

MOTIVATION: A CHALLENGE FOR OIL AND GAS COMPANIES AN OMANI CASE STUDY

Mansoor Hamood Al-Harthy

*Petroleum and Chemical Engineering Department, Sultan Qaboos University, Oman
P.O. Box 33, Al-Khod, P.C. 123, Muscat, Sultanate of Oman*

mansoor@squ.edu.om

Tele: + 96824141357, Fax: + 968 241354

Recently lots of oil and gas companies have lost many of their employees to their competitors. A shortage of labor skills has emerged in the oil and gas industry. As a consequence of this shortage retaining top performance employees is becoming a major concern for many oil and gas companies. Retention can not be achieved without motivation. This paper addresses the question of what motivates employees in the oil and gas industry? A premium Oman based Oil Company as a case study is investigated. Results show that main factors that motivate employees in this company are good performance appraisal, recognition, empowerment and good supervision style. This study concludes that although money is important in a competitive market environment; however non-monetary factors also play a major role in motivating oil and gas employees than monetary factors.

Key Words: Oil and Gas, Petroleum Management, Motivation, Human Resources Management.

1. INTRODUCTION

The Society of Petroleum Engineers (SPE) usually reflects the most challenging issues that face the oil and gas industry in their meetings and conferences. Couple of years back, a shortage of labor skills was not even an issue to be discussed in the SPE meetings and conferences, however this issue has emerged in the oil and gas industry and retaining top performance employees is becoming a major concern for many oil and gas companies. Recently most of SPE conferences have in their agenda discussions on the shortage of labor skills which really reflect the magnitude and the size of this issue.

Motivation comes from the word move and action. Retention can not be achieved without motivation; in order to retain an employee he needs to be motivated. A key ingredient in to both performance and retention is motivation (Tealdi and Bruni, 2005). A key insight regarding motivation that many managers in the oil and gas companies misses is that motivation comes from self and within. Motivation is not about forcing people to do something; it is about creating the environment where employees will be motivated (Nicholson, 2003). Many managers in the oil and gas companies when asked what motivates their employees and how to retain them always

answer with confidence money, money and money as the only retention factor. It is because of this limited view that many companies are having high turnover rates. Money is necessary but it is not sufficient to retain an employee. An oil company needs to do more than increasing salary, in addition it has more options that are non-monetary and are very effective in order to retain and motivate employees. To show these factors and options this paper addresses the question - what motivates employees in the oil and gas industry?

Before addressing this question it is important to point out reasons of why oil and gas industry is facing this problem. In other words, why motivation is becoming a challenging issue now and what are the recent changes in the oil and gas industry that precipitated motivation to become a challenge? This is discussed in more detail for the Omani market.

2. THE EXTERNAL FACTORS: WHY NOW?

The obvious question is why now? In order to understand why motivation is becoming an issue in the oil and gas companies in Oman, there is a need to understand the recent changes in this industry. A critical analysis shows that there are many external factors that lead to this issue, first, few years back there used to be only one large oil company which is the national Oil company. There was no competition in the market, however with the new government initiative to increase production, now there are many local and international oil and gas companies and a number of related industries entering the Omani market. As the level of competition increased, employees started leaving national companies and even Government employment to these new companies. It is important to indicate that national companies have restrictions on salary increases and can not compete easily with private and international companies. Second, the increased number of local and international oil companies entering the Omani market, meant that shortage of labor skills in the Omani market became more critical. This phenomenon is not only excluded to the Omani market but it is a world wide phenomena. Third, the cost of hiring an Omani with an experience of 10 years is approximately half of that recruiting an expatriate; this increased the demand for the Omani in the local market. All these factors combined have led many employees leaving their employers and hence the issue of motivation and retention has emerged. In

order to know what kind of strategy a company should adopt there is a need to know what really motivate employees in the oil and gas companies.

3. WHAT MOTIVATES OIL AND GAS EMPLOYEES? SURVEY DESIGN

A sample of employees was chosen for one of the oil and gas companies in the country. The name of the company will not be revealed for confidential reasons. The design of the survey was divided into sections with each section focusing on one aspects of motivation.

