

**EFFECTIVENESS OF HUMAN RESOURCE UTILIZATION IN OIL  
AND GAS INDUSTRY IN MALAYSIA**

By

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14545

Dissertation submitted in partial fulfilment of

the requirements for the

Bachelor of Engineering (Hons)

(Petroleum)

SEPTEMBER 2014

Universiti Teknologi PETRONAS

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# **CERTIFICATION OF APPROVAL**

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(PETROLEUM ENGINEERING)

Approved by,

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(Ir. Idris Othman)

UNIVERSITI TEKNOLOGI PETRONAS

TRONOH, PERAK

SEPTEMBER 2014

## **CERTIFICATION OF ORIGINALITY**

This is to certify that I am responsible for the work submitted in this project, that the original work is my own except as specified in the references and acknowledgements, and that the original work contained herein have not been undertaken or done by unspecified sources or persons.

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MUHAMMAD HAIRI MURSALIM

## **ABSTRACT**

Employees are the backbones to every organization. Managing the employees are the crucial practice to improve their good feeling towards the organization. This study attempts to examine the effectiveness of current HRM utilization and practices in oil and gas industry in Malaysia, as well as to study the importance of having effective HRM practices utilization. The HRM practices namely training and development, performance appraisal, compensation, employee empowerment and ownership as well as work environment are the main practices that has being focused. A questionnaire form has been distributed to the employees of PETRONAS Carigali SDN BHD (PCSB), a leading oil and gas operator in Malaysia including their contractor and also, pilot study of the questionnaire already has been done. A four point Likert Scale will be used in the questionnaire form which specify the respondent's degree of agreeing answers with the statement given. The analysis of the data is done by Average Index and Relative Importance Index (RII) method and the results will be then converted to importance indices. The most effective current human resource practices and utilization have been identified based on the questionnaire survey perform in the study which are; 1) Training and Development, 2) Compensation, 3) Work Environment, 4) Performance Appraisal, and 5) Employee Empowerment and Ownership.

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## **CHAPTER 1: INTRODUCTION**

Human Resource Management (HRM, or simply HR) is the organizational function is a field that focus on people for example hiring, compensation performance appraisal, business growth, safety, advantages and welfares, employee inspiration, communication, admin, and training (Heathfield, 2008). In a simple words, HRM is the management function that focus with getting, training, motivating, and keeping proficient employees.

The quality of the person it hires can determined the superiority of an organization. Discovering the employees with the capabilities to effectively accomplish the errands needed to achieve the organization's vital objectives is said to be the accomplishment for most organizations. To confirm that the organization employs and keeps the competent employee, staffing and HR management decisions and methods are very important.

All worldwide companies are focused on holding the ability and information held by the employee in this existing worldwide work environment. The employee turnover and to conserve the knowledge are the main issues that all companies focusing of. New employment obliges a relatively high cost as well as increase the risk of the newcomer not having the capability to substitute the individual that do the work before. In order to dipping the risk of losing knowledge, HR departments also endeavour to propose profits that will appeal to employee.

## 1.1 Background Study

Human resource (HR) utilization is a business perception which describes how effectively a business utilized its workforce. To evaluate work output in relation to labour costs, businesses commonly use the concept of HR utilization. Holmes (2013) in his article define HR utilization as the measure the profitability of the employee. In order to have an excellent project HRM and effective project management, utilization is very important.

In oil and gas industry, human resource utilization is not a reason to not giving attention, but it becomes very crucial when deciding to hire a project manager and its subordinate. This is because, an income is in line to an employee whether they are on the top of organizations or not. For example, if a service company in oil and gas cannot find a project from the operating company, the service company cannot to be blame and so the company will buy the expenses. Time that should be generating revenue but is not productive can cost the organisation money (Holmes, 2013), and this is the result of poor HR management.

Effective utilization of human resource has the following advantages:

1. Reduction in cost.
2. Clarity in performing tasks.
3. Saves money as well as time.
4. Less wastage in case of resources.
5. Organizational goals can be achieved faster.

It is the obligation of the manager to discover the exact individual to do the right work and to allocate work as per the competences of an employee. Then only employees can be utilized effectively.

## **1.2 Problem Statement**

To fully utilize the productivity and efficiency of a company's employees, utilization method is one of the best efforts. This can be fulfilled by an assortment of strategies and deliberations, for example, prepare a representative in distinctive ranges of works so he or she can agreeably change starting with one part then onto the next role without having any issue and depending upon where they are most needed. Oil and gas project often takes long time to complete. This will effect on the manpower's interest and motivation to retain in the industry. Therefore, there is a need to implement human resource practice and utilization in an oil and gas project to retain the employee motivation and interest. The hectic work and risky becomes a major challenge for employee turnover in oil and gas organization (Tiwari, 2012). Employee's fulfilment in their work can be satisfy by giving backing to their persuasion toward oneself, for example, basic needs and fulfilment toward oneself and this are the organizations has a tendency to do. The problem remains on whether how effective the current human resource practices and utilization can make the oil and gas project a success and what are the benefits or importance of having an effective human resource utilization in the industry.

## **1.3 Objective of Study**

The purposes of the study are:

1. To study on the effectiveness of human resource utilization and practices in oil and gas industry in Malaysia.
2. To study on the importance of having effective human resource utilization and practices in oil and gas industry in Malaysia.

## **1.4 Scope of Study**

The scope of this study is on human resource utilization in oil and gas industry. This study will try to put the human resource practices as one of the important element to project performance and success. The study will focus on human resource practices and a case study will be done at PETRONAS Carigali SDN BHD (PCSB) as this company is the leading company in oil and gas industry in Malaysia. The study will also emphasize on awareness and importance of having effective human resource

utilization in the oil and gas industry and a form of questionnaires is distributed to some respondents working in the upstream business in PCSB. The questionnaires has been distributed and 26 respondents has given their feedbacks from both technical and management background.

### **1.5 Companies Background**

PETRONAS Carigali SDN BHD (PCSB) is a PETRONAS' wholly-owned exploration and production subsidiary in the upstream business. In association with PETRONAS production sharing contracts and all alone, Carigali got to be completely included in all parts of exploration, development and production exercises of oil and gas. This has empowered the organization to create its capacity as an operator with a track record of fruitful improvements in oil and natural gas in Malaysia. PETRONAS Carigali lives up to expectations close by various petroleum multinational partnerships through production sharing contracts (PSC) to explore, develop and produce oil and gas in Malaysia and as a leading oil and gas operator in Malaysia.



*Figure 1: PETRONAS Carigali Logo*

Exploration and production (E&P) activities that carried out by PCSB will not be succeed without a proper utilization of human resource management. As an oil and gas company, it is important to accommodate the employees with proper training and development. This is because working in high risk environment is the common things about oil and gas industry since major oil field in Malaysia are located offshore, and need several of skills to perform the works safe and efficient. Therefore, there is a need of good HRM strategy and practices to retain the employees in the organization based on oil and gas industry.

## **CHAPTER 2: LITERATURE REVIEW**

Human Resources Management (HRM) is very wide and full of complexity. In general, it is a personnel management consist of management activities. This way, HRM becomes just a contemporary and business form of classification “personnel management” (Abbass, 2003).

In recent years, the oil and gas industry has been in chaos due to low and unstable commodity prices. There are much effort has been used to optimize and increasing profitability to the operations in order to produce from a field during this period. However, it has been realize that optimization of capital resources alone will not assure a profitable economic returns. According to Evans (1989), to achieve the organization goals, there is a need to utilize and optimize another type of resource; namely, the human resources. It is the energy and eagerness of the employee in an organization that makes difference between the companies that is successful and the company that just survive.

