

**Description:**
External communications, such as corporate annual reports, are known to describe performance improvement programs but do not report savings adequately. This may be due to inconsistent support for the tracking and reporting of savings and limited resources or capabilities in place, leading to confusion internally in what the performance improvement program has actually achieved. Differences in what is tracked between teams or areas can also create internal confusion.

**Recommendations:**
Management should ensure that external communications are a direct reflection of the current state of a performance improvement program. Accurate reporting of the savings will help foster a stronger culture and understanding of the program. A developed process for communication and reporting can also deter dishonest behavior communicating unfair or untrue results. Consistent reporting and communications of savings should be seen both internally, as well as communicated through annual reports and investor presentations to ensure and establish consistency.

### Credit for savings

**Description:**
Identifying the appropriate person or individual to report performance improvement program savings is also a challenge. Without addressing this issue head-on, resistance against the program can develop.

**Recommendations:**
Challenges and resistance can be developed within teams around who should report savings. A clear understanding of who captures and reports the savings must be clearly articulated in advance. Outlining the governance around reporting, whether owned by the team that completed the improvement or a centralized team that compiles all improvement information and reports for the entire firm, is necessary to make sure teams do not feel as if they are not receiving the proper credit or awareness for the hard work and significant gains they have made.

“Performance management can bring benefits throughout the project lifecycle – from design through to construction and operations. Realizing the potential of these benefits represents the added value which firms can capture incrementally throughout the delivery model. The improvements in results that are possible supports leadership with greater likelihood of success in terms of risk, cost and time management.”

Robert J. Beekhuizen, VP Construction, Fluor Canada Limited
A major obstacle in ensuring a workforce is both aware and up-to-speed on their company's performance improvement program is a lack of support from all levels of management. Upper management must set the tone from the top, and this must trickle down throughout the layers. Leading by example goes a long way in motivating employees.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Description</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance improvement is not emphasized in company strategy</strong></td>
<td>Tying performance improvement to company strategy is surprisingly uncommon despite the direct correlation between a successful strategy and performance improvement program results. If performance improvement is not tied to strategy, upper management is more likely to halt the program as it may not align with business goals.</td>
<td>Given that performance improvement programs are generally adopted companywide, they require a direct link to the strategic objectives of the company. Inclusion of performance improvement as a key strategic item can help build support for the program itself and acknowledge it as a key strategy for the organization moving forward.</td>
</tr>
<tr>
<td><strong>Insufficient guidance on management involvement and requirements</strong></td>
<td>There is insufficient guidance on how managers should interact with a performance improvement team and when they should be present throughout the program process. In what capacity to involve middle management is also unclear but necessary to resolve to avoid roadblocks to decision-making and change management throughout the program.</td>
<td>Clear expectations for management involvement must be established before a performance improvement program begins, including what the program will mean for managers and how they should interact with project teams.</td>
</tr>
<tr>
<td><strong>Confusion at the employee level due to management misunderstanding</strong></td>
<td>Limited support for performance improvement at the management level can lead to challenges at the employee level. Employees to be affected by a performance improvement program need strong guidance and leadership in order for the program to be successful.</td>
<td>Employees must be engaged and managed throughout performance improvement programs in order for them to reach their full potential and create cost savings. Effective guidance also helps alleviate misunderstandings. To avoid this challenge, companies can implement management and leadership training to better understand how they can lead teams throughout the process.</td>
</tr>
<tr>
<td><strong>Limited or insufficient incentives</strong></td>
<td>There are few incentive programs in place to motivate the successful application of performance improvement program results, yet firms that employ a reward system demonstrate greater success rates.</td>
<td>Management needs to consciously provide positive feedback so the workforce feels it is recognized for good performance. Tying employee rewards to performance improvement projects can lead to more successful completion rates and savings. It also provides positive reinforcement for employees who understand the value they bring to the firm and its stakeholders. Companies communicate successes throughout the project that engage teams and maintain momentum.</td>
</tr>
</tbody>
</table>
“Constant management commitment is the number one lever to enable delivery of top-quartile performance via continuous performance improvement projects from my experience. It is analogous to safety performance improvement where lack of management commitment equates to substandard safety performance.”

Charlie Malone, Kurdistan Development Manager, Talisman Energy Inc.
Improper governance of key projects can be devastating to midsize and junior companies because the impact of higher costs or delayed cash flows is orders of magnitude greater than that for major companies. However, the key for smaller companies is to find fit for purpose processes that provide the right balance of control and governance without stifling speed and flexibility — typically an advantage of smaller organizations.