The first section focuses on what motivates employees in the work place. The objective was to see which factors really motivate individuals in the oil and gas industry and their ranking of importance. Is it really money? And what other factors that might contribute to the motivation of employees in the work place?

The second section concentrates on the role of supervisors; it asks the engineers questions of wither their supervisors understood their needs and if supervisors were a factor in their motivation or de-motivation. Most engineers are impacted by their immediate supervisors and the role of supervisors is essential in motivating them.

The third section investigates performance appraisal and whether engineers feel that the appraisal performance is fair and looks at the effectiveness of feedback mechanisms. This is an important element in employee's career progression and retention. If employees do not feel that they were appraised fairly and did not get the promotion they deserve, this will ultimately create the feeling of undervalued and hence employees ending up leaving the company.

The forth section focuses on empowerment and investigates if engineers were empowered and involved in making key decisions in the organization. An important message a manager need to know is that to loose an employee, you only need to make him feel unwelcome or unwanted. The feeling of isolation creates the need to look somewhere else even if the pay in the company is high. Another dimension to motivate employees is to empower them and make them feel as part of the decision making process and responsible for the decisions made in the organization.

The fifth section focuses on training and development. It assesses the usefulness of the training courses, the importance of continues learning and development and the opportunities this can open for career progression in a company.

The sixth section concentrates on company administration and policy. The aim is to find out if company policies are set and clear. Furthermore, that safety rules are not violated and overall company policies are considered fair.

The last section explores recognition and tries to find out how engineers want to be rewarded and recognized. If recognition needs are not met, then employees have no choice except to look somewhere else where they will be recognized and rewarded for their jobs. Another important dimension is the form of recognition which also matters and top management needs to know which form of recognition will deliver the results. The benefit of this section is that it validates the current practice that are really working and it points out improvement or recommendations that will make the recognition practice more meaningful.

4. RESULTS AND DISCUSSION

The survey was posted online for two weeks; the overall response rate is 60 % which is considered to be really good. The profile for the respondents combined; well engineers, petroleum engineers, exploration, engineering, finance and human resources.

Level of education among respondents shows that 50 % are graduated with a bachelor degree, 24 % possess post graduate degrees, 21 % diploma and 3 % with high secondary certificate as shown in Figure 1.

On nationality level, 65 % of the respondents are Omani and the rest are expatriate coming from different countries. On the gender side, major response is from the male with 93 % and the rest is female. Level of experience in the company shows that 33 % of the respondents have an experience between 1 - 10 years, with a 35 % of the respondents having an experience of 11 - 20 years, 24 % with an experience of 21 -30 years and 8 % with an experience above 30 years as shown in Figure 1.

The first question asks employees to list situations where they were highly motivated. These situations were then grouped into categories such as achievement or salary and benefit packages. Results show that 25 % of respondents rate recognition both formal and informal as the first element that leads to their motivation as shown in Figure 2. The second element is salary and benefit packages with 15 %, with career progression, interesting and challenging job with equal percentage of 9 % and achievement with 7 % as being third, fourth and fifth accordingly. Other important factors are also included such

as learning and development, empowerment, working condition, job security, good work life balance, transparency and respect from superior. It is very interesting to witness that recognition has exceeded salary and benefit packages with a significant 10 % point difference. This result is very powerful in showing that managers should not always assume to know what their employees needs, instead they should ask their employees and conducting a survey is one of the ways to find out these needs. In addition, these results show that non-monetary factors matter much more to employees than monetary factors. Factors such as interesting and challenging job, empowerment, good work life balance and respect requires no investment. Managers need to switch their focus on to these factors as tools to motivate their employees.

