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NUST Institute of Management Sciences

MBA 2K3 (B)

MBA – RESEARCH THESIS

**Human Resource Practices and Employee Retention Issues in Oil and Gas
Sector of Pakistan**

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- Mr.Faisal, Human Resource Officer, Mari Gas Company Limited, G-10/4 Islamabad
- Mr. Abdul Mateen Ahmad, Deputy Manager Recruitment and Career Planning, OGDCL House, Blue Area Islamabad
- Mr. Rizwan Ahmed, Senior Administrative Officer, Administration Department, OGDCL House, Blue Area Islamabad
- Mr. Muneer Ahmed Khan, Chief Instructor, OGTI, I/8-3, Islamabad.
- Mr. Raziq Khattak, Senior Administrative Officer, Career Planning and Recruitment Department, OGDCL House, Blue Area, Islamabad
- Mr. Ayan Riaz, Executive Human Resources, Pakistan Oilfields Limited, POL House, Morgah, Rawalpindi

EXECUTIVE SUMMARY

The important role played by the Oil and Gas sector in modern economies cannot be over emphasized. The Oil and Gas sector assumes added importance for countries like Pakistan which are faced with the situation of rapidly depleting resources and a continuously increasing demand. In an attempt to bridge the demand and supply gap, Government of Pakistan has given special incentives to this sector due to which there has been an upsurge in the exploration for Oil and Gas in the country. At present the domestic Oil and Gas sector is characterized by the presence of many companies and the overall structure of the industry is fragmented and thus highly competitive. The competition among the existing players is not only about being able to take a larger share of the pie but also to acquire resources which includes technically qualified competent employees.

The sector comprises three streams or business areas/segments. These areas are called the Upstream, the Midstream and the Downstream business segments of the industry. Three Pakistani companies selected for research are, Oil and Gas Development Company Limited (OGDCL), Mari Gas Company Limited (MCGL) and Pakistan Oilfields Limited (POL). All these companies are active participants in the Upstream segment of the industry. The companies operating in the upstream oil business engage in Exploration and Production of Oil and Gas. Besides the requirement of enormous financial and technological resources, success of these companies largely depends on the technical skills of their Geologists, Petroleum Engineers, Drilling specialists and Geophysicists.

These categories of employees after certain amount of specialized training and experience are highly valuable as both the operating companies and the services providers operating in the upstream industry segment are always on the lookout for competent technical employees. These categories of technical specialists have to perform highly specialized tasks under a set of tough field conditions. The nearly similar working conditions encountered by this category of employees while working for different companies makes them highly migratory. Companies in the Upstream segment of the industry have to adopt special measures to retain them as they are essential in helping their companies to achieve their business objectives.

This research paper contains a literature review comprising extracts from the contemporary thought in the area of employee retention, an industry overview, in-depth study and analysis of the Human Resource practices followed by the three selected companies. Towards the end a linkage between the HR practices followed by various companies and the impact of these practices on the ability of respective companies to retain their competent technical employees has been established. A comparison of the HR practices followed by the three selected organizations and their voluntary turn over figures confirms that the better the HR practices of an organization the lower is its voluntary turnover rate and vice versa. The paper ends with company specific recommendations. These recommendations are based on conclusions drawn from the analysis and are aimed at addressing the weakness of the respective companies as identified during the course of research.

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N.I.D. Card Number: **42501-5593049-9**

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ISSUES IN OIL & GAS SECTOR OF PAKISTAN

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National University of Sciences & Technology
MASTER'S THESIS WORK
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Institute: NUST Institute of Management Sciences This is a:
 First preliminary examination
 Second preliminary examination
following as unsuccessful first
attempt.

Target date as specified on BS Form TH-2 June 23, 2005
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Results of the examination: PASS FAIL

Guidance & Examination Committee	
Committee members voting to PASS	Committee members voting to FAIL
1. <u>Mr. Muhammad Taslim</u>	_____
2. <u>Ms. Fauzia Janjua</u>	_____
3. <u>Ms. Asfia Obaid</u>	_____
<u>Mr. Naukhez Sarwar</u>	_____
Advisor (committee chair)	Advisor (committee chair)

Signature of Advisor June 23, 2005
Date

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National University of Sciences & Technology
MASTER'S THESIS WORK
Final Oral Exam

Institute: **NUST Institute of Management Sciences**

Specialization: **Human Resource
Management**

ABSTRACT

Complete ¾ page abstract of thesis of Lieutenant Colonel Muhammad Alamgir Khan

The important role played by the Oil and Gas sector in modern economies cannot be over emphasized. The Oil and Gas sector assumes added importance for countries like Pakistan which are faced with the situation of rapidly depleting resources and a continuously increasing demand. In an attempt to bridge the demand and supply gap, Government of Pakistan has given special incentives to this sector due to which there has been an upsurge in the exploration for Oil and Gas in the country. At present the domestic Oil and Gas sector is characterized by the presence of many companies and the overall structure of the industry is fragmented and thus highly competitive. The competition among the existing players is not only about being able to take a larger share of the pie but also to acquire resources which includes technically qualified competent employees.

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Open to Public

Location: **Class Room No. 5, NIMS**

Time & Date: **18 : 00 hrs September 20, 2005**

Thesis Advisor

National University of Sciences & Technology
MASTER'S THESIS WORK

WE HEREBY RECOMMEND THAT THE DISSERTATION PREPARED UNDER OUR
SUPERVISION BY: **LIEUTENANT COLONEL MUHAMMAD ALAMGIR KHAN**

ENTITLED: **HUMAN RESOURCE PRACTICES AND EMPLOYEE RETENTION**
ISSUES IN OIL & GAS SECTOR OF PAKISTAN

BE ACCEPTED AS FULFILLING IN PART OF PHILOSOPHY.

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Members: 1. **Mr. Muhammad Taslim** Signature: _____

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Date: **September 20, 2005**

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HUMAN RESOURCE PRACTICES
AND EMPLOYEE RETENTION
ISSUES IN OIL AND GAS SECTOR
OF PAKISTAN

CHAPTER ONE
INTRODUCTION

CHAPTER ONE

INTRODUCTION

The dependence of modern economies of the world on the sources of energy is a well known fact. In Pakistan we get the first hand experience of almost fortnightly fluctuations in the prices of fuel (normally to the higher side) and the consequent impact on our own pockets. With the increase in population and overall standards of living, the hunger for petroleum products is continuously on the rise. The dependence of developed economies on the imported oil is so acute that powerful nations of the world use every means at their disposal to gain control over its sources in a bid to assure constant supply of petroleum products to quench the insatiable thirst of their domestic markets. For countries like Pakistan, where the production of these vital drivers of economy is overtaken by the demand and the situation is likely to worsen in foreseeable future as the gulf between the ever increasing demand and the rapidly depleting domestic supply is widening at an alarming rate. This situation further tilts the already tilted balance of trade in favor of imports with obvious ramifications both for the fragile national economy and the individual purchasing power. Under these conditions the role played by the domestic oil and gas sector assumes critical importance.

The Oil and Gas sector consists of three business streams, namely, the Upstream, the Midstream and the Downstream businesses. The Upstream companies comprise the Exploration and Production companies (E&P). As the name suggests that the companies in this segment of oil and gas business perform the highly sophisticated job of exploring and then developing the oil and gas fields. Business success in this segment needs a high level of technological sophistication and very highly skilled employees capable of performing extremely specialized tasks under demanding field conditions (both inland and offshore). The Upstream E&P companies are of two types, the Operating companies and the Services Providers. The Operating companies do the job of Exploration and development of reservoirs and in process assume huge financial risks; the Services Providers on the other hand provide specialized technical services to the operating companies and assist these companies in their efforts to perform the task of exploration and production. The companies operating in the Midstream segment of Oil and gas sector do the job of transporting and refining the oil recovered by the Upstream companies. The companies involved with the Downstream segment of the business deal in the marketing and sales areas of the refined petroleum products.

I have chosen three Pakistani Upstream Operating companies for the purpose of my research. These companies include Oil and Gas Development Company Limited (OGDCL), Mari Gas Company Limited (MCGL) and Pakistan Oilfields Limited (POL). The purpose of choosing the local companies in the Upstream segment of the Oil and Gas Sector for the research is that success of the companies in this business area most notably rests on the capability of their technical employees like Geologists, Geophysicists, Drillers and the Petroleum Engineers and their ability to retain these otherwise highly migratory technical employees. The reason for narrowing the focus on national companies is the

absolute denial of information by the Multinational Companies with regards to their operations and practices.

The **basic premise** for studying the Human Resource Management Practices (HR) and Employee Retention issues at OGDCL, Mari Gas Company Limited Pakistan (MGCL) and Pakistan Oilfields Limited (POL) is to assess the importance being attached to these vital aspects by the organizations concerned and to develop an understanding of the relationship between the overall manner in which a company treats its employees and the subsequent impact on the willingness of the employees to stay with it for longer periods of time contributing positively for the overall organizational success. Although very basic in nature, these areas are considered vital for long term success of organizations. The realm of HR practices includes a wide array of activities and policies which govern almost every aspect of organizational life. These practices in essence determine the quality of organizational life and are considered to have significant impact on the employee retention capacity of companies.

To survive and thrive in the contemporary world of cut throat competition, an organization has to have a clearly defined mission and a vision. To realize the mission and the vision organizations make strategies for gaining competitive advantage. While strategizing to outperform their competitors, it is of utmost importance that organizations take people related issues into account during strategy formulation process. People related issues are perhaps the most important consideration for an organization as no matter what strategy is chosen, it has to be implemented by the members of the organization. It is known that the successful implementation of strategy hinges upon organizational structure, task design, the selection training and development of people, reward systems and type of information and information system. Three out of these five variables are related to the Human Resource function of an organization. The remaining two i-e structure and information system can also be strongly influenced by the same function. It can be easily seen that unless an organization inducts the right type of people, train and develop them accordingly and has the ability to retain competent employees its ability to meet the organizational challenges and implementation of the chosen strategies will remain illusive.

The **second premise** for choosing to study the indicated areas pertaining to the Human resource function of the chosen organizations is the important role played by the ability of the organizations to retain competent employees for developing distinctive competencies for an organization. To implement a chosen strategy for achieving the desired ends, organizations have to strive to gain competitive advantage over their rivals for which a set of distinct competencies have to be developed. The competencies developed by an organization enable it to gain and maintain competitive advantage over its rivals in the industry. In an ever raging battle of surpassing each other, organizations with distinctive competencies out perform their competitors. To gain and maintain competitive advantage an organization uses every possible mean available to it in its battery of resources. It is commonly believed that the competitive edge achieved by an organization remains so when its competitors find it hard to replicate. The principle tool which can help an organization create a set of competences so distinct and unique that its

competitors find it most difficult to replicate are the Human Resources of the organization. It is a well established fact that organizations populated by a set of competent, willing and motivated employees are usually the market leaders in their respective businesses while those staffed by incompetent and unwilling employees are often consigned to the dustbin of corporate history as failures—sometimes very costly. Here again the importance of the areas chosen for research figures out prominently as organizations have to recruit, select, train and develop and retain the right type of employees to develop desired competencies in order to avoid the implementation gap.

We know that the role played by the human resource of an organization is not only important but critical to the success of a contemporary business organization. We also know that the human resources of an organization play the all important roles in strategy implementation for which this function becomes instrumental in execution of the chosen strategy through gaining a long term competitive advantage. If such is the importance of this function then logically it must be incorporated in the decision making echelons of all organizations all over the world. The reality is however, different. While studying the roles of HR function and the resultant importance given to the human resources we find that in most organizations around the world there is varying level of involvement of this function in the organizational affairs. Broadly speaking the HR function and the consequent importance attached to the importance of human resources in any organization falls under any one of the four categories, the names of the categories are almost commensurate with the importance that different organizations attach to their people. The levels at which the HR function and consequently the importance accorded to human resources in an organization include the administrative level, the one way linkage, the two way linkage and the integrative linkage. Since the realization of the importance of role played by the human resources in the success of organizations is a relatively recent occurrence especially in countries like ours so we mostly find this function placed either at administrative or one way linkages. The trouble with the existing arrangement is that while on theoretical grounds the importance of this function is realized by many organizations, the practical actions in terms of stated policies and practices seldom match the words. This difference between what is professed and what is practiced translates itself into almost all areas affecting the potency of this vital organizational resource. As a result, it is little wonder that there is a gap between what organizations profess and practice in most human resources related areas including the recruitment, selection, training and development etc which is the **third premise** for the research.

With the ever expanding frontiers of businesses across national and continental confines together with the steady lifting of trade barriers between nations it is important for businesses in countries like ours to develop competencies which their competitors both domestically and internationally find most difficult to replicate. As we know that such competencies can be built by following commensurate HR practices and ability of the organization to retain its competent employees hence the importance of the areas chosen for the research assume added importance.

Objective

The objectives of the conducting research is **first** to study the HR practices of the chosen organizations and **then** to explore the impact of these practices on the ability of the respective organizations to retain their competent technical employees.

Literature Review

The literature review of my thesis is focused to convey to the reader what knowledge and ideas have been established on the topic in relationship to the premises that constitute the foundation blocks for my research. As against the practice of quoting all the concepts on the subject, I have made an effort to stay focused on including only those aspects of available knowledge which are relevant to my research in the considered contexts.

Research Techniques:

Before attempting to conduct research on the chosen Thesis, I had already done some research on the Human Resource Practices at Mari Gas Company Limited. Relevant portions out of the research have been included in this paper. I have conducted an in-depth study of the HR practices and the specific employee retention related problems of the organizations under discussion. Basing on my findings, I have conducted an analysis and drawn relevant conclusions which in turn have formed the basis of the organization specific recommendations given at the end of the paper.

I have employed following methods to conduct the research:

- Interview the officials of the chosen organizations.
- Study of various sources of information concerning the industry.
- Study of Text Books
- Use of Web based sources

References:

The under mentioned officials of the three companies provided me with enormous information regarding their respective companies.

1. Lieutenant Colonel(Retired) Manzoor Iqbal Awan, Manager Human Resource Department, Mari Gas Company Limited, G/10-4 Islamabad
2. Mr.Faisal, Human Resource Officer, Mari Gas Company Limited, G-10/4 Islamabad
3. Mr. Abdul Mateen Ahmad, Deputy Manager Recruitment and Career Planning, OGDC House, Blue Area Islamabad
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7. Mr. Ayan Riaz, Executive Human Resources, Pakistan Oilfields Limited, POL House, Morgah, Rawalpindi

CHAPTER TWO
LITERATURE REVIEW

CHAPTER TWO

LITERATURE REVIEW

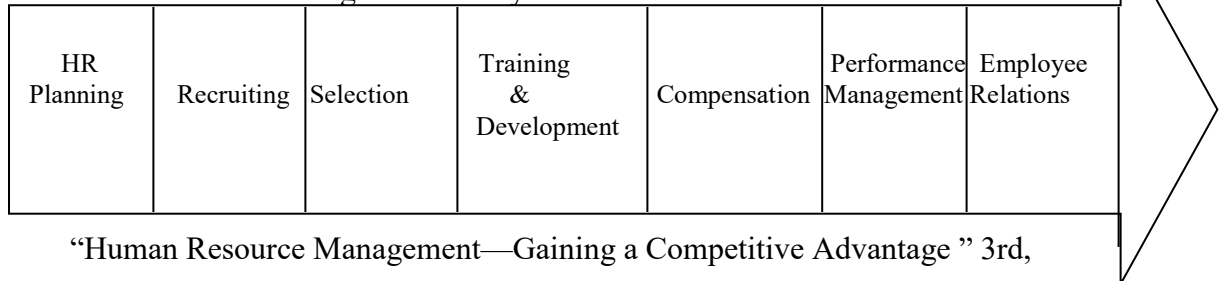
Before attempting to address the theme of the research as identified in the Thesis proposal it is considered imperative to find out what does the latest research on the subject has to offer. There is also a requirement to get familiarized with the salient theoretical aspects of the issues pertaining to the research subject. It is only after familiarization with the latest concepts on the subjects and a revisit of the basic theoretical aspects pertaining to the discipline of Human Resource Management that the existing conditions of the chosen industry can be meaningfully analyzed and correct conclusions drawn. Basing on these conclusions appropriate recommendations to address the problem at hand can be proffered.

This section of the research paper is divided into two parts. In the first part basic definitions pertaining to the discipline of Human Resource Management and Strategic Management are highlighted. The second part contains the latest concepts pertaining to the research subject as available on the contemporary media.

PART ONE

Human Resource Management

¹Human resource management (HRM) refers to the policies, practices, and systems that influence employee's behavior, attitudes and performance. It is also referred to as "people practices". The strategy underlying these practices needs to be considered to maximize their influence on the company performance. The HRM practices include determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations). The entire HRM process can be summarized as under ²diagrammatically:



McGraw- Hill, New York, pp 4

² Ibid,pp4

Competitive Advantage

³A company is said to have competitive advantage over its rivals when its profitability is greater than the average profitability for all firms in its industry. A company is said to have **Sustained competitive advantage** when it is able to maintain above average profitability for a number of years.

Industry Competitive Structure

⁴The competitive structure of an industry refers to the number and size distribution of companies in it, something that strategic managers determine at the beginning of an analysis. Industry structures vary; different structures have different implications for the intensity of competitive rivalry. A **Fragmented Industry** consists of a large number of small or medium sized companies none of which is in a position to determine industry price. A **Consolidated Industry** is dominated by a small number of large companies, or in extreme cases, by just one company. Companies in such a setting are often in a position to determine prices.

Strategic Management

⁵Strategic management is a process, an approach to addressing the competitive challenges an organization faces. It can be thought of as managing the pattern or the plan that integrates an organization's major goals, policies and action sequences into a cohesive whole.

Strategic Management Process

⁶The process by which managers choose a set of strategies for a company that will allow it to achieve superior performance.

Components of Strategic Management Process

⁷The strategic management process has two distinct yet interdependent phases: strategy formulation and strategy implementation. During strategy formulation the strategic

³ Jones.R. Gareth, Hill Charles 2003, "Strategic Management: An Integrated Approach" 6th Houghton College Division pp4

⁴ Ibid pp 43

⁵ Noe .A. Raymond, Hollenback .R John, Gerhart Barry and Wright m. Patric 1999 "Human Resource Management—Gaining a Competitive Advantage" 3rd, McGraw- Hill, New York, pp 42

⁶ Jones.R. Gareth, Hill Charles 2003, "Strategic Management: An Integrated Approach" 6th Houghton College Division pp3

planning group decides on the strategic direction by defining the company's mission and goals, its external opportunities and threats, and its internal strengths and weakness. They generate various strategic alternatives and compare those alternatives' ability to achieve the company's mission and goals. During strategy implementation, the organization follows through on the strategy that has been chosen. This consists of structuring the organization, allocating of resources, ensuring that the firm has skilled employees in place, and developing reward systems that align employee's behavior with the organization's strategic goals.

8Role of HR in Strategy Formulation

The question "with what will we compete?" presents ideal avenues for the HR to influence the strategic management process. A firm's strategic management decision making process usually takes place at its top levels, with a strategic planning group consisting of the chief executive officer, the president, and various vice presidents. However, each component of the process involves people related business issues. Therefore, the HR function needs to be involved in each of those components. Four levels of integration seem to exist between the HR function and the strategic management function: administrative linkage, one way linkage, two way linkage and integrative linkage.

- **Administrative Linkage** HR function's attention is focused on day to day activities. The company's strategic business planning function exists without any input from the HR department.
- **One Way Linkage** In one way linkage the firm's strategic business planning function develops the strategic plan and then informs the HR function of the plan. Many believe that this level of integration constitutes the strategic HRM.
- **Two Way Linkage** This linkage allows for consideration of human resource issues during strategy formulation process. This integration occurs in three sequential steps. First, the strategy planning team informs HR function of the various strategies that the company is considering. Then HR executives analyze the human resource implications of various strategies, presenting the results of this analysis to the strategic planning team. Finally, after the strategic decision has been made, the strategic plan is passed on to the HR executive, who develops plans to implement it.
- **Integrative Linkage** Integrative linkage is dynamic and multifaceted, based on continuing rather than sequential interaction. In most cases the HR executive is an integrated member of the senior management team. Rather than

⁷ Noe .A. Raymond, Hollenback .R John, Gerhart Barry and Wright m. Patric 1999 "Human Resource Management—Gaining a Competitive Advantage " 3rd, McGraw- Hill, New York, pp 43

⁸ Ibid pp 46

an iterative process of information exchange, companies with integrative linkage have their HR functions built right into the strategy formulation and implementation processes.

⁹HR Practices

The HR function can be thought of as having six menus of HR practices from which companies can choose the ones that are most appropriate to implementing the strategy. Each of these menus refers to a particular functional area of HRM: job analysis/design, recruitment/selection, training and development, performance management, pay structure/ incentives/benefits and labor/employee relations.

¹⁰Human Resource Planning

Human resource planning is the process of determining future human resource needs relative to an organization's strategic plan and devising the steps necessary to meet those needs. Human resource professionals and line managers consider demand and supply issues, as well as potential steps for addressing any imbalances.

¹¹Job Analysis

Systematic collection and recording of information concerning the purpose of a job, its major duties, the conditions under which it is performed, the contacts with others that job performance requires and the knowledge, skills and abilities needed to perform the job satisfactorily.

¹²Job Design

Job design deals with making decisions about what tasks should be grouped together into particular jobs. The way that jobs are designed should have an important tie to the strategy of an organization, because strategy requires that either new or different tasks or different ways of performing the same tasks. In addition, because many strategies entail the introduction of new technologies, this impacts the way that work is performed.

¹³Recruitment and Selection

⁹ Ibid pp53

¹⁰Bartol. M. Kathryn and Martin. C. David 1998 "Management" 3rd, McGraw- Hill, New York, pp 315

¹¹ Ibid

¹² Noe .A. Raymond, Hollenback .R John, Gerhart Barry and Wright m. Patric 1999 "Human Resource

Management—Gaining a Competitive Advantage " 3rd, McGraw- Hill, New York, pp 53

Recruitment is the process through which the organization seeks applicants for potential employment. Different sources of recruitment include, direct applicants and referrals, advertisements in newspapers and periodicals, public employment agencies, colleges and universities and electronic recruitment.

Selection refers to the process by which it attempts to identify applicants with necessary knowledge, skills, abilities and other characteristics that will help the company to achieve its goals. Different types of selection methods include interviews (experience based and future oriented), references and biographical data, physical ability tests, cognitive ability tests, personality inventories, work samples and honesty and drug tests. These methods can be either used in isolation or suitable combinations can be made to suit specific company requirements.

14Employee Training and Development

Training and Development is a planned effort to facilitate employee learning job related behaviors in order to improve performance. Training denotes effort to improve the employee's skills on the present job, while the Development refers to efforts oriented toward improvements relevant to future jobs.

Training efforts generally encompass three main phases. The training process begins with the "Assessment Phase". This phase involves identifying training needs, setting training objectives and developing criteria against which to evaluate the results of the training program. Training requirements are determined by conducting Training Need Analysis. A need analysis is an assessment of an organization's training needs that is developed by considering overall requirements of the organization, tasks and the degree to which individuals are able to perform those tasks effectively.

The next part of the process is the Training Design and Implementation Phase. This involves determining the training methods, developing training materials and actually conducting the training. The conduct of training can take various forms ranging from the classroom training to the On job training (OJT). The final phase of the training process is the Evaluation Phase. This entails evaluating the results of the training in terms of the criteria developed during the assessment phase. Major ways to assess training include measuring participant's reactions to the training to determine how useful it was, assessing actual learning, determining the extent of behavioral change and measuring actual results on job.

Performance Management

¹⁵Performance Management is used to ensure that employee activities and outcomes are congruent with the organization's objectives. It entails specifying those activities and out comes that will result in firm successfully implementing the strategy.

¹³ Ibid pp54, 164—168,192--198

¹⁴ Bartol. M. Kathryn and Martin. C. David 1998 "Management" 3rd, McGraw- Hill, New York, pp 329

¹⁶It is also defined as the process of defining expectations for the employee performance: measuring, evaluating and recording employee performance relative to those expectations and providing feed back to the employee.

Compensation

¹⁷Compensation consists of wages paid directly for the time worked, as well as more indirect benefits that employees receive as part of their employment relationship with the organization. Wages paid for the time worked as typically payments made in cashable form that reflect direct work related remuneration such as base pay, merit increases, or bonuses. Benefits include forms of compensation beyond wages for the time worked including various protection plans, services, pay for time not worked and income supplement plans such as stock ownership. Benefits are considered a more indirect form of compensation because they are generally not as closely tied to the job and performance issues as other forms of remuneration.

Labor and Employee Relations

Whether the companies are unionized or not, the general approach to relations with the employee can strongly affect their potential for gaining competitive advantage. Companies can choose to treat their employees as asset that requires investment of resources or as an expense to be minimized. They have to make choices about how much employees can and should participate in decision making, what rights employees have, and what the company responsibility is to them. The approach a company adopts while taking these decisions can result in it either successfully achieving its short and long term goals or ceasing to exist.

Corporate Culture

A corporate culture is a system of shared values and beliefs that interact with an organization's people, structure and systems to produce behavioral norms. Corporate culture is defined as, "an interdependent set of beliefs, values, ways of behaving, and tools for living that are so common in a community that they tend to perpetuate themselves, sometimes over long periods of time. This continuity is the product of social forces that are frequently subtle, bordering on invisible, through which people learn group's norms and values, are rewarded when they accept them, and are ostracized when they do not."¹⁹ Culture is derived both from management and the

¹⁵ Noe .A. Raymond, Hollenback .R John, Gerhart Barry and Wright m. Patric 1999 "Human Resource Management—Gaining a Competitive Advantage " 3rd, McGraw- Hill, New York, pp 55

¹⁶ Bartol. M. Kathryn and Martin. C. David 1998 "Management" 3rd, McGraw- Hill, New York, pp 331

¹⁷ Ibid pp 334

¹⁸ Noe .A. Raymond, Hollenback .R John, Gerhart Barry and Wright m. Patric 1999 "Human Resource Management—Gaining a Competitive Advantage " 3rd, McGraw- Hill, New York, pp 56

¹⁹ Harvey Don and Brown. R. Donald 2001 "An Experiential Approach to Organizational Development" 6th, Prentice Hall, New Jersey, pp 69,70

organization itself. Manager through their actions and words define a philosophy of how employees are treated. The technology that a company is in will influence the culture. A company in a fast changing industry will have a different culture than a company in a slower changing industry. The term corporate culture applies to all types of organizations. An organization may have different sets of subcultures which may even be in conflict with the organizational culture. Management style and corporate culture are central factors in success of a company.