### **2.1 Human Resource Practices**

According to Tiwari (2012), human resource practices much related to the company or organization activities of dealing with human resource management prior to achieve the target or goals of an organization. Stavrou-Costea (2005) added that ‘an effective human resource management practices could be the main factor for the success of a firm’. Organizations need to implement inventive HRM practices to adequately deal with the human resources. An organizations will remain ahead of their competitors if they implements such practices with commitment and determination because those practices affects other variables in HRM in an optimistic way and find the path to overall company performance.

Survey should be conducted among the employees to categorize their view about human resource practices. Managers should also involve in planning and implementing correct HR practices. Corrective actions can be taken by the organization at the right time if such practices is being conducted (Tiwari, 2012). The next section of this paper will discuss on the top 5 types of HRM practices.

### **2.1.1 Training and Development**

To decide what category or type of training and development that required to be conduct to an employee, there is a need of human resources department to conduct evaluations for the organization's present employees. This method is necessary for cultivating skills, qualifications as well as gaining experience. Companies in the early years or development phases can benefit from identifying training needs for existing staff. It is much economical than the cost to employ more staff or more competent applicants. Nevertheless, it is a strategy that also can reduce turnover as well as improving employee retention (Mayhew, 2013). In oil and gas industry, the needs of employee which have much training and experiences are very important. This is because mostly job in oil and gas industry are exposed with hazard whether directly or indirectly. Therefore, an employee with knowledge and experience on dealing with hazard are very important to prevent injury or fatality at the workplace.

According to Landsman (2004), training can address some of the problem contributing to staff turnover. He proposed that training is a valued action for improving staff performance and enhancing skills. Training can minimizing job stress because it can define roles more clearly to employees. Organization with less turnover rate usually give their employee.

Furthermore, training are conducted to prepare the employees to execute their jobs efficiently, know about their company, and create work relationships. Employee satisfaction, improved morale, higher retention, lower turnover as well as improved hiring are some benefits from practicing training and development.

### **2.1.2 Performance Appraisal**

Numerous study said that performance appraisal and methodologies towards HRM division were the essential forecasters of hierarchical duty in the associations (Tiwari, 2012). Training and development, compensation strategy, and self-organization fit were related to each other with the retention of an employee. In addition, challenging assignments was not give much relation towards the intention to stay and also, organizational commitment was no much related to training and development career of an employee.

Based on Singh, Kochar and Yuksel (2010) in their research on performance appraisal in Oil and Natural Gas Commision, India, workers and their performance advancement as experts are roused by performance appraisal and in the event that it is executed in a flawless way, the associations' objective could be attained. The framework ought to be exceptionally transparent in its actual sense. The administration part in plotting and the official part in executing the performance appraisal framework are the most vital.

Kumar (2010) quoted in his paper, 'performance appraisal not only evaluates the work done by the employees but also tries to boost the morale and motivate them to do their best'. The employee should be exposed to the methods used who come under its purview.

### **2.1.3 Compensation**

To deal with their workers, compensation strategy is one of the HRM platforms. For an association to get the cash return which they as of now provided for their employees and propel and hold gifted workers, it needs to be affirm that its payment framework is not independent from anyone else. It is vital that its payment strategy adjusts to its HR procedure as well as it is critical for an association to connect the payment strategy to its general objectives and systems. Rendering to Global Energy Talent (2013), training and development chances are just as significant to distinguish a company from its competition, nevertheless one of the best HR strategy in the oil and gas industry are by giving reward and compensation to the potential employee.

A compensation framework ought to urge representatives to settle on individual choices which are relating with the association's requirements. By and large, this objective can be broken down into three sections:

- Attract people by motivate them to join the company
- Inspire workers to perform at the highest point of their aptitude set.
- To keep the employees stay in the organization.

Gallas (1968) in his journal article has come out with compensations strategy on how to retaining engineer in the oil and gas industry. These strategies and programs usually related with benefits and privileges offered employees, and some of the ones included in this area would be:

1. Support to education - tuition repayment, scholarships, grants to colleges, special courses, abstract services, and libraries, televised classroom presentations at company locations and company training and development programs.
2. Savings plans and retirement systems – savings plans in which retirement systems that provide for greater return to individuals with longer service and company-matching funds vest to employees after a certain period of time.
3. Holidays with pay – programs that provide for increased time off with pay as length of company service increases.
4. Insurance programs - group and individual plans which covering accident, health, and life as long as an employee remains with a company. Certainly there are other benefits and privileges that influence to some degree the retention of personnel. Although compensation programs were not originated nor designed simply to retain personnel or reduce attrition, surely it is agreed that the employee will considers the benefits and privileges he or she might lose before resigns from a company.

He also added that the policies and practices to obtain, retain and effectively utilize the petroleum engineers that oil and gas companies always done are identified in terms of salary administration programs, compensation plans, and employee incentives.



#### **2.1.4 Employee Empowerment and Ownership**

Based on Levy (n.d), many organizations have move their policy towards promising employee empowerment, over the last ten years. Organizations with empowered employees perform better than their competitors by up to 202% based on studies conducted by other researcher. Empowered employees are identified to be more productive, motivated and creative in their work. They are more possible to take early steps and are tend to loyal with the company.

Employees that are able to make decisions about their jobs is a strategy and philosophy of employee empowerment. This practice makes the employees own their work and take responsibility for their consequences. Employee empowerment make employees able to serve customers at the level of the organization where the customer interface exists. A feeling of responsibility to stay in the organization can be created among employees from the employee empowerment. Hence, the employees will not affected to others that decide to leave the organization because they are more likely a part of the organization and this type of employee will tend to remain in the organization.

Accord Energy Solutions, an oil and gas company has proved that employee empowerment and ownership can make their employee to remain in the organization as well as achieving their organization goals. Employee ownership has been at the heart of Accord's growth and it has exceeded the expectation over the past three years. They now employ 40 people and have a turnover in additional of £4 million. In this challenging era, employee ownership allows them to recruit and retain many of the best people in the industry and sets them apart from their competitors. Eventually, it has afforded them the capability to build a client base consist of leading, international oil and gas operators and several large service companies. They added that job satisfaction of employees is the key to the intention of the employee to remain or leave the organization. They have proved that employees with higher employment fulfilment have a tendency to more dedicated to the association will be more prone to remain in the company.

### **2.1.5 Work Environment**

One of another practices that can make the employees meet job satisfaction in their works is a safe and comfortable work environment. A work environment is effected by a variety of factors, comprising culture of the company, style of the management, organization hierarchies and the policy of human resource (Ingram, n.d). A great workplace environment will effect employee satisfaction, which will decreasing the employee turnover rates. The key to develop high performance workforce is by knowing how to utilize a positive workplace to expand worker fulfilment and lessen turnover.

Akila (2012) in her research paper said that there is an optimistic significant connection between work environment and employee retention. Which means, working environment is one of the most important HR practices to retain employee as well as increasing the productivity of the employee. Studies from the US suggest that work environment is the most important aspect in determining whether an employee stays with a company or leaves to another better opportunities. A positive, emotionally healthy work environment should be created in each organization where employees can feel part of a team with shared values and goals and it is a requirement to keeping people beyond the shorter-term attractions of schemes and program (Specialized Group, n.d).

According to Dickey, Watson and Zangelidis (2011), it is sensible to accept that organizations in the oil and gas industry may bring to the table a decent recompense system and packages to fascinate and keep the workers in the offshore area in light of the workplace which investing drawn out stretches of time far from family and home besides living up to expectations in a high hazard environment. This can be done by promoting a safe and comfortable work environment.