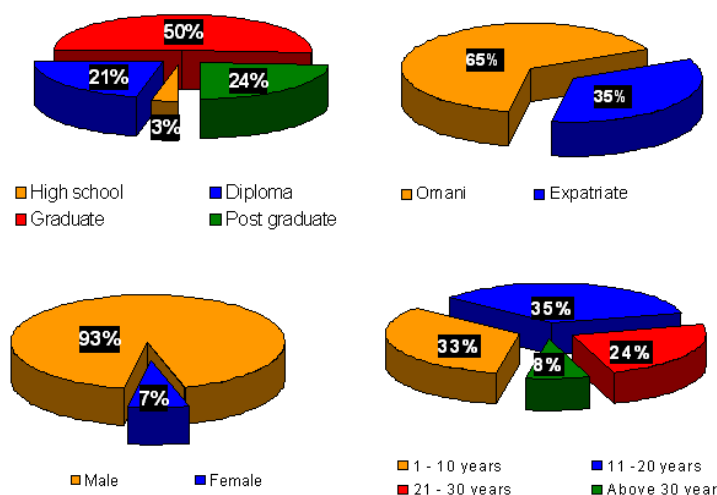


Figure 1. Profile of respondents including departments, education level, gender and years of experience

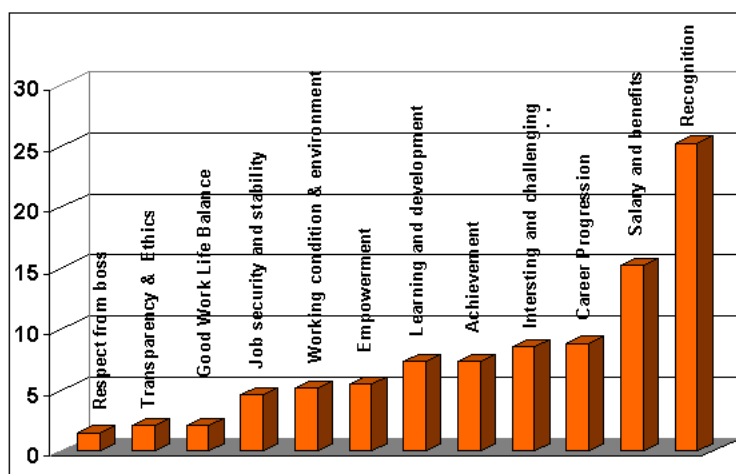


Figure 2. Motivational factors among oil and gas employees

The next question focused on the role that supervisors play in motivating their subordinate. When asked if their supervisor understand their needs; 65 % said yes and 35 % indicated no as shown in Figure 3. On the role of supervisor, when respondent were asked if their supervisor is the main reason for their motivation or de-motivation; 48 % responded with a no and 52 % responded with a yes as shown in Figure 4. These results show and emphasize the role that supervisors play in the oil and gas companies. The nature of an employee in an oil company does not allow him to interact with the outside environment as retailing or sales business, in fact most of the time the employee is interacting with his boss and colleagues. In fact, many recent research shows that employees do not quit company but quit bosses. If the two results are combined, they clearly show that 87 % of the employees believe that the main source of motivation and de-motivation is their boss and also many stress that those manager who do de-motivate clearly do not even understand their employees' needs. Detailed analysis show that those supervisors who de-motivate their employees have the following characteristics in their style; they are not approachable, do not provide access to company information, do not encourage initiative and risk taking, do not give credit for top performer and tend to overlook success and stress failure.

These results stress the need to train supervisor to be better managers and also to be a major source of motivation to their subordinates.

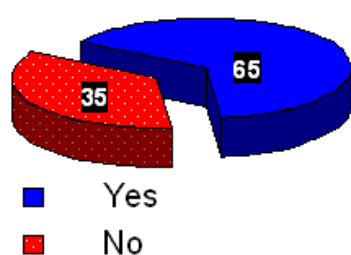


Figure 3. Supervisors understand you need

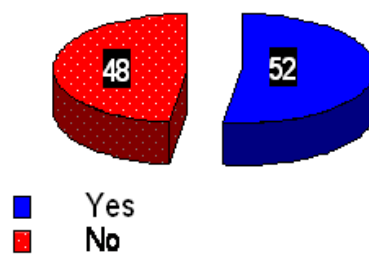


Figure 4. Supervisors main reason for motivation and de-motivation

Generally, positive responses greater than 60 % are good, and less than that are considered weak. Negative responses greater than 20 % calls for immediate attention and less than 10% are considered not worthy. On measuring performance appraisal and

