

Human Resource Management Practices and Retention of Core Employees' in the Oil and Gas Industry in Nigeria

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Abstract

This study is aimed at recognizing the relationship between human resources management practices and retention of core employees in the oil and gas industry in Nigeria. To achieve the objective of this paper, primary and secondary sources of data was used. The primary data was obtained from a well structured questionnaire tested for validity and reliability using cronbach alpha of 0.74 and the data was tested using multiple regression analysis. The results reveal that selection, training and development, organizational leadership, organizational culture and structure and organizational commitment are significantly related to the retention of core employees in the oil and gas industry. Hence, the paper concludes that human resource management practices affect the retention of core employees. The paper recommends amongst others that human resource professionals should increase their strategic value and therefore the value of human resources management practices by improving their competences in organizational design, managing change and organizational performance.

Keywords: Employee, Human Resource Management, Training and Development, Retention

Introduction

Human resources are key elements in the achievement of short, medium and long term goals of corporate organizations. This is because without human resources organizations would find it difficult to accomplish corporate goals, objectives, mission and vision. Hence, organizations need to manage human resources effectively and efficiently. According to Sharma (2013), human resource management is concerned with the planning, organizing, directing and controlling various operative functions of procurement, development, maintenance and utilization of a labour force in such a way that objectives of company, those of personnel of all levels and those of community are achieved. Nwachukwu (2012) states that the human resource manager is expected to help formulate manpower policies and take a detailed study of financial incentives programmes that ensures employees are retained for the achievement of corporate goals. Therefore, organizations should apply appropriate human resource management practices.

Human resource practices reflect specific organizational actions designed to achieve some specific outcomes. There is a wide array of human resource practices (e.g., behavioral interviews, hourly pay, employee socialization) from which organizations may choose to manage employees. At a higher level are human resource policies, which reflect an employee-focused program that influences the choice of human resource management practices. For instance, human resource management policy might reflect a commitment to pay-for-performance while a number of different human resource practices might be implemented to attain this policy. Human resource management system operates at an even higher level of analysis and reflects a program of multiple human resource management policies that are espoused to be internally consistent and reinforcing to achieve some overarching results. For instance, a high commitment human resource management system might rely on policies of selective staffing, comprehensive training, and pay for performance in combination to encourage employee commitment toward the organization and also maximizing their contributions toward organizational performance (Teo and Waters, 2002; Rodgiruez and Venture, 2003; Lauesen and Foss, 2003; Jackson et al, 2006).

The dynamic and complex nature of the business environment affects the human resource management practices of organizations. This is because one of the major challenges facing many business organisations is the retention of core staff. This is because society has now become knowledge – based where clearly human capital is considered a key resource and indispensable to the survival of businesses. Hence, businesses recognize that an important element in business management practices is the need to successfully motivate and retain employees that can survive organizational restructuring (Chew, 2004). Employee attitudes and behaviours reflect their perceptions and expectations, reciprocating the treatment that they receive from organizations. Ostroff and Bowen (2000) study shows the significant relationship between human resource management practice and employee attitude. Hence organizations develop human resource management policies that genuinely reflect their beliefs and principles and the relationship between management and employees. These practices include recruitment and selection, training and development, performance management, remuneration systems (Oakland and Oakland, 2001; Chew, 2010). Retention management is a strategic coherent process that starts with an examination of the reasons that employees join an organisation (Davies, 2001). Several studies have shown that retention is driven by organizational culture and structure, employee support and programs, career development etc.

The objective of this study therefore, is to examine the relationship between human resource management practices and core employee retention in the oil and gas industry in Nigeria. To achieve this objective, the paper is divided into five interconnected sections. The next section presents the review of relevant literature on human resource management practices and employee retention. Section three examines the materials and methods used in the study. Section four presents the results and discussion and the final section examines the conclusion and recommendations.

Literature Review

This section of the paper examines relevant literatures on human resource management practices and core employees' retention.

Human Resources Management: This is that aspect of management which is concerned with the planning, organizing, directing and controlling various operative functions of procurement, development, maintenance and utilization of a labour force in such a way that objectives of corporations and employee of all levels and those community are achieved (Nwachukwu, 2008; Sharma, 2013). Academic research conducted supports the view that human resource management practices affect organizational outcomes by shaping employee behaviours and attitudes. Studies in human resources management practices in training, compensation and reward have revealed that these can lead to reduced turnover and absenteeism, better quality work and better performance. Accenture (2001) study on high performance issues identified retention strategies or organisation to include offering comprehensive training and development to all staff, allowing staff to work on project based assignments, empowering and entrusting staff with responsibility, ensuring that a balance exists between work and lifestyle, providing flexible work arrangement, ensuring an effective management staff, aligning people strategies with corporate strategies.