## **2.2 Importance of Human Resource Practices**

The act of HR needs to be joined with the general technique to guarantee successful utilization of individuals and give better comes back to the associations in wording conservative returns. The organization stand to escape from not using individuals completely and this does not look good for the accomplishment of the association

unless the HR practice is outlined thusly. The next section of this paper will explain how HR practices can be important in achieving effective HR utilization.

### **2.2.1 Training and Development**

Training as well as development ought not to end when the individual is employed (Abueva 2011). Effective training might results in an enormous effect on the trained individual, the organization he or she lives up to expectations for, and the industry in general as stated by experienced energy professional.

For individual workers, opportunities for headway in their organization can be snatch by adapting persistently and upgrade their skilled abilities and expand their insight on given subject matter. The oil business is cyclical where it depends incredibly on item costs and the execution of the general economy of the business. A representative will stay profitable to his or her head honcho when the organization stay on top of best practices and grows at work. In a meantime, when the oil and gas industry is at the highest point of the worldwide business, profoundly able worker will be place at the right position to undertake extra obligations and supervisory parts.

Furthermore, human resource can be fully utilized by training and development that further helps the employee to achieve their individual goals as well as organizational goals.

At long last, a decently prepared workforce helps very to the whole business, whose accomplishments and dissatisfactions can have an overall effect. At the point when the BP-Deepwater Horizon operation brought about an enormous spill in the Gulf of Mexico, the posthumous occurrence highlighted the requirement for refining and implement the crisis administration preparing for the vitality workforce. Other people who did not work in oil and gas industry will accuse the organization about absence of preparing in crisis administration and wellbeing, however inevitably, there are numerous different ranges of professionalism to learn. From investigation and creation through exchanging and danger administration, advertising, logistics and conveyance, and there are several paramount occupation obligations in no matter how you look at the industry. Rising a professional at different levels

provide a whole new level of benefits to the workers, the organization, and the industry.

### **2.2.2 Performance Appraisal**

Establishing a reward system that exploits the struggles and involvement of leaders and employees to the overall performance of their organization is a key idea of performance appraisal whereby it has become increasingly important in this industry. As noted by Cleveland et al (1989), a wide range of concerns including promotions, termination, salary management and the expansion of sufficient capability and skills are motivating the circulation of performance appraisal systems. Moreover, performance appraisal ought to be beneficial both in the cross-sectional measurement which evaluation between individuals and for the time dimension where evaluation of individual performance over time.

Also, according to Akrani (2011), performance appraisal results is utilized to determine whether an employee needs supplementary training and development. Inadequate knowledge or skills could affect deficiencies in performance. Taking into example, an expert engineer may improve his efficiency by joining workshops or seminars about his expertise and it is the same as a manager who need to find out whether he or she needs additional training for enhancing his or her current job performance. This can be solved by amending an effective performance appraisal in the organizations. Similarly, he or she will be given training for the higher level position if the performance appraisal scores showed he or she can perform well in higher level of hierarchy in the organization.

Performance appraisal could give an impact on employee motivation levels and job satisfaction where this is for better as well as for worse. This practice provides employees with appreciation for their work efforts as well as their excellent performance. Social appreciation is an excellent incentive and it has been realized. In fact, based on the study conducted on human behaviour, there is confirmation that human beings will even choose negative recognition in partiality than no recognition at all. This is because, the employee realize that the organization is still honourably concerned in their individual

performance and development and the sequences is towards having a positive effect on the employee's sense of worth, obligation and belonging.

### **2.2.3 Compensation**

The beneficial compensation strategy does not just brings the differentiation into the organization as well as the successful co-workers and top talents feel the accomplishment in their pockets, but it also contrasting the organization from the other organizations on the industry. The effective compensation strategy makes employee feel motivated and inspiring as well as success in their selves. It shape the particularly excellent competitive advantage among the organization in industry as the people feel, the organization really appreciate the success of an employee and it can pay them.

The effective payment strategy does not only manages the personnel expenditures of the organization, but it helps the performance management and distinguishes the employees as the successful ones and are not eager to find a new job opportunity. An effective compensation plan does not motivating employees to hunt a job during the working hours, besides, it makes them to focus on their works as they can be emphasized and they feel the appreciated in their salaries.

Furthermore, to run a successful business, it is difficult to retain productive employees. Retaining employee saves company money in training and development costs as it help to prevent the company from hiring new employee which could lack of skills and competence as well as helps in maintaining an efficient and knowledgeable workforce. Many employee wish to have health insurance and retirement packages from their employers as this type of compensation strategy can be very beneficial to them and their family. Johnson (n.d) said that organization which compromising those type of profits will have less employee retention problem than company that not offering such benefit packages. Regular promotion which pays employee with higher base salarary as well as the capability to take on more accountability in the office is the other ways to make the HR objective is a success.

#### **2.2.4 Employee Empowerment and Ownership**

Emerson (2011) in his article quote that ‘Empowerment in the workplace is an often-misunderstood concept’. Many managers and organizations claims that they understand the terms employee empowerment, but only few actually do and even fewer that really practice it.

Empowerment gives the representative a feeling of flexibility, which will build his or her occupation fulfilment. This practice develops confidence and as sense of worth among the self of an employee, hence they will be more comfortable and productive at work. A motivated and satisfy workers gives the best work output and pictured a good impression of the organization. This will illustrates into personal or career growth for the worker and gives an excellent economy for the company as well as good impression from the society. An employee shows loyalty toward the organization if he or she has been given proper training and development skills, supported, appreciated, gives freedom to speak and appraised within an organization. He or she is tend to express an efficient work output and promote the company when having chance. He or she also tend to stay in the organization, and is more probably to commend others competent and skill full individuals for job openings.

#### **2.2.5 Work Environment**

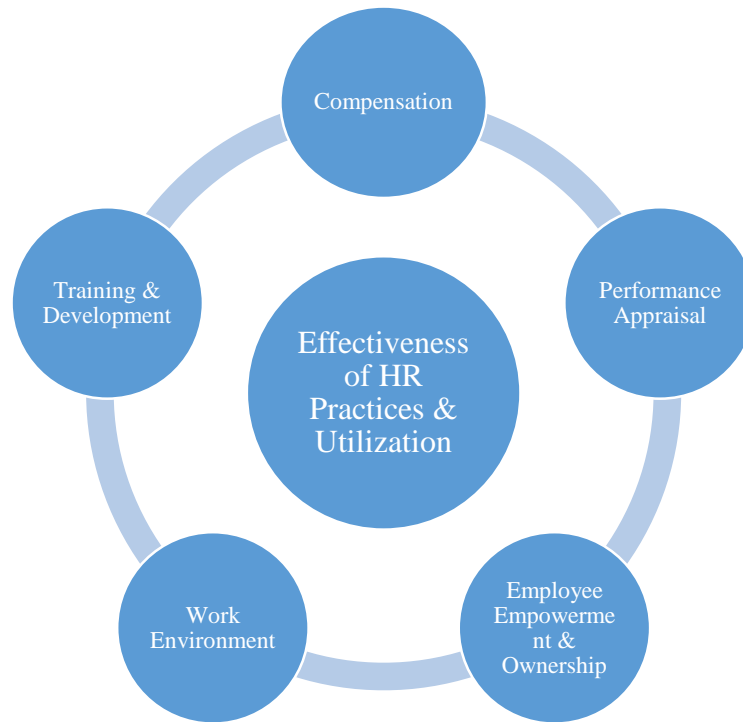
It is essential to keep up a safe workplace. Each representatives needs a safe workplace that is free from danger conditions which could result in damage or casualty. Injuries to the workers genuinely influence the organization and the harmed employee. It can be a very traumatic feeling experienced by the employee’s family when the working environment is not safe and could injuring the employees. Thus, it will result to lost incomes for the worker as well as leading to financial problem. (Richardson, 2014).