its role in motivating employees, results show that performance appraisal is contributing very high to the de-motivation of employees. This clearly is a weakness in the company that needs to be analyzed and improved. Results show that 55 % sees performance evaluation as unfair, 19 % neutral and 26 % as fair as shown in Figure 5. Results also show that 59 % of employees do not receive quick and frequent feedback. In fact, they have to wait until the end of the year to get their feedback. It is even worst for 43 % of respondents who indicated that even if they receive feedback it is neither useful nor constructive. Finally, when respondents were asked about one of the performance evaluation tools used in the company which is the 360 degree feedback, 51 % indicated that it is not used as judgement tool. This study recommended further detailed investigation of performance appraisal structure, process and feedback.

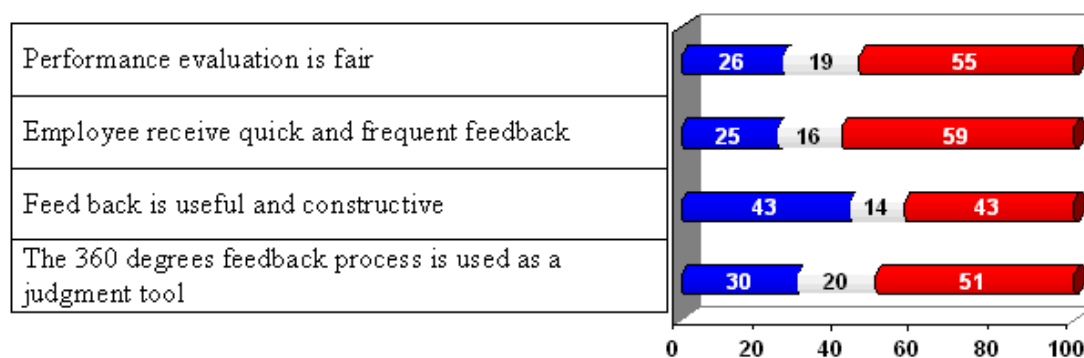


Figure 5. Performance appraisal contribution to motivation

One of the key factors in motivating employees is the ability of management to empower and involve employees in decision making. There is nothing worst than isolating an employee and make him unworthy. This section shows that 42 % of employees believe they are not involved in making decisions, 17 % neutral and 41 % stated that they are involved as shown in Figure 6.

Also another 35 % indicates that they are not empowered and 36 % feel their ideas and suggestions are not welcomed by management. These results clearly show that management needs to adopt a series of measures on ensuring employees are involved and their ideas are welcomed.

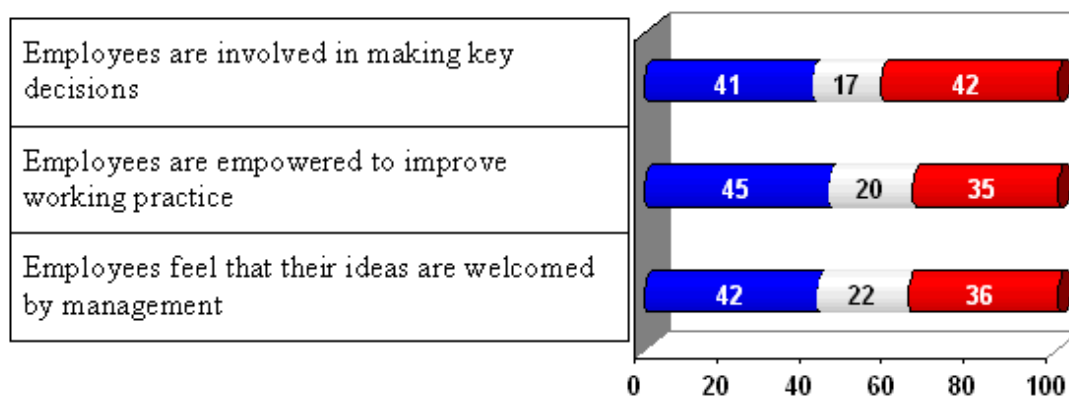


Figure 6. Empowerment and Involvement

Motivated employees should be equipped with the ability to do the job in order to be more productive; in other words they need to have proper training and development. This section investigates the value of training and development in the company. Results show that overall employees are happy about training and they found it very useful. This is a key strength that the company has and should use this to its advantage. However, few problems arise with career progression, learning and development. Many employees, 30 %, feel that they clearly do not understand their career progression and the chances for learning and development are not created by management as shown in Figure 7.