PART 2

To thoroughly understand and effectively analyze the issues raised in the Thesis proposal it is imperative to know how the issue of employee retention is viewed in the light of the contemporary thought on the subject. In this part of the literature review the latest available research relating to the employee retention issues facing organizations in the contemporary world is included. The material included in this section is taken primarily from the web based resources.

Salient extracts from contemporary thought process are reproduced below.

Importance of Employee Retention

Employee retention is an important factor in an organization's ability to achieve sustained competitive advantage over longer periods of time. Besides this aspect a failure to retain competent employees leads to a number of other problems, and a converse situation has certain advantages as highlighted on the website of an organization "Employee Retention Headquarters" are as under:

- ²⁰**Lower** turnover
- **Increase** employee – and customer – satisfaction
- **Increase** quality and productivity
- **Increase** profits!

An interesting article available on the same website highlights certain facets of the Employee retention issue in the USA. The most pertinent aspect highlighted in the article is the relation between employee satisfaction and retention. Although the entire content may not be exactly applicable to our local conditions, yet the industry chosen for the purpose of writing this paper bears certain similarities to the modern world in terms of skill sets and resources needed to be in business. Keeping in view relevance of the article to the conditions of the industry under consideration salient extracts are reproduced below.

²⁰ <http://www.employee-retention-hq.com/>

Attracting, Retaining & Motivating Employees: ²¹ The Realities and the Options

At a time of intense global competition, most corporations, government agencies and non-profit associations alike have exhausted whatever efficiency and cost-cutting improvements there were to be extracted from reengineering and downsizing. And, many have found that they have cut, not only the fat, but also much of their *muscle* (or even lifeblood), that is – their best employees.

However, as they now look to replenish, preserve and nourish this blood and muscle, they are faced with a General X *workforce 40% smaller* (and much more demanding) than the Baby Boomers – and the *lowest unemployment rate in 30 years!*

Also, *employee loyalty* is down, **way down**. According to a 1998 survey conducted by Sibson & Company, **55%** of employees plan to quit or think often of quitting. In fact, the most frequently asked question put to the Society of Human Resource Management is: "How can we keep talent from jumping to our competitors?"

Fortunately, every crisis contains in it – not only danger – but also *opportunity*. This article shares with you the **secret** to transforming this dangerous crisis into an opportunity for your organization to flourish!

Based on our research and work with employers across the country, we have identified the distinguishing traits of organizations that attract, retain and motivate the best employees. In a nutshell:

1. **The pay ain't bad**
2. **And they treat employees GREAT!**

Recent landmark studies confirm what theoreticians and management gurus such as Abraham Maslow, Frederick Herzberg and Peter Drucker – have maintained for decades

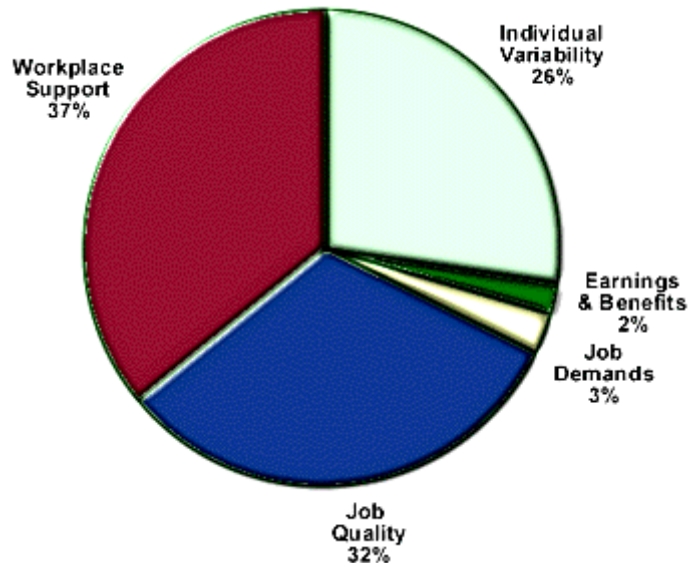
- **Money** is necessary – but **not sufficient** condition – to attract, retain and motivate good employees. You and I will go **to** work for a paycheck and benefits plan. But we won't really **do** work (at least our best work), unless something else is present.
- It is the **quality of the work itself** and of our **relationships** with others at work – that *draws* us to the best organizations and *keeps* us there, performing at *peak* effectiveness.

Recently, the **Families and Work Institute** published the *National Study of the Changing Workforce* – the most comprehensive research ever conducted in this area.

²¹ Ibid

They found that, while *Earnings & Benefits* have on only a **2%** impact on job satisfaction, *Job Quality* and *Workplace Support* have a combined **70%** impact. That's a **35 times** greater bang for the buck! (Though, in the case of *Job Quality* and *Workplace Support*, it is an intangible, symbolic "buck".)

Factors Impacting Job Satisfaction



And, the findings were similar for factors impacting: Employee Loyalty, Retention and Performance. For **Performance**, however, *Job Demands* (that is stress factors such as overtime and deadlines) have a **negative** impact – comparable to the positive impact of either *Job Quality* or *Workplace Support*.

A recent survey conducted by the **Gallup** organization researched the **Impact of Employee Attitudes on Business Outcomes**. They found that organizations where employees have *above average attitudes* toward their work (that is, high employee satisfaction), have:

- **38% higher customer satisfaction scores,**
- **22% higher productivity, and**
- **27% higher profits!**

Satisfying employees, by ensuring that they have meaningful work and are treated well, is not only a *nice* thing to do; it makes *good business sense*. So, if you want to transform the danger into an opportunity for your organization to flourish and make money – pay your employees with **more** than just money!

To develop a clear understanding of the aspect of employee retention it is essential to understand the why people work and what role compensation and motivation play in

employee retention. Susan M Heatfield attempts to identify the reasons why people work and what keeps them in an organization in an article published on the internet. Salient extracts from the article are reproduced below.

22Motivation Success

Susan M. Heathfield

Every person has different reasons for working. The reasons for working are as individual as the person. But, we all work because we obtain something that we need from work. The something we obtain from work impacts our morale and motivation and the quality of our lives. Here is the most recent thinking about what people want from work.

Some people work for love; others work for personal fulfillment. Others like to accomplish goals and feel as if they are contributing to something larger than themselves, something important. Some people have personal missions they accomplish through meaningful work. Others truly love what they do or the clients they serve. Some like the camaraderie and interaction with customers and coworkers. Other people like to fill their time with activity. Some workers like change, challenge, and diverse problems to solve.

Whatever your personal reasons for working, the bottom line, however, is that almost everyone works for money. Whatever you call it: compensation, salary, bonuses, benefits or remuneration, money pays the bills. Money provides housing, gives children clothing and food, sends teens to college, and allows leisure activities, and eventually, retirement. To underplay the importance of money and benefits to people who work is a mistake.

Fair benefits and pay are the cornerstone of a successful company that recruits and retains committed workers. If you provide a living wage for your employees, you can then work on motivational issues. Without the fair, living wage, however, you risk losing your best people to a better-paying employer.

In fact, recent research from Watson Wyatt Worldwide in *The Human Capital Edge: 21 People Management Practices Your Company Must Implement (or Avoid) to Maximize Shareholder Value*, recommends that to attract the best employees, you need to pay more than your average-paying counterparts in the marketplace.

²² http://humanresources.about.com/od/rewardrecognition/a/needs_work.htm

The relationship between the vital element of motivation and employee retention is highlighted in another article by the same author. Besides talking about the motivational aspects related to work the author also highlights the impact of rules and regulations on the work climate and the willingness to stay in an organization is also highlighted. Salient extracts from the article are quoted below.

23Set Them Free: Two Musts for Motivation!

Susan M. Heathfield

Every person is motivated. The challenge at work is to create an environment in which people are motivated about work priorities. Too often, organizations fail to pay attention to the employee relations, communication, recognition, and involvement issues that are most important to people. The first step in creating a motivating work environment is to stop taking actions that are guaranteed to demotivate people. Identify and take the actions that will motivate people. It's a balancing act. Employers walk a fine line between meeting the needs of the organization and its customers and meeting the needs of its internal staff. Do both well and thrive!

An attention-getting Gallup Poll about disengaged employees was highlighted in a recent Wall Street Journal. Gallup found 19 percent of 1,000 people interviewed "actively disengaged" at work. These workers complain that they don't have the tools they need to do their jobs. They don't know what is expected of them. Their bosses don't listen to them. Based on these interviews and survey data from its consulting practice, Gallup says actively disengaged workers cost employers \$292 billion to \$355 billion a year. Furthermore, Gallup concluded that disengaged workers miss more days of work and are less loyal to employers.

With this in mind, let's look at a couple of areas in which balance is critically needed for employee motivation in organizations today.

Rules and Policies

Want to be a cop? That's how some supervisors feel in organizations that operate on the assumption that people are untrustworthy. You've seen the company handbooks that list pages and pages of rules. Step out of line? Fifty-seven potential infractions, with resultant punishment, are listed on page 74. Need time off for your grandma's funeral? You get three days off to travel 600 miles. Have a question? We have answers. In fact, we've got policies that answer almost every question.

²³ <http://humanresources.about.com/cs/moralemotivation/l/aa032801a.htm>

Supervisory discretion? What's that? We've got employees who, left to their own devices, will choose to do bad things. You can't trust supervisors to treat employees fairly and consistently either. John in Accounting is a softy. People who work for him get away with anything, everything. If you work for Beth in Sales however, you can count on the rulebook guiding every decision. Sound familiar? I've heard these reasons and many more to justify the need for hundreds of rules and policies in organizations.

Guidelines for a Motivating Work Environment

- Make only the minimum number of rules and policies needed to protect your organization legally and create order in the work place.
- Publish the rules and policies and educate all employees.
- With the involvement of many employees, identify organizational values and write value statements and a professional code of conduct.
- Develop guidelines for supervisors and educate them about the fair and consistent application of the few rules and policies.
- Address individual dysfunctional behaviors on a "need-to" basis with counseling, progressive discipline, and performance improvement plans.
- Clearly communicate work place expectations and guidelines for professional behavior.

You'll be surprised how much support for legitimate policies and rules you receive from the people in your organization. People like a well-organized work place in which expectations are clear. People thrive in a work place in which all employees live by the same rules. If you create an environment that is viewed as fair and consistent, you give people little to push against. You open up a space in which people are focused on contribution and productive activities rather than gossip, unrest, and unhappiness. Which workplace would you choose?

Two articles titled "People Leave Managers, Not Companies" by Thomas Mckee and "Employee Retention From the Managers Perspective" by Steve Jones present a different view of the ability of the organizations to retain employees. According to these authors the ability of an organization to retain its employees is basically the ability of its managers to do so as people usually leave the managers and not the organization. In the same articles the authors also suggest certain measures to improve the ability of the organizations to retain their employees. The authors highlight the importance of empowerment at work place, trust, performance feed back and timely recognition of good performance. Relevant extracts from the articles are reproduced below.

24 People Leave Managers, Not Companies: How To Increase Employee Retention

by: Thomas McKee

The cost of employee turnover is from 40--100% of an employee's annual salary, when you consider lost productivity, recruiting costs, training costs, reduced efficiency in transition and time.

Employee attrition is running wild in today's tight labor market; however, the companies that keep their employees have found that what matters most is not the pay, benefits, or perks, but the quality of the relationship between employees and their direct supervisors. The bottom line is that people leave managers, not companies.

Gift One: Control and Ownership

Ford Motor Company revolutionized the assembly line in the Edison, New Jersey plant when they made a gutsy move and gave the assembly line employees a button they could push to stop the line. And people did push the buttons. To be precise, they shut the facility down 20-30 times a day, but each shutdown was only about 10 seconds. Quality improved as employees took ownership of the production and the number of cars requiring rework after they had come off the line fell by 97%. The backlog of union grievances in the facility plummeted from an average of well over 200 to an average of less than 12. Tom Peters, in *A Passion for Excellence*, claims that the change in attitudes was as extreme as the numbers. One old pro on-the-line commented, "It's like they opened the window and we can breathe." Another described the foremen under the new team-based approach, "They're no longer policemen, but advisers."

Gift Two: The Value of Recognition

Marcus Buckingham and Curt Coffman, from the Gallup Organization, interviewed more than 1 million workers with 12 questions such as . . .

- In the last seven days, have I received recognition or praise for doing good work?
- Does the mission/purpose of my company make me feel my job is important?
- Does my supervisor, or someone at work, seem to care about me as a person?

The results of their research, and all 12 questions can be found in their book, *First, Break All the Rules: What the World's Greatest Managers Do Differently*--Simon & Schuster, 1999. One of their research projects was 300 Best Buy stores. In the stores in which the employees answered these questions positively, they retained 1000 more employees.

²⁴ <http://www.advantagepoint.com/articles/staffdev/art5.html>

Gift Three: Trust Your Crew

When Captain Michael Abrashoff took command of the USS Benfold the retention rate in the Navy was 18%. In two years it climbed to over 99%. How did he change the culture on that ship? Michael says, "Soon after arriving at this command I realized that the young folk on this ship are smart and talented. And I realized that my job was to listen aggressively—to pick up all the ideas that they had for improving how we operate. The most important thing a captain can do is to see the ship from the eyes of the crew."

Gift Four: Feedback

Have you ever coached little league or soccer? When do you give feedback? Do you wait for the award banquet to tell people how they did, or how they could improve or their value to the team? I hope not. Yet managers often wait until performance review time to give feedback.

Some years ago my secretary, Lori, quit her previous job to stay at home with her young children. She worked for a boss who did not give much feedback. When she handed in her resignation, he went on and on about how much she had contributed to their work team and how much he would miss her. She commented to us how much she would have loved to have heard those words more than once or twice a year at performance review.

I hired Lori to work part time for me. She is gracious, accurate, organized, dependable, and my staff and customers love her.

²⁵Employee Retention From the Managers Perspective

Steve Jones

Being Retained

Part two of my series that looks at retention of employees. In this one I'm looking at how the employee views things and the reasons that they might want or not want to be retained. I'm also including a few hints on what can help you stay in a position that you enjoy. The other articles in the series:

- [Why Retain Employees?](#)
- [Employee thoughts](#) - The people that do most of the tangible work, not managers, and how you might retain them.
- Manager Thoughts - What managers think and how they view employees? (this article)
- Finding Your Job - A look at what might matter in a job search, or in keeping your job and some advice.

²⁵ <http://www.sqlservercentral.com/columnists/sjones/employeeeretentionfromthemanagersperspective.asp>

Hopefully this will be a fairly timeless series that you can refer to throughout your career and pass along to your managers and others that are interested. Please be sure that you read the feedback as this is one place where lots of other opinions, not just mine, will be cast and there will be good information as well. You can see what others have posted in the "Your Opinion" tab at the bottom of the article.

The Manager

A corporate lifetime is a series of small periods of time in which an individual works for the company.

I hate to put it out there so simply, but a company has an infinite lifetime and its passage in time is marked by the management of it by different individuals. And by individuals who perform work for a short period of time (relatively). For most of the employees, time is marked by various projects that we complete and further our career. That's kind of how we measure our time at a job.

And it's how managers usually see their time. A series of short events or projects that further their career. Most managers aren't much more terribly loyal to the company than the employee. Some are, but most are just as concerned about their own careers as you are and their actions and decisions are designed to protect themselves.

I can speak about managing in a few situations. Three small companies, from 20-100 people, where I had various levels of management and one large company, over 10,000 people, where I was a first level manager, underneath a director, VP, CIO, CFO, and CEO in that order.

For The Company

As a manager, you have access to information that most employees do not. To some degree you always are informed about the direction the current management so you can be sure you are directing your employees to move in that direction. The directions you are being asked to move people in are not always the most efficient, nor are they always the best for the corporation to survive in the long term. They may just as likely be directions that put the success of the current CEO's career ahead of anything else.

Nevertheless, since managers are concerned about their careers, and most of them are professionals trying to do the best job they can, they act as agents of the company, doing things "for the company", to be sure they are perceived as an effective manager.

How does this translate? I can give you a few examples of what I've seen firsthand or had to deal with firsthand. One of the more controversial and contentious practices in many large corporations, especially technical ones, is performance management. This essentially means that people are "graded" on some curve that ensures all employees are ranked according to performance. The typical method I have seen moves people into 5 categories, that match up as roughly "Excellent", "Exceeding Expectations", "Meeting

Expectations", "Below Expectations" and "Performing Poorly". If you end up in the bottom ranking, you can guess what your career at that company will look like.

Managers are called into this situation by being asked to rank people, but not just slotting people into what they think. They are called to slot people according to percentages that are predetermined as in 5% of the department or company will fall into the "Performing Poorly" group. There are similar numbers in other groups and this means that in many cases the manager has to "downgrade" someone to the slot below if they have a group of people that are all similarly skilled or performing. Despite telling your team that they have all been doing good, or great, all year, you might end up moving someone down a level at review time for no reason other than to meet a percentage. Similarly if you had a very average team that was large enough, you might slot someone a little higher, playing favorites, even though they hadn't done anything outstanding over others.

Most managers I know hated this process. They hate breaking bad news to people, they writing people up for putting them on a performance plan. They'd just as soon try to hint and push you to do a better job. That's kind of a human nature thing, but their concern is also that their job is easy, which it isn't when they are receiving complaints about one of their subordinates. However the manager is being graded on his or her ability to accurately, or at least apparently accurately, grade the employees and get the job done. So managers make the best of the situation and do their job. The employee may perceive a lot of spin, and there may be spin, in their review to break the news of their ranking, but the manager has to protect themselves from a poor ranking as well.

Another example of how managers work for the company is their nitpicking on administrative items. The manager isn't trying to make your life difficult, or prevent you from enjoying privileges. Whether it's nagging you to enter your time allocations or not letting you leave early one day, it's the manager concerned over how they look to their boss more than it is their decision to be difficult with you. At least for most managers.

A manager's performance is often measured on administrative metrics. Not just how much software they've gotten completed or bugs they've fixed or uptime, but also how their people have performed: time sheets not being completed, absences, meetings missed, and numerous other paper-pushing administrative things.

There's also a measure to the manager's manager of how his or her peers see them. If someone on your team rubs another manager the wrong way, your boss will get complaints about you managing your team. A "black mark" that tends to keep coming up as review and bonus time approaches. The corporate mentality seems to be dog-eat-dog at the top levels and that is what is subtlety, or maybe not so subtlety, endorsed at the manager level. It's also something pushed at the employee level to try and get employees to compete with each other, but it's less successful there, IMHO.

Retention

OK, so managers try to out do other managers and get on your case so they look good. What does that mean for retention? I haven't forgotten the topic of this article, but you have to get a feeling for what it's like as a manager.

Some managers care deeply about keeping their team of people around. Some could care less whether they lost a person every week and got a new one. But what they mostly care about is getting the items their team is assigned completed. In most cases in technology, there's a fair amount of knowledge that grows over time that isn't easily transferred to a new person.

That means that managers want to keep you around if you are helping them get work done. And when you are received as an employee that gets things accomplished without complaints from others in the company, you are valuable and managers will fight for you.

I hate to say it, but above friendships and likes and dislikes, effectiveness matters to managers. If you've been a manager for any length of time, you know people will leave, or get asked to leave, and you have to put that out of your mind and out of your decision making process.

Managers also like to keep you around for a long time for other reasons. A big one is it's easier. You know the routine, you know how to not make waves, and you're less paperwork. Again, longer term employees tend to make the manager's job easier. There are exceptions and people that slack off as they age in a job usually survive because managers get lazy too. It's a managerial change that usually weeds them out.

The last big reasons that managers like to keep employees around is interviewing is a pain. A large, royal, PIA! These days recruiters get tons of resumes and do little filtering and even less qualification of a candidate. After working to write a job description, something HR departments never seem to keep around, the manager must start sifting resumes. Even if you recruit some employees, you still need to dig through lots of them, make calls or emails, setup appointments, and sit in on interviews. And that's with a large HR department. If you're a small guy, it's worse. And your paperwork piles up!

Finding new employees is no fun. If you are growing and adding to your team, and thus your importance, and thus your career, it's easier to put up with. But if it's to replace people it's downright annoying. And once you find someone, the two week or longer babysitting period has just begun.

Why Don't Managers Try Harder

So why don't managers try harder to get you that raise, that title, that perk?

We do. Most managers I know, even the ones that I think do a crappy job of managing, do advocate things for their employees. They try to get things pushed through. But it's hard. It's hard.

It needs to be said twice because HR departments, equal opportunity laws, and more hamstring most "exceptions" that a manager tries for. Raises are almost impossible to get outside of a set period each year. The manager may or may not have any say in bonus allocation and likely no say in the bonus amount. Perks, time off, prizes, etc. are often completely ignored by manager's managers.

The rules and regulations that the employee abides by are the same ones the manager has, but the manager has more. As a "representative" of the company, he or she is usually more tightly bound against exceptions than others. You skip a day of work, you're probably yelled at or something. A manager lets you skip a few days, or a few people skip days and gets caught? Probably launched pretty quickly.

A manager's job is enforcement. And that's why I was probably a good manager, a well-like one, but not a successful one :)

The managers that can really help you prosper in the company and want to stick around are those that find a good balance between the company's requirements and the employees'. They slip through exceptions by working the system, turn the other way without getting caught, and motivate you without breaking too many rules. And retain you because you're happy.

Managers can't often compete with money in terms of retaining employees since they have no power in that area. But they can make the rest of your job more fun and enjoyable, which can be worth a lot more.

An article titled “Voluntary turnover—Losing too many of your keepers” by Tim B. Sparks takes a look at the general reasons for the turn over of the employees in organizations. The author is of the view that when companies start facing the problems of voluntary turnover they start to hire, more people or change their hiring procedures often forgetting to address the reasons causing the problem. Salient extracts from the article are reproduced below.

26 Voluntary Turnover.....Losing too many of your keepers?

²⁶ <http://coachingandmentoring.com/Articles/voluntaryturnover.htm>

Tim B. Sparks

In today's competitive labor market, many companies are faced with the challenging and expensive task of originating and hiring talented new employees to replace ones who have voluntarily left their company. The question is, why are some of our best employees choosing to leave and what is being done?

In businesses across the country, voluntary turnover is on the rise. Much of this turnover reflects the confluence of three important trends: industry consolidation; increased labor market transparency via the internet; and a growing free agent mentality among many employees. If this isn't enough, heap on low unemployment and unfavorable demographics over the next decade or more and it becomes evident that the "war for talent" is just beginning.

Initially, the action taken by many companies who find themselves facing a talent shortage is to increase their capacity to originate, screen and hire employees. This may be satisfactory if demand for talent is from business growth. But what if the demand for talent begins to come more and more from profitable employees who voluntarily leave the company, not from the growth of the business?

Picture yourself beginning a white water rafting trip with five of your closest friends. Soon after you push off on your day long trip down river you discover your raft is taking on water. There's no turning back and you risk capsizing if your raft continues to fill with water. You must act quickly, but what do you do? Instinctively, you start bailing but soon find out that you can hardly keep up. Others are enlisted to pitch in and help bail. Soon you engage enough of your friends in bailing that you get most of the water out of the raft. Unfortunately, once your friends stop bailing water begins filling the raft again. You realize it is senseless to look for bigger buckets with which to bail or to try and improve your bailing technique. You have only one option.....repair the leak which is the source of the water. Only repairing the leak will allow you and your friends to resume your journey down river. In fact, it might be the only chance you have of successfully navigating the treacherous white waters ahead. You find the leak, successfully repair it and resume navigating the river.

Now, let's consider for a moment what might have happened if you had not stopped to make the repair but instead decided to focus your party on being better bailers. With no one reading the river and providing guidance to others on how to effectively navigate the white waters, it is easy to imagine the raft eventually capsizing or sinking altogether. Everyone would be focused inside the boat versus outside. You would lose sight of the where you were headed and how best to get there. Your raft would drift aimlessly down the river, a victim of the currents.

Many times in business, when it comes to talent shortages, we jump to becoming "bigger, better, faster, bailers". Instead of taking a step back and understanding the problem at hand and how best to eliminate it, we instead feel compelled to begin feverishly working at filling new or unfilled positions.

We fall victim of our desire to show results. Eventually volume becomes the proxy for value.

Identifying new sources for originating talent, improving screening and interviewing techniques and building better, more efficient selection processes are improvements we devise to increase our capacity to hire. All of this is worthwhile but companies need to first pause long enough to understand what is causing the hiring demand. What if we found that a large percentage of our turnover was voluntary and made up primarily of employees we wished we had retained? If we could stop that flow or "patch the leak" we could vastly improve the ROI of selection dollars spent.

We might find we need to "bail and patch". If we don't identify the root cause of voluntary turnover we potentially enlist ourselves in a never ending job of selection thereby wasting valuable resources in the process.

As more and more companies choose to join forces through mergers and acquisitions, many more employees are exposed to increased levels of ambiguity and uncertainty. Some of these employees are displaced but an alarming number simply up and leave seeking greener pastures. Big companies, small companies, growth companies, companies in mature industries all experience some level of voluntary turnover. The key is to manage voluntary turnover at a healthy level for your company. Only until we truly understand the drivers of turnover can we begin to eliminate the unprofitable dollars spent originating, selecting and relocating employees being hired to replace those we wished had never left in the first place.

Below are seven questions you may want to ask:

1. Do I understand the difference between voluntary and involuntary turnover in my company?
2. What level of voluntary turnover is acceptable and/or "healthy" for my company?
3. How much does it cost my company to originate, screen, interview, close and hire an employee?
4. How long does it take for that new employee to become profitable (effective in their job) for the company?
5. Are the costs associated with voluntary turnover significant?
6. What themes have evolved as the root cause for voluntary turnover?
7. What steps have been taken to eliminate the root cause(s) of this turnover?

