Developing a culture of employee development and on-the-job coaching
Has the traditional performance review outlived its usefulness? For years, annual reviews – the “rate-and-rank” process that served as the foundation for merit pay increases, bonuses and promotions – have served the oil and gas industry well. But some human resources executives across the sector are beginning to view the process as too formal and inflexible, especially for younger workers.

Millennials – the generation born between 1980 and 2000 – already outnumber baby boomers in the overall workforce. That’s not quite the case yet in oil and gas: a 2014 study by the Independent Petroleum Association of America found that 71% of the industry’s workers were age 50 or older. But time stops for no one, and the number of baby boomer employees in oil and gas will continue to shrink in the years ahead, driven in part by early retirement packages offered by companies struggling to survive in an ongoing low-cost environment.

The impact of this demographic shift – often referred to as the “great crew change” – is already being felt at many oil and gas companies. If your office is in the C-suite, you may not interact regularly with younger employees. But your frontline managers do, and they increasingly recognize that the old ways of working often don’t sit well with millennials, especially when it comes to performance management.

What do millennials want?

Multiple studies and surveys show that millennials prefer frequent and informal feedback from supervisors over a once-a-year structured and often uncomfortable appraisal. Timeliness is critical; millennials have grown up in a world where personal technology is ubiquitous and communication is instant. To a young worker, it makes no sense to discuss how a major project was handled months down the line, during a formal review. Why not have that discussion now?

In general, millennials are hungry for ongoing dialog and coaching, and are more willing to accept constructive direction if it is given out in small doses where they can make adjustments along the way.

They also value the opinion of their peers, perhaps as much or more so than that of their supervisors. Most millennials prefer working in groups and seeking consensus to solve problems or complete tasks, rather than operating independently. Thus, being accepted and recognized as a team player is critical to their overall job satisfaction. This requires feedback from the peers they work with regularly, yet the 360-degree appraisal process in place at some companies is rarely satisfactory, since it is too infrequent and cumbersome.

Given the differences in work styles and preferences between baby boomers and millennials, it is little wonder that the annual performance review leaves young oil and gas workers feeling disengaged. And given their rapidly rising numbers across the industry, this is a serious issue that needs to be addressed.

If the old performance management system no longer works, however, what should take its place? For C-suite executives and human resources professionals, there are no off-the-shelf answers.
New approaches to performance management

To address the issue, some oil and gas companies are experimenting with new approaches to performance management. Today, there are multiple different flavors to this experimentation, with companies trying different tactics to see what works and what should be discarded.

However, there are some commonalities that we’ve seen. For example:

- Companies are separating the performance review or appraisal from compensation. The first step in this process is often the elimination of formal ratings, where an employee is graded on a numeric scale and then given an annual raise or bonus based upon that number.
- Human resources groups are encouraging more frequent and less formal performance discussions between supervisors and employees. This requires ongoing communication and training to confirm that supervisors understand how to give meaningful feedback immediately after a project or assignment, and how often to sit down with employees for more in-depth performance discussions. Some companies encourage monthly check-ins, others less frequently. But the trend is to allow the supervisor and his/her employees to set the tempo, rather than dictate a schedule and force compliance.
- Supervisors aren’t required to document every performance discussion. The goal is frequency and immediacy of feedback, not creating a file that will follow an employee indefinitely.
- Companies are testing new technologies that allow supervisors and peers to quickly assess and communicate performance. Sending a sentence or two of positive feedback or direction via an Uber-like app, for example, allows communication to flow continuously — in real time — without the need for a formal appraisal document. It also allows the recipient to respond immediately and ask for clarification if needed. A number of these apps — and there are many vendors pushing into this space — allow employees to quickly and easily rate a peer or even a manager's performance, much as you would rate a vendor on eBay or a purchase on Amazon.

The right technology can help

The use of technology in providing timely feedback can be a double-edged sword, especially when those systems are open to peers and internal customers. While feedback apps facilitate instant communication, they also have the potential to create difficulties when used to criticize an employee's performance or work habits. The good news is that there are a number of tools already on the market that incorporate sentiment or text analysis software to block overly negative or abusive comments or to flag comments for review by a supervisor or administrator.

Another key element surrounding feedback technology tools is that they must be designed — from the ground up — for mobile use. That means simple interfaces and few clicks. No one wants a clunky app that is difficult to use; the whole idea is to make it easy to create and post feedback — on the go, in real time.

The growth in human resource-related technology is creating its own challenge because the rapid pace of innovation makes it difficult for human resource professionals to stay on top of new offerings. At the same time, it also shows us that feedback and response apps and tools are here to stay, and most will be integrated with goal-setting software if they aren't already. If your company is not investigating how technology can help redefine performance management, you are falling behind.
Opportunity for advantage

Finally, as with any cultural change, buy-in and support from the top are critical. But some executives may be hesitant to upend a system that has worked for so long. Winning them over may require time and effort on the part of the human resources team.

At the same time, smart oil and gas companies are seeking innovative approaches to keep employees engaged, especially as overall merit budgets have shrunk in response to low prices, and this is clearly an emerging trend. In today’s environment, a management team that is focused on employee coaching and development, rather than rating and ranking, provides a distinct competitive advantage, as does a workforce that is more fully engaged.

The key for companies eager to change the paradigm of performance management is to think through a strategic approach, test a number of elements and tools, and determine which ones provide the most value. The end result will be an enhanced culture of communication and more responsive, more productive employees.

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