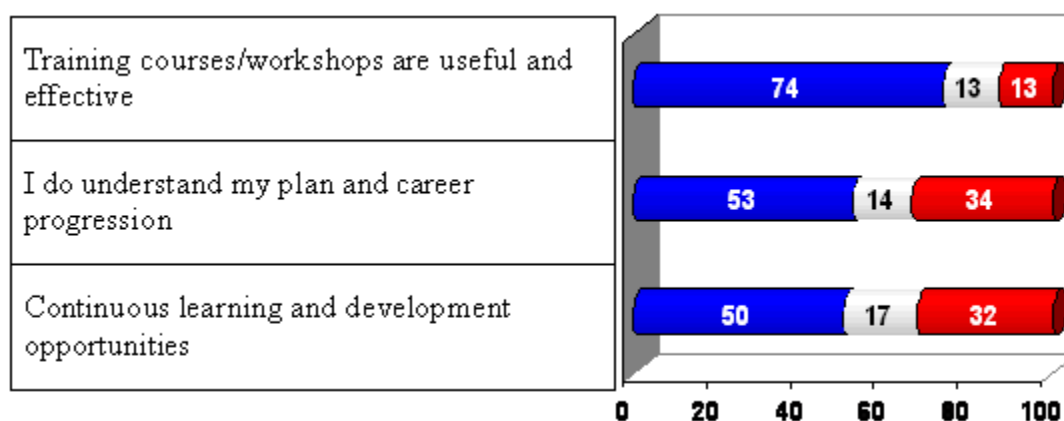


Figure 7. Training and Development

In analyzing company policy; 53 % of respondents indicated that company policy is set and clear. In addition, with more than 70 % indicated that any violation of company safety is promptly addressed. This is another key strength that a company should use, however 28 % of the respondents feel that this policy is not fair and it is biased. Company's policy and its implementation should be reviewed by the management to find out what causes some employees to feel that it is not fair.

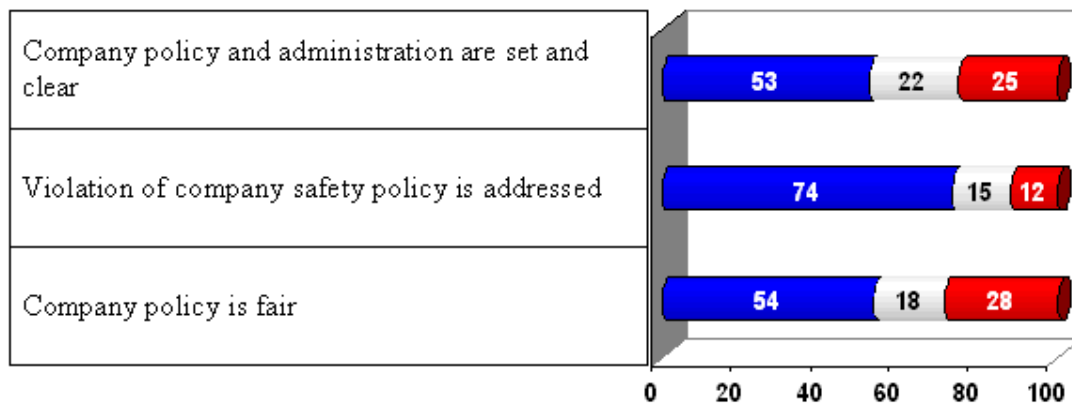


Figure 8. Company policy an administration

Recognition is an essential element in any motivational plan to increase level of productivity and performance. Results indicated that this company has major issues regarding the recognition process. 40 % of respondents indicate that they do not get recognized for their achievement as shown in Figure 9. The same number indicated that they do not see the recognition process as performance based and finally a level of 48 % indicated that the whole recognition process is not fair. These elements point a weakness on the recognition and reward system. Management clearly needs to take immediate action regarding recognition and reward system. It is important that reward system is tied closely with company objectives to create a system where recognition is performance based meaning best performance is rewarded. This requires the recognition and reward system to be set, transparent and clear.