Shane O’Leary, COO, Gran Tierra Energy Inc.
A governance structure needs to be established and rolled out with the program and each level of the governance structure has specific roles, responsibilities and authority levels. There also needs to be a linkage on how this relates to the firm's organizational hierarchy governance structure to tie each element in and ensure employees are not confused. The interaction points at each level need to be understood and aligned. Failure to provide proper governance can cause a series of unwanted challenges.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Description</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undeveloped and unclear governance structure</td>
<td>Many projects are built without a governance structure or one that does not enable effective project success. It's often the case that management does not have a comprehensive understanding of the policies and guidelines that should be put in place, as well as the resources and authority levels that should be developed.</td>
<td>Management must develop and articulate a governance structure that clarifies who will make decisions throughout a performance improvement program, along with when and how. This must be communicated to individuals at the executive and front-line level who each have a role to play.</td>
</tr>
<tr>
<td>Misunderstanding of governance</td>
<td>Many projects span across several company areas with multidisciplinary project teams, and yet governance is not well understood by all the necessary individuals. There is a limited understanding across organizations that performance improvement governance is distinct from organizational governance. This can lead to miscommunications that cause project delays.</td>
<td>Members of performance improvement teams must understand that project governance may not directly tie to organizational governance. Companies should develop a set of governance policies over how to pick and prioritize performance improvement implementation activities and the allocation of resources. This may be tied to a functional team or a steering committee.</td>
</tr>
<tr>
<td>Empowerment to make decisions</td>
<td>Individuals involved with performance improvement projects may have limited empowerment to make decisions related to their project. Involvement of senior management as a decision maker in all cases can have a dramatic effect on the project.</td>
<td>Decision-making authority should be clearly stated in the roles and responsibilities for a project, including how employees are empowered. Empowerment can be as simple as having a website or email address that enables everyone across the organization to submit ideas and suggestions for improvement. Teams can develop an executive and leader guide on project decision making and deployment that shows where they fit, necessary leadership training and important items.</td>
</tr>
<tr>
<td>Governance causes increased cycle times and waiting</td>
<td>Decision-making, if not made at the correct level or clearly understood by the decision-making party, can increase the time it takes to receive approvals.</td>
<td>Establishing an escalation process along with measures to monitor and track approval times can help to mitigate delays or identify where they may be occurring. Clarifying approval processes, guidelines, standard documentation and timelines can ultimately help create a more streamlined process.</td>
</tr>
</tbody>
</table>
Insufficient sustainability of achieved benefits

Even if a performance improvement project has full awareness and support, the benefits are understood and the implementation is properly governed, the positive results from the project must be sustained. Too often projects are implemented with good intentions, but a company falls back into old habits, thereby negating the intended benefits.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Description</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited culture of sustainability</td>
<td>Sustainability is a mindset that requires discipline at both the management and employee levels. Neglecting to sustain a program wastes a large amount of resources, time and cost.</td>
<td>Performance improvement programs must be sustainable and repeatable. Management must understand that it needs to have a direct involvement in building a culture, guiding, communicating and providing the project teams with tools to help build a culture of sustainability.</td>
</tr>
<tr>
<td>Insufficient tools to maintain sustainability</td>
<td>Sustaining performance improvement program benefits takes work and persistence. But too often companies are not equipped with tools or techniques to aid in the sustainment process.</td>
<td>Companies can take steps toward reinforcing and maintaining a culture of sustainability by communicating how the program is evolving and what it can mean now or a year later. Creating an employee suggestion program is another method companies can undertake by designating an individual that will be responsible for providing immediate feedback to the employee who submitted a suggestion.</td>
</tr>
<tr>
<td>Inadequate communication of project results</td>
<td>There can be little incentive to continue communicating the results or benefits of performance improvement once the program is complete. As a result, employees may become unaware of what their work or the work of their colleagues accomplished. This can have severe consequences on buy-in for future projects.</td>
<td>Communication is integral to building a culture of sustainability over the long term. Internal communications is an effective tool to motivate ongoing change throughout an organization. Managers must translate their program’s success into meaningful, and easily understood, metrics that resonate at all levels of their workforce.</td>
</tr>
<tr>
<td>Limited incorporation of change management</td>
<td>Change management is important before, during and after a PI program is in place. There are best practices around change management, but these are often de-emphasized in favor of pushing ahead with project activities.</td>
<td>The company needs to support and put in place the resources, tools and communications to support strong change management for PI projects. This includes support for innovative and out-of-the-box thinking, which can be developed with these types of programs.</td>
</tr>
</tbody>
</table>

“Performance management is crucial to any organization and valuable to not only measure performance but establish governance, and ensure the right outcomes are achieved through desired actions and behaviors. Applying performance management will enable us to understand opportunities for enhancement and effectiveness; while empowering staff to execute on these, building a culture of excellence and increasing our stakeholder confidence. On the other side of the coin, it provides confidence to the regulator, in firms when they themselves have performance management programs.”

Tristan Goodman, VP Strategy & Regulatory Development, Alberta Energy Regulator
Developing a continuous improvement program is a journey — and one that takes time. Though wins may be captured along the way, it’s important to remember that performance improvement is a timely step-by-step process. Companies must remain focused until the end. That means to not lose sight of long-term goals and strategies in exchange for short-term payoff, especially in a fluctuating market and oil and gas price environment. Sustainable changes lead to long-term savings.

Many of the key successes for performance improvement programs evolve in their nature as companies work through each of the levels of program development. Bear in mind where your company started from and where you want to be in the future. Companies should consider where they fall on the performance improvement maturity model referenced below. The model outlines each of the five levels of program implementation and describes the expected evolution of an organization as it progresses through the levels. Understanding your objective can help focus teams on what they need to accomplish.