If the company have only a few subordinates, low work output can greatly influence to the operation. When one employee is not performing at the adequate level, customers may complaint a lack of service and company’s income can be seriously decreases. This can happen for a number of reasons such as by considering the work environment at workplace. Each employers

must ask themselves whether the work environment is negatively affecting employee productivity or there are issues between the employee and the company's policies.

The productivity levels of an employee also can be affected by the physical comfort in the workplace. Debb (2014) in her article discuss that a study by Cornell University professor Alan Hedge found that making an office environment too cold can increase mistakes by clerical staff. Performance and productivity also affected by the ergonomics of an employee's work station. The desk and chairs provided in the office should have high ergonomic design so that the employee are able to give higher productivity in works. In addition, employee output also can be affected by the comfort levels of environmental stimuli, such as lighting and noises.

### 2.3 Conceptual Framework Model



*Figure 2: Framework Model*

The aims of the study is to study the effectiveness of each human resources practices to the oil and gas industry which have been extracted from various research paper. To illustrate, the study tries to figure how each of the HR practices can be linked together in reaching an effective HR practices and utilization in oil and gas industry as well as illustrating the importance of each practices towards effective HR utilization.



### CHAPTER 3: METHODOLOGY

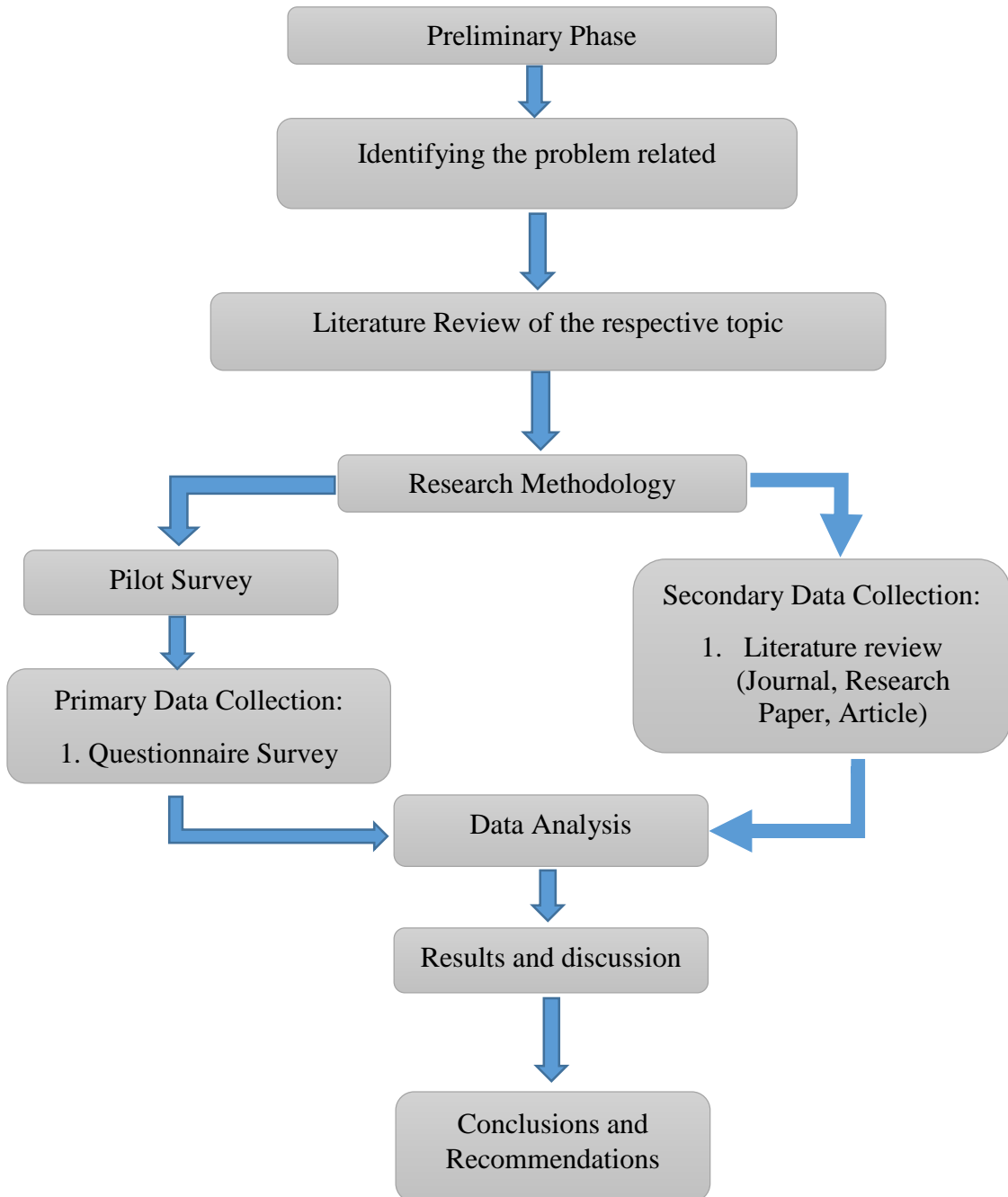


Figure 3: Flowchart of the Study

For this project methodology phase, the steps will be following and based on the flowchart shown above.

### 3.1 Data Collection

- Primary Data

For this study, a questionnaire will be drafted and given to the respondents who are involved in oil and gas industry. The result will be collected and analysed in result and discussion section.

- Secondary Data

In this study, most auxiliary information are concentrated from online asset, for example, online databases, web discoveries or different sources. Information collected from those data which have already been obtained by some other researchers. These data will be put in a table containing the summary of each research, together with the gap that need to be filled in this study.

### 3.2 Analysis Method

The analysis of survey is done by Average Index and Relative Importance Index (RII) method. Results of the findings will be calculated using below formula and converted to importance indices.

$$\text{Average Index} = \frac{\sum w}{N}$$

$$\text{Relative importance/difficulty index} = \frac{\sum w}{AN}$$

Where  $w$  is the weightage given to each aspect by the respondents, with range from 1 to 4, while  $A$  is the highest weight (i.e. 4 in the study) and  $N$  is the sum of the samples or factors.

### **3.3 Questionnaire Design**

The research methodology that used in this research is questionnaire. The objective of using questionnaires survey is because of the direct response and feedback which can be done by emailing the questionnaire or meets the respondent face-to-face method.

A pilot survey will be directed to the same group of oil and gas professionals to clarify and improve the questionnaire. By integrating their comments, later a final questionnaire will be revised and taking response from the respondents by using the questionnaire.

For this research, the questions in the questionnaire are closed-ended in order to ease the process of analysing the data from respondents. The questionnaire consists of three section, which in first section consists of general information about the respondents. The second section will be comprises of questions on effectiveness of current human resource utilization and practices in oil and gas industry and the third section will consists of questions on importance of having effective human resource utilization in oil and gas industry. A four point Likert Scale will be used in the questionnaire form which specify the respondent's degree of agreeing and answers with the statement given. The questionnaire form for this research is attached in the appendix section of this research paper.

## **CHAPTER 4: RESULT AND DISCUSSION**

### **4.1 Pilot Survey**

The questionnaire has been directed to small group of professional engineer either in the academic, management or technical area of oil and gas industry. As soon acquiring and dissecting the consequences of the pilot survey, logistical, specialized and different issues or issues have been tended to. The survey arrangement was re-examined, or the sort of study had been adjusted into a more suitable one. After the correction of the study being made, the expansive scale of the survey is executed.