According to Susan M. Heathfield the hiring practices of an organization have a profound impact on the ability of an organization to retain its employees. In an article titled, "Ask Rightto Hire Right" she concentrates on the interviews that the company should design to hire new employees. She suggests an interesting method of devising an interview format for hiring new employee. Relevant portions of the article are reproduced below.

“²⁷Looking for a simple, yet effective way to immediately improve your interviewing and staff selection process? Define the qualities, talents and skills you’d most like to have in a new employee. Then, devise a series of questions that allow your applicant to demonstrate she has the desired qualities, talents and skills.

Use a simple job description with a set of behaviorally-based interview questions to pinpoint the people you want in your organization. When your interview questions ask the applicant to tell you about behaviors and actions she has actually demonstrated in the past, your selection process will improve.

Identify Characteristics of Your Best Employees

At ReCellular, Inc., a cellular phone remanufacturing company in Ann Arbor, Michigan, a team of people put together a list of interview questions that immediately improved their hiring process. The team first defined the qualities, characteristics and basic aptitude they wanted to find in a potential remanufacturing employee.

Develop Interview Questions to Identify These Characteristics

The team then worked with several online resources to structure questions that would indicate whether candidates had these characteristics. No list of questions is totally comprehensive, however, these questions are helping the interviewers find better candidates.

This process is helping the organization select better employees. You can simply, and with a few hours of work, develop a similar list of questions for job applicants.

Determining a list of interview questions in advance allows comparisons of applicants across interviews. It also assists your organization to take a more team-oriented approach to interviewing and selecting candidates. When you have a pre-determined list of questions, you need to provide less training to teams of employees selecting new team members. You control the flow of the conversation and avoid asking illegal questions.

Your hiring decisions will improve and you’ll have a better handle on the characteristics and abilities your applicants will bring to the work place.”

The element of communication between the top management of the organization and the ability of the organization to retain employees is gaining increasing importance among contemporary organizations. Organizations that pay attention to *people* issues will see results in their bottom-line profitability and in their sustainability in good and bad times.

²⁷ <http://humanresources.about.com/cs/selectionstaffing/l/aa080501a.htm>

Salient extracts from information available on the internet highlighting the importance of the linkage between employee communication and improvement of the bottom line is as under:

- ²⁸“Companies with high employee commitment showed greater financial sustainability in tough times. High-commitment organizations outperformed low ones by 47 percent in 2000 and a whopping 200 percent in 2002 when the economy was at its worst in recent years.
- Low-turnover hospitals had lower risk-adjusted mortality scores and lower severity-adjusted lengths of patient stays.
- Companies that used employee-involvement practices had a 66-percent higher return on sales, 20-percent higher return on investment and 13-percent higher return on equity.
- Southwest Airlines, long noted for its people-friendly environment and open, trusted communication from management, has been profitable the past 30 years, including the post 9-11 months.

Committed employees are the essential ingredients of company success. However, employees can be fully engaged only when they understand and appreciate important company goals. Then, they can tailor their daily actions to effectively support key strategies, initiatives and customer-retention programs.

Today’s employees want more information from management. The past several years have created multiple uncertainties: Employees are concerned about the wavering economy, waves of downsizings, the faster pace of change both within organizations and within their marketplaces and the demands of customers for rapid response times and creative solutions.

These same forces command a more highly informed and engaged workforce

- What’s my company doing to stay competitive in the marketplace?
- How will my organization seize the opportunities of this recovery?
- What can I do, specifically, to make a difference?

Recent studies are showing:

- Only 52 percent of employees feel they know how their job helps promote company objectives.
- Only 39 percent of American workers trust their companies’ senior leaders.

On the other hand:

²⁸ <http://www.employeeengagementstrategies.com/bottomline.htm>

- Companies in which employees trust top management had shareholder returns that were 42 percentage points higher than those whose workers lack confidence in management.
- A 5-percent increase in employee loyalty can increase profits by as much as 50 percent.

Human resources and organization development professionals must assess whether their current employee-communication media and processes are answering these critical questions that are on employees' minds."

"²⁹A recent Society for Human Resource Management (SHRM) press release revealed the answer to the question of what people plan to do when the job market rebounds. The majority of the Human Resource (HR) professionals and managers surveyed agreed that turnover will rise significantly once the job market improves. Both groups felt that the job market will improve within the next year, according to the latest Job Recovery Survey.

The survey results include responses from 451 HR professionals and 300 managerial or executive employees.

"We're surprised by the percentage of executive employees who say they plan to jump ship once hiring rebounds," says Tony Lee, editor in chief/general manager of CareerJournal.com. "And with 56 percent of HR professionals agreeing that turnover will rise, we're interested to see what types of retention efforts those companies launch to keep their best employees on board."

Employees cited the following three top reasons they would begin searching for a new job:

- 53 percent seek better compensation and benefits.
- 35 percent cited dissatisfaction with potential career development.
- 32 percent said they were ready for a new experience.

HR professionals were asked which programs or policies they use currently to help retain employees. The following three are the most common programs employers are using to retain employees:

- 62 percent provide tuition reimbursement.
- 60 percent offer competitive vacation and holiday benefits.

²⁹ <http://humanresources.about.com/cs/retention/a/turnover.htm>

- 59 percent offer competitive salaries.

Most HR professionals surveyed (71 percent), in large organizations (those with more than 500 employees), thought it would be extremely likely or somewhat likely to experience an increase in voluntary turnover once the job market improves. Forty-one percent from small organizations (1-99 employees) said it was extremely likely or somewhat likely that turnover would increase. Fifty-three percent of respondents from medium organizations (between 100 and 499) thought the same.”

Having familiarized ourselves with the way the issue of employee retention is viewed in different manners, let us explore what are the suggested methods for improving the voluntary turnover situation in the organizations. Various methods and models available at different sources are reproduced in full text for developing a clear understanding of the methods/strategies being proposed by various sources.

³⁰ERC's Retention Model

Employee Retention Connection's decades of applied organizational experience indicate three primary drivers of employee retention:

1: Stimulating Work

- Variety of assignments
- Autonomy to make decisions
- Resources and support provided to do good work
- Opportunity to learn
- Feedback on results
- Understanding the significance of one's personal contributions

2: Motivational Leadership

³⁰ <http://www.employeeRetentionConnection.com/retentionsystem.html>

STIMULATING WORK



- Champion change and are open to new ideas
- Inspire a share vision of organization direction
- Motivate and recognize contributions
- Develop the capabilities of others
- Model behavior that reflects organization values

3: Recognition & Reward

- Say "Thank you" for a job well done
- Reinforce desired behaviors
- Create an emphasis and focus on recognition
- Celebrate successes
- Build self-esteem
- Enhance camaraderie and teamwork

³¹Integrated System for Retaining Employees

This program has the following five-phased approach:

Phase 1: ERC begins by analyzing your organization's motivation and retention culture through surveys and focus groups. What are the motivating and demotivating aspects of your culture?

³¹ Ibid



Phase 2: ERC next designs high-involvement job and work assignments that include:

- Wide variety of tasks and skills
- Opportunities to learn
- Authority to make decisions
- Feedback on results
- Resources and support to be successful

Phase 3: ERC trains supervisors and managers in proven methods of motivational leadership:

- Inspiring a shared vision and direction
- Developing the capabilities of others
- Promoting organizational change
- Recognizing and appreciating employee contributions
- Serving as a role model

Phase 4: ERC delivers a plan for employee career paths and skill building:

- Designing career paths, not necessarily up the organizational chart
- Identifying core competencies for different career paths
- Planning training and other opportunities to build competencies

- Mentoring for employee direction

Phase 5: ERC builds a tailored reward and recognition system to fit your organization's culture:

- Identifying activities, attitudes and contributions to be recognized and rewarded.
- Matching reward and recognition options to performance contributions.
- Establishing specific motivational approaches for retaining employees.

³²10 Steps for Motivating Retention

S

1. Provide pay rate increases or bonuses for service periods, i.e., 3 months, 6 months, 1 year.
2. Celebrate service milestones, i.e., one-year anniversary with photos, lunch, etc.
3. Recognize the contribution of part-time employees with full-time status.
4. Invest in employees by providing training opportunities.
5. Pay equitably and provide competitive benefits.
6. Frequently and personally express appreciation to employees.
7. Assign each employee a committed and positive mentor/buddy.
8. Promote from within.
9. Know your employees and their life changes.
10. Connect with the employees' families by sending family welcome gifts, newsletters, etc.

³³Top 10 Strategies in Improving Employee Retention

One of today's greatest challenges facing business operators is retaining qualified, valuable employees. Because of the high costs, increased time and stress of training new employees resulting from high turnover, business leaders are always looking to improve their relationship skills and business practices in order to retain their valuable employees and maintain a long-term satisfied and dedicated staff.

The following 10 strategies will assist business leaders in improving employee retention:

³² <http://www.employee retentionconnection.com/steps.html>

³³ http://www.hradvantage.com/top10strat_ier.pdf

1. Give quality time to your valued employees.

The more quality time you dedicate to your employees, the more valued your employees will feel. Increase the quality of this time by making eye contact with them during your interactions, and remember to take time out of your busy day to stop and communicate with your employees.

2. Really LISTEN to your staff members.

Pay close attention to what your staff members are saying. Repeat back to your staff members what you heard them say to make sure that you heard them correctly, and also to show your staff members that you've been listening. Empathize with your staff members experiencing difficulty, and empower them to take actions to consistently produce positive results.

3. Verbally acknowledge your employees regularly.

Let your employees know that you appreciate their hard work and dedication. Verbally acknowledge them for their contribution and celebrate their successes. This will motivate your employees to continue maintaining an optimal level of performance.

4. Motivate your staff to take risks and try new things.

A staff that is motivated and allowed to take risks will be more creatively engaged and satisfied with their duties, and their innovative creativeness will produce profitable results. They will never be bored, and they will look forward to working on Monday.

5. Recognize your valuable employees with Employee Recognition Programs.

Implement an employee recognition program applicable to your business practices. The positive feedback, recognition and tangible rewards will have employees feeling successful and appreciated.

6. Be honest with your employees.

Be straight up and honest with your employees. No one wants to walk on pins and needles worrying about what the boss is really thinking. Your employees will respect you and be more likely to stay with you forever if they know that they can count on you to tell the truth.

7. Train your staff members to be able to take your place.

Your staff members will rise to the standards you set for them. The best staff members are the ones who care about the business as much as you do, and can jump in and do whatever it takes to have the business run smoothly. Train them to be good enough to take your place. They will feel great about themselves and your business will run effortlessly.

8. Teach your staff members to communicate positively and effectively.

Most people have never learned how to communicate their feelings, perceptions, needs, and goals. They automatically assume everyone can read their minds. Give your employees a safe space to learn how to say whatever is going on in their minds. This will facilitate clearing up any miscommunications or misperceptions in the workplace. Open lines of communication also lead to a fun, productive and committed environment.

9. Spread the wealth.

Implement employee incentive programs, wherein your valuable employees earn a bonus or share of the increased sales or profits. This will result in your employees staying motivated and dedicated to the business' success, and they will also feel that their contributions are rewarded and appreciated.

10. Create and motivate a continued positive, energetic workplace environment.

Your employees will take your lead. They will learn their accepted behavior patterns from how you are being. Maintain a positive, high-energy frame of mind and expect the same from your employees. Teach all of your employees to support each other in staying in the positive zone. As a result, you will all consistently experience a fun, successful, and committed work life.

Solving the Current Employee-Retention Problem

“³⁴Losing your best employees to other companies? Having to work harder and longer because your coworker went to a better job with "more opportunity?" Is it possible to stop the bleeding before you too become "burned out" and depart for greener pastures?

The surprising answer is yes. But, don't look at incentive programs to stop the exodus. "Pay increases made to retain employees after they have made a decision to leave are only effective for nine to 12 months," according to Teri Kreps, an expert in human resource management with over 20 years experience and the founder of HR Advantage in Colorado Springs

Kreps reports that most employees who have voiced dissatisfaction will still leave even after the company has increased pay or benefits in an effort to make them stay. "There's something else driving the employee away. They will leave unless underlying issues are resolved," Kreps said.

And why not? Today employees have the freedom to roam. At the recent Celebrate Technology Conference in Colorado Springs, human resource executives presented employee benefit packages that covered all of the bases - from health insurance to dry cleaning, from day care to flex time. Employers have become quite considerate and appreciative of their employees.

Yet, employees still leave, which costs employers plenty. Recent data compiled by the Saratogo Institute in California shows the average exempt position remains vacant for 75

³⁴ <http://www.tri-network.com/articles/empret.html>

calendar days and costs a minimum of a year's salary to hire and train the new employee to regain the lost customer and supplier contacts.

In order to arrive at a solution to retaining valued employees, I want to apply some leading edge work done in the field of psychology. Dr. Linda Berens, director and founder of the Huntington Beach, Calif. - based Temperament Research Institute. She has researched human motivation for 22 years and says "individuals seek satisfaction for a core need, or sets of core needs every day."

Her studies reveal how each employee will seek to regularly gratify their needs in one of four distinct ways. The first way is to better understand the meaning and significance of one's own life - to understand how it's unique. This group engages their diplomatic awareness to inspire and mentor. A second way is to seek mastery and self-control - to be universally knowledgeable and competent in whatever they undertake. They prefer to engage their skills and strategy of design. A third way is to seek membership or belonging to a group and solidify this alliance by fulfilling responsibilities or duties for the group. They emphasize planning and logistics in their interaction. The final group needs the freedom to act according to the needs of the moment so as to make a unique impact on others or the situation. They use their tactical intelligence to solve real time problems.

When we take Berens' fundamental needs theory into account, it's easy to see how a person with core needs left unfulfilled in the tasks they perform daily will ultimately lose interest in their work. Employees inevitably depend on coffee breaks, day dreaming, problem-solving of non-work related activities (e.g. crossword puzzles, Solitaire), or interrupting coworkers to satisfy their core needs while "physically present" at work. Carried to an extreme, such activities lead to lower productivity, morale problems and possible dismissal or resignation.

Unfortunately, Berens confirms that individuals will seek to satisfy these core needs on a daily basis regardless of the corporate agenda. These destructive activities, therefore, won't decrease until they're converted into constructive activities. In other words, they must be accounted for in each employee's daily work so that they can be fulfilled.

How then do we stop valuable employees from walking away, or worse, being fired? Organizations must plan to use the personality diversity of the members in the group in planning group direction. When a work group can identify the different values based perspectives it contains, the group can plan on using those differences to better conduct its planning and problem solving.

Numerically under-represented personality temperaments can be brought to the forefront to help guide the group beyond the "we've always done it that way" mentality. In addition, the inclusion of these "other points of view" in the group's action plan will allow for all members to identify with their piece of the group's plan for success. Previously, only those in the majority or who are on the boss' side could contribute.

By allowing for differing perspectives to be recognized in problem solving or process improvement, the entire group wins by moving out of "group think" traps. Additionally, the individual wins by seeing his or her solutions used to solve problems plaguing the team. Individual ownership and empowerment is then only a short step away.

We've all been on athletic teams or involved in groups that were just plain fun to be on because we contributed to the group's success. Wasn't it hard for you to leave that team or group? Don't make it easy for your employees to leave, make it hard - it's possible to plan on getting them involved. It is time to build a plan to incorporate personality diversity into your company's future if you want to retain your employees and capture their ideas.”

CHAPTER THREE

FINDINGS

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Industry Overview

Before embarking upon an in depth study of the Human Resource aspects of this vital industry with particular reference to the facets as identified in the beginning of this paper, it is considered essential to take a panoramic view of the industry as whole.

History of Oil and Gas Exploration in Pakistan

³⁵Petroleum exploration in some parts of what now constitute Pakistan began more than a century ago. The first well was drilled in 1866 at Kundal in the Mianwali District .Some drilling activities were also undertaken in other parts of Punjab in 1875.The exploration efforts under the colonial rule also continued through the most part of the last two decades of the nineteenth century in other area of the subcontinent that are now a part of Pakistan. These efforts although sporadic resulted in drilling of shallow wells. In all thirteen shallow wells were dug mainly in the in Balochistan. ³⁶Discovery of oil at Khattan in Balochistan was the first notable success; it comprised drilling of 13 shallow wells which resulted in combined production of 25,000 barrels of oil between 1887 and 1892.

The first commercial success came with the drilling by Attock Oil Company in 1915, in Khaur in the Potowhar. With the discovery of oil in this area a total of almost 400 shallow wells were drilled in the field from 1915 to 1954. Steady exploration drilling continued in the Potowhar Basin and led to the discovery of three oil fields at Dhulian, Joya Mair and Balkassar in 1937, 1944 and 1946 respectively.

³⁷In 1952, Pakistan Petroleum Limited (PPL) discovered the giant gas field with a known potential of 9.6 Trillion Cubic Feet, at Sui near Dera Bugti in the province of Balochistan. The Sui field became operational in 1955 at an initial of gas output of 15 Million Cubic Feet per day (MMCFD). PPL discovered five more gas fields at Zin, Uch, Khairpur, Mazarani and Kandhkot between 1954 and 1958. In addition, Esso discovered the giant Mari gas field (6 TCF) in the Central Indus Basin in 1956. Thus, by the end of the 1950's, substantial gas reserves had been discovered in the central part of the country. However, low gas prices and the lack of a ready domestic market inhibited further exploration and development. This market evolved progressively and with it the gas

³⁵ <http://www.mpnr.gov.pk/overview.php>

³⁶ Ibid

³⁷ Ibid

infrastructure also grew at almost a commensurate pace making Pakistan a country with one of the largest gas infrastructures in Asia.

In the 1950's, drilling beyond the Central Indus Basin had been relatively unsuccessful. In order to sustain a satisfactory level of exploration, the government established a public-sector entity by creating the Oil and Gas Development Corporation (OGDC) in 1961. OGDC has since been converted to a joint stock company as Oil and Gas Development Company Ltd (OGDCL). This company carried out extensive regional surveys and by 1970 and discovered one oil field, at Toot in the Potowhar Basin, and two small gas fields, at Sari and Hundi in the Lower Indus Basin. Further success came in 1976 with Dhodak-1 well, located on the eastern margin of the Sulaiman Range, where the company discovered 581 BCF of gas and 16.2 million barrels of condensate. This find confirmed presence of significant petroleum resources outside the Potowhar Basin.

After the modification of the petroleum regulations in 1976, and the dramatic increase in crude prices in the mid 1970's, several foreign companies entered Pakistan. The most important event during this period was the signing of a concessions agreement in 1977 with Union Texas and Cities Services for exploration of a block covering 18,000 sq.km in the Lower Indus Basin. Union Texas (now concession right is taken over by BP Pakistan Exploration and Production Inc) made a significant oil discovery at Khaskeli in 1981, and by the end of 1986 they recorded six more oil discoveries at Mazari, Dahbi, Turk, Laghari, Liari and Halipota, as well as six gas discoveries at Sonro, Bukhari, Matli, Jabo, Dabhi South and Makhdumpur. In view of these successes by BP Pakistan Exploration and Production Inc, OGDCL acquired the Sanghar North and South concessions, immediately to the north of the Badin License of BP Pakistan Exploration and Production Inc. BP Pakistan Exploration and Production Inc has to date drilled 55 discovery wells in Pakistan.

OGDCL, in addition to its earlier success in the Lower Indus Basin, remained very active during the 1980's and 1990's. In the Potowhar Basin, it discovered nine oil and gas fields (Dakhni, Fimkassar, Chak Naurang, Missa Keswal, Bhal Saydan and Sadkal), and in the central region it discovered six gas fields (Loti, Pirkoh, Nandpur, Panjpir, Rodho and Kothar).

The OGDCL's discovery of Pirkoh and Loti gas fields in 1977 and 1985 respectively, together with the establishment of an extensive gas pipeline infrastructure, stimulated the interest of other companies in the Central Indus basin. This led to gas discoveries at Kandanwari by Lasmo in 1989, at Qadirpur (the third largest gas field in the country) by OGDCL in 1990 and at Miano in 1993 by OMV in Lower Goru.. OGDCL has thus far recorded 44 discoveries.

Concessions were also acquired by other foreign operators, including the US-based Occidental Petroleum who discovered a major oil field at Dhurnal in 1984. This deposit was developed the then latest technology of using water injection to maintain reservoir pressure support from the commencement of production and the field has proved to be prolific, thus reemphasizing the oil potential of the Potowhar Basin.

Exploration activities during last four years have seen activity extending into frontier areas such as the Makran Coast, Central Balochistan and Sindh belts where large areas remain unexplored and have the potential to host giant oil and gas reserves.

Lasmo (now renamed as Eni Exploration Production Inc discovered gas at Bhit in Kirthar Block, whereas Mari Gas Company Ltd. Made good gas discovery of commercial value at Mari field. OGDCL also made a sizeable gas discovery in the Mughal Kot and Parh. In addition, OMV of Austria made a significant gas discovery at Sawan in South West Miano, BHP at Zamzama in their Dadu Concession and Premier at Zarghun South. Recently, the first oil and gas discovery has been made at Chanda near Kohat in the North West Frontier Province by OGDCL. Two exploration wells have been drilled (with resumption of drilling after a gap of 22 years) by Ocean Energy in the Makran offshore areas of Pakistan. In addition to these efforts all the national and multinational Oil and Gas exploration and production companies are continuously obtaining new licenses for testing of unexplored blocks. Following the attractive incentives given by the present government, the exploration activity has registered a significant rise. All these efforts are directed at achieving self sufficiency in production of oil and gas for the country.

Available Energy Resources

Pakistan's exploitable energy resources consist of oil, natural gas, coal and hydropower. The country's current yearly energy supply is about 50 million tons of oil equivalents. Oil and natural gas are used to meet about 85 percent of these requirements. The balance is derives from hydropower, coal, liquefied petroleum gas (LPG), and nuclear power.

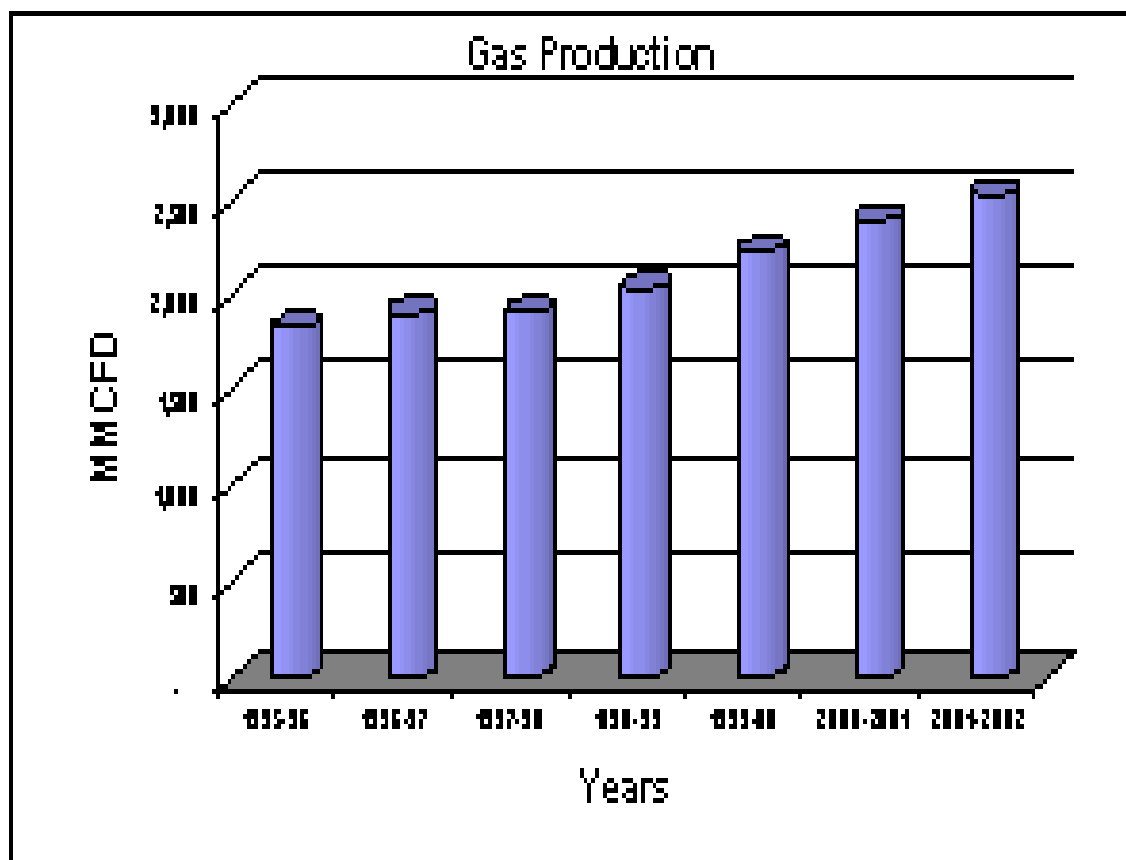
The total proven and recoverable reserves of natural gas and oil are estimated at 45.35 trillion cubic feet (TCF) and 801 million barrels respectively. The total production of Oil from domestic resources is 62,870 bbl/day (2004 est.), while the ³⁸daily consumption stands at 365,000 bbl/day. Allowing for cumulative production, the remaining resources are 28.087 TCF of Gas and 288.606 million barrels of Oil. Independent international studies of oil and gas potential are many times more than these proven reserves. Pakistan currently imports oil to meet a material part of domestic oil consumption requirements, and gas demand which is presently met by the domestic resources is forecast to ³⁹exceed indigenous production by 2008.

