Analytics-fortified talent management
The new strategic role for HR in oil and gas

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In PwC's 14th Annual CEO Survey, 83 percent of chief executives stated that their companies need to change their talent management strategies in order to remain competitive. However, only a minority feel they have the human resource (HR) information they need. The challenges and opportunities for HR are profound: at the same time that demand for talent is growing, companies face shrinking talent pools due to competition for talent from non-traditional sources, contingent workforce needs are becoming more complex, and Baby Boomers are retiring in large numbers. In this competitive reality, HR is shifting from a back office function to a new role as key strategic partner at the heart of a company's competitive advantage. In this point of view, we look briefly at this changing HR mandate in oil and gas: the industry's talent management challenges and how analytics can help surmount them.

The strength in numbers

Analytics has come of age in human capital management. It provides an organization with empirical evidence to determine which HR strategies are driving business results and which are which are holding them back. Reducing employee turnover for highly in-demand positions is an excellent example. Turnover is a costly issue in every industry, and especially in oil and gas. According to data from PwC Saratoga, the average cost of recruiting and training a new engineer can be between one and one half to twice his or her annual salary, on top of the efforts to identify the resource to begin with. If organizations are not able to retain this talent long enough to make the investment worthwhile, in other words if large numbers of employees voluntarily leave before approximately two years, the financial impact can be significant.

Often, discovering the root cause of turnover relies on qualitative inputs such as exit interviews. Although HR may have some hard data available, it is often incomplete and/or housed in disparate systems. The company rarely has a powerful means to capture critical data and glean meaningful insights for enterprise-level interventions. Innovative analytics provide those insights. Internal and external data can be combined and subsequently analyzed to reveal trends that pinpoint where challenges may lurk. For example, analytics can potentially identify whether higher salaries from competitors are driving the turnover. Or it can identify managers under whom turnover is above average. It can also diagnose issues in the hiring process including the overall onboarding experience.

Perhaps more important than even turnover, analytics can support an oil and gas company's ability to develop and deploy its' people much more quickly and effectively. Focused talent management, fortified by analytics, is at the heart of improved company performance.

Talent management for performance

Technology and analytics can also help you better manage your talent programs. In the oil and gas industry, it can take from approximately five to seven years for a newly minted engineer or geoscientist to become fully 100% autonomous (they can be productive in about 2 years—autonomy is much more important due to the potentially large financial impact of the decisions that they make and the consequences of getting these decisions wrong). If the company can accelerate the time to autonomy or even productivity, the impact can be significant. To achieve that impact, the HR organization must help the business or operating units understand how different assignments, career paths and professional development programs can disproportionately accelerate individual skill and the impact on employee capabilities. For example, an organization could focus rotations on completions to determine if such a focus improves results more than a different rotation formula. It can also experiment with different training programs offered at various career stages. Or the company can experiment with mentoring programs. In these and other cases, access to enterprise-wide data and insights is critical to understanding the myriad cause and effect relationships that drive organizational performance.

Succession planning is another example. Historically used for leadership positions, succession planning is now being used to develop bench strength in key technical and functional roles within an organization. As baby boomers retire, for example, oil and gas companies should know as soon as possible, where they need professionals at the ready. If a company simply reacts to each retirement, salary costs will mount as the company is forced to recruit more costly and experienced talent instead of developing it on its own. Likewise, financial conditions may either accelerate or decelerate retirement decisions which can have a significant impact on workforce planning and costs.

The training dimension

HR Technology and analytics are also proving valuable in determining the right training for employees, as well as helping store and deliver training, which can focus training costs on the right things. By being out in front of the challenge, companies can also leverage economies of scale such as regular regional training sessions, or even social media and informal video “how to” segments to reduce travel costs and address training needs on a near real time or just in time basis. The advent of secured internal social media capabilities has greatly enhanced the ability to facilitate these “non-traditional” learning opportunities. Companies can also allocate professional development resources to create online programs either through these venues, or others that are focused on the most critical areas including those where certification is required.

Everything from unconventional employee development to shrinking talent pools is forcing oil and gas companies to change their talent management strategies. HR has a formidable role to play by becoming a strategic partner to the business through effective talent management. The ability of HR to meet that expectation is, as they say, all in the numbers.

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