

# British petroleum performance management methods



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BP p. l. c is a multinational oil company headquartered in London, United Kingdom. They're the third largest oil company in the world, and the fourth largest company worldwide measured by revenues (CNN money. com). Employing over 78, 000 workers around the world, BP's Human Resources play a very important role in the company achieving success. BP recognized this and in 2010, BP's executive team agreed a high-level philosophy covering their required practices of performance management as well as a set of guiding principles for rewards, in order to monitor performance and best motivate employees to reach objectives. In hope of achieving individual success as well as team success. Performance Management is a process which enhances the " effective management of individuals and teams" to achieve high level of organisational performance (Armstrong & Baron, 2005). When not used effectively, there can be many issues with performance management practices and this is why BP executives have chosen to publish this philosophy for senior employees to refer to.

Organisations need to be committed to the effective management of individuals and teams in order to achieve high levels of organisational performance (Armstrong, 2008). BP does recognize that its high organisational growth and market share is due to employee's great performances. Striving for a performance-driven culture, with a clear alignment between team performance, individual performance and bonuses that are received.

Giving a very clear sense of purpose to performance management and reward, each BP business has a plan designed to accomplish elements of the groups overall strategy. BP used this to try and gain a competitive

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advantage, as publically they state on their website ‘ to attract and retain the best people, we offer competitive reward packages.’ This clarifies they are aware of the importance of their employees and although their practice of performance management isn’t mentioned, it’s what goes on in the background to make sure rewards are used effectively. BP addressed three parts to their philosophy, covering: what reward and performance management do for BP; explaining why reward and performance management are important and finally talks about what rewards should do for employees that receive it. By setting out these three parts of their philosophy BP was able to make it clear to senior employees how to effectively use performance management and rewards. Therefore it was used to support the behaviours BP values by recognising their commitment to safety, respect, excellence, courage and one team while motivating employees to contribute fully towards team and business goals.

Furthermore, by spelling out the relationship between reward and BP achieving their ultimate goal, rewards act as a service towards the creation of a long-term value for shareholders. As BP believe in commitment to performance management, reinforced by performance - related reward this helps their employees to grow and develop to their full potential.

BP continued on with this philosophy by setting out six reward and performance principles to set the direction for their reward and performance programmes. Firstly, a performance principle, stating how rewards need to represent performance at group, entity and individual level. Second was a values principle that made it clear that rewards should reflect personal

commitment to BP's values and behaviours so that how we work is as important as what they deliver.

Furthermore they introduced a competitor principle, showing they aim to be in line with the market in overall terms, but not at cost of identity. With plans to fit their business, not a generic market norm. The fourth principle was related to people's beliefs, puts reward into the context of other reasons why people would want to work for BP, such as the diverse and inclusive environment they offer, as they stress rewards should be complimentary to goals and mustn't drown them out. Additionally, the fifth principle was leader responsibility, stating more senior employees must have a smaller proportion of fixed pay and a higher proportion of performance-related pay, as well as having more of their pay tied to the value of BP's shares. This links directly with the employee share ownership trust (ESOT), which is a program that facilitates the acquisition and distribution to a company's shares to its employees through trust accounts. The final principle links to their goals, outlining that rewards should be tied to BP's ultimate goal of creating long-term value for shareholders. This is achieved through share-based reward and opportunity to participate in Global share match programmes. Therefore as they achieve their goal, maximising long-term shareholder value, employee shareholders benefit in exactly the same way.

BP's practice of performance management has been quite effective with employees as BP continues to be one of the top companies to work for. Their very detailed philosophy allows this to be possible; giving a basis for senior employees to follow throughout all of BP's businesses. In addition to base pay, employees are rewarded according to how well they perform against <https://assignbuster.com/british-petroleum-performance-management-methods/>

specific objectives that must be clearly linked to the goals of the whole team. Specifically in the case of BP, in the oil industry environmental performance can be quite an important aspect of the performance appraisal and promotion of senior managers.