In today’s increasingly complex and global world, oil and gas companies face a variety of new challenges stemming from tighter regulations, growing sustainability and environmental awareness, complex operations, geopolitical risks, and partnerships and joint ventures. High-performing companies will be those that can manage the complexity of all these forces by simplifying, streamlining and continually improving their processes. Performance improvement comes down to supporting efficiency, cost-effectiveness and shareholder value.

“How leaders decide to execute continuous improvement within their organization is a critical decision. Mandating use of a single methodology is an option and will certainly deliver results. Another strategy is to consistently and visibly support an improvement mindset and to support employees with a fit-for-purpose suite of methodologies and tools to help develop and execute their improvements. Suncor is finding that sustainable improvement can be achieved through mindset versus mandate.”

Pat Stevens, Director – Manufacturing & Production Analysis, Suncor Energy

Developing a continuous improvement program is a journey — and one that takes time.
A successful performance improvement program requires companies to understand and overcome common challenges by thinking thoughtfully and employing a variety of tactics. Though many tactics are problem-specific, we have also identified a set of common critical success factors that companies should keep in mind.

1. **Strategy integration**
   Linking performance improvement programs to an organization’s business strategy is an important step in helping employees understand how the program’s objectives support the company’s vision. If leadership and, consequently, strategy do not align with performance improvement, a lack of support or priority placed on the program will follow.

2. **Management involvement**
   Management must understand the value, concept, tools and their responsibility within any performance improvement initiative, whether through training, leading by example or clearly communicating governance structures, to support the program’s success.

3. **Communication**
   Developing a communications plan and process that distributes essential information relating to a performance improvement program throughout a company’s workforce is an important factor in ensuring success. Equally important is a company’s ability to communicate necessary information about the program to external stakeholders, such as vendors, suppliers and joint venture partners.

4. **Industry-specific training**
   Materials and communications should be created in a way that the business can relate to them (i.e., by using oil and gas examples) for employee and leadership training. Using language that employees can relate to will support faster understanding, adoption and buy-in.

5. **Simple and flexible concepts**
   Concepts described in the materials should be kept simple to support adoption by the business and changing needs. Avoiding jargon and focusing on concepts and messaging that are easily understood are important considerations to avoid employee confusion when developing new materials.
6. **Tracking and monitoring**

Tracking, monitoring and validating performance improvement efforts ensures companies are receiving an up-to-date and accurate measure of their program’s success. Having this information on hand means companies can take action and focus on areas that are less successful within their program.

7. **Transferable material**

Material should be created in a way that can be easily shared throughout an organization. Making content accessible enables employees to better educate themselves on the program.

8. **Oil and gas experience**

Teams undertaking a performance improvement program in the energy sector require a necessary set of skills and experience, as well as a thorough understanding of the sector. Understanding issues specific to the sector better equips teams to create viable solutions.

9. **Local teams**

Hand-in-hand with developing teams with oil and gas experience is ensuring that the team includes individuals with on-the-ground experience in that market who can provide local context.

10. **Employee development**

Certification is tied to employee development and promotion throughout the company. It’s important to build a structure whereby employees understand the performance improvement development ladder, are recognized for reaching certain capability levels, and have a structured skills development approach.
How EY can help
Our approach to performance improvement success

Our robust methodology
With our deep understanding of the oil and gas sector, we offer a complete end-to-end performance improvement transformation approach that spans both the up-front identification and diagnoses of opportunities through to design delivery and sustainment of those opportunities.

Our approach can support oil and gas clients in the overall program and program deployment or specific one-off initiatives in particular business areas. We offer process-led transformation programs; fulsome program development and improvement; stand-alone process projects focusing on a particular process, function or issue identified; and process work streams within a program. We recognize that one size does not fit all and customizing our approach in the early stages of an engagement is critical to success. We also support the building of internal client capabilities through coaching and employee development programs and the monitoring, reporting and control of programs overall.

Creation of the process enterprise
Process improvement accelerators
Capability build
Program and change management
Contact us

Lance Mortlock
+1 403 206 5277
lance.mortlock@ca.ey.com

Jil Macdonald
+1 403 206 5271
jil.macdonald@ca.ey.com

Steve Demers
+1 403 206 5203
steve.demers@ca.ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

How EY’s Global Oil & Gas Center can help your business
The oil and gas sector is constantly changing. Increasingly uncertain energy policies, geopolitical complexities, cost management and climate change all present significant challenges. EY’s Global Oil & Gas Center supports a global network of more than 9,600 oil and gas professionals with extensive experience in providing assurance, tax, transaction and advisory services across the upstream, midstream, downstream and oilfield service sub-sectors. The Center works to anticipate market trends, execute the mobility of our global resources and articulate points of view on relevant key sector issues. With our deep sector focus, we can help your organization drive down costs and compete more effectively.

For more information about our organization, please visit ey.com.

© 2013 EYGM Limited

SCORE DW0294 CSG 1126967
ED 0114

The views of third parties set out in this publication are not necessarily the views of the global EY organization or its member firms. Moreover, they should be seen in the context of the time they were made.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

You can also connect with us using social media: