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# The challenge of the next decade

GETTING THE RIGHT HUMAN RESOURCES FOR THE MIDDLE EAST OIL AND GAS INDUSTRY

**T**he pool of qualified petroleum engineers, vital for the region's oil and gas industry, is ageing. One of the most significant questions for the future is: how to attract young engineers from all over the world and at the same time develop a local supply base of qualified engineers?

The Human Resource departments of regional producers face one of the biggest challenges they have encountered in recent years. Our research indicates that the average age of production engineers in the region is already around 48.

The consequence is that there is a lot of pressure to replace this ageing workforce within coming years. Training young professionals to fill the posts of senior employees, who often have more than 25 years of relevant experience, is not easy for HR departments. And it is compounded by rising competition for young engineers worldwide.

Increased oil demand and the resulting pressure to boost production already has a direct impact on the demand

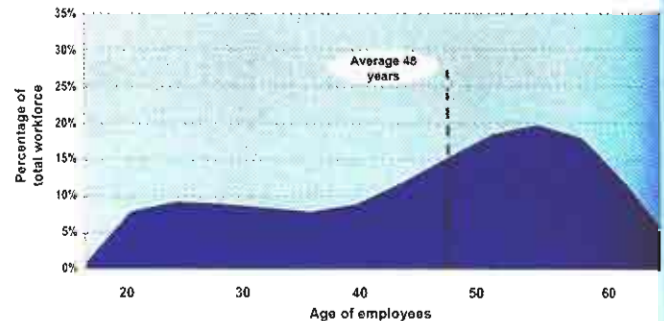
for production resources. Technology and innovation can be used to help to improve production but in the short to medium term companies depend on well educated and experienced employees to ramp up production.

It is well known that there is a worldwide shortage of qualified engineers. Major producers are competing heavily for these scarce resources.

Our regional oil producers are often at a disadvantage in this competition, because they lack the reputation of a first class employer, while international firms like BP, Shell or Total have a strong Human Resource brand distinguishing them as world-class employers, attractive to young professionals.

The worldwide shortage of engineers is also increasing competition for high potential employees and the situation in the Middle East is getting worse.

Our clients in the oil and gas sector complain about the difficulties of filling vacant positions and particularly about the quality of applicants, indicating that getting skilled



Typical age distribution of the workforce of an oil and gas producer in the Middle East (2004). Source: Research Middle East Strategy Advisors

people is becoming increasingly harder.

There is already competition for human resources between GCC countries, a trend which could become a major hurdle for the region's overall economic development. In addition, most GCC countries have set aggressive nationalisation targets to replace retiring expatriates with nationals. The national supply base of experienced engineers is limited, turning a difficult task into a major challenge for HR departments.

The situation calls for a review of current Human Resources management practices and firmly putting the HR challenge on top management's agenda.

Many companies do not manage the HR value chain as a whole and often lack a clear strategy to respond to challenges. A common pitfall is HR managers reacting to pressure by launching numerous initiatives to solve specific problems,

into measurable goals.

It is actually a surprise that business strategies are reviewed and adapted on a regular basis whereas HR strategies dealing with the most valuable resource have hardly been changed within the last 15 or 20 years.

Some companies have realised that there is a problem. New management techniques such as professional recruitment, based on systematic assessment tests and executive searches; competency based management; career and succession planning and tailored compensation plans have been increasingly gaining ground.

However, most companies seem to be unaware of the scale of problem and how severely it could damage their current business.

Managing the value chain starts with a comprehensive Human Resource strategy. Key focus areas for regional players are: HR marketing and recruiting; staff development and motivation; rewards and compensation and performance

Situation Assessment	Set up concepts for HR Marketing and Recruiting	Set up concepts for Retention	Integration and Strategic Review
<ul style="list-style-type: none"> <li>Detailed assessment of existing concepts / SWOT analysis</li> <li>Interviews with current and former employees as well as with job agencies</li> <li>Benchmarking with competition (packages, development opportunities)</li> </ul>	<ul style="list-style-type: none"> <li>Brand Positioning</li> <li>Creative search / identification of competence pools</li> <li>Marketing:                             <ul style="list-style-type: none"> <li>Public Relations / Communication Strategy</li> <li>University Programs</li> <li>HR Advertising</li> <li>Etc.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Development programs / different career paths</li> <li>Process of regular performance reviews and appraisals</li> <li>Identification of high potentials and targeted development</li> <li>Regular review of</li> </ul>	<ul style="list-style-type: none"> <li>Integration of HR strategy into overall corporate strategy / e.g. linkage of Key Performance Indicators to Performance Reviews etc.</li> <li>Regular strategic reviews</li> <li>Competition Monitoring</li> </ul>

When recruiting, many companies overemphasise the importance of the compensation package. While this is without question a major factor and the basis of any potential interest in becoming employed by a company, training and development opportunities are just as important to differentiate a company from its competition. Compensation packages can be easily matched by competitors, whereas state-of-the-art training and development programmes are hard to imitate.

In order to develop the right attractive employment package it is necessary to conduct professional benchmarking with competitors' offerings and Human Resource strategies.

Once the right people are hired the biggest challenges are development and retention. Many companies invest heavily in management and staff development but fail to profit from their investment because employees leave the companies too early.

Therefore retention of employees is one of the key success factors of modern Human Resource management.

Retention is achieved through a combination of motivation and performance and reward management ensuring that employees get the motivation, the right amount of responsibility in their job area and right rewards for effective performance.

All these fields have to be linked to each other. The performance management process should clearly identify high potential employees and suggest further development

programmes for them. Many companies cannot tell you immediately who their high potentials and high performers are, a simple mistake which often leads to the loss of their best people.

Satisfied employees, who are developed, given the right amount of responsibility as well as opportunities to do different challenging jobs and are suitably rewarded, seldom change their employer, even when offered better compensation packages. Comprehensive development and training programmes offering clear career paths and a challenging and rewarding work environment are key components of a powerful Human Resources image that



you can think of as a brand.

This is especially important for a younger generation of trained and educated professionals who are more brand aware as well as more brand conscious and may often choose their employer by its brand and recognition within the community.

Building a strong Human Resource brand is not an instantaneous step but more like a long-term journey. In many

cases it is possible to make some immediate impact by picking some of the "low-hanging fruit," when developing HR strategies, but typically it takes companies several years to realise significant measurable results.

A strong argument more for not waiting any longer and starting this journey as soon as possible to gain a competitive advantage in the battle for talent. ■



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