### **4.2 Questionnaire Survey**

The questionnaires had been distributed to individual in PETRONAS Carigali SDN BHD (PCSB) which consists of the engineer, technical assistant, technician and contractor. Since this study is a qualitative study, target of 25 feedbacks are sufficient enough. The questionnaire consists of three section, which in first section consists of general information about the respondents. The second section will be comprises of questions on effectiveness of current human resource utilization and practices in oil and gas industry and the third section will consists of questions on importance of having effective human resource utilization in oil and gas industry.

### 4.3 Data Gathering

In this section, the results obtained from the questionnaire survey will be presented and discussed.

#### 4.3.1 Section A: Respondent's Demographic

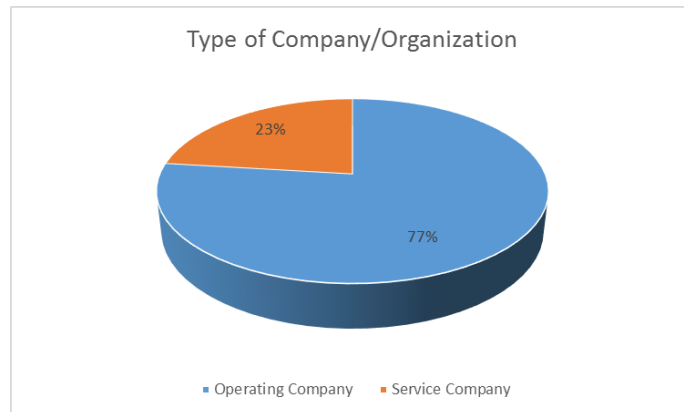


Figure 4: Type of Company/Organization

The pie chart above show that the type of company or organization that the respondents worked for, which is either operating or service company. Based on the result, most of the respondent comes from operating company with 77%, which is 20 out of 26 respondents. While the balance number of respondents comes from the service company, which is 6 person.

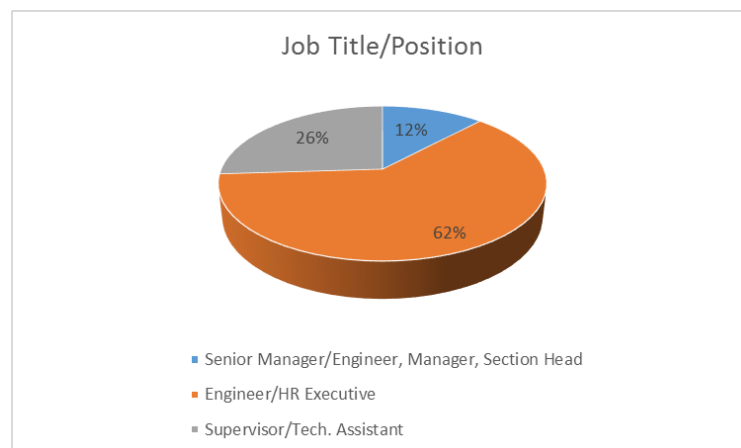


Figure 5: Job Title/Position

For the job title/position, most of the respondent are engineer or executive of the company with 62% (16 out of 26 respondent), and followed by supervisor or technical assistant with 26% (7 out of 26) and 12% (3 out of 26) for senior manager/engineer, manager or section head position.

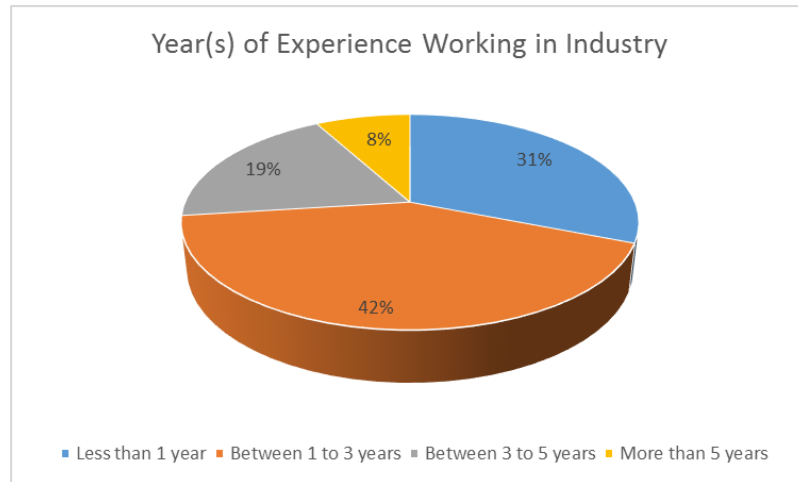


Figure 6: Year(s) of Experience Working in Industry

Based on 26 returned questionnaires, the result indication the greatest number of respondents working experience in the company is at the range of 1 to 3 years with 42%. On the other hand, there is 31% of the respondent is falling in the range of working experience less than 1 year. Additionally, 19% of respondents has 3 to 5 years of working experience and 8% of respondents has working experience more than 5 years.

#### 4.3.2 Section B: Effectiveness of current human resource utilization and practices in oil and gas industry in Malaysia

Table 1: Average Index of Current Human Resource Practices

CURRENT HUMAN RESOURCE PRACTICES	Average Index
Training and Development	3.42
Compensation	3.24
Work Environment	3.23
Performance Appraisal	3.18
Employee Empowerment and Ownership	3.01

The data collected from the section B of the questionnaire was analysed from the perspective of the respondents. Each individual cause's Average Index perceived by all respondents was computed for overall analysis. The Average Index was computed for each practice to identify the most significance practices. It is ranked based on Average Index values. From the ranking assigned to each practice, the most effective HR practice and how is it utilized were able to be identified and discussed.

Based on the table above, which feedbacks from the questionnaire, the most effective HR practice are Training and Development practice with average index of 3.42 and were followed by Compensation strategy with 3.24, Work Environment with 3.23 of average index and 3.18 value of average index for Performance Appraisal practice. While according to the result of the survey, Employee Empowerment and Ownership has the least value of average index with 3.01.

### 4.3.3 Section C: Importance of having effective human resource utilization in oil and gas industry.

*Table 2: Ranking on the Importance of Having Effective HR Utilization*

Importance of Effective HR Utilization	Relative Importance Index
Training helps to define job roles more clearly	0.89
Best HR practices helps in optimizing the effectiveness of HR towards achieving organization goals	0.89
Training enhance the employee's skills and improve performance	0.88
Effective work environment can help to increase employee's productivity	0.88
Empowerment and ownership develops confidence and sense of worth	0.88
Effective compensation strategy helps to retain employee in organization	0.88
Comfortable and safe work environment helps to retain employee in organization	0.87

Empowerment provides employee sense of freedom	0.86
Performance appraisal helps to tracks whether employee needs extra training and development	0.86
Performance appraisal provides recognition for work efforts	0.81
Good compensation strategy makes employee to take on more responsibility to job	0.80

In this section, the feedbacks of the survey were computed and presented as importance indices using Relative Importance Index (RII) value instead of using average index value, but with the same purpose to rank based on values. In this section, the ranking were assigned to each importance, which means the higher the RII value, the more important the criteria.

According to the table above, the most important criteria of having effective HR practices and utilization perceived by the respondents were, ‘Training helps to define job roles more clearly’ and ‘Best HR practices helps in optimizing the effectiveness of HR towards achieving organization goals’ shared the highest RII value of 0.89. The least RII value with 0.80 is ‘Good compensation strategy makes employee to take on more responsibility to job’. The result shows that the range of RII value for each criteria is not much differ from each other criteria.



