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What are the Relationships Between Job and Organizational Tenure, and Job Performance?

Abstract

A pressing issue for companies with a strong focus on internal development is maximizing employee performance within a given role before the employee moves into a new position. Further, companies may seek to understand when the performance impact of firm-specific skills is greatest. Job and organizational tenure are some of the most readily available metrics organizations have for their employees. Yet the relationship between tenure and performance is not always clear. Two contrasting theoretical approaches underpin this relationship. Human capital theory suggests that performance should improve over time, because employees accumulate job experience, which provides them with more knowledge, skills, and abilities to apply to their work. In contrast, motivation and job design theories suggest that greater time in a role reduces employee motivation and engagement, resulting in poorer performance. Here, we will examine some findings on the connection between tenure and performance, with an emphasis on job tenure, and apply these conclusions to the unique circumstances of the oil and gas industry.

Keywords

human resources, performance management, retention, organizational tenure, job performance, performance management

Comments

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EXECUTIVE SUMMARY

RESEARCH QUESTION

What are the relationships between job and organizational tenure, and job performance?

INTRODUCTION

A pressing issue for companies with a strong focus on internal development is maximizing employee performance within a given role before the employee moves into a new position. Further, companies may seek to understand when the performance impact of firm-specific skills is greatest. Job and organizational tenure are some of the most readily available metrics organizations have for their employees. Yet the relationship between tenure and performance is not always clear. Two contrasting theoretical approaches underpin this relationship. Human capital theory suggests that performance should improve over time, because employees accumulate job experience, which provides them with more knowledge, skills, and abilities to apply to their work. In contrast, motivation and job design theories suggest that greater time in a role reduces employee motivation and engagement, resulting in poorer performance. Here, we will examine some findings on the connection between tenure and performance, with an emphasis on job tenure, and apply these conclusions to the unique circumstances of the oil and gas industry.

KEY UNDERSTANDINGS

1. Tenure is a practical but imperfect measure of job performance

Research has shown that *time*, in and of itself, is not as strong of a measure of performance as the *amount* of experiences one has, i.e. the aggregate number of tasks within a given job.¹ Nevertheless, the ease of using time as a variable has made it a practical substitute for more accurate constructs, and the focus of many studies.²

2. Job tenure is arguably related to performance, but only with complex jobs

Two of the most comprehensive studies to look at the relationship between job tenure and job performance are somewhat contradictory. A 2013 meta-analysis on this topic determined that job tenure is largely unrelated to core task performance, as measured by subjective performance assessments.³ However, the study did not give ample consideration to job complexity, per se. Controls for job type looked at three different groups: administrative and manufacturing, sales and customer service, and managerial jobs; all three had little-to-no relationship.

A 2003 meta-analysis also found that job performance is weakly related to job experience, overall. However, when considering only complex jobs, job experience was actually related to performance and even increased over time.⁴ This is likely the case because such jobs require more time to acquire proficiency in solving problems and tasks.

A study of open-end equity mutual fund managers in Taiwan provides a more specific example. The authors sought to explain the success of mutual funds by comparing the explanatory effects of job tenure and seniority, which was defined as the length of time an individual had been in the mutual fund industry. Ultimately, tenure was found to be a better predictor of fund performance than seniority. In fact, the impact of seniority tended to disappear after tenure was accounted for.⁵

3. Job tenure is related to innovative behavior

There is a positive, moderate correlation between tenure and innovative behaviors, which consist of idea generation, dissemination, and implementation. These behaviors were evaluated as distinct from core task performance. This relationship suggests that employees who stay in a role longer may become more capable of facilitating and implementing change.⁶

4. Organizational tenure also impacts job performance at both an individual and team level

An individual's organizational tenure is also related to job performance. Meta-analyses on the subject have found that organizational tenure has a positive impact on performance, but at diminishing rates.⁷ More specifically, the impact of this tenure on core task performance is most significant between 3 and 6 years with an organization, and gradually diminishes until about 14 years of employment.⁸

Because performance does not necessarily depend on only one individual's activities, we should also consider the team environment when assessing an individual's performance. A team leader's organizational tenure has been found to have incremental positive influences on employee performance, albeit at diminishing rates. Furthermore, a team's organizational tenure diversity also positively impacts employee performance, such that the more diverse the organizational tenure of a team to which an employee belongs, the better that employee will perform. These effects positively influence team member performance above and beyond the benefits of their own tenure.⁹

5. Employers must consider the impact of lengthy job tenure from employees' perspectives

Since the relationship between tenure and job performance is not strong, spending too much time in one role can hurt an employee's career development. Research remains to be done in this area, but some consequences of longer job tenure may be the loss of desire for career advancement, employees with longer tenure being viewed by recruiters as "less movable," or an actual decrease in job performance.¹⁰ A practice of job rotation can have positive effects on employees' job performance while simultaneously helping employees develop their human capital. Less costly approaches to boosting workplace motivation could include providing short training programs or temporary job assignments.