The following human resource management practices are important in the retention of core employees in organizations:

Recruitment and Selection: Recruitment is the process by which manpower is discovered and then encouraged to apply for employment. After the prospective applicants have been recruited, a systematic effort is made to identify the most suitable candidates to fill identified positions. Human resource management is the recruitment and retention of valued employee (Davenport, 2000). A recruitment campaign usually identifies a number of applicants who can potentially meet the requirements of particular jobs.

Training and Development: Training is the process of learning, in which emphasis is given for job instruction, job relation, and job knowledge programmes in addition to managerial skills. Development involves activities undertaken to expose an employee to perform additional responsibilities and assume positions of importance in the organizational hierarchy. The focus of human resource training is placed on developing people who are capable of tapping internal and external information and turning it into useful organizational knowledge (Yahya and Goh, 2002).

Performance Appraisal: The measurement of employees' performance allows organizations to provide compensation fairly to the deserving individuals according to certain predetermined criteria like employee competency, teamwork ability, initiative, soft skills and ethics. Organizations can monitor the development of desired employee attitudes and behaviours through the use of appraisal techniques (Ogedegbe, 2014).

Career Planning: Employees are eager to know the possibilities for their own growth and career opportunities. Managers and supervisors must therefore inform their subordinates about the growth plans of the organisation and to assist them in planning their careers within the organisations (Bratton and Gold, 2007; Sharma, 2013).

Organisational Development: Organisation development includes research to ascertain the psychological health of the organisation. Efforts are made to improve the organizational health through various means so as to maintain or improve the psychological climate that is conducive to productivity. The research people and experts also help to sort out problems such as absenteeism, low production, interpersonal conflict, or resistance to change (Sharma, 2013).

Reward: Appropriate rewards for performance and behaviour not only recognize and motivate employees, but also communicate the organisation's values to the employees. Rewards may be given to individuals as well as to teams or departments of the organisation (Sharma, 2013).

Employee Welfare and Quality of Work Life: Human resource development systems focus on employee welfare and quality of worklife by continually examining employee needs and meeting them to the extent feasible. These generate a sense of belonging that benefits the organisation in the long run.

Human Resource Information: All appropriate information about employees including training programmes, attended performance records, potential appraisals, accomplishments are stored in a data bank. This data is utilized whenever there is need to identify employees for consideration for special projects, additional training, or higher-level jobs.

Core Employees: Core employees are high value unique employees whose skills and knowledge are a source of competitive value to an organisation. Their value and uniqueness may be based on tacit knowledge that would be

valuable to the competitor and these skills and knowledge are related to core processes developed internally and built overtime (Entrekin and Court, 2001). Therefore managing core employees means identifying their needs. Employees bring their needs, aspirations and hopes to their jobs and expect to find a work environment where they can utilize their abilities and satisfy many of their basic needs. Where an organisation provides such a medium, the possibility of increasing commitment seems to be enhanced. When an organisation is not dependable, however, or where it fails to provide employees with challenging and meaningful tasks, commitment levels tend to diminish. Individuals become committed to employers that take concrete steps to help them develop their abilities and to achieve their potential.

Retention of Employees: Retention management is a strategic coherent process that starts with an examination of the reasons that employees join an organisation (Davies, 2001). Organisations address retention and commitment using compensation, challenging work environment, work relationships, recognition, work/life balance, communication. Wagar (2003) evaluated the relationship between individual intention to quit his job and the human resource management activities of organizations. The study showed that employees of organizations with sophisticated human resource management systems were significantly less likely to indicate they intended to quit over the next two years. He further stated that employees who did not intend to quit were more likely to be employed in organizations that adopted certain set of human resources management practices.