#### 4.3.4 Data Gathering from Literature Review

The following table are the summary of past research which related to human resource practices and its importance towards the industry. From the gaps listed below, this research will try to fill in the gaps from the previous research papers in order to complete the study on effectiveness of human resource utilization and its importance toward oil and gas industry. The research gathered has been analyses as for its relevancies. There are all sixteen 12 research papers and journals are listed in the table from local and international authors has been used as reference as for insurance and clarification into determination to achieve current research objectives.

*Table 4: Summary of Past Research*

<b>HR Practices</b>	<b>Researcher</b>	<b>Key Statement</b>	<b>Gaps</b>
Training and Development	Shams et. Al (2013)	There is a positive and strong relationship between training and development on organizational performance.	How training helps/ influence in job performance individually thus retain employee in a company – Not enough study (not in oil and gas industry) Discuss generally type of training (not in oil and gas industry)
	Landsman (2004)	Training is a valuable activity for enhancing skills and improving staff performance.	
	<u>Abueva</u> (2011)	To prepare employees to perform their jobs effectively, learn about their organization, and establish work relationships.	
Performance Appraisal	Tiwari (2012)	Performance appraisal and attitudes towards HRM department were the significant predictors of organizational commitment in both the organizations	Data collected among from various company – to narrow scope on oil and gas company only.
	Sing et. Al (2010)	Performance appraisal is one of the best methods of motivating the employees and their round development as professionals.	Only focus on performance appraisal practices.

	O'Connor et. Al (2010)	Stress can affect an employee's job performance where he or she might be too concerned with the effect of the appraisal to career development or compensation.	To discuss how stress can influence in employee performance.
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HR Practices	Researcher	Key Statement	Gaps
Compensation	Global Energy Talent (2013)	<ul style="list-style-type: none"> <li>One of the best HR strategy in the oil and gas sector are by giving reward and compensation to the potential employee.</li> </ul>	<ul style="list-style-type: none"> <li>Only discussed one type of HR practices.</li> <li>To do study on other HR practices and its relationship with effective HR utilization.</li> </ul>
	Shams et. Al (2013)	<ul style="list-style-type: none"> <li>Compensation system plays a critical role for influencing organizational performance.</li> </ul>	
Employee Empowerment and Ownership	Levy (n.d)	<ul style="list-style-type: none"> <li>Organizations with empowered employees perform better than their competitors by up to 202%</li> </ul>	<ul style="list-style-type: none"> <li>Does not specify guidelines in empowering employees</li> <li>Not in oil and gas industry</li> </ul>
	Accord Energy Solutions	<ul style="list-style-type: none"> <li>Employee empowerment and ownership can make their employee to remain in the organization as well as achieving their organization goals</li> </ul>	

		are a part of the organization.	
Work Environment	Ingram (n.d)	<ul style="list-style-type: none"> <li>A work environment is made up of a range of factors, including company culture, management styles, hierarchies and human resources policies.</li> </ul>	<ul style="list-style-type: none"> <li>Not specific to oil and gas industry</li> <li>Does not provide types of ideal work environment</li> </ul>
	Dickey et. Al (2011)	<ul style="list-style-type: none"> <li>Given the nature of offshore work (spending long periods of time away from home and family, and working in a high-risk environment), it is reasonable to assume that companies in the oil and gas industry may have to offer a wage premium to attract and retain workers within the offshore sector.</li> </ul>	<ul style="list-style-type: none"> <li>No suggestion on how to create an interesting work environment at offshore.</li> </ul>

As a conclusion from the previous research done, it can be concluded that effective human resource management in oil and gas industry need to be further improved and monitored frequently for its effectiveness.

#### 4.4 Data Analysis and Discussion

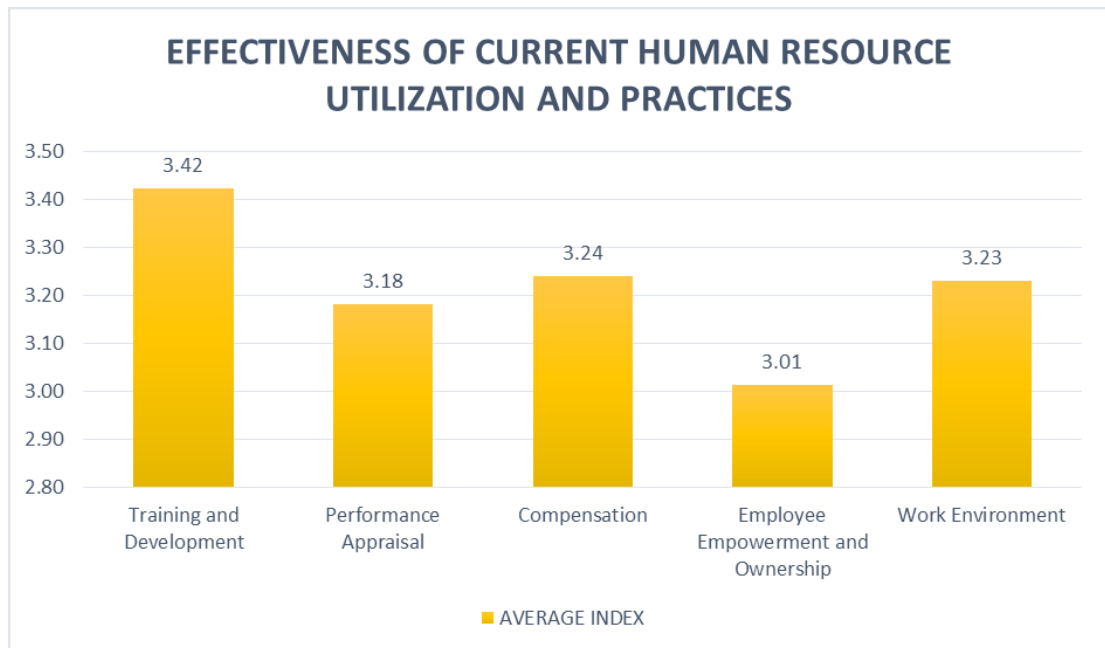


Figure 7: Effectiveness of Current Human Resource Utilization and Practices

Figure above shows the average index that has been calculated from the questionnaire survey and presented in bar chart. As from the chart above, the highest average index with 3.42 is Training and Development practices. This indicates that the employee of the organization satisfied and agreed with the current strategy and practices of training and development of their organization has done. In the questionnaire, there were three statement under Training and Development and the respondent mostly picked statement “Employees received sufficient training at firm to do job effectively”. This shows that employee that going through various training can help them to do job effectively because from the training, they learnt about their job scope, and they know things need to be done according to their job area. This statement correspond to what Abueva (2011) quoted in his article which states that purpose of training is to prepare the worker to perform their job effectively, as well as establishing social networks and learn about their organization.

The second highest average index is Compensation practice with 3.24. In the questionnaire, there were four statement that been stated under Compensation and the respondent tend to pick mostly on statement “The pay encourages the employee to improve the quality of their work”. This statement can be relate to Gallas (1968) in his

article said that the policies and practices to obtain, retain and effectively utilize the petroleum engineers that oil and gas companies always done are identified in terms of salary administration programs, compensation plans, and employee incentives. In the other hand, the employee of the organization agree that high pay must come with high quality of work output.

For the Work Environment practice, the average index is just 0.01 below the Compensation practice with 3.23. Among four statement in the questionnaire under work environment practice, the employee of the organization mostly agree on statement “Company practice a safety first work environment policy”. This indicates their organization implement a safety first work environment policy. Since the organization runs oil and gas business, safety is very important. The statement can be relate to Dickey et al (2011) suggestion to promote a safe and comfortable work environment at offshore should be done to attract and retain workers within the offshore sector.