Performance appraisal was a term once associated with a rather basic process involving a line manager completing an annual report on a subordinate's performance and discussing it with him or her in an appraisal interview. (Fletcher, 2001, pg. 473) Performance Appraisal was traditionally only for managers and even the most senior managers were rarely appraised. Now, appraisal schemes have embraced all levels within an organisation. Armstrong and Baron (2005) found in a UK survey that 87% of organisations surveyed operated a formal appraisal scheme with fairly wide coverage, an increase of 30% compared to their survey they conducted seven years earlier. With the increase of organizations making use of performance appraisal has come the development of new techniques.

Firstly, one that BP has chosen to adopt is the 360-degree appraisal method. This appraisal method has developed as organisational structures have become more flexible no longer reporting to one line manager. In BP, peers and team members review leaders' performance with the help of a 360-degree feedback tool, identifying their top three relative strengths and weaknesses. These reviews are then combined as a report. Individuals being considered for senior positions undergo a thorough external assessment to provide them with a detailed personal development plan to help them achieve success in their new roles. I believe BP has made very good use of this system as the multi-source feedback tool allows employees to receive

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feedback from numerous employees from various different perspectives. This is an effective way to motivate employees to continue to achieve their goals as it tries to remove the problem of individuals being hurt by too much negative feedback. Employees are told just as many strengths as they are told weaknesses and therefore they can continue utilising their strengths while trying to improve their weaknesses. Although as well as BP has made use of this appraisal method, there are other factors that affect its effectiveness. The employees' personality can play a big role; if their initial reaction to the feedback isn't positive and there's no perceived need for change then this can have a detrimental effect on performance improvement that might've resulted from this multi-source feedback.

The second appraisal method BP has adopted is the balanced scorecard (BSC), developed by Kaplan and Norton (1996) as an alternative to traditional accounting perspectives on organisational performance, can be used as a basis of individual performance management. Much in common with the 'best value' approach developed in the public sector, it suggests that HR managers measure performance information regarding the senior employees with a more comprehensive view of key performance indicators. Attempting to judge performance along a range of criteria, which usually include: financial measures of outputs; the value of outputs as seen by the customer; co-workers and other stakeholders; individual productivity and associated costs; and measurements of learning and growth. Armstrong and Baron (2005) note that the reason such large organisations tend to adopt these multi-faceted approaches is because of the increased resources companies such as BP have to carry out schemes such as the balanced

scorecard. It allows BP to easily communicate their strategy to employees as they create a strategy map, which is used as a clean and simple visual aid to help employees identify key goals and enables employees to see how objectives affect one another. These make it possible to align departments and divisions within BP, linking with their philosophy the BSC structure helps to link critical objectives of all of BP's businesses with the overall objectives of BP, creating long term value for shareholders. With the focus on individuals this method shows individuals how to align their goals across the organization. Allowing employees to see how they can connect what they're doing to the improvement of the team and BP as a whole. The problem for BP using this scheme is that it can be a very overwhelming and complex structure, requiring very strong leadership support. It required a total overhaul for the way things were managed, leading to confusion amongst numerous managers, resulting in managers just finding performance management time consuming and therefore don't take it seriously.

Although BP has taken a very strategic approach to their performance management practice, many issues in pay and performance management have been central to employee relations. Ethics play a big part in employee relations and therefore need to be a main focus of a performance management practice. There are a number of ethical principles that I would recommend BP introduce into the design and operationalization of the Performance Management System. The first is to do with respect, including respect for the individual as well as a mutual respect. The first way this is achieved is by giving all stakeholders in the firm a 'voice' to be able to define organisational strategy and objectives in order to ensure mutual gain.

By giving employees a voice it leads to increased job satisfaction as employees feel included when they are listened to and can lead to them being more motivated to go that extra little bit in order to achieve objectives. Mutual respect is achieved by making sure that inevitable conflicts of interests with BP are reconciled. This will allow for a high morale in the work place allowing for employees to focus on their own goals without worrying about other conflicts going on around them.

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