Materials and Methods

The primary data for the study were generated through the administration of questionnaires conducted to evaluate human resource management practices and retention of core employees in the oil and gas industry in Nigeria. The target population includes all oil and gas companies in Nigeria while the accessible population includes oil and gas companies Rivers State. Two hundred (200) respondents from the sampled twenty (20) oil and gas companies from the accessible population for the period July 2013 – February, 2014. The sample of twenty (20) oil and gas companies was reached via systematic sampling. Here, haven decided on the number of companies that will make up the sample (n), this was used to divide the population (N) to give the interval (K) within which oil and gas firms were selected. The first part of the questionnaire contains questions on organization’ and respondents’ characteristics. The second part of the questionnaire examined the human resources management practices using five point scale of 5- strongly agree (SA), 4- agree (A), 3- undecided (U), 2- disagree (D) and 1-strongly disagree (SD). The third part of the questionnaire examines the core employees’ retention using turnover intention provided by the oil and gas companies. A total of one hundred and seventy four (174) usable questionnaires were completed and used for the analysis. The questionnaire were pre-tested using twenty (20) respondents in four (4) oil and gas companies and a reliability test was done on the data collected using Cronbach Alpha model, to explore the internal consistency of the questionnaire (kothari, 2004; Krishnaswamy, Sivakumar and Mathirajan, 2004; Baridam, 2008). The result of the reliability test shows that the designed questionnaire is highly reliable at 0.73. Excel software helped us to transform the variables into format suitable for analysis, after which the econometric view (E-view) was used for data analysis. The ordinary least square was adopted for the purpose of hypothesis testing. The ordinary least square was guided by the following linear model:

$$Y = f(X_1, X_2, X_3, X_4, X_5) \dots\dots\dots (1)$$

$$ETI = \beta_0 + \beta_1SEL_1 + \beta_2TAD_2 + \beta_3OLD_3 + \beta_4OCS_4 + \beta_5OCM_5 + \epsilon \dots\dots\dots(2)$$

That is $\beta_1 - \beta_5 > 0$

ETI = Employee Turnover Intention; SEL = Selection; TAD = Training and Development; OLD = organizational leadership OCS = Organisational culture and structure; OCM = organisaitonal commitment ad $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ are the coefficients of the regression, while ϵ is the error term capturing other explanatory variables not explicitly included in the model. However, the model was tested using the diagnostic tests of heteroskedasticity, serial correlation, normality and misspecification (Gujarati and Porter, 2009; Asterious and Hall, 2007). Augmented Dickey-Fuller was also used in the study for stationarity of data.

Results and Discussion

This section of the paper presents the results and discussion obtained from questionnaires administered to respondents from the sampled oil and gas companies in Rivers State, Nigeria.

Table 1: Breusch-Godfrey Serial Correlation LM Test:

| | | | |
|---------------|----------|-------------|----------|
| F-statistic | 6.929189 | Probability | 0.121336 |
| Obs*R-squared | 13.34731 | Probability | 0.101264 |

Source: e-view output

Table one shows the Breusch – Godfrey Serial Correlation LM test for the presence of auto correlation. The result reveals that the probability values of 0.12 (12%) and 0.10 (10%) is greater than the critical value of 0.05 (5%). This implies that there is no evidence for the presence of serial correlation.

Table 2: White Heteroskedasticity Test:

| | | | |
|---------------|----------|-------------|----------|
| F-statistic | 0.942165 | Probability | 0.496821 |
| Obs*R-squared | 9.519861 | Probability | 0.483577 |

Source: e-view output

Table two shows the White Heteroskedasticity test for the presence of heteroskedasticity. The econometric result reveals that the probability values of 0.496 (50%) and 0.483 (48%) are considerably in excess of 0.05 (5%). Therefore, there is no evidence for the presence of heteroskedasticity in the model.

Table 3: Ramsey RESET Test:

| | | | |
|----------------------|----------|-------------|----------|
| F-statistic | 0.067894 | Probability | 0.794795 |
| Log likelihood ratio | 0.071133 | Probability | 0.789695 |

Source: e-view output

Table three shows the Ramsey RESET test for misspecification. The econometric result suggests that the probability values of 0.794 (79%) and 0.789 (79%) are in excess of the critical value of 0.05 (5%). Therefore, it can be seen that there is no apparent non-linearity in the regression equation and so it would be concluded that the linear model for the accounting services is appropriate.

Table 4: Augmented Dickey-Fuller Unit Root Test

| Variable | ADF | 1% | 5% | Test for Unit root |
|--------------------------------------|-----------|---------|---------|--------------------|
| Employee turnover intention | -3.816986 | -3.4755 | -2.8810 | I(0) |
| Selection | -3.759500 | -3.4755 | -2.8810 | I(0) |
| Training and development | -4.792773 | -3.4755 | -2.8810 | I(0) |
| Organizational leadership | -3.105035 | -3.4755 | -2.8810 | I(0) |
| Organizational culture and structure | -4.355909 | -3.4755 | -2.8810 | I(0) |
| Organizational commitment | -3.531538 | -3.4755 | -2.8810 | I(0) |

Source: e-view output

Table four shows the Augmented Dickey-Fuller unit root test for stationarity of the variables. The result suggests that employee turnover intention, selection, training and development, organisaitonal leadership, organisaitonal culture and structure, organisaitonal commitment with ADF of -3.816986, -3.759500, -4.792773, -3.105035, -4.355909 and -3.531538 is less than 1% of -3.4755 and 5% of -2.8810. The result reveals that the variables are stationary at I(0). Therefore, ordinary least square can be applied in the analysis of data when data is stationary at I(0) (Greene, 2002; Wooldridge, 2006; Asterious and Hall, 2007; Brooks 2008; Gujarati and Porter, 2009; Kozhan, 2010).