During the 2003-2004 fiscal year, 10 concession agreements were signed. These agreements covered an area of almost 17693 sq.km and involved a financial commitment by the operating companies of more than US\$ 46.18 million. Three oil and gas discoveries were made during the fiscal year. The gas production from the country's indigenous resources from 1995-2002 is depicted by the following ⁴⁰figure:

³⁸ http://www.appliedlanguage.com/country_guides/pakistan_country_economy.shtml

³⁹ http://www.businessmonitor.com/images/pdfs/oilgas/pakistanoilgas_sample.pdf

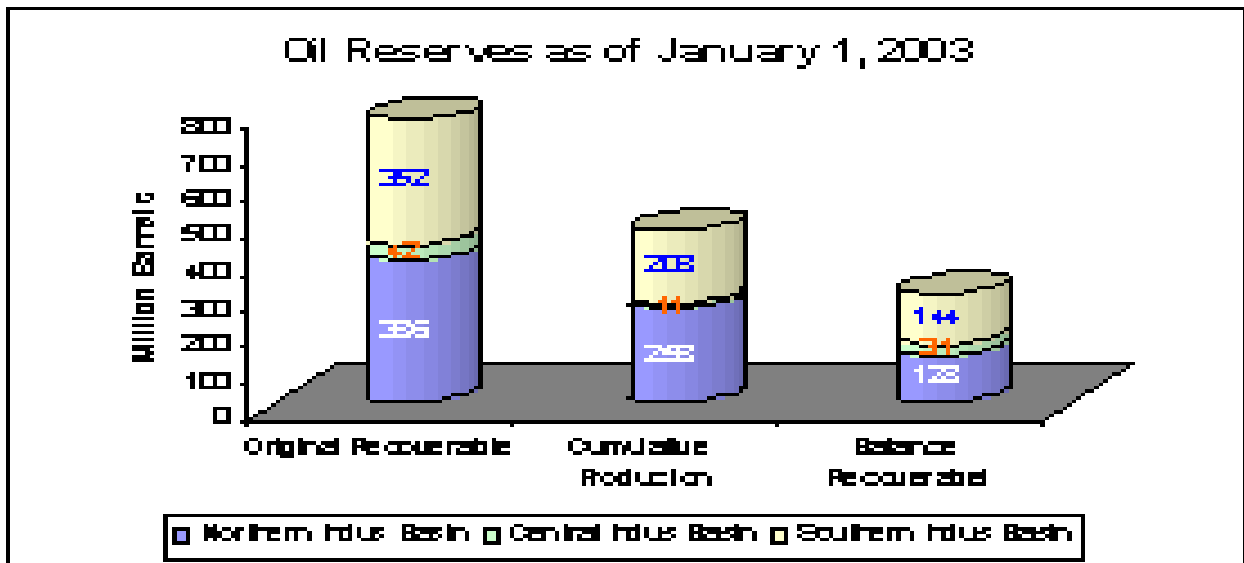
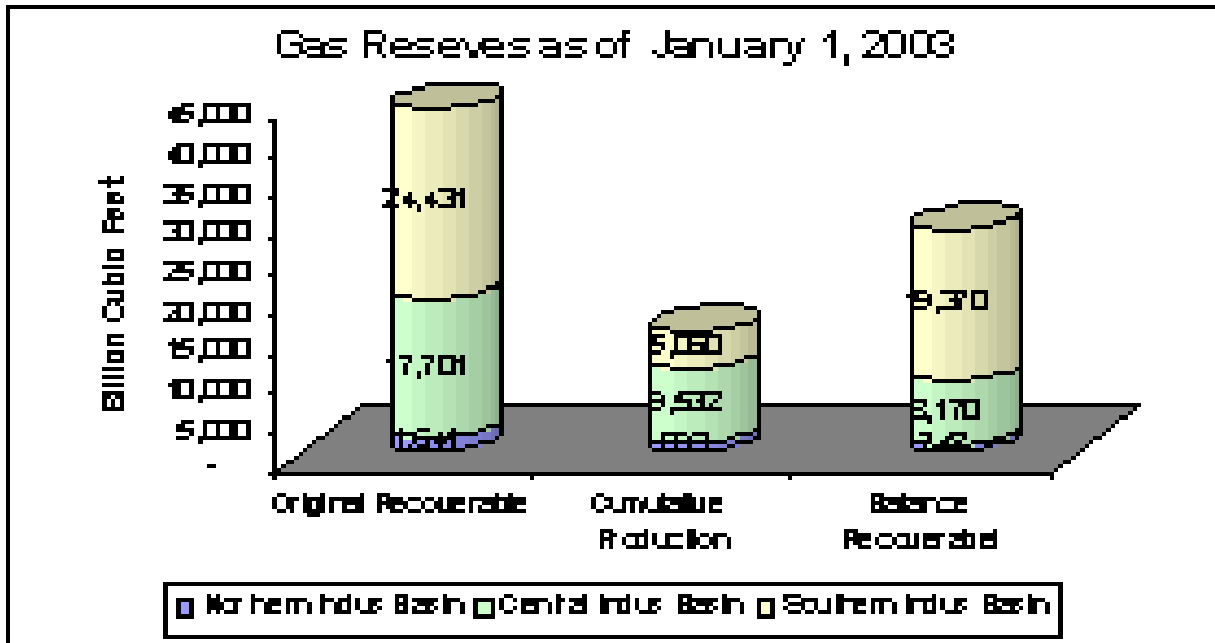
⁴⁰ <http://www.mpnr.gov.pk/overview.php>



From the above figure it can be easily concluded that the domestic gas consumption has increased manifolds during the period and the forecast that domestic gas supply will be overtaken by the demand by year 2008 seems most likely to materialize. This situation necessitates an enhanced level of exploration to find new sources of both oil and gas. As a result Pakistan remains an active and prospective exploration country. Significant finds continue to be made in the existing producing areas as well as in less-explored regions. The proven rate of exploration success and a sizeable domestic oil and gas market along with the governmental policy in facilitating foreign investment in the sector have made Pakistan an attractive place for the E&P Multinationals and local companies.

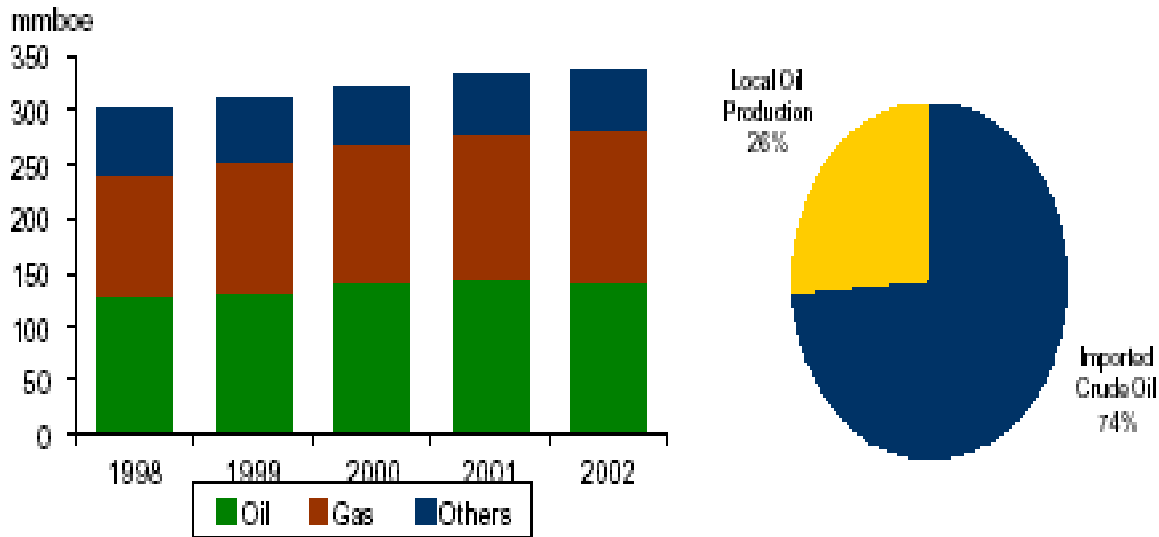
The ⁴¹figures that follow show the oil and gas reserves, oil & gas production, exploration and appraisal/development wells, and success rates. The information presents a brief picture of the upstream sector in Pakistan.

⁴¹ Ibid



As can be seen from the above figures that the recoverable resources of both oil and natural gas are depleting rapidly which implies that while the supply of these two drivers of economy is dwindling on one hand the demand is rapidly increasing on the other. To bridge the gap between the diminishing supply and the rapidly increasing demand increasing reliance has to be placed on imported fuels which does not auger well for any economy let alone the already troubled economy like that of Pakistan. In a bid to forestall the foreseeable adverse situation arising out of depletion of the available resources and accentuation of expensive to bridge supply demand gap, the Government has given incentives to the E&P sector as a result of which there has been an upsurge in the exploration activity in the country and over the last decade or so and a number of domestic and foreign companies have increased their exploration activities in the country

by also concentrating on unexplored areas besides concentrating on the areas of known potential. The situation of ⁴²energy supplies from 1998-2002 is as under:



During the period 1998-2002, on the average 75% of natural gas was consumed by the power, fertilizer and domestic sectors. Over the same period, the main consumers of oil were the power and transport sectors, accounting for an average 80% of total consumption. It can also be appreciated that since Pakistan has started to place an increasing reliance on thermal power to meet its electricity demands (courtesy poor Governmental decisions) the resource depletion is occurring at faster than expected pace. ⁴³Crude output totaled around 60,000b/d in 2003 and is expected to decline without new discoveries. ⁴⁴ All of Pakistan's gas output, estimated at 21.4bcm in 2003, is consumed domestically. Further growth is expected, rising in line with local demand to around 30bcm in 2008. If the present rate of oil consumption, of around 365,000b/d, matches the underlying rate of GDP growth, demand can be expected to reach at least 453,000b/d by 2008. Gas demand is set for a massive increase, aided by the switch to gas-fired projects, rising from 21.4bcm to some 30bcm by the end of the forecast period

The following figures highlight the consumption trends of Natural gas and oil. A cursory glance at these figures reveals that the consumption of natural gas has risen steeply; straining the existing resources, the oil consumption has relatively stabilized. One possible reason for the reflected trends is the increase in consumption of Natural gas for the purpose of power generation and its rapidly increasing use in transportation. Pakistan is one of the leading nations in the world in terms of using natural gas in the field of transportation. It is evident from the increasing number of CNG stations. While increased use of Natural gas has somewhat eased the strain on oil it has brought the production of

⁴² <http://www.privatisation.gov.pk/PDF-Files/OGDCL%20SS%20-%20Summary%20of%20Key%20Information%20291003.pdf>

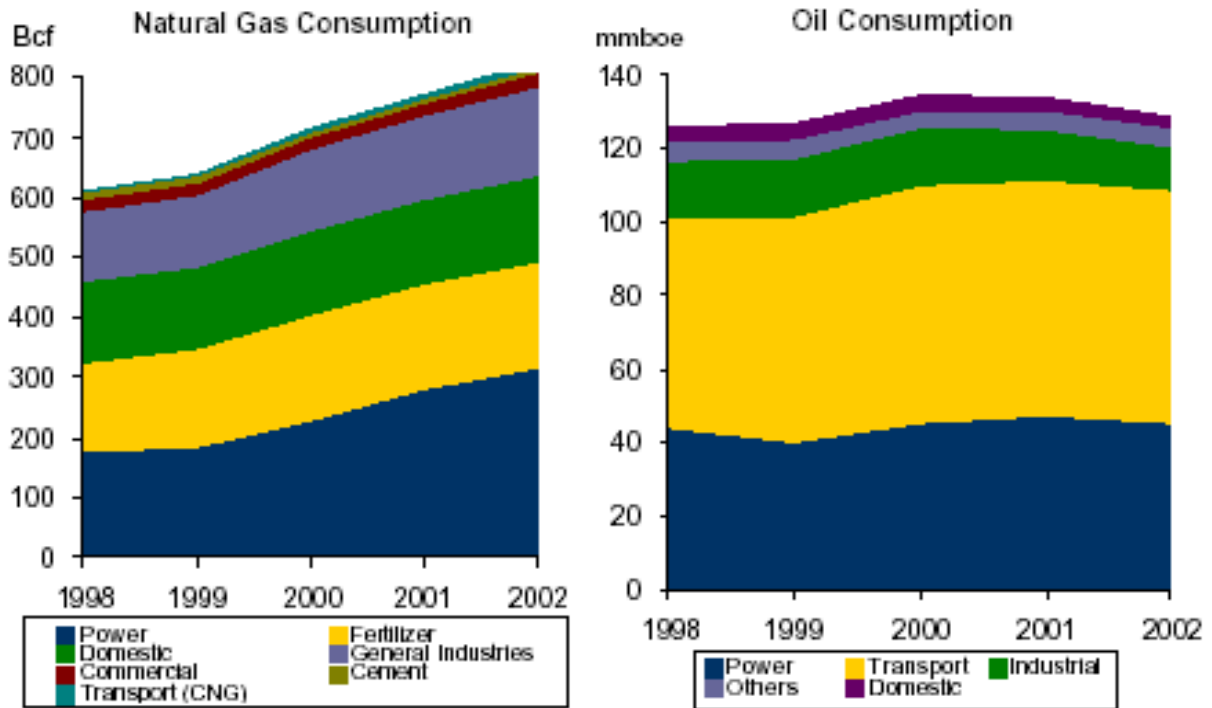
⁴³ http://www.businessmonitor.com/images/pdfs/oilgas/pakistanoilgas_sample.pdf

⁴⁴ Ibid

gas under pressure. As a result the existing indigenous resources are not only depleting at faster than the expected pace, they will most likely start to fall short of meeting the demand by 2008 unless new discoveries are made.

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Figures 3 & 4: Historical Natural Gas & Oil Consumption



Source: Pakistan Energy Yearbook 2002

Regulatory Environment

⁴⁶Under the Constitution of Pakistan, petroleum is a federal subject. The basic law which regulates the sector is the Regulation of Mines and Oil Fields and Mineral Development (Government Control) Act, 1948. This Act provides for enforcement of rules related to the storage and distribution of “mineral oils”, the establishment of prices at which mineral oils may be bought or sold and any matter ancillary and incidental to the objectives set out in the Act.

⁴⁵ <http://www.privatisation.gov.pk/PDF-Files/OGDCL%20SS%20-%20Summary%20of%20Key%20Information%20291003.pdf>

⁴⁶ <http://www.mpr.gov.pk/overview.php>

⁴⁷The upstream and downstream activities in the oil and gas sector were earlier administered by regulated through the Department of Petroleum & Energy Resources (DPER), which consisted of four directorates namely, Directorate General of Petroleum Concessions (DGPC), Directorate General of Gas (DG GAS), Directorate General of Oil & Directorate General (Special Projects), of which has been converted into Policy Wing of the Ministry. The Government has instituted Oil and Gas Regulatory Authority (OGRA) for midstream and down-stream oil and gas sectors. Directorate General Petroleum Concessions still continues to regulate the upstream sector. Ministry of Petroleum & Natural Resources is thus responsible for the regulation of the upstream sector and policy formulation.

To attract foreign and domestic investment in the E&P sector the GOP announced petroleum policy of 1994. ⁴⁸This Policy assisted in the development of the upstream sector. The Policy, however, could not arouse sufficient interest to attract interest in the downstream sectors, off shore areas and particularly the Balochistan Basin.

To address the shortfalls of 1994 Petroleum policy, a new Petroleum policy was announced in 1997. The 1997 Petroleum Policy is based on a review of the 1994 Policy and offers major incentives in the upstream and downstream petroleum sector,, including a package based on production sharing arrangements for offshore areas. The Policy focuses on mobilization of greater resources and promotion of private sector investment in the oil and gas sector.

Efforts are being made to exploit the existing energy resources to build a strong indigenous exploration and production base. These efforts are directed at achieving cost effectiveness, reduction in import dependence, promotion of self-reliance through accelerated exploitation of energy resources and minimum environmental degradation.

In addition, a number of far-reaching measures have been taken which include attracting private foreign investment, creating a qualitatively improved infrastructure in oil and gas industry, development of an efficient and transparent management, deregulation of downstream petroleum marketing sector and rationalization of prices and LPG allocation.

A new package for offshore exploration has been prepared for attracting exploration investment in off-shore areas which has so far remained relatively limited. A separate Holding Company, Gas Regulatory Authority and Petroleum Regulatory Board are established for privatization of state owned companies. The import of LPG has been liberalized to promote investment in import of LPG, storage and infrastructure on the basis of commercial opportunities and risk.

The Petroleum policy was once again revised in 2001 and very attractive incentives were announced for investment in this sector. The salient features of the new policy include⁴⁹ taking away the minimum investment limit, treatment of royalty (to the tune

⁴⁷ Ibid

⁴⁸ <http://www.asiatradeshub.com/pakistan/oil.asp>

⁴⁹ http://www.pakboi.gov.pk/Industry_Data/oil___gas1.html

of 12.5%) as expense thus exempting it from tax and many other incentives. These steps have started bearing fruit.

Industry Structure

The upstream oil and gas industry in Pakistan comprises two types of companies, the operating companies and the services providers. Among both categories of the companies there are local companies and the multinationals. The overall environment in the industry is vibrant and highly competitive. Due to the presence of many players in the industry there is intense competition for obtaining resources and greater market share. The industry can be characterized as being fragmented.⁵⁰ There are currently 26 operating and many services providing companies in the sector. Among the six locally incorporated companies, all are locally incorporated and public listed. Some time ago the situation in relationship to the ownership of the local companies was the exclusive domain of the GOP, however in the recent past the government has divested varying amount of shareholding in favor of the general public and institutional buyers which has created a positive impact on the performance of these companies. After the announcement of the Petroleum Policy 2001 certain private local companies have also entered the upstream oil business in the recent past. The existing industry players include the following:

Operating Companies

- ⁵¹BHP Petroleum (Asia/Pacific) Inc.
- Lasmo Oil Company Ltd.(renamed ENI)
- Hycarbex Inc.
- Orient Petroleum Inc.,
- OMV Pakistan Inc.
- Petronas Carigali (Pakistan) Ltd
- Pakistan Oilfields Ltd.
- Premier Exploration Pakistan Limited
- British Gas International Inc.
- IPR Transoil Corporation.
- Mari Gas Company Ltd.
- Oil & Gas Development Company Ltd
- Tullow Pakistan (Developments) Ltd.
- Ocean Pakistan Corporation
- BHP Petroleum (Asia/Pacific) Inc.
- IPR Transoil Corporation
- Occidental Petroleum (Pakistan) Inc.
- Petroleum Exploration (Pvt) Ltd.
- Polish Oil and Gas Company (POGC).
- Pakistan Petroleum Ltd.
- Shell Exploration Offshore

⁵⁰ <http://www.privatisation.gov.pk/PDF-Files/OGDCL%20SS%20-%20Summary%20of%20Key%20Information%20291003.pdf>

⁵¹ http://www.pakboi.gov.pk/Industry_Data/oil__gas1.html

- MOL Oil & Gas Company B.V.
- TotalFinaElf Exploration & Production
- BP Pakistan Exploration & Production
- PAIGE Limited (PAIGE).
- Scimitar Hydrocarbons Pakistan Ltd.
- NATIVUS Resources Limited
- Total France

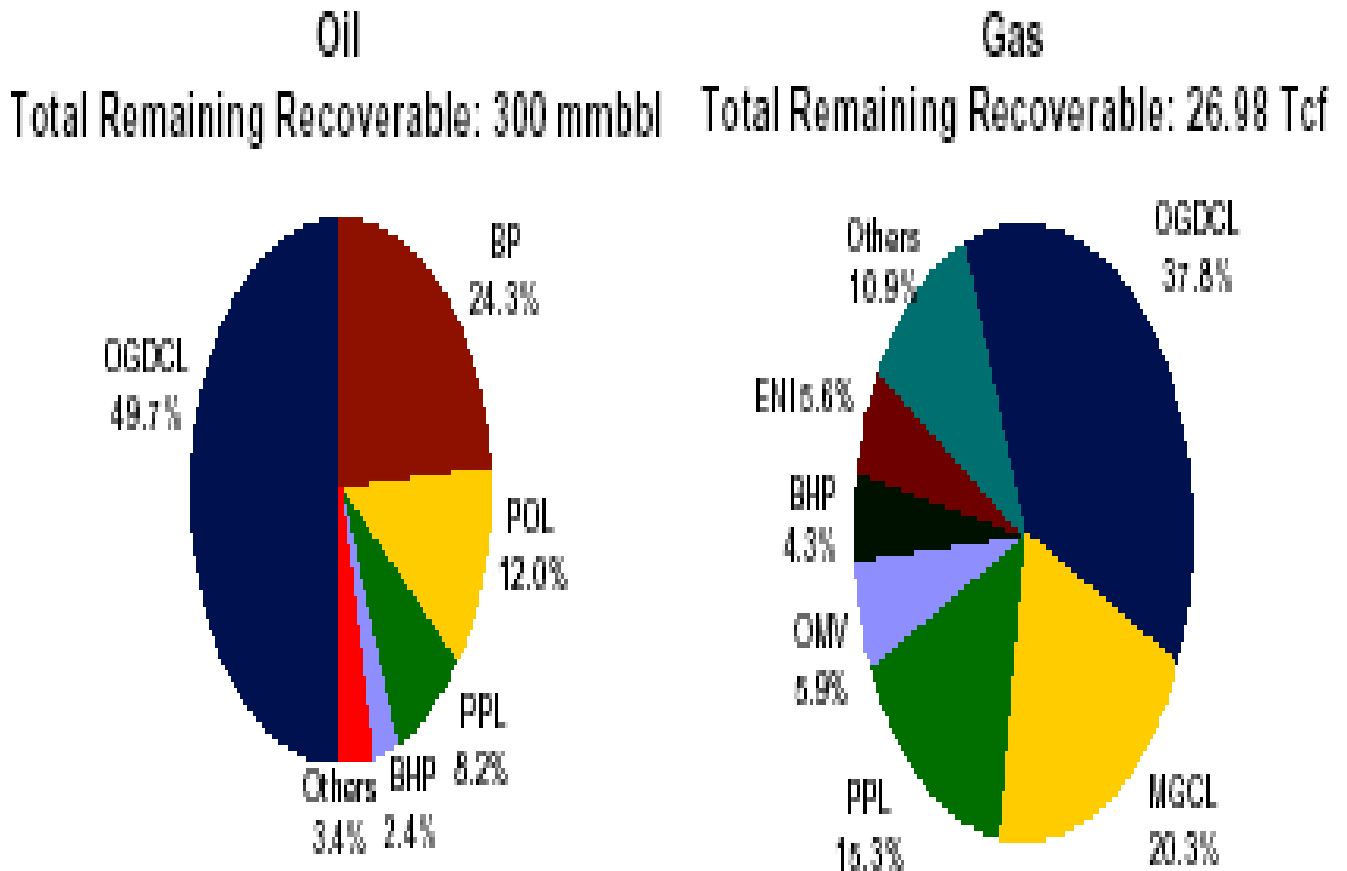
Services Providers

- ⁵²M/s Compagine Generale De Geophysique (CGG)
- M/s Schlumberger Sedco Forex Int.
- M/s Schlumberger Seaco Inc.
- M/s Dowell Schlumberger
- M/s LMK Resources (Pvt) Ltd.
- M/s Haliburton Limited
- M/s Haliburton Spyrason
- M/s Petrolog Private Limited
- M/s Weatherford Enterra Oilfield Services & Products
- Ahmad Jaffar & Company (Pvt) Ltd.
- M/s Furgo Geodetic Ltd.
- M/s Oiltools Limited (Pakistan Branch)
- M/s Chem Agro International
- M/s Petroleum Geo-Services Asia Pet Ltd.
- Western Geco
- M.I. Overseas Limited
- M/s Pool
- M/s bureau of Geophysical Prospecting(BGP)
- M/s Pride Forasol
- M/s Geoservices Eastern Inc.
- M/s Baker Hughes INTEQ
- M/s Anadrill International S.A.
- M/s Core laboratories
- M/s Nuricon Union (Pvt) Ltd.
- Geofizyka Krakow Ltd. Pakistan Branch
- Pak Petro Services Representing Veritas DGC Land
- Schlumberger Anadrill
 - ADOS Pakistan Ltd.
 - Western Geco
 - M.I. Drilling Fluids International
 - Greatwall Drilling Company
 - Energy Resources Development Ltd

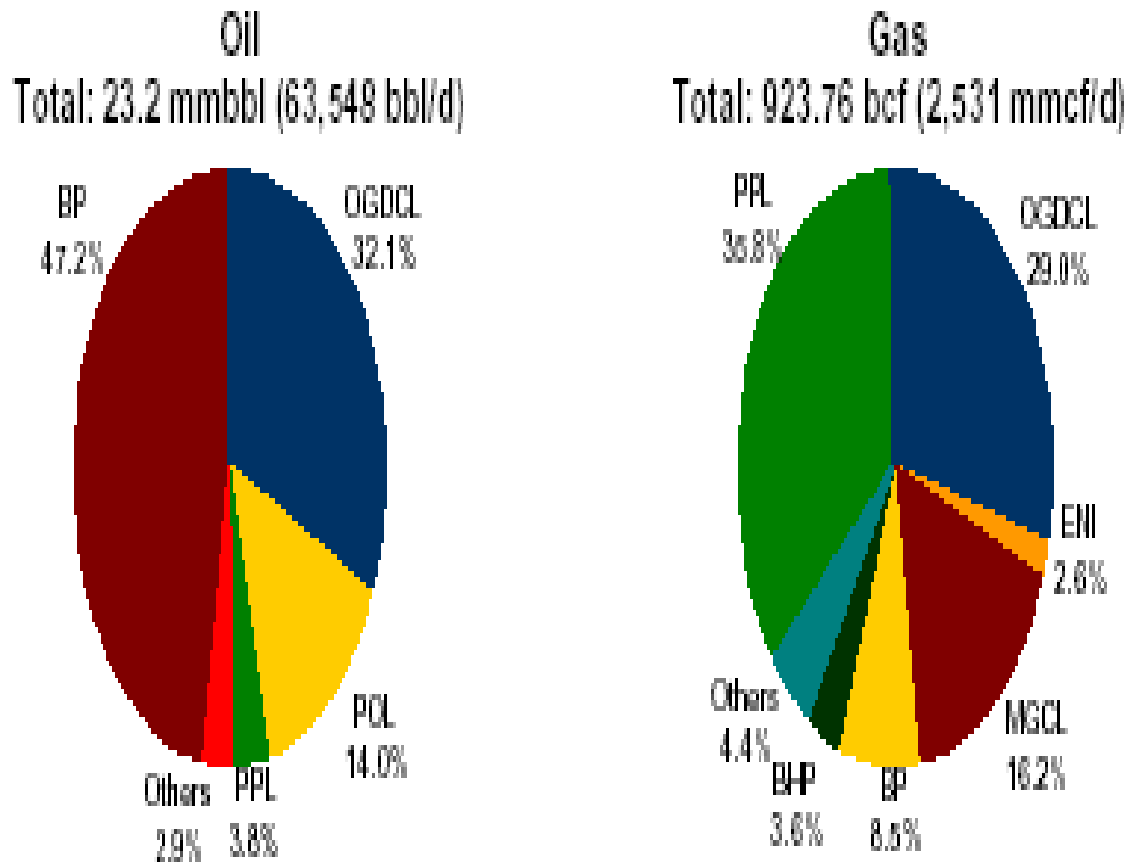
⁵² http://www.pakboi.gov.pk/Industry_Data/oil___gas1.html

- Nortech Surveys Pakistan (Pvt) Ltd.
- Pakistan Tubular inspection Services (Pvt) Ltd.
- Oil & Gas Exploration Company Cracow Ltd.(OGEC)
- Petroleum Geoservices Asia Pet Ltd.
- Weatherford Enterra
- DEAUTAG Pakistan Branch

The holding of recoverable reserves and shares in production of existing participants for 2001-2002 is shown below.