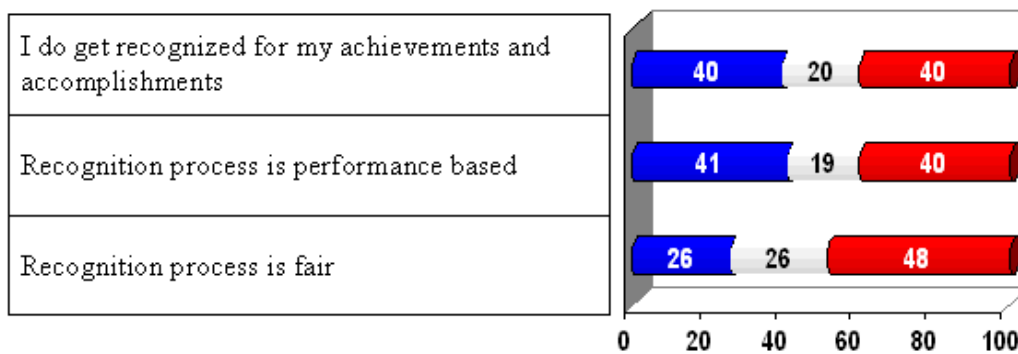


Figure 9. Recognition process

Recognition is important; however the form of recognition matters. Company need to know that it is not enough to recognize employees but how you recognize them makes a big difference. The next question aimed at finding what forms of recognition that are preferred by employees. Results shows that 15 % of respondents prefer money as a way of recognition as their first ranking followed by job promotion with 14 %, professional development with 12 %, benefit such as housing loan as 11 % and Excellence awards with 8 % as shown in Figure 10. It is interesting to note that even though monetary forms of recognition are important, however this can not be generalized to all individuals in the company. Many firms clearly fail to see these forms and only fall in the trap of assuming that it is only money that employees want. Many would aim for non-monetary gains such as Excellence Awards, professional development, public praise, thank you notes and increased responsibility.

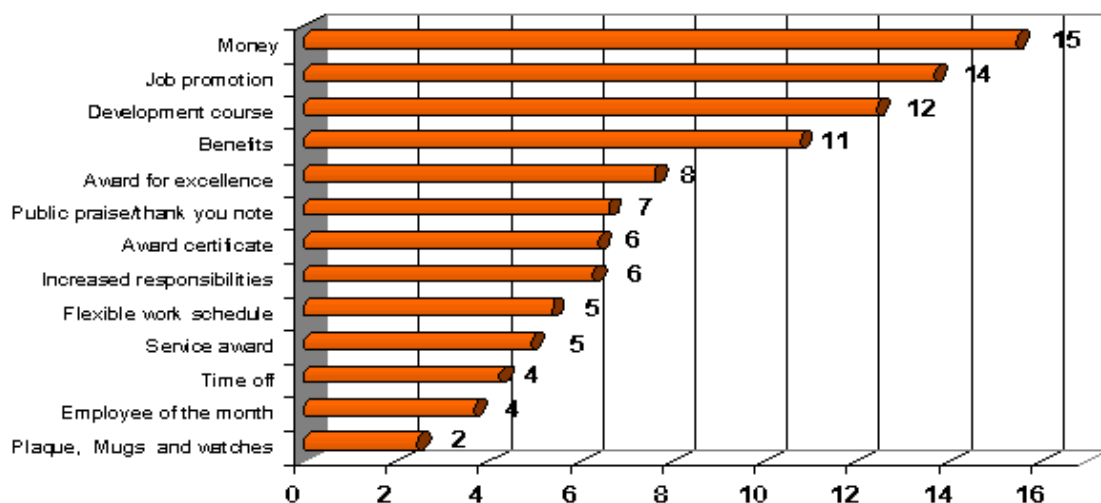


Figure 10. Recognition forms

Also another interesting feature that appears from the result is that many oil companies focus on the recognition forms such as service award and employee of the month, while ignoring a form such as public praise and simple thank you notes. Results show that thanking and acknowledging employees has more value than handing service awards for completing certain number of years. Many of the current practices as author witnessed still focus on the service award, employee of the month and ignore the importance of public praise and thank you note.