Table 5: Multiple Regression Analysis

Dependent Variable: ETI

Method: Least Squares

Date: 07/10/14 Time: 15:58

Sample(adjusted): 1 174

Included observations: 153 after adjusting endpoints

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|----------|
| C | 3.275444 | 2.256856 | 1.451330 | 0.1488 |
| SEL | 0.285935 | 0.095662 | 2.989017 | 0.0033 |
| TAD | 0.249495 | 0.106627 | 2.339885 | 0.0206 |
| OLD | 0.216547 | 0.102573 | 2.111150 | 0.0363 |
| OCS | 0.273341 | 0.123184 | 2.218965 | 0.0400 |
| OCM | 0.220526 | 0.104976 | 2.100727 | 0.0327 |
| R-squared | 0.418414 | Mean dependent var | | 12.99346 |
| Adjusted R-squared | 0.361218 | S.D. dependent var | | 3.098167 |
| S.E. of regression | 2.888766 | Akaike info criterion | | 4.997962 |
| Sum squared resid | 1226.711 | Schwarz criterion | | 5.116803 |
| Log likelihood | -376.3441 | F-statistic | | 5.567008 |
| Durbin-Watson stat | 2.16401 | Prob(F-statistic) | | 0.000100 |

Source: e-view output

Table five shows the multiple regression analysis for human resource management practices and core employee retention in oil and gas companies in Port Harcourt, Rivers State, Nigeria. The result suggests that selection, training and development, organisaitonal leadership, organizational culture and structure, and organizational commitment with p-values of 0.0033, 0.0206, 0.0363, 0.0400 and 0.0327 is less than the critical value of 0.05. Hence, we deduce that there is a significant relationship between human resource management

practices and retention of core employees in the oil and gas industry in Port Harcourt, Rivers State, Nigeria. The R^2 (coefficient of determination) of 0.318414 and adjusted R^2 of 0.285935 shows that the variables combined determines about 32% and 29% of core employee retention. The F-statistics and its probability shows that the regression equation is well formulated explaining that the relationship between human resource management practices and core employee retention are statistically significant (F-stat = 5.567008; F-pro. = 0.000100). This result is consistent with the study conducted by Wagar (2001); Chew (2004); Lauesen and Foss (2003) that human resources management practices influences employees not to quit their jobs. Collins and Smith (2006) found that human resource management practices such as training and development, compensation and selection practices designed specifically for knowledge workers, were positively related to social climate of trust, cooperation and shared codes and languages for the retention of employees.

Conclusion and Recommendations

The study examined the application of human resources management practices on core employee retention in the oil and gas companies in Port Harcourt, Rivers State, Nigeria. Review of literature provides strong evidence of the effectiveness of human resources management practices on core employee retention. Wagar (2003) study showed the relationship between individual intention to quit his job and the human resource management activities of organizations. The study showed that employees of organizations with sophisticated human resource management systems were significantly less likely to indicate they intended to quit over the next two years. This research empirically substantiated the results of prior studies of the relationship between human resources management practices on core employee retention. The study highlights the various variables in human resource management practices such as human resource factors (Selection and training and development), organizational factors (organizational leadership and culture and structure) and organizational commitment and employee turnover intention. The empirical analysis provided a linkage between human resources management practices and employee retention in the oil and gas industry in Port Harcourt, Rivers State. On the basis of the empirical result, the paper concludes that human resources management practices of selection, remuneration, reward and recognition, training and development, organisaitonal leadership and culture and structure significantly correlates with the retention of core employees. Therefore, on the basis of the conclusion, the papers recommends as follows: human resource professionals should increase their strategic value and therefore the value of human resources management practices by improving their competences in organizational design, managing change and organizational performance (Kates, 2006); human resource professionals should assist the organizations in the oil and gas industry to develop the right kind of architecture and culture for core employees to understand the organizational climate; human resource professionals should develop and facilitate relationships among employees at all levels for staff retention in the oil and gas industry.

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