Pakistan Oil and Gas Reserve Status by OperatorSource: Pakistan Energy Year Book 2002 as quoted in Myrill Lynch and KASB Securities (Pvt) Limited Report for **Privatization of OGDCL**



Source: Pakistan Energy Yearbook 2002, for the period July 2001 – June 2002

Pakistan Oil and Gas Production by Operator

Source: Pakistan Energy Year Book 2002 as quoted in Myrill Lynch and KASB Securities (Pvt) Limited Report for Privatization of OGDCL

From the foregoing it can be seen that although largely invisible to the common public, there are a very large number of companies operating in this industry. When so many organizations are working in the country within the same industry the level of fragmentation and the resultant competition is something but natural. The existing players are encouraged by the recent successes of both local and foreign companies in their exploration efforts and the GOP's ability to keep its promise of benefiting these organizations besides striving to attain the much needed self sufficiency serve as source of encouragement for domestic and foreign companies to invest in this sector.

Company Overviews

Before studying the HR practices and their impact on the employee retention, familiarization with companies selected for this research it is considered to be important.

Oil & Gas Development Company Limited (OGDCL)

OGDCL is the largest oil and gas exploration company in Pakistan. Prior to the emergence of this company, exploration activities in the country were carried out by Pakistan Petroleum Ltd. (PPL) and Pakistan Oilfields Ltd. (POL). In 1952, PPL discovered a giant gas field at Sui in Balochistan. This discovery generated immense interest in exploration and five major foreign oil companies entered into concession agreements with the Government.

⁵³During the 1950s, these companies carried out extensive geological and geophysical surveys and drilled 47 exploratory wells. As a result, a few small gas fields were discovered. Despite these gas discoveries, exploration activity after having reached its peak in mid-1950s, declined in the late fifties. The interest of private companies dwindled as the profits were not commensurate with their expectations due to very low demand for natural gas and poor infrastructure in the country at the time. With exploration activity at its lowest ebb several foreign exploration companies terminated their operation and either minimized or divested their interests by the 1961.

⁵⁴To revive exploration in the energy sector the Government of Pakistan (GOP) signed a long-term loan Agreement with the (then) USSR on 04 March 1961, whereby Pakistan received 27 million Rubles to finance equipment and services of Soviet experts for exploration. Pursuant to the Agreement, OGDC was created under an Ordinance on September 20, 1961. The Corporation was charged with responsibility to undertake a well thought out and systematic exploratory program and also to plan and promote Pakistan's oil and gas prospects.

As an instrument of policy in the oil and gas sector, the Corporation followed the Government instructions in matters of exploration and development. The day to day management was however, vested in a five-member Board of Directors appointed by the Government. In the initial stages the financial resources were arranged by the GOP as the newly formed OGDC lacked the necessary means to raise the needed capital for its activities. A number of donor agencies such as the World Bank, Canadian International Development Agency (CIDA) and the Asian Development Bank provided the impetus through assistance for major development projects in the form of loans and grants. OGDC's exploratory efforts proved successful as they resulted in a number of major oil and gas discoveries between 1968 and 1982. Toot oil field was discovered in 1968 which paved the way for further exploratory work in the North. During the period 1970-75, the Company reformed the strategy for updating its equipment base and undertook a very aggressive work program. This resulted in discovery of a number of oil and gas fields in the Eighties, giving the Company a measure of financial independence. Oil and Gas

⁵³ <http://www.ogdcl.com/>

⁵⁴ Ibid

fields discovered during 1980's include Thora, Sono, Lashari, Bobi, Tando Alam & Dhodak oil/condensate fields and Pirkoh, Uch, Loti, Nandpur and Panjpir gas fields. Noting the Company's success, due to major oil and gas discoveries in the eighties, the Government, off-loaded the Company from the Federal Budget in July 1989 and allowed it to manage its activities with self generated funds.

A wholly owned subsidiary of the company, the Pirkoh Gas Company (Private) Limited (PGCL) was established in 1982 to undertake development of Pirkoh gas field located in Dera Bugti Agency in Balochistan with the assistance of the Asian Development Bank.

Keeping in view the growing needs of Pakistan's petroleum industry, OGDC established its own Training Institute. Institute offers two-year training programs for fresh graduate engineers and short duration refresher courses in the fields of Exploration, Drilling, Well Services, Gas Processing, Production and Computing etc. Lately, professionals from foreign oil companies based in Pakistan and the Central Asian Republics have also started attending short courses and seminars on specific technical and management subjects. Details of courses offered during the second half of the year 2005 is attached as Annexure A.

Prior to 23rd October 1997, OGDC was a statutory Corporation and was known as OGDC (Oil and Gas Development Corporation). The Petroleum Policy 1994 emphasized the need for restructuring of OGDC on commercial lines through strengthening of its Board of Directors and allowing it more autonomy in all administrative, operational and financial matters. The Petroleum Policy 1994 also envisaged conversion of OGDC from a statutory Corporation into a public limited joint stock company and restructuring of Government investment in OGDC. Individual contribution of the facilities towards overall Oil and Gas production of OGDCL is attached as Annexure B. The geographic distribution of OGDCL operated and Joint Venture activity is as per Annexure C.

As a result of the positive change in the government policy the company was converted into a Public Limited Company on October 23, 1997 and acquired its present name, OGDCL (Oil and Gas Development Company Limited) with an authorized capital of Rs.50 billion. Sequel to a decision of the GOP to offer a total of 5% share holding to the general public the Initial Public Offering (IPO) for the company was made on October 4, 2003.⁵⁵ The initial offer included a 2.5% offering and 2.5% green shoe option which the company promptly exercised owing to the overwhelming market response. The company raised a total of Rs.6.9 Billion from its IPO. Offered at the base price of Rs.32.00 the stock of the company was a big hit in the market and still remains to be the dominant stock in terms of its contribution to the market capitalization of all the stock exchanges in the country.

During the last 45 years the company has transformed from a purely government organization into a public limited company on one hand while on the other it has grown manifolds in size. Besides the mentioned changes it has also increased its technical capability and at the moment has a total of 11,624 employees on its payroll, 1,868 out of which belong to the officer cadre. The company has developed a highly qualified pool of professionals who can undertake and supervise almost all phases of oil and gas

⁵⁵ http://www.atimes.com/atimes/South_Asia/EJ04Df07.html

exploration and production starting from preliminary geological surveys and culminating in the operation of oil and gas processing plants. Besides developing the technical capabilities of its people the organization has also steadily improved upon its technical capability to support its endeavors to attainment of the objective of achieving self sufficiency in developing the hydrocarbon resources in the country. ⁵⁶The operational and technical base of the company includes 7 drilling rigs, 2 Workover rigs, a geological field party, 4 Seismic parties, 4 Engineering field parties, a gas gathering and pipeline construction party, Seismic Data Processing Centre, Geological Analysis Laboratory, Wireline Logging Unit, Cementing Units and Data Logging Unit.

From its inception to date the company has made 60 oil and gas discoveries. During the last three years alone OGDCL was successful in making nine landmark discoveries -one oil discovery and eight gas –condensate discoveries, out of which seven are in Sindh, one in NWFP and one in Balochistan. Production from these fields will help the country to minimize dependence on imported oil. ⁵⁷As of July 31, 2005 OGDCL has drilled 199 exploratory wells and 246 development wells. Presently OGDCL is producing approximately 38,398 barrels of oil per day, 1,016 Million cubic meters of gas, 327 M.Tons of LPG and 65 M.Tons of Sulphur (including OGDCL’s share from non-operated Joint Ventures) per day. The updated estimates for remaining recoverable reserves as on July 1, 2005, stood at 115 million barrels of oil and 10,515 Billion Cubic Meters of gas. OGDCL also offers a number of facilities for joint venture collaboration to foreign oil companies. It has an extensive database. It offers valuable local expertise in the field of geology and geophysics. OGDCL not only carries out exploration and development activities on its own but also enters joint ventures for oil and gas exploration. Presently OGDCL is 100% owner in 12 concessions; in addition it is the operator as well as a working interest owner in 12 concessions and partner in 3 concessions operated by other oil companies.

OGDCL plans to drill 45 wells during current financial year (2005-06), to explore new drillable prospects. The Company has also started three new development projects – Tando Allah Yar, Sinjhoru and Uch-II. The Company has placed great emphasis on fast track completion of these projects.

As per the information available on the company’s website, the financial health of the company has steadily improved ever since it became a self financing entity. The gross sales of OGDCL have increased to Rs.51.294 billion (equivalent to US\$ 870 million) in 2003-04 while its profit after tax has increased to Rs.22.414 billion (equivalent to US\$ 380 million) in 2003-04. Nine Months gross sales for the year 2004-05 are Rs. 53.113 billion, with Rs. 24.416 billion as after tax profit.

The vision and mission statements of the company and the set of stated core values of the company are as under:

⁵⁶ <http://www.ogdcl.com/>

⁵⁷ Ibid

⁵⁸VISION STATEMENT

“To be a leading, regional Pakistani E & P Company, recognized for its people, partnerships and performance.”

⁵⁹MISSION STATEMENT

“Our mission is to become a competitive, dynamic and growing E & P company, rapidly enhancing our reserves through world class workforce, best management practices and technology and maximizing returns to all stakeholders by capturing high value business opportunities within the country and abroad, while being a responsible corporate citizen.”

⁶⁰CORE VALUES

- § Merit
- § Integrity
- § Team Work
- § Safety
- § Dedication
- § Innovation

The company also claims to be making efforts in get itself counted as a responsible corporate citizen of the E&P community. In line with its social obligations, it claims to proactively promote, develop and maintain medical, social and welfare facilities and schemes for the benefit of the local communities affected by its work and presence. These include employment opportunities for locals, construction of roads, setting up dispensaries and providing free first-aid and health care, establishing schools, granting fellowships and scholarships, supply of drinking water, donation for charitable causes and financial assistance for numerous projects to improve the quality of life of peoples and communities with which it interacts.

Sequel to change in policy of the GOP with regards to the company the number of members of the board of directors was increased from 5 to 12. At present composition of the company’s board of directors is as under:

1. **Mr. Arshad Nasar**
Chairman
Board of Directors

⁵⁸ Ibid

⁵⁹ Ibid

⁶⁰ Ibid

62. Mr. Mohammad Raziuddin
MD, OGDCL.

3. Mr. G.A Sabri
Director General (Admin/Special Projects)
Ministry of Petroleum and Natural Resources

4. Mr. M. Iqbal Awan
Joint Secretary (Ministry of Finance)

5. Mr. Alman Aslam , Banker
Director, PPIB Board, Islamabad.

6. Mr. Asad Umar,
President ENGRO

7. Mr. Aslam Khaliq,
Chairman, Pakistan Tobacco Company (PTC) Board, Islamabad

8. Mr. Azam Faruque
Director, Cherat Cement Limited

9. Mr. Khalid Rafi
Chartered Accountant,

10. Mr. Pervaiz Kausar
Director, PSO

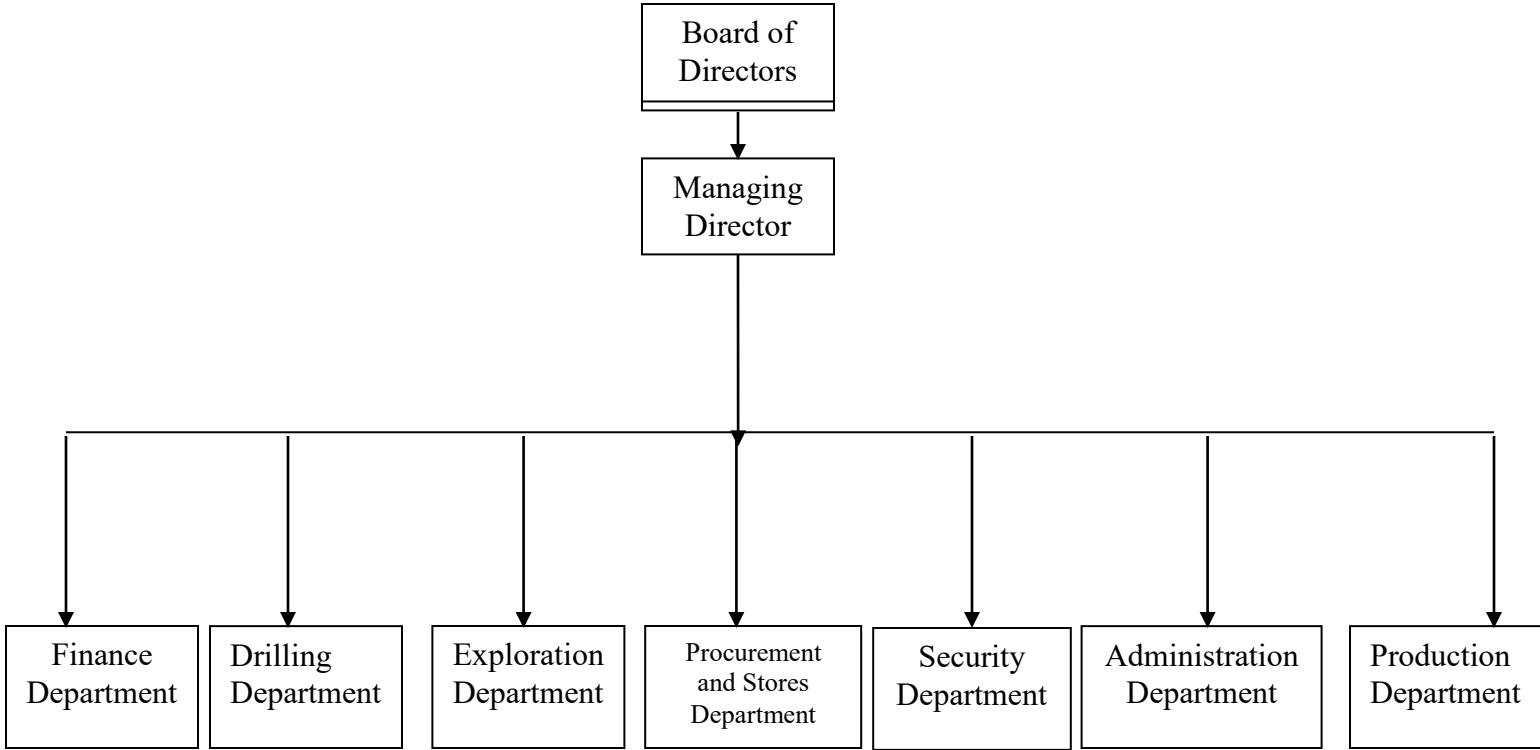
11. Mr. Sikandar Hayat Jamali
ex- Federal Secretary

12. Mr. Al-Syed Abdul Qadir Jamaluddin Al-Gillani,
MNA (NA-270, Awaran-cum-Lasballa)

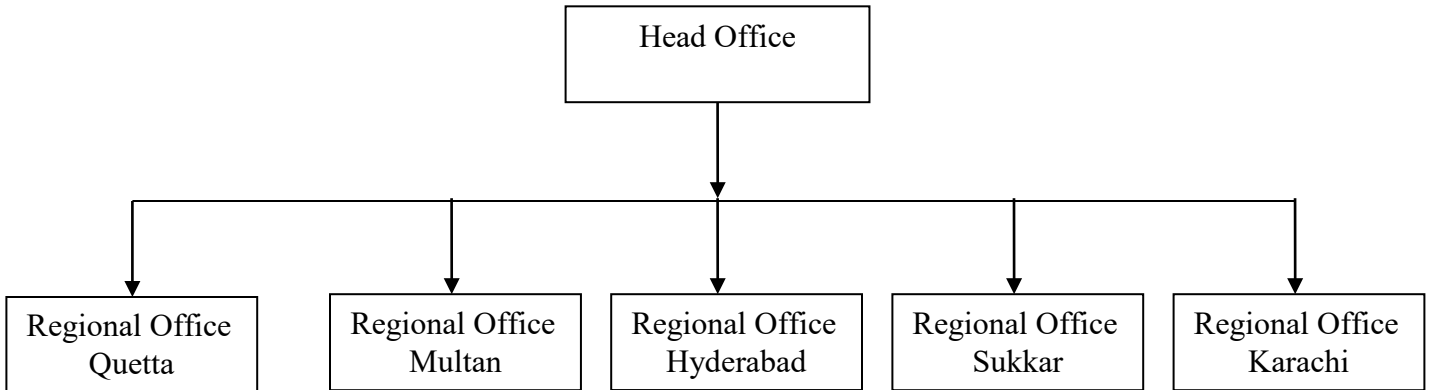
⁶¹ Ibid

Organizational Structure

The head office of the company is organized as under:



The overall structure of the company is as under:



Head Office of the company is located in an impressive building located in Blue Area, Islamabad. This office looks after the overall functioning of various departments and field locations all over the country. Regional Offices of the company staffed with 10-12 employees each, located in Quetta, Multan, Hyderabad, Sukkar and Karachi cater for the coordination aspects of operations of various field locations under their jurisdiction.

Mari Gas Company Limited (MGCL)

Mari Gas Company Limited is one of the largest oil and gas exploration and production companies in Pakistan. ⁶²The company is operating the second largest gas field in the country known as the Mari Gas Field which is located at Daharki, District Ghotki, and approximately 96 Kms NE of Sukkur.

ESSO Eastern Incorporated (EEI) discovered this field in 1957. The field was first developed in 1965 to supply gas to Exxon (now Engro) Chemical Pakistan Limited. EEI operated the Mari Gas Field as a joint venture with Government of Pakistan (51:49), titled as Pak Stanvac Petroleum Project (PSPP) until 1983. The divestment decision of ESSO in the same year resulted in this field being acquired by a group comprising Fauji Foundation, Ministry of Petroleum and Natural Resources and Oil and Gas Development Corporation.

Under an agreement signed among Fauji Foundation, Government of Pakistan and OGDCL, Mari Gas Company was incorporated on December 4, 1984 as an unlisted public limited company. The shares of the company were held by Fauji Foundation, Government of Pakistan and OGDCL in the ratio of 40:40:20 respectively. The company took over the assets and liabilities of joint venture and commenced business in its own name on December 23, 1985. Government of Pakistan divested 50% of its share holding (i.e. 20% of the total shares) in favor of general public in 1994.

Since then it is registered as a Public Limited Company and is listed with all the stock exchanges of Pakistan. The company has the authorized capital of Rs. 2500.00 million. Paid up capital of the company (Rs.367.50 millions) is provided by Fauji Foundation, Government of Pakistan, OGDCL and general public in the ratio of 40:20:20:20 respectively. Fauji Foundation being the majority share holder has the management rights.

The Company is managed by a board of fourteen directors who are elected/nominated by the shareholders in proportion to their shareholdings. The directors representing Fauji Foundation (six) and General Public (two) are elected by the shareholders for a term of three years. The directors representing Government of Pakistan (three) and OGDCL (three) are the nominee directors and they retain their offices till their nomination is withdrawn by their respective authorities/ organizations. In terms of the Articles of Association of the company, Fauji Foundation has the exclusive right to nominate the Managing Director of the Company for tenure of three years.

⁶² <http://www.marigas.com.pk/>

Besides operating its existing Gas fields in Dharki Area the company has recently expanded the focus of its operations by obtaining the exploration licenses of a number of exploration blocks. Successful ventures are planned to be developed and operated by the company. ⁶³Details of the newly acquired exploration licenses are as under:

S.No	BLOCK	ZONE	OPERATOR	MGCL INTEREST
1.	Ziarat	I	MGCL	60.00%
2.	Zarghun South	I	MGCL	35.00%
3.	Dadhar	II	PPL	27.67%
4.	Karak	I	MGCL	100.00%
5.	Hyderabad	III	POL	25.00%
6.	Nawabshah	III	Tullow	15.00%
7.	Hala	III	PPL	35.00%
8.	Kohlu	II	OGDCL	40.00%
9.	Kalchas	II	OGDCL	40.00%
10.	Zamurdan	II	OGDCL	20.00%
11.	Noor	II	MGCL	100.00%
12.	Offshore Makran Central	0	PPL	25.00%
13.	Pasni	0	PPL	25.00%

The mission, vision and values of the company are as under:

Vision

⁶⁴ “To become a model for not only gas companies but also other enterprises by exploring every possible avenue to improve our products and services to the satisfaction of our customers, by creating more opportunities for the development and expansion of gas sector.”

Mission

⁶³ 3rd Quarterly Report, March 31, 2005

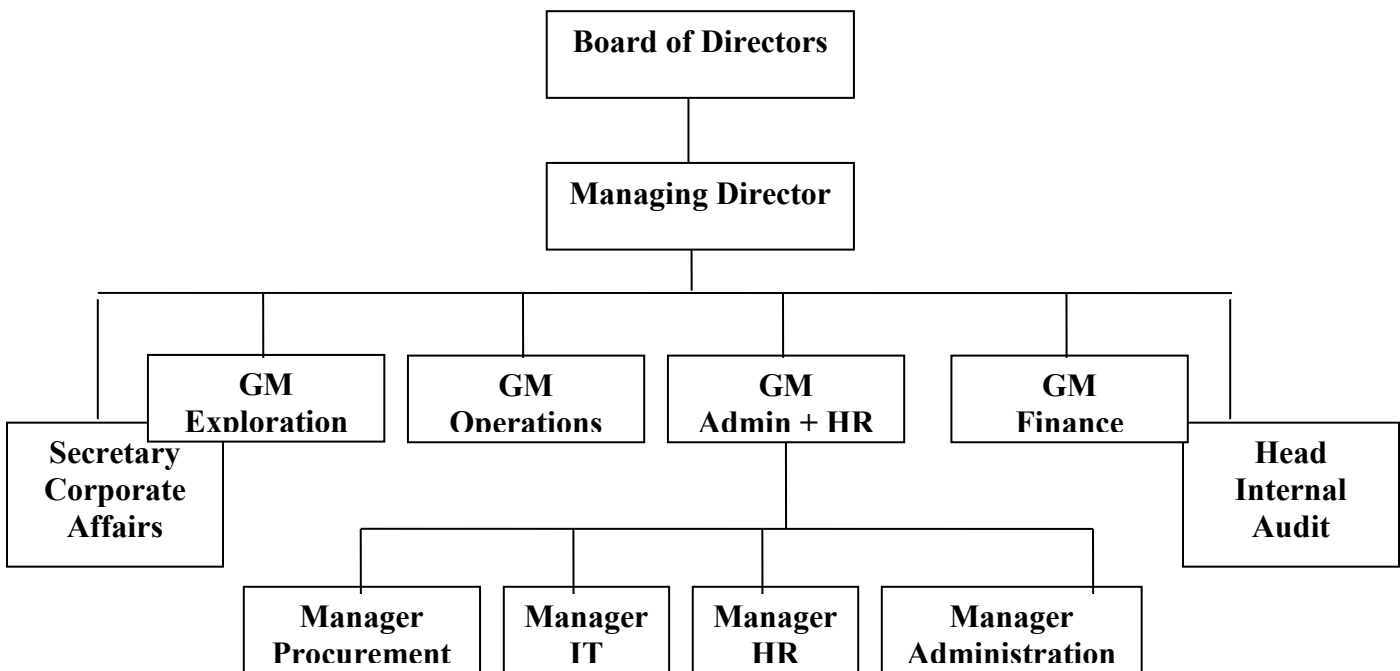
⁶⁴ <http://www.marigas.com.pk/>

⁶⁵“Mari Gas Company, with its customer-centric approach, will make substantial contribution to national economy while securing the interests of the Company and its shareholders in the competitive environment of today's world.”

Commitments

- “Explore and enhance the potential of our human resource.
- Align the interests of our shareholders, human resources, customers and other stakeholders to create significant business value characterized by excellent financial results, outstanding professional accomplishments and superior performance.
- Ensure a safe, reliable and a healthy environment for workforce.
- Adopting advanced technology, lower costs, increasing operating efficiency and adherence to high environmental standards.
- Provide uninterrupted gas supply to the customers.
- Maintain good operational practices.”

The Managing Director is responsible for running the day-to-day affairs of the Company. Besides its setup at Islamabad, the company has two Field Offices located at Dharki and Karachi. These offices are controlled by the head office. The GM is assisted by a team of General Managers, Managers and other staff members, who are qualified and trained in their respective disciplines to effectively manage the Company’s operations. To accomplish its vision and mission the company is organized as under:



⁶⁵ Ibid

Pakistan Oilfields Limited (POL)

⁶⁶Pakistan Oilfields Limited (POL) is a Pakistani Subsidiary of the Attock Oil Company Limited (AOC) and was incorporated on November 25, 1950. The Attock Oil Company had been engaged in oil exploration and production since early part of last century and had discovered oil at Khaur (1915), Dhulian (1936), Joyamair (1944) and Balkassar (1946) in the Potohar Region. POL also discovered oil at Karsal (1960) and Meyal (1968) in the same Plateau.