The average index for Performance Appraisal practice is 3.18. Most of the respondent agree on the statement “The performance rating is helpful to identify employee’s strength and weakness”. According to researcher Akrani (2011), the performance appraisal results could be utilized to determine whether an employee needs additional training and development. From this statement, the HR department of the organization can use the performance appraisal result to send the employee to training course that he or she lack of. Also, the result also can be used for identifying the strength area of an individual employee so that his or her job scope can be specialized into his or her strength area to fully utilize the individual employee’s skills.

For the Employee Empowerment and Ownership practice, the average index is 3.01, which the least among five practices that being study. The feedback from the questionnaire shows that most of the employee agree on the statement “Employee are encouraged to suggest improvement in the way jobs are done” but least of them has select statement of “Employee are allowed to make immediate decisions and take responsibilities for their result” while according to the literature, employees that are able to make decisions about their job is a strategy and philosophy of employee empowerment because this practice makes the employee own their work and take responsibility for their consequences.

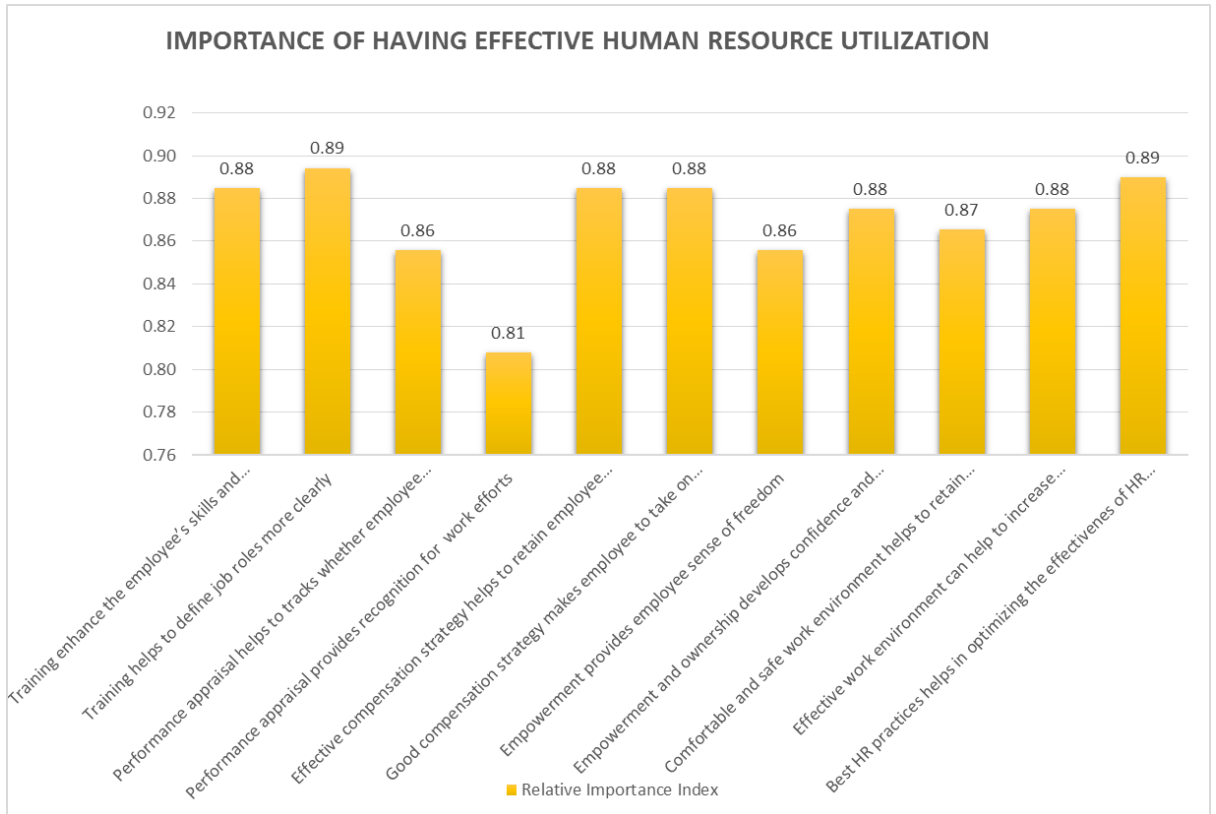


Figure 8: Importance of Having Effective Human Resource Utilization

Table 4: Ranking on Best HR Practices helps in optimizing the Effectiveness of HR towards Achieving organization

<b>Best HR Practices helps in Optimizing the Effectiveness of HR towards Achieving Organization</b>	<b>RII</b>
Training and Development	0.89
Performance Appraisal	0.89
Employee Empowerment and Ownership	0.93
Compensation	0.92
Work Environment	0.84

The figure above shows that the importance of having effective human resource utilization and its RII values that being presented using bar chart. According to the chart above, the highest RII value are statement with “Training helps to define job roles more clearly” and “Best HR practices helps in optimizing the effectiveness of HR towards achieving organization goals”. This indicates that the respondent strongly agree that training can helps to define their job roles more clearly and this correspond with what has been stated by Landsman (2004) in his article that proposing

training is a valued action for improving staff performance and enhancing skills as well as minimizing job stress because it can define roles more clearly to employees.

Besides that, it is also shows that the respondent mostly strongly agree with one of the importance of having effective HR utilization is best HR practices utilization helps in optimizing the effectiveness of HR towards achieving organization goals. Based on the results also, most of the respondent agree that effective utilization of Employee, Empowerment and Ownership can helps achieving the organization goals. This is because according to research that has been conducted by Levy (n.d) organization with empowered employees perform better than their competition by up to 202%. Also, an oil and gas company, Accord Energy Solution has proved that employee empowerment and ownership can make their employee to remain in organization and achieving their organization goals.

From the results, there are disagreement of the respondent about the importance of having effective HR utilization which includes “Performance appraisal provides acknowledgement for work efforts” and “Empowerment provides employee sense of freedom”. However only one person for each of those statement does not agree while others are mostly agree on the importance of having effective HR utilization in their company.

## CHAPTER 5: CONCLUSION AND RECOMMENDATION

### 5.1 Conclusion

From the results of surveys as presented in the previous chapter, it can be concluded that the most effective current human resource practices and being utilized in oil and gas industry in Malaysia are Training and Development practices, followed by Compensation, Work Environment, Performance Appraisal and the least effective practices based on this study are Employee Empowerment and Ownership practice.

However, the effectiveness of current human resource utilization and practices in oil and gas industry in Malaysia are still in comfortable position and under controlled, but there are several aspects need to be further improved and monitored frequently for its effectiveness, for example the Employee Empowerment and Ownership practices should be implemented widely, provided that other practices were not being neglected.

Besides that, from the case study conducted, it is shown that the employee of the organization has awareness about the importance of having effective HR practices utilization on pursuing success in oil and gas industry as well as achieving organization goals. For example, although the organization not fully utilize the practice of Employee Empowerment and Ownership, however from the result shows that the employee are aware on how important this practice on developing and shaping individual self-confidence as well as helping to achieve organization goals.

Some mitigation strategies have been developed to possibly being implemented in oil and gas industry in Malaysia. The strategies are proposed might not be 100% effective, but instead it is developed to optimize and utilize effectively the human resource practices. In summary, the strategies for addressing the utilization of human resource practices effectively are shown in table below.