To retain employees who wish to advance in their careers, employers should negotiate solutions that balance their interest with that of the employee. At McKinsey, for example, associates looking to change roles rank their project preferences. The principals who run the projects likewise rank associates, and the final call is made by senior partners who consider the preferences of both while seeking to develop the associate's skill set.¹¹

CONSIDERATIONS FOR OIL & GAS

The proportion of employees with low career seniority in the oil and gas industry is gradually increasing. In addition, employees who have worked for less than 2 years in their current role account for almost 50% of employees.¹² With a high proportion of inexperienced employees, it is understandable that skills shortages and succession planning for knowledge transfer are a concern in this industry. (See Figures 1-4.)

CONCLUSION

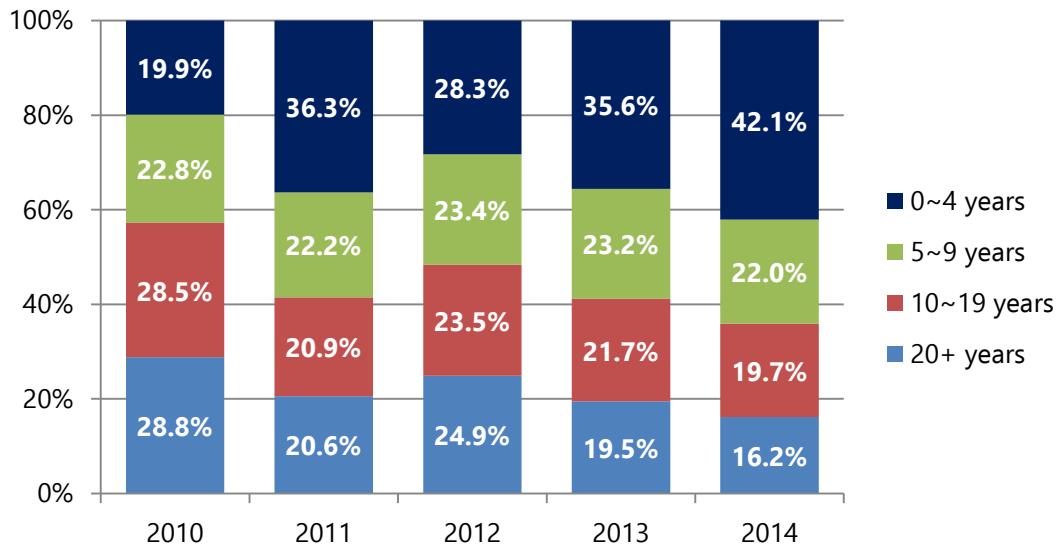
In considering how to approach job and organizational tenure under such circumstances, oil and gas employers must consider that the time spent in a role is not as important as how much is done while in that role. Second, while there is a relationship between job tenure and performance in more complex jobs, jobs must be designed to keep employees motivated and engaged. Further, the employer must consider employee needs concerning career advancement. Finally, companies may consider that the organizational tenure of the team to which an employee belongs, as well as the organizational tenure of the team leader, will impact an employee's own performance and development.

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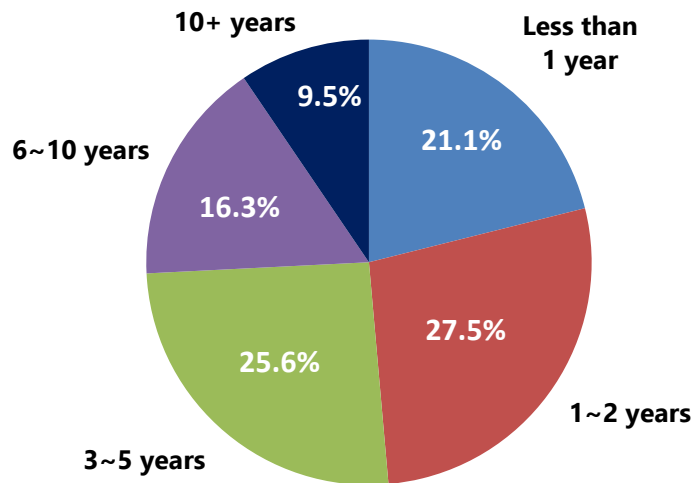
APPENDIX