In 1978, all the exploration and production activities of Attock Oil Company were taken over by POL. POL has expanded its operation by acquiring additional Concessions in the Potohar Region, in Middle and Lower Indus Basins in Sind as well as in Baluchistan. Additional fields discovered by POL include Pariwali (1994), Pindori (1995), Minwal (1996) and Turkwal in 1997. The company is operating four Producing Fields in Potowhar region at present. These fields include, Meyal, Balkasar, Dhulian and Khur⁶⁷. In addition to its own operated fields, POL is also involved in Joint Ventures with OGDCL (Chak Naurang field and Gurgalot Exploration License), Orient Petroleum Inc. (Bhangali, Dhurnal and Ratana fields) and Tullow Pakistan (Development) Limited (Sara and Suri fields). Besides exploration and production of Oil & Gas, POL also operates an extensive network of pipelines for transportation of its own as well as other companies' crude oil to Attock Refinery Limited (ARL) at Morgah, Rawalpindi. As quoted by the press, POL's current gross production is about 10,000 bpd, 42 mmscf gas per day and around 155 tons of LPG per day⁶⁸. The company is also producing 140MT/D of LPG, 115 BBLS/D of solvent oil and 8 MT/D of Sulphur. POL's net share of production averages 5,541 BBLS/D of oil, 28.8 MMSCFD of gas, 93.5 MT/D of LPG, 41 BBLS/D of solvent oil and 8 MT/D of Sulphur.⁶⁹

⁷⁰ POL has also maintained diversification through two subsidiaries namely CAPGAS (Private) Limited and POLGAS which market LPG and Attock Chemicals (Private) Limited which produces Sulfuric Acid. POL plants also manufacture, Solvent Oil and Sulphur. The company also owns and operates a drilling rig capable of drilling deep wells to over 16,000 feet of depth. Besides its activities in Pakistan, internationally, POL has a 16.25% working interest in Yemen. MOL Yemen Oil and Gas (Cyprus) has entered into a joint venture with Pakistan Oilfields Limited (POL) to explore for oil and gas in two blocks in the Republic of Yemen. The two blocks are located in the southern part of the country and are known to be producing basins.

The company has a state of art decanting, metering and pumping facility at Khaur which is capable of transporting 16,500 BPD of Southern Sind crude oil through the pipeline to ARL at Rawalpindi. A new 6"x47 kilometers pipeline from Pindori field to the ARL has also been recently commissioned. This pipeline has the capacity to transport

⁶⁶ <http://www.pakoil.com.pk/Aboutus1.htm>

⁶⁷ Annual Report of POL for year 2003-2004, pp 10-11

⁶⁸ <http://nation.com.pk/daily/july-2005/25/bnews7.php>

⁶⁹ <http://www.pakoil.com.pk>

⁷⁰ <http://www.privatisation.gov.pk/Handout/HO-AR-02/May-02/EOI-INVITEDPOF52102.htm>

over 7,500 BPD of Pindori and other fields crude oil to Attock Oil Refinery. Similarly, the company's gas processing plant at Meyal caters to process its own gas as well as the gas for the nearby Ratana field. As such the company is an active participant in the upstream and midstream segments of the oil business.

On the financial front the company is among very highly successful companies in the country. As per the company's annual report for the year 2003-2004 the after-tax profit for the year was Rs2.49bn, which represented earning per share at Rs18.98 for the year ended June 30, 2004. A final cash dividend at Rs12.5 per share was paid to the share holders. Besides the profit made during the same period, the company has paid Rs.3.14 Billion to the GOP in shape of various levies and taxes etc.

Business Areas

The company is principally engaged in exploration, drilling and production of crude oil and gas. Its activities also include marketing of Liquefied Petroleum Gas under the brand name POLGAS and transmission of crude oil.

Exploration And Production

At present POL has nine Development and Production Leases: Pariwali, Meyal, Joya Mair, Minwal, Dhulian, Khaur, Pindori, Turkwal and Balkassar.

POL claims to have an unprecedented track record in the field of oil and gas exploration. Together with its parent company AOC, it drilled a total of 532 wells, from which it has produced 146.80 million barrels of oil, and 550 Bcf of gas from the most challenging areas of Potowhar Plateau and Upper Indus Basin.

The company has Joint Venture Agreements with following E&P companies:

- Attock Oil Company Limited (AOC) in the Central Potowhar (Turkwal) and Pindori
- Oil & Gas Development Company Limited (OGDCL) in Pindori, Chak Naurang, Gurgalot and Kotra
- Orient petroleum Inc. (OPI) in Dhurnal, Ratana and Bhangali
- Tullow Pakistan (Development) Limited in East Badin Extension Block-B, New Block-B and Nawabshah Block
- Eni Pakistan Limited in Manchar Block
- MOL Oil & Gas Company, Pakistan in Tal Block
- Mari Gas Company Limited (MGCL) in Ziarat Block
- Pakistan Petroleum Limited (PPL) in Adhi
- Government Holdings (Private) Limited in Ahmadal and Minwal

Future Plans

The company is known to be among the more adventurous companies in E&P sector. To pursue its aggressive exploration strategy, the future plans of the company include more exploration activities which include undertaking exploration activities both, in areas with proven potential like the Indus Basin and Potowhar areas and areas with unproven potential like some parts of Sind, Balochistan and Peshawar area in NWFP.

The vision, mission statements and core values of the company are as under:

Vision

“⁷¹To be the leading oil & gas exploration and production company of Pakistan with the highest proven hydrocarbon reserves and production and that provides optimum value to its all stakeholders.”

⁷²Mission Statement

“We aim to discover and develop new hydrocarbon reserves & enhance production from existing reserves through application of the best available technologies and expertise. In achieving our aim, we will maximize the return to our shareholders, fully protect the environment, enhance the well being of our employees and contribute to the national economy.”

Strategy

⁷³“Our prime focus is to transform POL into a growth oriented leading E&P organization. We intend to achieve growth through increase in oil & gas production and by adding new reserves through exploration and exploitation. We plan to maintain/ increase the current levels of production well integrated multidisciplinary teamwork and by implementing effective planning and control procedures to minimize production costs and maximize profitability. Our ultimate goal is to maximize the returns to our shareholders and provide optimum value to all the shareholders.”

Core Values

The core values of the company as quoted on the company website areas under:

- ⁷⁴**Leadership:**

⁷¹ http://www.pakoil.com.pk/vision_statement.htm

⁷² Annual Report of POL for year 2003-2004,pp 2

⁷³ Ibid pp2

⁷⁴ <http://www.pakoil.com.pk/Core%20Values.htm>

“POL values leaders with the necessary managerial and professional competence coupled with integrity, energy and the drive to challenge the status quo.

- **Continuous Quality Improvement:**

“We strongly believe that quality and an unyielding commitment to continuous improvement are indispensable ingredients to achieving success. At POL, we encourage and promote an environment conducive to the development of breakthrough ideas leading to innovative solutions.”

- **Ethics and Integrity:**

"Honesty, ethical behavior and integrity combined with the highest professional and personal standards form the cornerstone of all our activities.”

- **Profitability:**

“We believe in maximizing the return to our shareholders and enhancing the long-term profitability of the Company through the application of the best available technology and expertise.”

- **Employees' Growth and Development:**

“We believe in the creation of an environment focused on encouraging and empowering employees to contribute to the Company's success through personal growth and development.”

- **Community Involvement:**

“We strongly believe in actively involving the communities in which we operate for the advancement of their cultural and social life.”

- **Safety, Health and Environment:**

“We care about the health and safety of our employees and the people of the communities in which we conduct our business. We remain deeply committed to respect and protect the environment.”

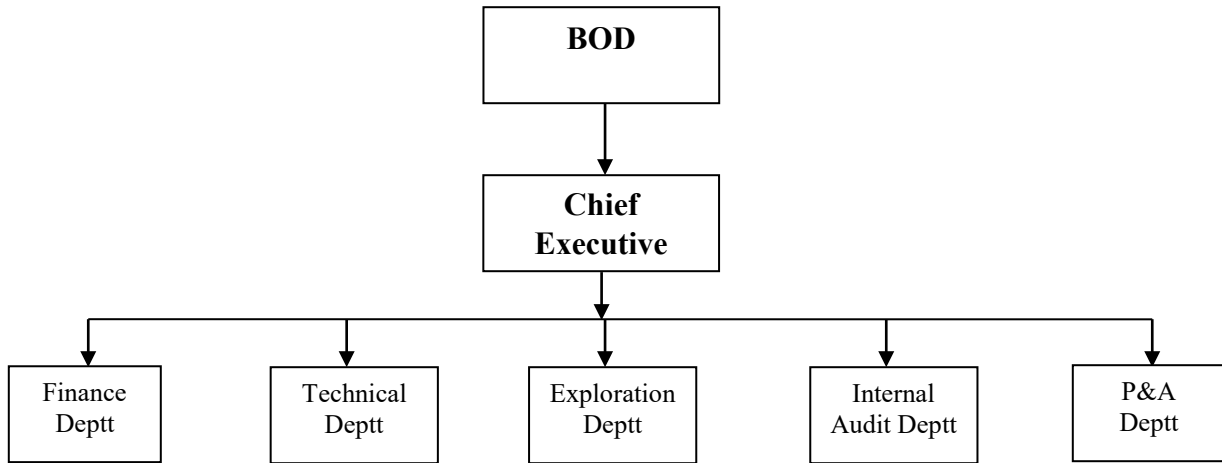
The company has approximately 900 permanent and 800 contract employees. Out of 800 permanent employees, 300 are the managerial cadre employees and the rest belong to the lower cadres. The company has divided its employees into three categories as under:

- **Senior Managerial Staff (SMS):** This cadre includes all the employees of the company which belong to the managerial cadre. These employees include

engineers, geologists, Geophysists, MBAs and other master degree holders employed in the category.

- Junior Managerial Staff (JMS): This cadre includes Diploma holder employees of the company.
- Non Managerial Staff (NMS): This cadre includes all employees of the junior staff to include both semi skilled and unskilled employees.

The company is organized as under:



The BOD of the company comprises following:

- Mr. Ghaith R. Pharaon
- Mr. Shuaib A. Malik
- Mr. Laith G. Pharaon
- Mr. Weal G. Pharaon
- Mr. Bashir Ahmed
- Mr. Abdus Sattar
- Mr. Muhammad Riazuddin
- Mr. Iqbal Ahmed Khawaja
- Mr. Babar Bashir Nawaz

- Mr. Sajjid Nawaz— Incumbent Chief Executive
- Mr. Tahir Azizuddin

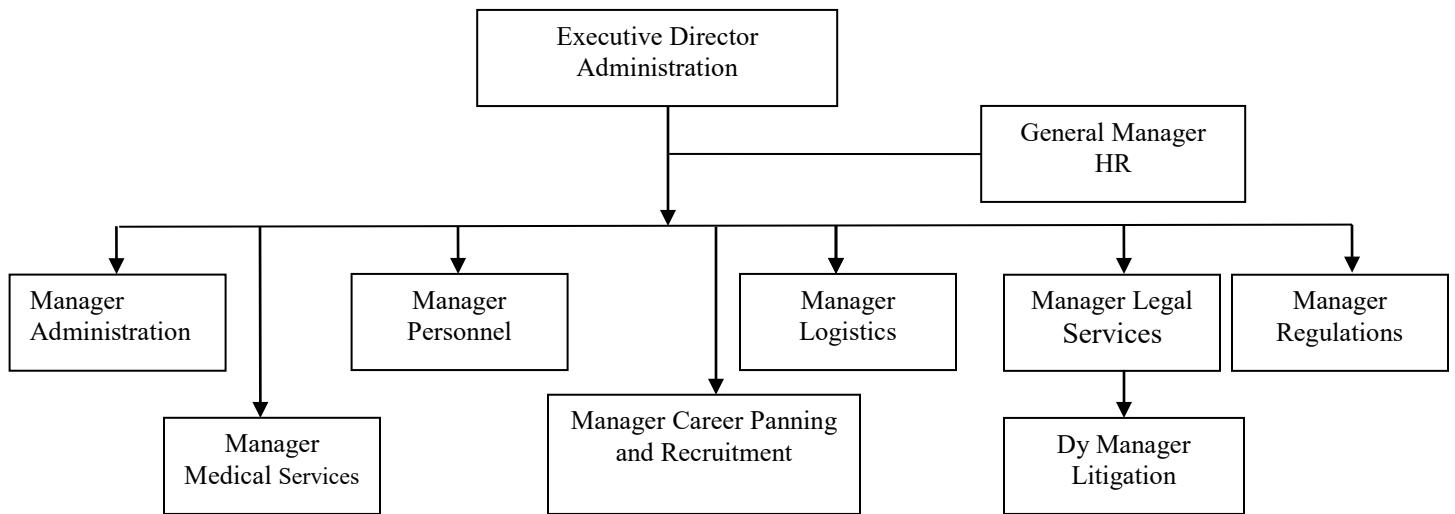
HR Practices

After familiarization with the oil and gas industry in the country and the companies under discussion, the stage is now set for an in depth study of the various HR practices followed by these organizations and employee retention issues facing these organizations.

HR Practices and Employee Retention at OGDCL

Human Resource Function

The Human resource function falls under the purview of the Administration Department of the company. The Administration Department of the company is organized as under:-



As can be seen from the diagram that the Human Resource Manager falls under the Executive director administration and himself does not have anyone under his/her office. All the functions relating to the management of human resources are performed by various sub functions of the Administration Department. The Department comprises a total of over 2500 employees. There are over 300 officers and approximately 2200 lower grade staff members in this department. Various tasks performed by each sub function are as under:

- **General Manager HR** Basically responsible for the management of all HR related matters but has no clearly defined set of tasks, duties and responsibilities as can be seen from the above diagram that this General Manager has no manager under him/her. According to the available information the company had hired a GM HR for an attractive salary package of Rs.350, 000.00 per month. After working for a period of six months the officer left the company for greener pastures.
- **Manager Administration** Principle responsibilities of this office holder include maintenance of various company facilities, vehicles, aircraft, offices and other similar functions.
- **Manager Medical Services** He is responsible for health care related matters of the company employees.
- **Manager Personnel** Responsible for maintenance of records, transfers, postings and pay fixation.
- **Manager Career Planning and Recruitment** Main responsibilities of this manager include recruitment, performance appraisals, promotions and career planning of the employees to include nominating employees on various training courses.
- **Manager Legal Services** This sub function is responsible for dealing the legal matters of the company. The Deputy Manager Litigations is primarily responsible for dealing the litigation cases of the employees against the company and against the employees by such organizations as the National Accountability Bureau.
- **Manager Regulations** Formulations of various rules and regulations in light of the directives received from the GOP, the BOD or the MD. Regulations are prepared at this office for the approval of the MD. After approval from the appropriate quarters these regulations are disseminated in the organization.

Organizational Culture

The ownership of the company even after getting declared as a public limited company rests with the government of Pakistan. As such the transformation of the company from a purely government sector organization to a commercial organization has really not affected the organizational culture. The culture of the company can be characterized as bureaucratic with top-down flow of orders and instructions. A high level of power distance exists between the managerial and non-managerial employees. Even among the managerial employees (the officer's cadre) a high level of formality exists between senior and junior officers.

Decision making is slowed down due to the number of bureaucratic levels and highly formalized procedures involved. The otherwise slow decision making process becomes even slower if a particular matter is to be referred to the Ministry of Petroleum and Natural Resources for approval. The interdepartmental and interpersonal rivalries and clash of interests are common. When asked to explain the culture of the company, one of the officers of the company remarked that it resembles the culture of any governmental department although present Managing Director is making an all out effort to change it

yet there is no visible impact. The company is in process of transition from a pure governmental department to a commercial organization and at the moment an environment of confusion prevails in the company which is made worse by the lack of internal communication. There is no resistance to the implementation of orders and instructions and subordinates give suggestions only if their boss asks them to do so.

There is no concept of holding an open house or other similar forum of any kind to listen to the grievances and suggestions of the employees. The element of empowerment among the non-managerial employees is almost non-existent. The officer rank employees are empowered to take work related decisions after attaining a certain level of seniority. Initiative taking at junior levels is not encouraged as the seniors feel that the appropriate decision making skills can be acquired with experience. Procedures and instructions are strictly followed in day to activities of the departments and cross functional coordination is done at the highest levels. The cross functional coordination at lower levels is basically also done with the blessing of the manager concerned. Bypassing the respective department or sub function heads is discouraged.

The company has a union which is viewed by the senior officers as a source of nuisance which only creates trouble and is of no use to the company. After declaration of the company as a pure commercial outfit by the government, hiring of new employees at market compatible salaries has started which is severely objected upon by the old employees in general and the union in particular. One such episode was witnessed by this scribe during a visit to the company's head office.

The company has three different categories of employees. These categories include:

- Regular Officers and Staff
- Contract Employees—Variable contract duration with maximum limit of two years. Mostly the contracts are non-renewable.
- Work charge/Casual---Temporarily employed to fill up the vacant positions, are declared as permanent employees on availability of vacancy. Some of the employees can remain in this status for as long as 10-12 years.

Recruitment and Selection

Employees of Contract and Work Charge/Casual cadres are employed depending on the requirements of various departments. Selection for the employment in these categories is done primarily on the basis of interviews and almost all the candidates get inducted in the organization depending upon their relationship with the influential people of the company.

An emergent requirement notwithstanding, the company routinely recruits fresh employees on annual basis (at times on two yearly or three yearly basis) in the regular employee cadre. During the intervening period of the recruitments all the departments of the company keep sending their manpower requirements to the office of the Manager CPC and Recruitment who compiles these requests and gets approval from the Ministry

of Petroleum and Natural Resources after consolidating the requirements of the respective departments. Upon receipt of approval from the concerned ministry the positions are advertised in the national newspapers. The company does not entertain any referrals, unsolicited applications or applications on the internet. There is also no effort to visit various educational institutions for recruitment purposes. The main reason for exclusive reliance on the newspapers as the sole source of recruitment is the 1995 decision of Supreme Court of Pakistan according to which the company cannot recruit anyone on permanent basis without a newspaper advertisement. This decision came in response to allegations against the company of not entertaining merit at all and abuse of the other sources of recruitment by the company officials. According to the available information the news paper advertisements of the company generate a very large number of applicants. The applications thus received are scrutinized and fed into the computer system of the company. The process of scrutinizing takes a few months. The short listed candidates are called for tests and interviews.

The selection process for various technical and non technical cadres includes position specific tests and interviews. These tests and interviews are based on the job requirements from the position holders. As such the jobs are clearly defined with clear distinction drawn between various positions in terms of tasks, duties and responsibilities. For entry level positions there is a single written test followed by a panel interview. After completion of the selection process a consolidated merit list is prepared and the successful candidates are issued selection letters. It is important to highlight that keeping in view the governmental policy of ensuring representation of people from all provinces in the country, selection in this organization is also done as per the provincial quotas besides reserving some seats for open merit based selection of candidates in almost all pay grades. The existing composition of the company's employees in terms of their ethnic composition explains the policy in practical terms. The present classification of the employees of the company is as under:

PAY GROUP	DOMICILE									TOTAL IN THE GROUP
	Merit	PUNJAB	SINDH			NWFP	BALUC-HISTAN	FATA	AK	
			URBAN	RURAL	TOTAL					
MANAGEMENT CADRE										
M-1	0	0	0	0	0	1	0	0	0	1
EG IX	0	2	1	0	1	0	1	0	0	4
EG VIII	4	3	0	1	1	1	0	0	0	9

EXECUTIVE CADRE										
EG VII	3	37	6	1	7	11	1	1	0	60
EG VI	12	101	17	13	30	31	10	4	5	193
EG V	19	116	35	49	84	28	11	10	5	273
EG IV	28	111	30	36	66	34	6	14	6	265
EG III	29	176	56	46	102	28	9	7	3	354
EG II	22	200	17	38	55	38	7	8	3	333
EG I	15	133	28	49	77	18	7	3	2	255
TRAINEES	12	69	13	20	33	15	11	8	6	154
TOTAL	144	948	203	253	456	205	63	55	30	1901⁷⁵

**⁷⁶OIL AND GAS DEVELOPMENT COMPANY LTD
DOMICILE AND GROUP-WISE SUMMARY OF OVERALL STAFF**

PAY GROUP	DOMICILE									TOTAL IN THE GROUP
	Merit	PUNJAB	SINDH			NWFP	BALUC-HISTAN	FATA	AK	
			URBAN	RURAL	TOTAL					
NON EXECUTIVE CADRE										
16	2	164	48	14	62	22	2	1	5	258
15	2	106	12	25	37	19	0	0	5	169
14	0	252	58	110	168	58	7	6	13	504
13	0	4	2	0	2	1	0	0	0	7
12	15	626	60	59	119	113	14	5	31	923

⁷⁵ <http://ogdcl.com/>

⁷⁶ Ibid

11	0	2	0	0	0	0	0	0	0	2
10	4	156	28	64	92	36	6	2	12	308
9	3	416	44	67	111	79	19	2	12	642
8	4	154	31	87	118	26	12	2	7	323
7	0	93	11	16	27	6	8	0	4	138
6	3	665	94	164	258	103	50	7	17	1103
5	0	98	19	9	28	23	5	0	13	167
4	0	264	28	79	107	31	63	0	16	481
3	0	198	39	31	70	25	29	2	26	350
2	0	323	70	220	290	41	128	1	14	797
1	0	1391	103	706	809	135	566	2	45	2948
0	6	27	1	2	3	8	8	0	1	53
TOTAL	39	4939	648	1653	2301	726	917	30	221	9173

Last Updated: 10 / 08/ 2005

As per an experienced employee of the company, while a system of merit is followed to a great extent in the selection of officer's cadre the same is not always true for the lower grade employees. According to available information in past a number of people were employed in lower cadres due to interference/orders from the ministry.

Training and Development

The Company has a well developed system and infrastructure for imparting training to its employees. Oil & Gas Training Institute (OGTI) is the only institute in the country which imparts training to not only the officers and technicians of OGDCL but also to employees of other national and multinational E&P sector companies operating in Pakistan. The requirement for establishment of this institute emerged from the recognizing the fact that, only through the acquisition of state-of-the-art petroleum technology, OGDCL would be able to fulfill its mandate of achieving self-sufficiency in Oil & Gas for Pakistan. ⁷⁷This institute was established at Islamabad in 1979. In 1986 the OGTI was relocated to its present location in I-9 Sector of Islamabad in a newly constructed four-storey building. In 2005 after the merger of OGTI with Geological & Reservoir Laboratory (G&R Labs), a new mandate is assigned to the institute and it is renamed as PETRO RESEARCH & TRAINING INSTITUTE (PR&TI).

⁷⁷ <http://www.ogdcl.com/ogti/>

⁷⁸Training Institute provides basic training to the petroleum industry graduates and technicians enabling their career induction, as well as refresher and advance training to experienced professionals in all three streams of petroleum in general, and upstream in particular. Main roles and functions of the institute (as stated on the website) include the following:

- “Training Institute identifies diverse training needs of the industry, evolves progressive and dynamic training programs in coordination/collaboration with the entire industry as well as concerned universities, while also offering valuable advice.
- Training Institute organizes in-house technology update seminars, inviting outstanding professionals/ expertise, to facilitate absorption of state of the art techniques.
- Training Institute also organizes short courses and seminars in various other technical and administrative allied support areas of petroleum industry.
- Training Institute offers all training and administrative facilities to conduct wide ranging seminars and courses for Pakistan Petroleum Exploration & Production Companies Association (PPEPCA) Society of Petroleum Engineers (SPE), Pakistan Association of Petroleum Geoscientists (PAPG), often sponsored by the industry.
- Training Institute conducts petroleum industry field trips for industry professionals & visitors for training and familiarization.
- Training Institute organizes/conducts/facilitates field audits and inspections various industry installations.
- Training Institute also organizes short courses on specific technology training or other demands.”

⁷⁹Basic responsibilities of the institute include:

- Training of the newly inducted Technical Personnel of OGDCL.
- Knowledge update and continuous training of working professionals.
- Arranging seminars/short courses on advancement in technology.
- Providing guide line to the universities of the country for curriculum development in oil industry related disciplines.

⁷⁸ <http://www.ogdcl.com/ogti/facilities.htm>

⁷⁹ Source: PRTI Presentation

- Arranging field trips.
- Providing linkage between Universities and industry.
- Representing OGDCL on PPEPCA Expert Committee for HRD.

A wide verity of technical courses are offered by this institute in the fields of Geo Chemistry, Analytical chemistry, Sedimentology, Core analysis and Micro Paleontology, Petroleum Exploration, Oil well Drilling, Mechanical Engineering, Reservoir Engineering, Production Engineering, Corrosion Engineering, Hydrocarbon Engineering, Gas Transmission and Distribution, Instrumentation and Process Control, Environmental Health and Safety, Basic Management and Managerial skills and Information Technology for both the entry level employees and some senior employees. The institute is properly equipped with various training facilities like well equipped class rooms, various laboratories to include, Exploration lab, Drilling lab, Production lab, instrumentation lab, mechanical lab and computer lab. The institute also has a well stocked and equipped library besides having its own hostel within its premises. Against an authorized staffing level of 17 Officers and 69 Staff members, the institute is staffed with 15 Officers (faculty members) and 48 staff members. The faculty members are well qualified and in almost all cases very highly experienced in their respective fields. All faculty members are full time employees of the OGDCL and are posted to the institute. The tenure of a faculty member mostly depends on his personal ability to stay in the institute. As such no defined period of stay with the institute is fixed for the faculty members who often prefer to stay in the institute as against in field locations. As per one of the faculty members the number of trainees sent by OGDCL to the institute is primarily dependent upon the policy of the GOP. If the policy allows more inductions in a given year the number of trainees is high in that year while if the policy does not allow much recruitment then the number of trainees in the corresponding year is proportionately low. Last year the institute imparted training to a total of 400 students from OGDCL and other companies. A detailed forecast of courses to be held at the institute is issued on half yearly basis. According to the data made available by the Chief Instructor (Coordination) the institute has run a total of ⁸⁰16,336 courses of various types and varying durations since its inception. Over a period of time the number of trainees has shown a steady increase. For example from ⁸¹1988-1998 the institute imparted training to a total of 181 entry level trainees while a total of ⁸²252 and 400 entry level trainees were trained in 2002-2003 and 2003-2004 respectively. The institute designs various courses and circulates these to OGDCL and other companies. Employees from OGDCL and other companies attend the courses on nomination. As per available information the individual employee training needs are not identified and as such no formal Training Needs Analysis is carried out for the working out training and development needs of the employees concerned. Employees detailed to attend various courses have to fill in a Bond which makes it mandatory for the employee concerned to serve the company for a period of five years after the completion of the training activity. Employee deciding to leave the organization before completion of the stipulated time period has to reimburse the cost of training to the company.