Table 1

Motivational factors and their impact

	CRITERIA	Negative	Positive
1	Employee receive quick and frequent feedback and not at the end of the year	-0.59	0.25
2	Performance evaluation is fair	-0.55	0.26
3	The current salary is fair	-0.54	0.29
4	The 360 degrees feedback process is used as a judgment tool	-0.51	0.30
5	Recognition process is fair	-0.48	0.26
6	Is your boss the main reason for your motivation or demotivation?	-0.48	0.52
7	Feed back is useful, constructive and point out clearly areas of improvements	-0.43	0.43
8	Employees are involved in making key decisions	-0.42	0.41
9	I do get recognized for my achievements and accomplishments	-0.40	0.40
10	Recognition process is performance based (Best performance is awarded)	-0.40	0.41
11	Employees feel that their ideas are welcomed by management	-0.36	0.42
12	Employees are empowered to improve working practice	-0.35	0.45
13	Does your boss understand your needs?	-0.35	0.65
14	I do understand my plan and career progression	-0.34	0.53
15	Employees are provided with continuous learning opportunities	-0.32	0.50
16	Company policy is fair	-0.28	0.54
17	Company policy and administration are set and clear	-0.25	0.53
18	Training courses/workshops are useful and effective	-0.13	0.74
19	Violation of company safety policy is addressed	-0.12	0.74

Knowing all these information, what are the critical factors that really need management attention and has the highest impact on employee's de-motivation and motivation. Table 1 and Figure 11 show very interesting results.

The number one factor that leads to the de-motivation of employees in this company is that employees do not receive quick and frequent feedback. Second, third and fifth factors are all part of performance appraisal which indicate performance appraisal is not fair, 360 degree tool is not used as judgement tool and finally feedback is not useful as shown in Figure 11. These results show that performance appraisal can be considered as the number one problem in this company.

As we would expect money and benefit packages play an important role in motivating employees in the second place. However, this should not be taken as the only factor that motivates employees. The argument here is not about paying higher salary but it is about paying fairly compared to the current market rates. The third problem is recognition; this is shown by employees considering recognition process as not fair in the fifth place, also ninth and tenth place in Table 1 and Figure 11 emphasize the importance of recognition.

The fourth problem is the role of supervisors in motivating their subordinates as a key ingredient to improve performance. The fifth problem is empowerment and involvement which is shown in the eighth place in Table 1 where employees are not involved in making key decisions. The five factors; performance appraisal, salary and benefit packages, recognition, supervisor role and empowerment are considered as weakness and these factors need immediate management attention.

Factors that contribute to the motivation of employees or factors that can be considered as strength of the company are the following; training and company policy on safety. Employees indicate that company workshops and courses are effective and useful and violation of company policy is addressed. The fact that many employees express the view that supervisor understand their needs, this is by itself is a strength that company should build on to motivate employees.