Figure 1. Years of experience in the oil and gas industry



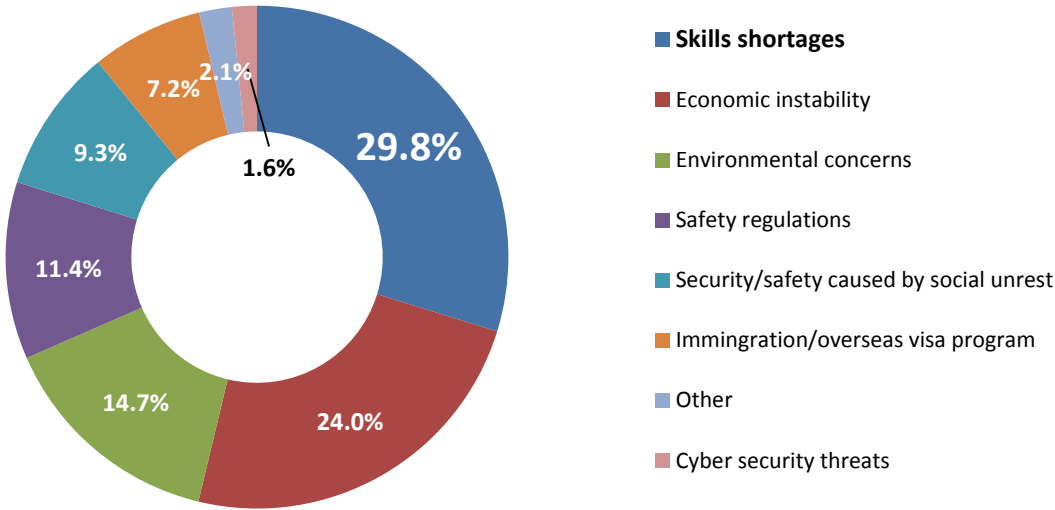
Source: Hays Oil & Gas Global Salary Guide 2015

Figure 2. Time in current role



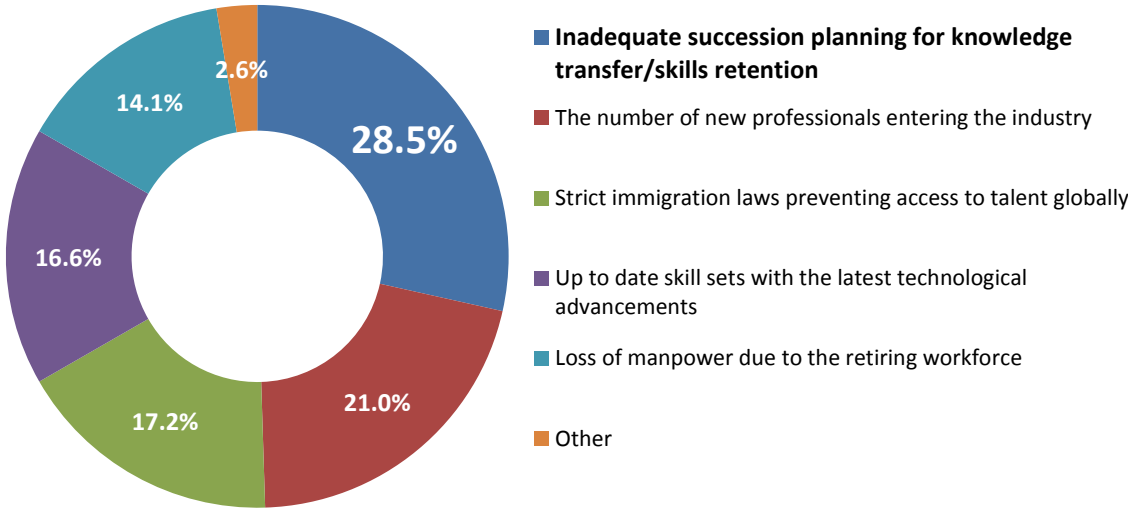
Source: Hays Oil & Gas Global Salary Guide 2015

Figure 3. Employer's concerns in the current employment market globally



Source: Hays Oil & Gas Global Salary Guide 2015

Figure 4. The key cause of skills shortages



Source: Hays Oil & Gas Global Salary Guide 2015