⁸⁰ Ibid

⁸¹ Ibid

⁸² Ibid

The verities of courses offered by this institute are categorized in different types. The Basic Training for the new inductees, Special training (two years) for engineers and technicians belonging to the Dera Bugti Agency, it also includes trainees from PPL, SNGPL and SSGC. The Advance Courses are arranged on specific request of the Heads of OGDCL technical departments. In some of the Advanced Courses eminent instructors from foreign countries are also invited to deliver lectures on contemporary practices/discoveries or latest research in the E&P industry. The Refresher Courses offered at the facility are normally one week long and are meant to be attended by the mid-career professionals both from OGDCL and other companies.

The technical cadre officers are sent to this institute for initial training soon after their selection. The training imparted at this institute is a combination of class room and field training. Trainees are given 45 days of class room training followed by 45 days field exposure. After the completion of this cycle they are given 15 days leave. The cycle keeps getting repeated throughout the year. The institute takes care of almost all the training requirements of the company's technical manpower including the Geologists, Geophysicists, Petroleum Engineers and Drillers etc. During the training period the trainees are given monthly stipend, free boarding, free messing, medical facility (self only) and leave fare assistance along with free train/air tickets to and from the field location.

The formal developmental activities of the employees are restricted to attendance of a 12 weeks long course at NIPA for the officers of Executive Group 6. Officers are also entitled to 2 years of study leave (unpaid less the cumulative earned leave during the service) after completion of ten years of service. Financial assistance is also provided to the officers for attending evening courses at local institutions. The company however, does not have formalized plans for training and development of individual employees. The onus of development is as such placed on the employees.

Selected technical cadre officers are sent abroad to attend courses pertaining to newly inducted equipment or some new technological developments in the field. While sending employees on such training programs care is taken to send only those employees who have to work on the new equipment in field. According to available information, the company has started sending its senior level employees on foreign tours to attend various conferences etc in a bid to develop them and also to make them aware of the emerging trends and practices in the E&P sector.

Compensation

Employees of the company were paid as per the GOP pay scales along with some additional allowances until this year. The inclusion of additional allowances made the salary packages of the OGDCL employees better than the rest of the Federal Government employees while remaining well below the industry standards. Employees serving on field locations were entitled to certain additional allowances.

During the current year the company has revised the compensation packages of the employees and has given an across the board raise of 35% to all employees in salaries in an effort to bring them close to the industry average compensation standards. According to the old system, the employees were paid as per various pay grades. There were a total of sixteen pay grades for the non officer staff or the line cadre while the officer cadre was paid as per ten different pay scales. Details of the new pay structure have still not emerged and only partial information is available. The old salary package included basic pay, house rent allowance, transportation allowance, Servant allowance (officers only) and other allowances as admissible to the federal government employees. As per the old system the pay raises were linked to the pay raises of all federal government employees and the pay performance relationship was not there.

Standard retirement benefits applied to the employees of the company like other employees of the Federal Government. According to the little information available with regards to the new compensation packages of the company, the annual pay raise for all the employees has been linked to the Consumer Price Index (CPI) and pay performance linkage has been established. According to the old system there was a very high level of job security in the company. The company employees are entitled to free medical treatment (self and family) through the hospital of the company and other hospitals on the panel of the company in Islamabad, and panel hospitals at Karachi, Quetta, Sukkar, Multan and Hyderabad. Similarly, the senior level employees of the company are also entitled to availing such privileges as the company paid cars and telephones etc at Islamabad, Quetta, Karachi, Hyderabad, Multan and Sukkar. All the employees working on company operated Production fields are provided bachelor's accommodation while those working on exploration sites are provided with the temporary accommodation in containers.

In order to attract talented employees, recently the company has started hiring contract employees as per the prevailing market standards. This practice has created unrest among the existing employees of the company.

Performance Appraisal

The prevailing system of performance management is on similar lines as that of other government departments of the federal government. Under the prevailing system the employee performance is reported in the Annual Confidential Report. The instrument used for the purpose of writing this report is an attribute based form which gives total leverage to the reporting officer. An anniversary approach to managing the employee performance is adopted at the company. Appraisee is not given any feedback by the appraiser. There is no dispute resolution mechanism and the company feels that since the report is not shown to the individual concerned, there is no need to have such a mechanism. The grading earned by an employee is not related to the raise in pay or other benefits. According to the available information, there is a vague linkage between the performance appraisal ratings earned over the years and the developmental courses at a later stages of an employee service. The promotions of the employees are primarily governed by seniority.

At present, the existing performance management system is under review and as such its final shape is not known. It is however rumored to be objective based with clear performance reward linkage.

Employee Retention

The company has a very low turn over rate among the non technical employees including both officers and line staff. The things are however, different for the technical employees of the company. In case of technical staff members the rate of voluntary turnover hovers in the range of 8-10%. The most common reason cited for the defection of the technical staff members to competitors is the huge differential in the compensation packages of the employees of OGDCL and their colleagues in the other companies in the E&P sector particularly the MNCs operating in Pakistan. The turn over of staff among the contract employees is particularly high. The involuntary turnover among the employees belonging to the contract and work charge categories is either caused by the termination of the contract term or the relinquishment of the requirement warranting their employment in the stated categories. As far as turn over among non technical cadres of the regular employees is concerned it almost zero. Until very recently there was no involuntary turnover among the permanent staff members, the change in policies introduced in the recent past will most likely change this situation.

To leave the organization an employee has to give a one month's notice to the concerned department. At the end of the notice period the employee can leave the organization. If an employee leaves the organization without any notice, he has to deposit one month's salary as penalty for not giving the notice as required by the policy. Mostly the departing employees are officially not asked reason for quitting the organization and there are no exit interviews of any type.

Communication, Coordination and Teamwork

The company publishes a monthly Newsletter titled "TALASH" covering the various facets of the company's operating activities. The routine information mostly official in nature, is displayed on the notice boards by the respective departments. Reportedly, most of these notices are hardly read by anyone. Coordination among various departments of the company is done through formal official channels. Even the routine cross functional coordination has to have the blessing of respective departmental bosses. Other than this there is no communication platform between the company's management and its employees. There are no officially sponsored social events in the company. Even the Company's Officers club in Islamabad was closed by one former Managing Directors of the company declaring it to be the wastage of resources. The meager monthly subscription (Rs.20) is however, regularly paid by the Officers of the company in the account of the Officer's Association. This forum only has theoretical existence.

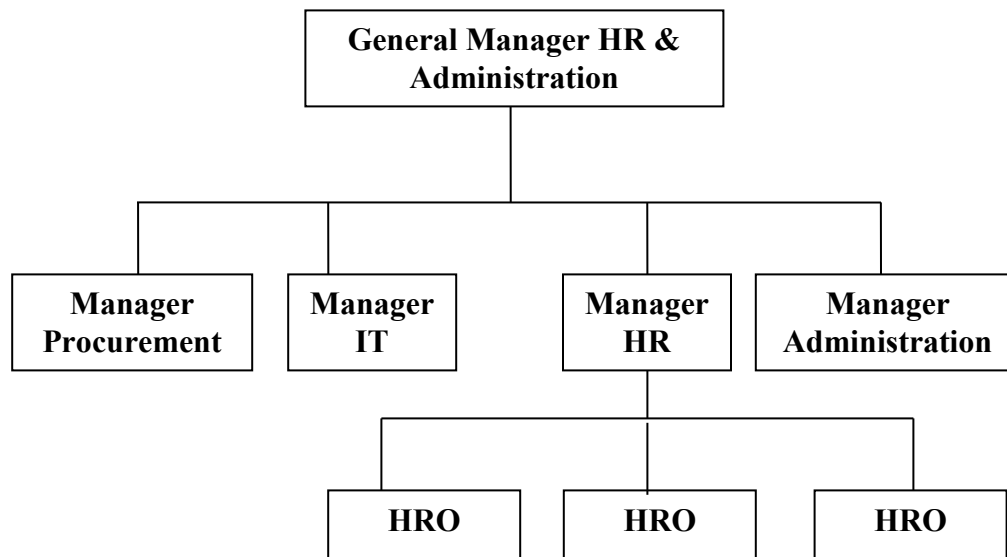
The culture of teamwork is essentially absent from the company as the company does not acknowledge team performance in any visible form. On field locations where

people have to work in teams as part of their job requirements, reportedly frequent problems are encountered.

HR Practices and Employee Retention at MGCL

Human Resource Function

Currently the company has 400 employees on its pay roll of which 150 belong to the managerial cadre. A number of non core functions have been outsourced to other organizations which include provision of security guards, running of company messing facilities, maintenance of vehicles and equipment and gardening etc. These 800 employees though are not directly managed by the HR Function but are monitored indirectly through administration. The HR department falls under the overall purview of the GM HR and Administration. The HR department itself comprises an HR Manager, three officers and two member support staff. The organization of the HR and Administration function is as under:



The Human Resource Function is fully integrated in the business activities of the company. The HR function enjoys its due importance and its contribution is acknowledged across the company. The functionaries of the function feel that they contribute towards the performance of the company at strategic level. The company's American heritage has a profound impact over how the HR function operates today and the importance accorded to it by the top management of the company. The input of the HR function is sought by the top management while embarking upon new ventures and opinion of the function is given due weightage on various matters. The company also attaches great importance to its Human resource and this importance is increasing by day. The top management of the company consulted the Human Resource Department in the planning stages of getting a new exploration license for the Ziarat block. According to the

available information the views of the function were given due weightage. The company is also trying to further improve upon its existing HR practices; very recently the company has placed an advertisement in the newspapers for the purpose of hiring HR consultants.

There is a clear distinction between the responsibilities of HR Function and Administration. The role of HR is that of a policy maker while administration is at the execution level. Unlike most other companies both within and outside the Oil and Gas Sector, the HR function of this company is not confused about its role and responsibilities. The HR function makes policies and allocates employee related spendings, the Administration function implements the policies, thus ridding HR from the daily routines to allow it to concentrate upon its proper role.

Over years, the department has consistently focused on evolving new policies and procedures, refined and updated some of the older procedures to bring these at par with the requirements of the changing times. The department is also contemplating expansion to keep pace with the growing requirements commensurate with the expansion of the company. Towards this end the company has recently expressed an intention of inducting a management trainee in the HR Department through a newspaper advertisement.

Organizational Culture

The culture of company has steadily evolved with its evolution from a purely government owned organization to its present ownership structure and with the changing requirements of time. Despite the process of cultural evolution and change the imprints from past can still be found. Employees of the company are of the view that the culture of the company is warm although there are bureaucratic barriers yet a number of them seemed well content, some said that they enjoyed working in it. Some employees commented that of late there has been a change in the company for better. According to some employees the company has started valuing performance and the Free Rider category of the employees is entertained any longer. The company also values the seniority of the employees and all promotions have linkage with the number of years spent by an employee with the company. Social events held in the company include annual dinner of the company. The venue of the dinner is either at Islamabad or the field location. Last year however, the central party could not be held due to some unavoidable reasons.

Recruitment and Selection

The company does not restrict itself to a single source of recruitment for attracting potential hires. The policy of not relying very heavily on a few sources of recruitment requires the company to use a diverse set of means for attracting an array of potential hires to fill up various positions in the organization. The means used for the purpose include direct applicants, referrals, colleges and universities visits, and online applicants. The use of newspapers as a means of attracting candidates to fill up a position is resorted on requirement only (in case the company does not have sufficient number of candidates to choose from). These sources generate a sizable volume of potential candidate

information which is stored in the HR Department's data base. When a vacancy is generated the available candidate data is used to initially shortlist and then call the short listed candidates for tests and interviews. For entry level positions a combination of job specific written tests and panel interview is used while for hiring senior managerial employees multiple stage interviews are used as selection methods. The tests and interviews are conducted in relation to the job specific requirements as spelled out in the clearly spelled out job descriptions based on proper job analysis. All interviews are conducted by a panel of interviewers and HR Department is represented as a voting member on all panels. All members of the interview panel have a vote each although weightages differ. The results of interviews are compiled in total confidentiality by the HR Department and communicated to the candidates concerned. As a matter of policy the issue of compensation is not discussed in the panel interviews. HR manager holds a separate interview with the successful candidates for settling the compensation related matters. The company tries to follow a policy of meritocracy in its selection efforts. Due to the highly lucrative nature of the compensation packages offered by the company to its employees, and the peculiar socio cultural make up of the society, pursuit of total merit in selection efforts becomes a difficult undertaking. Despite frequent attempts of the influential people to have their sponsored candidates hired, the HR Department makes an earnest effort to ensure that only competent and willing candidates are selected and in this manner the long term interests of the company are looked after.

Training and Development

Employee training and developmental activities include such activities as on the job training, training courses, both in country and abroad, rotation within various functional areas relevant to the employee's line of work and other exposures such as attending conferences, workshops and other short duration activities for both the junior level and senior managerial employees. Detailed training needs are worked out for every job description of the managerial employee cadre keeping in view the specific job related and developmental needs (Specimen of one cadre attached as Annexure B. The company takes the training seriously which can be gauged from the fact that it spends approximately Rs.10-12 million per year on the training activities of its employees.

The HR Department maintains a detailed record of the qualifications of the employees along with a detailed five year forecast of the training and developmental activities for each managerial employee. Before preparation of five year training and developmental plan for an employee, the concerned employee is consulted by both the concerned manager of the department and the HR Department. Aspirations of individual employees are given due weightage while preparing training and developmental plan for them. The company makes efforts to accommodate the choices of the employees concerned as far as practical. According to available information from the technical employees of the company, in case of training abroad, the company even entertains a change in the type of course to be attended as long as it is in the same field and is viewed to be of practical value to the company and the venue of the course, here the choice of employee is entertained from change of training institution to the change of the country. The only limiting factor is the financial impact of the proposed change (if the increase in the

training costs is within a reasonable limits the choice is entertained, if it exceeds a certain limit then the employee's request is declined). Such leverage is only given to performing employees with a sound track record in the company. Employees proceeding to attend courses abroad and extended duration in country courses have to give an undertaking to the company in form of a written bond that after the completion of the course, the individual concerned will stay with the company for duration of 1-3 years. The length of time that a person is supposed to stay with the company is directly dependent upon the cost and duration of the course attended. In case an employee decides to leave the company without completing the mandatory stay period with the company, the company recovers depreciated cost of course from the person concerned.

Training records are regularly updated and new or updated versions of courses replace the older versions to ensure that the employees receive training along contemporary lines. One of the company's Geophysists was of the view that the training methods followed at the company are different from rest of the industry. According to this employee while the other companies put their employees through a combination of classroom and field training, at Mari Gas the new inductees spend their first year in OJT only, which according to him was not healthy. The system deprives the newly inducted geologists, Geophysists and Petroleum engineers from the important class room training opportunities.

The responsibility of grooming newly hired and junior level employees rests with the concerned manager of the department and is considered to be a part of his routine duties with no special recognition or rewards attached to this important activity. There is also no formalized system of mentoring in the company and coaching by the immediate superiors of an employee is expected to accomplish the task of grooming the junior employees. All new hires are rotated with different teams within the company. According to the HR department this practice allows newly inducted employees to work as part of different teams on different assignments. This practice is more applicable to the technical employees of the company. As far as other employees of the company are concerned, the respective managers of their departments assign them as part of different work teams made to undertake various tasks from time to time. A major concern expressed by the HR department is the lack of interest displayed by the senior employees in grooming their juniors. Some of the non technical managerial employees expressed such concerns as lack of challenge in job after a few years of stay with the company.

The areas covered in the OJT include both technical and more generalized aspects like improvement of communication skills, report writing skills etc. With increasing experience of an employee, the nature of courses also changes. While in the formative years of the emphasis is more towards enhancement of skill levels, with the enhancement of the experience of the employee the focus steadily shifts from training towards the developmental aspects. In line with this policy of the company, the senior level employees are sent to attend various workshops and seminars etc both within the country and abroad.

Performance Management

A three tiered performance appraisal system is followed at the company where possible. Performance appraisals are done annually and the concerned reporting officers of the employees are bound to carryout regular counseling sessions of the appraisees. A written record of all counseling sessions is maintained by the concerned reporting officer in Counseling Register. HR department keeps a regular check on these registers to ensure that regular quarterly counseling sessions are conducted. The performance appraisal instrument is a four page form containing a mix of attributes and behavioral indicators. Separate forms having a similar four page length and scoring system are used for employees belonging to different job categories. The form contains clear instructions with regards to its completion. Scores are calculated by the HR Department after assigning weightages to various behavioral factors unknown to the Reporting Officers. Based on the aggregate score as calculated by the HR department, the employee is awarded a final grading on a five point scale ranging from Outstanding to Inadequate. For trainees there is a separate sixth category and the normal set of final gradings is not applied to their assessment. Employee concerned is not shown the filled form by his reporting officer. After completion of the form by Reporting Officer it is sent to the next higher level and then the third level (in case of very senior employees like managers the third level is not applicable as they are assessed by their respective General Managers who are direct reports to the Managing Director of the company). The final grading earned by an employee is communicated to him by the HR Department maintaining total confidentiality. The form also contains the developmental elements considered appropriate for the employee. In this section the input of employee is also accommodated after assessing its viability. The award of outstanding grading to an employee by his reporting officer is subject to certain conditions. One of these conditions is that the Reporting Officer has to intimate the HR Department three months in advance of awarding such grading. The employee is then thoroughly observed for the next three months by all the concerned officers particularly the two senior reporting officers. In case the employee is among the departmental managers or is an assistant manager then he is exposed in someway to the Managing Director during the observation period. As a result of these stringent criteria very few people in the organization end up getting outstanding grading in their annual performance appraisal gradings.

The overall grading earned by an employee has a profound bearing on his promotions, increments and company sponsored developmental activities. For example an employee earning very high performance ratings can be awarded an eighteen to twenty percent annual raise. While on the other hand employees earning two consecutive “Inadequate” ratings are terminated. Similarly, the promotion period for employees earning consecutive high performance ratings is considerably shorter than those earning mediocre ratings. A high performer can be promoted to the next level within four to five years (the minimum prerequisite) while it takes an employee with same seniority and professional qualifications but with mediocre performance ratings a period of nine years to reach the same level by which time his high performer peer has moved to a still higher level.

Compensation

The compensation package is a sum total of the base salary, various allowances and benefits such as medical, leave encashment etc. The lower level employees are given certain additional emoluments like child birth allowance up on the birth of first three children. The compensation packages offered to the company employees are market compatible and keep increasing with enhancement in the service years. The company offers a minimum annual raise which is marked in relation to the prevailing CPI for the year concerned. This raise is slightly above or below the CPI for the year concerned. The company also offers bonuses to its employees depending upon the profits and other factors. Special raises are given to the employees earning higher performance ratings during the year. The amounts of these raises vary between no raise in case of marginal performers to raises ranging between eighteen to twenty percent of the existing salary for the year. The employees are not paid any bonuses and there are no profit sharing, gains sharing or stock ownership programs for the employees of the company.

The size of the compensation packages offered to new entrants is entirely dependent on the qualifications and the capability of an individual. There can be sizable differences in the compensation packages offered to two candidates joining the organization at the same level. The salary of employees registers a significant rise with the passage of years with the organization as a result five figure packages ranging in the area of Rupees fifteen to twenty thousand per month are fairly common among lower grade staffers having over ten years of service with the company and about one third of the management cadre employees get six figure compensation packages. All matters pertaining to the compensation are treated as highly classified pieces of information and strict security measures are taken by the HR Department in handling correspondence relating to these matters. Any employee completing twenty years of service with the company is awarded pension and gratuity while those leaving the organization after spending ten years with it are given gratuity equivalent to one month pay for every year spent with the organization. The HR department also works out various perks and privileges (company provided cars, house rents, monthly fuel entitlements, telephone bill ceilings etc) for various employee categories. After necessary approval the details are handed down to the Administration Department for execution. As a matter of policy the company follows the industry standards of compensation and barring a few odd exceptions (over interpretation of rules and regulations governing administration of various perks and some allowances) employees are generally satisfied with the compensation packages.

Employee Retention

According to the available information until very recently turnover was almost zero. Of late, however, there have been some changes due to which the organization is attempting to part ways with the Free Rider category and there have been certain involuntary terminations. This change in the trend is enabling the company to get rid of deadwood while the level of security for competent employees has not only remained unaffected but has also improved. The company offers pensionable jobs to its employees and of late people have started to retire from the company. The company prides itself with providing a highly conducive working environment to its employees and the HR department attributes this to the company's ability to retain competent employees. The department

also maintains that the company is in continuous quest to improve the satisfaction levels of its employees.

The company is practicing a clearly laid down procedure for getting rid of the Free Rider category for the last five years. Inefficient employees are terminated after displaying consistent poor performance for a period of two years and a number of counseling sessions. The commonly shared joke in the organization is that even when someone is dying he does not want to leave the organization and still requests for hanging around a little longer. The commonly cited reason for the very little voluntary turn over is convenience of the employee concerned. In recent past a Chartered accountant left the company upon migration to the United Kingdom and a Geologist left the company for a job in his native town—Karachi.

The gas fields of the company are located in a concentrated area spreading a little over 900 square kilometers which has allowed the company to establish permanent residential facilities in the nearby area. The residential facilities provided in the field include air-conditioned family accommodation, proper schooling for the employee's children, free uninterrupted supply of electricity generated by the company's own generation facility and a host of other amenities like mosques, bachelor's mess, hospital, leave fare assistance and shopping trips etc. There are no security concerns on the field location. The company's plans for expanding the scope of its activities in the area of exploration by acquiring new Exploration Blocks in the remote parts of Sind, Balochistan and an offshore location off the Makran Coast will tend to spread the new and old employees to these new locations temporarily in the initial phase of exploration in relatively smaller numbers and later in larger numbers if and when anyone of these exploratory efforts meets success in discovering a new oil or gas reservoir. Provision of similar facilities at new locations will then be a matter subjected to a number of technical and administrative considerations.

Use of Information Technology

The HR Department has developed a comprehensive Human Resource Information System which is custom built to fulfill the requirements of the company. No out side computer experts were hired to build the system. The department used the expertise of its Human Resource Officers to evolve, develop and successfully implement the project in five years. The longer than usual time taken to complete the project has resulted in the program being a perfect fit with the requirements of the company. The computerization process began with a simple initiative by the department which comprised development of Peer to Peer network to optimize the efficiency of the entire department some five years ago. This initiative was followed by another small step. The HR Department started sending its routine correspondence to other departments using electronic mail on the company network.

At the moment only the HR department has access to information available in its database which includes all records of the serving employees to include their personal information, qualifications, five year training and development plans, performance

evaluation and leave records etc. Besides keeping record for the serving employees in its database, the HR Department also maintains a record of the retired employees. At present the Department is working out the modalities of making the personal employee data available to all the employees of the company. Details pertaining to access levels and security measures etc are being worked out. Once implemented it will be the first time ever in the company's history that the employees and their managers will have access to data regarding themselves and their subordinates. HR Department reviews all the data available with it on fortnightly basis after the necessary updating, two copies of important documents are prepared on CDs, one of these copies is stored in the locker available in the department while the other is stored in a locker in a nearby bank. This is done to ensure safe custody of data at all times to prevent it from tempering and physical hazards such as fire and theft etc. The company also has its own dedicated intranet. The company uses this facility to facilitate its day to day functions. The use of this facility has made its impact on the functioning of the company. For example, the use of this facility has reduced the requirement of the Head Office staff to pay visits to field locations, besides the response of the Head office staff in meeting the requirements from field has also improved greatly.

Communication, Coordination and Teamwork

The Corporate Affairs Department of the company publishes a quarterly news letter of the company which contains information pertaining to various activities of the company in all spheres of its operations like Exploration, Operations, Financials and HR affairs. The HR section contains such information as promotions, best performer of the Quarter, long service award, new arrivals in the organization and obituaries etc.

Interdepartmental coordination is done on formal forums. Cross functional coordination is done on required basis and in all such cases the concerned head of department is informed about the information provided to the member of the other department. Decision making is generally top-down with occasional exceptions which are increasing in frequency as more input from the departments of the company is being given added importance. At the departmental level the mechanism for forwarding suggestions includes the lower level employee forwarding his suggestions to his supervisor who forwards it to the concerned assistant manager who in turn forwards it to his manager after evaluating it. The suggestion is sent to the HR department for evaluation by the concerned department after the manager concerned finds it to be useful. All suggestions are received and evaluated on merit, after which depending on their cultural and financial impact on the company these are sent on a Minute Sheet to the GM HR and Administration for his approval. The GM seeks the approval of the MD in case the suggestion has a major financial and cultural implication for the company before giving his consent. The HR Department also receives suggestions and feedback regarding HR policies through e-mails from distant locations and within departments besides encouraging walk in suggestions from the company employees recently.