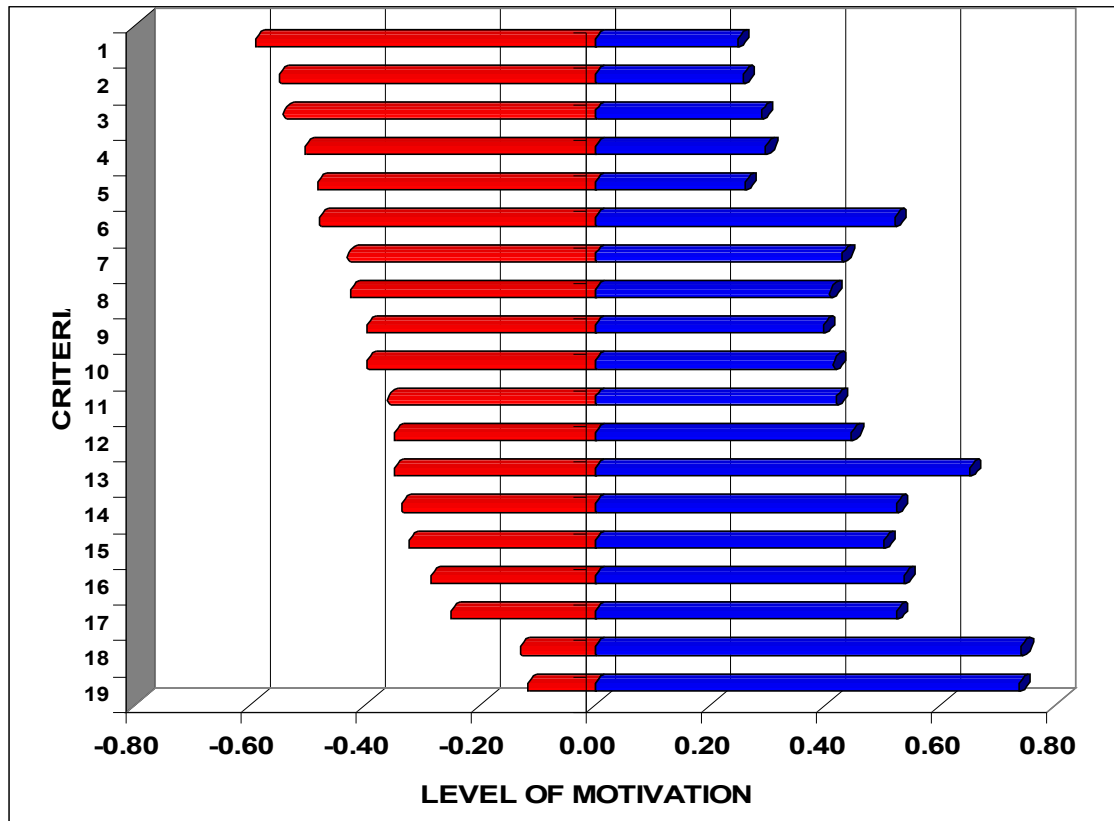


Figure 11. Motivational factors and their impact

According to Herzberg (1968) theory of motivators and hygiene factors; recognition, performance appraisal which could lead to recognition and advancement, empowerment are motivator factors which means they take an employee from no satisfaction to satisfaction. While factors such as salary, supervision and company policy are hygiene factors which takes employees from dissatisfaction to no satisfaction. What does this mean in terms of the results of this work is that company should not only focus on salary, supervision and company policy and expects employees to be motivated but should in addition recognize their employees and provide them with opportunities for advancement and empowerment.

This study results should validate the current practice and encourage this company to use these factors as tools to motivate and retain its employees and give it a competitive edge and definite differentiator amongst its competitors.

6. CONCLUSIONS

Recent changes in the oil and gas industry in Oman and the world have resulted in shortage of labor skills. High turnover rates have been experienced by national, local and international companies. Retention of top performance employees become a major issue and hence motivation is a becoming a new challenge for oil companies. Motivation is an essential ingredient for both retention and performance. This paper investigates what motivates employees in the oil and gas companies. Results, in this example, show that poor performance appraisal greatly contributes to the de-motivation of employees, followed by perceptions of an unfair salary, lack of recognition, poor supervision role and lack of empowerment. Findings show that non-monetary factors contribute greatly to the de-motivation of employees and managers have the options to use these tools as they have long term impact compared to monetary terms which have short term impact.

7. ACKNOWLEDGEMENT

Special thanks to those who have contributed greatly to this work and that will remain unnamed to protect the confidentiality of the data.

REFERENCES

1. Herzberg, F. 1968. One More Time: How do you motivate employees? Harvard Business Review. January-February, p 53 – 62.
2. Nicholson, N. 2003. How to Motivate Your Problem People. Harvard Business Review. January, p 57 -65.
3. Tealdi, L, Bruni, T.2005. Motivation and Retention of Young Workforce in the E&P Industry. IPTC 10884 presented at the International Petroleum Technology Conference held in Doha, Qatar, November 21 -23.