Table 3: Summary of Human Resource Practices Strategies

Human Resource Practices	Strategies
Training and Development	<ul style="list-style-type: none"> <li>• Every employee should be scheduled to go for training program every year or twice a year.</li> <li>• The scheduled training should not be improving technical skills only, but need to assign the employee to go for training that involve managing stress, self-confidence and emotional controlled.</li> </ul>
Performance Appraisal	<ul style="list-style-type: none"> <li>• The performance rating should be done periodically fair and square, which involving all stages of hierarchy in the organization.</li> <li>• To include a self-evaluation section into performance appraisals, providing the workers an opportunity to think about his performance.</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>• Develops attractive compensation strategy that can benefits both the organization and employee for example an Insurance Programs that cover accident, health and life as long as the employee remains with the company.</li> </ul>
Employee Empowerment and Ownership	<ul style="list-style-type: none"> <li>• Practice employee to make their immediate decisions or granting sufficient authority on their job and take responsibilities for the results (own the job)</li> </ul>
Work Environment	<ul style="list-style-type: none"> <li>• To expand the culture diversity of the organization.</li> </ul>

To conclude this research, the human resource utilization and practices in oil and gas industry in Malaysia needs to be further improved and monitored frequently for its effectiveness although the employee of the organization are aware of its importance. This is because, in oil and gas industry, high technology equipment are useless if does not have the right manpower or employee to handle the equipment, and that is why effective human resource utilization is important.

## **5.2 Recommendation**

To obtain more accurate result for future study, it is recommended to increase the sample size i.e. the number of respondent to a bigger value to obtain more accurate result. Also, the target respondent's scope should be widen by having people from various company and perspective of working field or area. This can be achieved by distributing the questionnaire surveys to other oil and gas companies in Malaysia to obtain more accurate and consistent survey results.

Apart from that, further and deeper analysis need to be done to examine the effectiveness of current human resource practice and utilization in oil and gas industry. This can be done by conducting extensive interview with selected respondent who are willing to share their knowledge and experiences. Besides that, a more advanced and widespread research need to be conducted in the future to obtain more specific result. The fact that this research is considered 'too general' can be improvise by widening the scope of study and adding more human resource practices to be studied with more objective of study to be define.

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**APPENDIX 1**

**Gantt Charts and Key Milestone**

**FYP 1**

No.	Activities	Week														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1.	Selection of Project Topic and Understanding the Research Topic	█	█	█												
2.	Research for journals and materials related to topic and drafting extended project proposal				█	█	█	█								
3.	Submission of Extended Proposal								█							
4.	Proposal Defense presentation									█						
5.	Project Work Continues – Structuring questionnaires form and conduct pilot study.									█	█	█	█			
6.	Submission of Interim Draft Report														█	
7.	Submission of Interim Report/Dissertation															█

Activity Progress	█
Key Milestone	█

**FYP 2**

No.	Activities	Week													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Project Work Continues – Distribution of questionnaire form and data collection.	█	█	█											
2.	Analyzing data collection				█	█	█								
3.	Submission of Progress Report							█							
4.	Project Work Continues – Collecting material for poster presentation.								█	█					
5.	Pre-SEDEX – Poster Presentation										█				
6.	Submission of Final Report/Dissertation Draft											█			
7.	Submission of Dissertation (soft bound)												█		
8.	Submission of Technical Paper												█		
9.	Viva Presentation													█	
10.	Submission of Project Dissertation (Hard Bound)														█

Activity Progress	█
Key Milestone	█

## APPENDIX 2

### Questionnaire Form



UNIVERSITI  
TEKNOLOGI  
PETRONAS

FINAL YEAR PROJECT  
**EFFECTIVENESS OF HUMAN RESOURCE UTILIZATION IN  
OIL AND GAS INDUSTRY**  
QUESTIONNAIRE

Objective of Study:

1. To study on the effectiveness of human resource utilization and practices in oil and gas industry in Malaysia
2. To study on the importance of having effective human resource utilization and practices in oil and gas industry in Malaysia

Instruction:

1. Please fill in the space available and darken/tick in the respective box.
2. All data included in this questionnaire will be used only for academic research and will be strictly confidential.
3. All the data information will be on aggregated basis and no individual data will be published.

**SECTION A: GENERAL INFORMATION**

1. Gender

- Male                       Female

2. Type of Company/Organization

- Operating Company                       Service Company

3. Job Title/Position

Senior Manager/Engineer, Manager, Section Head	<input type="radio"/>
Engineer/HR Executive	<input type="radio"/>
Supervisor/Tech. Assistant	<input type="radio"/>

4. Year(s) of Experience Working Experience in Industry.

Less than 1 years	<input type="radio"/>
Between 1 to 3 years	<input type="radio"/>
Between 3 to 5 years	<input type="radio"/>
More than 5 years	<input type="radio"/>

5. Longest Period of Working in Same Company/Organization.

Less than 1 years	<input type="radio"/>
Between 1 to 3 years	<input type="radio"/>
Between 3 to 5 years	<input type="radio"/>
More than 5 years	<input type="radio"/>



For each statement below, please darken/tick on the appropriate number to indicate whether it is:

1. Strongly disagree	2. Disagree	3. Agree	4. Strongly Agree
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**SECTION B: EFFECTIVENESS OF CURRENT HUMAN RESOURCE UTILIZATION AND PRACTICES IN OIL AND GAS INDUSTRY.**

<b>Training and Development</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Employees received sufficient training at firm to do job effectively.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees normally go through various training program every year	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company provides formal training to promote skills to new hires as well as to existing employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Performance Appraisal</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
The performance rating is helpful to identify employee's strength and weakness.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee are satisfied with existing performance appraisal system.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The quality the employee's work is an important factor in evaluating their job performance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The performance ratings were done periodically.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Compensation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Employee are satisfied with the pay that they receive.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee earn more than others who do similar work at other company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The pay encourages the employee to improve the quality of their work.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company has compensation practices which really recognize people who contribute the most to company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Employee Empowerment and Ownership</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Employee have the opportunity to determine how they do the job.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee are allowed to make immediate decisions and take responsibilities for their results.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee are encouraged to suggest improvement in the way jobs are done.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Work Environment</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Company provide a comfortable work environment to the employee.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company practice a safety first work environment policy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee are satisfied with the current management styles conducted by the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee are comfortable with the current company culture in the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**SECTION C: IMPORTANCE OF HAVING EFFECTIVE HUMAN RESOURCE UTILIZATION IN OIL AND GAS INDUSTRY.**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Training and Development</b>				
Training and development helps in optimizing the utilization of HR towards achieving organization goals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Training enhance the employee's skills and improve their job performance.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Training helps to define job roles more clearly to employees, thus minimizing job stress.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Performance Appraisal</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Performance appraisal helps to find out whether an employee requires additional training and development.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance appraisal provides employees with recognition for their work efforts.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance appraisal helps in optimizing the effectiveness of HR towards achieving organization goals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Compensation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
An effective compensation strategy helps to retain the employee in the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
With a good compensation promoted by the company, the employee are more likely to take on more responsibility in the workplace.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compensation helps in optimizing the effectiveness of HR towards achieving organization goals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Employee Empowerment and Ownership</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Empowerment provides employee sense of freedom, thus increase job satisfaction.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee empowerment and ownership develops confidence and sense of worth in each of employee.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee empowerment and ownership helps in optimizing the effectiveness of HR towards achieving organization goals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>Work Environment</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
A comfortable and safe work environment can helps to retain the employee in the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
An effective work environment can help to increase employee's productivity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Excellent work environment helps in optimizing the effectiveness of HR towards achieving organization goals.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

-End of Questionnaire-