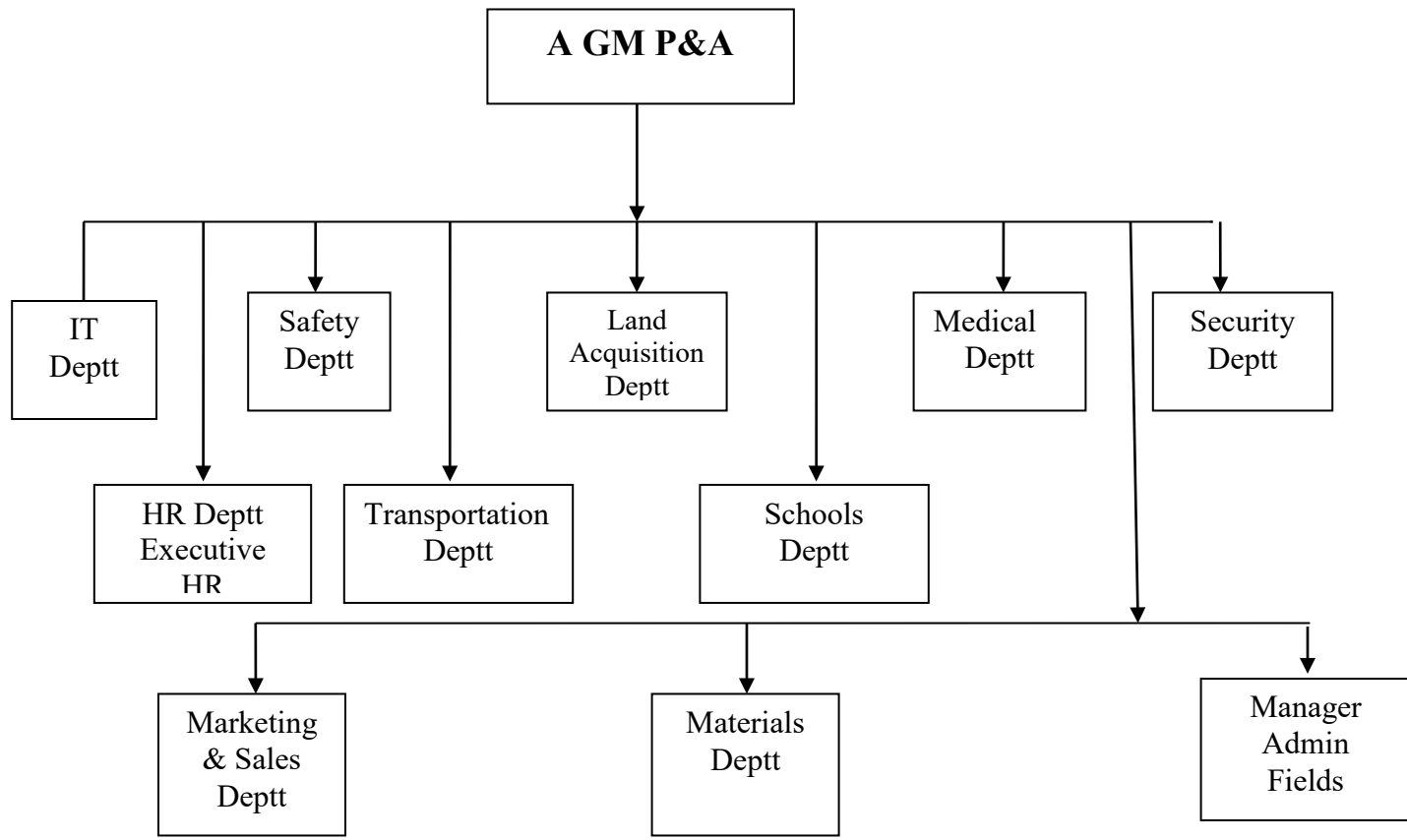
The nature of work of certain departments necessitates team work. Teams are formed to undertake a particular job, upon completion of the project; the team is either dissolved or

reassigned to another task. In case of a time gap between two projects/tasks fresh teams are made. The company also uses cross functional teams on required basis. Such teams are also dissolved upon completion of the assigned tasks.

HR Practices and Employee Retention at POL

Human Resource Function

The task of looking after the Human resources of the company is performed a little differently at POL. The overall responsibility of looking after the Human resources falls under the purview of the Personnel and Administration (P&A) department of the company which is headed by an Assistant General Manager. Interestingly there is no dedicated Human Resource function in the company. The recently appointed Executive HR works under the AGM and looks after the various facets of the HR function. Executive HR is the sole member of the HR function and does not have anyone under him in the function while being assisted by three employees to look after day to day affairs related to administration. The P&A Department is organized as under:



The organization of the department shows that the Personnel and Administration Department deals with a number of diverse functions which is rather uncommon in the

industry. The organizational layout of the function reveals that by virtue of being involved with functions like Marketing & Sales, Information Technology and Materials procurement the AGM P&A is thoroughly involved in the day to day running of the business activities of the company. The department is not integrated in the strategic planning activities of the company. The department is informed about the new activities after the planning is done by the strategic management team comprising the Chief Executive and the General Managers. P&A department only provides assistance to the other departments in implementing the plans formulated by the strategic planning team. All the department of the company do their own planning for the year with regards to their HR related issues, the P&A department simply facilitates them in executing their plans. The department also looks after the Labor Relations as the company is unionized. All matters related to the administration of benefits like provision of education to the employee's children and provision of medical facilities to the company employees at Rawalpindi and field locations is done by the P&A department. The same department is also responsible to provide other facilities to the field locations like the transportation of people and materials etc to and from the field locations. The department is also responsible for the provision of security to the company's Head Office at Rawalpindi and various field locations. The records of the Junior Management Staff (JMS) are also maintained by the department while the office of the Chief Executive maintains the records of the Senior Management staff (SMS). The records of the Non-Management staff (NMS) are maintained by the office of the Manager Administration of the Field setups. Postings of the employees are also ordered by this department on the recommendations of the concerned department to which the affected employee belongs.

The newly created HR function of the department is staffed by a recently hired lone HR Executive who does not have anyone to assist him to revamp the company's HR area. Although the incumbent is a foreign degree holder in business administration with a decade long experience of working both in Pakistan and abroad, seeing his busy routines of being involved with everything else in addition to his own duties as HR Executive (which are rather vaguely defined) he finds it difficult to concentrate on his primary job.

Organizational Culture

The culture of the company bears the deep imprints of the company's past. Being the subsidiary of the oldest E&P Company in the country, it seems to be sticking to the traditional way of doing things rather steadfastly. The culture is characterized by centralization and total top down decision making. Employee empowerment is almost non-existent. The extent of the centralization and lack of empowerment can be gauged from the fact that to get the basic company related information for this paper, this scribe had to seek the permission of the Chief Executive. It was only after the formal approval of the Chief Executive that basic information pertaining to the company was made available. There is a culture of working well after the officially pronounced working hours. The working environment is characterized by formality, power distance and immense importance to the procedures. The employees are expected to remain loyal to the company as the management feels that the company is fulfilling its obligations towards them.

According to the available information through company's official sources, the incumbent Chief Executive is attempting to revise the old procedure and introduce certain cultural changes to bring the company in step with the changing requirements of the time. Information available through unofficial industry sources not only deny the official version but go on to say that the existing levels of centralizations are being accentuated by recently adopted policies. The company attaches importance to the seniority of the employees and the promotions have a deep linkage with the number of years spent with the company. According to the available information, of late the interference from the top echelons of the company has increased manifolds which has seriously started to cause problems in running day to day affairs of the departments and even the field locations, this trend has seriously started hurting the company's working environment. The company's union is viewed as a source of trouble which does more harm than good to the company. The company has stopped employing the semi skilled and non skilled workers for the last few years and an increasing number of jobs warranting the employment of semi skilled or the unskilled workers are being outsourced.

Recruitment and Selection

The company has embarked on an aggressive exploration program after a gap of about twenty years as a result of which the company is actively acquiring new Concessions for exploration of Oil & Gas in the country. As a result of the increase in the level of activity there is frequent requirement of hiring new employees. On receipt of forecast for the exploration activity for the coming year the concerned departments do the forecasting of the HR requirements for undertaking the new jobs. The requirements are forwarded to the P&A department which consolidates the requirement for additional manpower.

The company uses multiple sources of recruitment. These sources include, direct applicants, data provided by the colleges and universities of the country, referrals and applications through Internet (a new source recently tapped by the company). The company seldom uses newspaper advertisements to attract potential hires. After consolidation of the requirements received from the various departments, the existing pool of employees is taken into consideration to see if the newly created positions could be filled from within the company. If there are employees available to fill the vacant positions they are promoted or transferred to the required positions. If the existing slots cannot be filled from within or if there is a requirement to hire employees for entry level positions, applicant data generated through above mentioned means is used.

After receipt, the applications are scrutinized by the HR Executive. After the initial scrutiny the applications are sent to the respective departments which shortlist them. The short listed applications are sent to the P&A Department which calls the applicants for tests and interviews. For entry level positions, selection is done through a combination of written test and panel interview. The jobs for both junior and senior level technical employees are clearly defined in shape of clearly spelled out tasks, duties and responsibilities. Certain ambiguities were however, observed in job descriptions relating to the non technical employees. For hiring senior employees, selection is done through

multiple interviews. The papers for the written tests for entry level employees are prepared by the concerned departments. The P&A department only administers the tests and hands over the papers back to the concerned department for marking and preparation of results. The finalized results are communicated to the P&A department which works out the initial merit and calls people for interviews basing on their written test results. Before the commencement of new hiring an interview panel is constituted by the senior management. This panel conducts all the interviews. P&A department is represented on all the interview panels. After completion of the selection procedure, a merit list is prepared and appointment letters are issued to the successful candidates. In case the company has to hire an employee for a senior level position, it is done through a series of interviews by a panel headed by the Chief Executive with senior managers of the company as members.

The company makes all out efforts to keep the element of favoritism out of the selection process. This scribe was shown a few written directives of some very highly influential government officials and the treatment meted out to them by the Chief Executive of the company. As per available evidence the company is making every effort to select only the deserving candidates.

Training and Development

The company lays great emphasis on the training and development aspects of its employees. After initial induction an entry level employee is given one year long on the job training. Depending upon the specialty of the employee, he is given exposures at almost all the company locations. After the successful culmination of the training period the employee is assigned to a permanent location. The formal classroom training is given to the employees after the completion of initial on the job training at institutes both within and outside the country. Training activities for individual employees of the SMS cadre are planned on annual basis on the recommendations of the concerned departments. Additional training is imparted to the employees showing some weakness in performance of their assigned tasks. The employee detailed to attend a particular training or developmental activity either inside or outside the country has to give an undertaking to the company in form of a written Bond that after completion of the course he will serve the company for a period two years in case of in country training and for 3-4 years in case of attending a company sponsored course abroad. In case an employee decides to leave the company before completion of the stipulated period, the cost of training is recovered by the company from the employee. The company spends approximately Rs.10-12 million on training and developmental activities of the employees annually.

The newly inducted senior position holders have to undergo an approximately six week long orientation program in which they are sent to all the permanent locations of the company. During their stay at the field locations the new employees are thoroughly familiarized with the working and peculiar procedures of the location. At the end of the orientation program the new employee stands thoroughly familiarized with the company. The training and developmental activities for the middle and senior level employees' area planned in form of refresher courses and attendance of seminars and workshops etc.

These activities take place both in country and abroad. The company also gives study leave of up to one year duration to its senior employees to pursue their higher educational interests.

A record of courses attended by an employee is manually maintained in his dossier. This record is regularly updated. The P&A department issues a half yearly forecast of the training courses as per the requirements of various departments. Employees recommended by various departments who make the earmarked employees available at the specified time for attending the course. The post course utilization of the employee is at the discretion of the concerned department.

Performance Management

The company appraises the performance of its employees on annual basis. Employees are assessed by a performance appraisal instrument which is designed to assess employees on the basis of objective achieved and attributes. Objectives are assigned to the employee at the beginning of the year and results achieved by the employee concerned are compared with the assigned objectives at the end of the assessment period. Employee is also judged on such attributes as leadership, ability to train subordinates, initiative and quality of work etc. For working out the final grade earned by an employee during a given year, 60% weightage is given to the achievement of objectives and 40% weightage is given to the attributes. Employee concerned is shown his/her final grading by the appraiser. The final grading is given to the employee on a five point scale. There are columns for reflecting the employee weaknesses and training and development needs. The process of setting objectives is mostly top down. No feedback is given to the employee in the intervening period. Dispute resolution mechanism is also not very clearly defined which gives a lot of leverage to the appraisers. There is also no system of formal counseling or mentoring.

The final grading earned by an employee is clearly linked to the annual pay raise and promotions. An employee earning the highest grading is given a 20% raise in salary. On the other hand employees earning lowest grading are not given any raise. The high performers are also given additional training and developmental opportunities as compared to the mediocre employees. As a matter of policy the company does not fire its employees even if they demonstrate consistent bad performance.

Compensation

The company has a policy of offering low base salaries to its entry level employees. As per available information, there is a substantial enhancement in the base salaries after completion of the first year on job. The overall pay package for the SMS cadre employees includes, basic pay, house rent allowance, utilities allowance, fuel (encashment for 200 liters per month at the prevailing market rates), conveyance allowance, passage allowance (two basic pays per year), special allowances for employees working in field and servant allowance. The benefits include free medical facilities for self and family of procreation, insurance coverage, yearly bonuses and well

bonuses (one bonus for each new well), subsidized schooling for employee children, free pick and drop for employee children and other benefits like company maintained houses, telephones and cars (Assistant Manager and above). The field location staff is provided with free married accommodation, free schooling for children, club, sports facilities, subsidized shopping at the company run Fair Price Shops, free transportation from and to the field location or compensation in lieu and other facilities like free electricity and gas at field locations.

The non managerial staff is provided a number of subsidies like provision of wheat flour at a subsidized rate of Rs.12 per 40 Kg, free provision of gas, fire wood allowance and kerosene allowance and other benefits like free accommodation, free education for children, scholarships for deserving children, free pick and drop facility for children besides health coverage, insurance and bonuses in relationship to their pay scales on the similar lines as applicable to the managerial staff.

The salaries paid by the company are below the industry standards; however, an industry pay structure survey is being conducted following which the pay structure for the entire staff of the company is expected to be revised to bring it at par with the industry. Other standard benefits like leave (annual leave 22 working days per year, 15day medical leave and 10 days casual leave per year besides weekends and gazetted holidays) etc also apply to all the employees of the organization. For field staff different leave rules apply which are as per the standard practices of the industry.

All the permanent employees of the company are entitled to pension and gratuity after completion of 20 years of service with the company. As per available information a number of employees have retired from the company over years and at present the company has employees with over 35 years of service with the company. The company greatly values the seniority and experience of its stalwarts.

Employee Retention

According to the available information through the official company sources, voluntary turnover among the permanent employees of the company is as low approximately 1%. According to information made available by other sources the rate of voluntary turnover especially among the senior technical employees of the company has increased and of late some senior technical employees have left the company. The most common reason cited for the turnover is the manner in which the company's senior management has started to treat its employees lately.

The entry level employees mostly get training from the company and leave for greener pastures. Although no specific turnover figures were made available, yet basing on discussion on the subject with the official concerned, the safe turnover estimates for the lesser experienced employees comes to be in the range of 5-7%. The most common reasons cited for the voluntary turnover are the lower than market salaries, being fed up with living in the remote locations, and connivance. P&A department conducts exit interviews of the departing employees during which reason for the departure of the

employee concerned are asked from him. The company, however, does not make any effort to stop an employee who wishes to depart.

Use of Information Technology

All information pertaining to the employees of the company is maintained manually by using the traditional methods of file maintenance. Computers are mostly used as advanced version of type writers by the various departments of the company including the P&A department. As such there is no Human Resource Information System available in the company. According to available information the company is actively contemplating to develop a custom built HRIS through specialists. At present the company has asked for quotations from various software developers for the purpose.

Communication, Coordination and Teamwork

The prevailing culture of the company characterized by the typical top down decision making and total centralization which slow down the overall process of decision making in the company. Cross functional coordination is done with the permission of the respective heads of departments. Even if some routine matter is coordinated by the lower level staff members, information to the effect is given to the head of the department.

The company publishes a quarterly news letter which includes information pertaining to the progress of ongoing projects, planned projects, employee related information such as promotions, new hiring, obituaries etc. There is no practice of getting the employee feedback in form of employee surveys or open forum etc. Company bulletin boards or other similar devices are not used to communicate information to the employees regarding matters of common interest on day to day basis, resultantly; passage of information is often through the organizational grapevine. Annual dinner of the company is a major social event. The other social events include company parties, sports competitions etc.

Work on the field locations is done as per the standard practices of the industry. No specific team culture in the head office was witnessed. According to the available information teams are formed on requirement and are disbanded upon completion of the task assigned.

CHAPTER FOUR

ANALYSIS

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ANALYSIS

Over the past few years there has been a massive increase in the demand for petroleum products in the country. The rise in demand together with the rapid depletion of domestic oil and gas reserves has made the country increasingly reliant on the imported fuels which have led to an increase in the import bill, accentuating the existing trade deficit. Keeping in view the present and forecast demand of petroleum products (oil and natural gas), and the available and forecast supply of these commodities, the GOP has given many incentives to the oil and gas sector in general and the companies operating in the upstream segment of the business. The incentives given by the GOP through petroleum policy 2001 have led to an upsurge in the exploration and production of oil and gas. The aggressive exploration has led to some success in form of mostly gas discoveries which in turn has served as a source of encouragement for those companies who were watching the activities from the sidelines to join the exploration activities. As a result many foreign and all existing (domestic) and some new domestic companies have entered in the Exploration and production (E&P) area of the domestic oil business. With the upsurge in the domestic exploration activities, the service providers have also increased their level of participation in the industry.

Success of the companies in the Upstream Oil and Gas business besides other factors is largely dependent on the competence, motivation and commitment of their technical staff, most notably Geophysicists, Geologists, Drillers and Petroleum Engineers and a the ability of the companies to finance and coordinate their exploration and production efforts. So to be a successful player in this very expensive and hugely profitable industry, it is essential to have very competent and committed human resource of all categories in general and technical cadres in particular. As a result of the industry specific requirements of having very high quality Human Resources on their payrolls, business organizations in this industry have to prove themselves equal to the challenge of keeping the employees satisfied and motivated under very difficult set of work conditions that necessitate performance of highly skilled work under a set of difficult set of conditions.

The task of attaining the often illusive bird of employee satisfaction becomes even tougher when it is to be accomplished under conditions where people are geographically dispersed and success in performance demands a very degree of coordination, commitment and teamwork. To match up to the challenge of keeping the employees satisfied, committed and motivated companies have to pursue HR practices designed to keep the employees motivated and satisfied in an effort not to lose their competent staff to competitors. The issue of retention assumes added importance when seen in the perspective of the competitive nature of the domestic industry. As the exploration and production efforts are likely to continue witnessing the current upwards trend, the existing levels of competition will increase. When organizations compete in the market they not only compete for market share but also for resources which also includes the qualified and competent Human Resources.

Aforesaid in view, an analysis of the level of integration of the HR function with the respective company's strategic planning and implementation processes and various HR practices followed by the companies studied and the cumulative impact of HR practices on their ability to retain their competent employees is discussed in the succeeding paragraphs.

Level of Integration of the HR Function

A study of the functioning of the HR department or its equivalents in the three companies reveals the following:

- **OGDCL**

Despite being the largest player of the industry in the country this company does not have a dedicated HR manager and as highlighted in the findings, the person hired for the position on contract left after staying in the organization for barely six months. While the company sources attribute his departure from the company to the higher salary package offered by some other organization, this may not be the sole reason. The reason for disagreement with the contention of the company sources resides in the lopsided structure of the Administration Department. If the organizational chart of this department is studied carefully it highlights that while the setup caters for the position of one HR manager but without any serious assistance. All the sub functions required for efficiently managing the office remain to be the direct reports of the Executive Director Administration, effectively depriving the HR Manager to contribute meaningfully. Under such a situation no serious HR professional would like to continue as the job lacks meaningful work; our study of the reasons of turnover in the literature review part of the paper identified this particular issue as one of the major reasons why people leave the organizations.

The organization of the Administration Department of the company also points towards another significant shortcoming. Since all the sub functions in this department are headed by their own bosses and work under isolated environment, this makes coordination within the department itself a big nightmare often leading to turf battles which are the hallmark of almost all public sector organizations. This scribe witnessed the glimpses of one such battle during a visit to the company's head office. The diverse nature of functions under the department and the colossal over staffing together with the lack of cross functional training of the various sub function heads makes the department far from being efficient let alone being effective. The matters are further worsened by the quality of staff employed in the department which is mostly staffed by the typical public sector employees with hardly any professional orientation.

Absence of a dedicated HR function and the make up of the Administration Department of the company make its participation in the strategy formulation process a far cry and in reality also the function only acts as a facilitating

mechanism for the implementation of various policies of the company relating to the Human Resources. Seeing its level of integration with the company strategy planning and execution processes it can be safely said that commensurate with its name, the Department resides at Administrative Linkage, with its attention focused on the performance of day to day activities. We know that at this level the function does not add any serious value to the company.

- **MGCL**

In this company the HR department works under the office of the General Manger HR and Administration. Out of the three companies studied for the purpose of writing this paper, MGCL is the only company where HR function is consulted during the strategy formulation process and once the strategy is formulated the department has a well defined role in its implementation. Views of the department are given serious consideration in the strategy formulation and implementation processes.

The company also draws a clear distinction between the HR and Administration functions. This enables the HR function to concentrate seriously on the HR issues while the Administration Department only implements the policies formulated by the HR Department. This clear distinction between the functioning of the HR and Administration Departments enables the company to avoid the damaging turf battles to a great extent. The department is staffed with well trained employees who have a professional approach towards the subjects they deal. Although the HR department itself is slightly understaffed at present, yet it is considered to be both efficient and effective. The staffing inadequacy is being addressed by the company as it intends to hire an additional management trainee for the department in near future (recruitment process is under way at the moment). The present HROs serving in the department are having cross functional training and as such every one of them can handle the other person's job in his absence. As a result of the highlighted reasons the department has contributed meaningfully to the company and over a period of years has added some serious value to the company.

As it is highlighted in the findings that the strategic management team consults the HR function to know the HR implications of various strategies at the time when it is considering them for adoption, the HR department analyzes various implications of the strategies under consideration and presents its analysis to the top management team. The strategic management team takes the results of the HR department analysis into consideration while finalizing the strategy formulation, and after a certain strategy is chosen, its implementation is handed over to the HR department for implementation. Keeping in view the importance accorded to the HR function by the top management of the company in strategy formulation and implementation realms it can be said with a reasonable amount of accuracy that the HR function of MGCL is at a two way linkage with the strategic management function of the company.

- **POL**

Matters relating to the Human Resources of the company are dealt by the Personnel and Administration Department (P&A). This department has a rather strange mix of functions under its ambit. The Assistant General Manager looking after this department has to oversee the functioning of Marketing and Sales, Materials and Procurement, Safety, Security, Land acquisitions, Schools, Transportation, IT and HR functions. A mere look at the diverse nature of the functions that the AGM concerned has to oversee reveals that under such an arrangement the People related issues get a cursory treatment and the traditional Personnel approach towards managing HR of the organization is at work.

Recently, the company has created the position of the Executive HR in the P&A Department and has hired an experienced foreign MBA degree holder HR Manager for the position. Again, this Executive is not having any of the support functions under him and is as such trapped in the day to day routine administrative functioning of the department. Efforts and dedication of the newly hired HR Executive towards addressing the HR issues of the company notwithstanding, his commitment with the day to day routine administrative affairs of the company effectively obviates any chances of performing meaningful HR related work.

The company as whole has a traditional outlook towards dealing its Human Resources and the P&A Department is only a facilitator of other departments in implementation of the company policies and strategies. The manner in which the department functions and the amount of trust the senior management of the company reposes in it (the department is not even trusted to do the record keeping of the SMS employees) it cannot be expected to be at any serious integration level with the strategic management team in the strategy formulation and implementation processes.

Seeing the working, organization and the overall importance attached to the P&A Department at POL, it can be said with reasonable amount of accuracy that it is at Administrative Linkage with the strategic management team of the company. The day to day administrative affairs are the sole focus of the department and the functionaries of the department neither have time nor the opportunity to take a strategic outlook towards the HR issues. With its present way of working by mixing the administration with HRM the company may not be able to accomplish the much needed change in its approach towards HRM. Hiring a very hardworking and experienced HR professional without giving him the time or resources to accomplish his task may not serve the purpose.

Having discussed the level of integration between the HR or their equivalent functions and the strategic management teams in the three companies the stage is now set to analyze the HR practices of the organizations under discussion.

Recruitment and Selection

The practices followed by the three companies under discussion will be analyzed separately as the commonalities notwithstanding, there are certain differences between the ways the companies hire employees.

- **OGDCL**

The Administration Department and its sub function dealing with the recruitment and selection of the employees for the company do not do get involved in the HR planning. Every department of the company has to do its own HR forecasting and has to cater for new hiring out of its budgetary allocation for the year. The additional staffing requirements arising out of new projects or retirements/voluntary turnover are sent to the Administration Department for getting necessary approvals from the ministry of Petroleum and Natural Resources. The Recruitment function only wets the additional staffing request of a particular department for the availability of necessary budget with that department. As such the job of the Administration department in the process of HR planning is that of a facilitator, other departments do not consult this department while doing their HR planning, rather the department is only engaged in the planning process for fulfillment of formalities.

OGDCL places exclusive reliance on the newspaper advertisements as a source of recruitment. Prior to 1995, the company was using other sources of recruitment like direct applicants and referrals etc but the abuse of the process by the officials of the company leading to serious cases of gross nepotism led some of the applicants for the company's jobs to go to the Supreme Court of Pakistan challenging the transparency of the recruitment process. The Supreme Court gave a ruling that all recruitments in the company will only be done through Newspaper Advertisements, the same ruling also forbids the company from entertaining any other form of recruitment for permanent and contract hiring in the company on all positions. As a result of exclusively relying on the Newspapers as the sole source of recruitment the company receives a lot of applications for various positions as and when an advertisement is given. Upon receipt these applications are processed which entails enormous amount of time and effort for processing which makes the whole process very laborious, time consuming and expensive as thousands of applications have to be processed by the staff. Besides these problems, occasionally certain applications are misplaced in process which leads to other complications. After processing all the applications have to be fed into the computers of the recruitment which entails further effort. The entire process is very lengthy, time consuming and slow. While it may suffice the requirements of meeting the routine recruitment requirements of the organization it is far too slow to react to the emergent hiring requirements arising out of sudden departure of key personnel or other similar eventualities as the recruitment department does not have a pool of applicants to choose from under such eventualities.

The selection procedures of the company are more or less in line with the other companies in the industry. For entry level positions the selection process comprises position specific tests and interviews while for senior level positions selection is done through a set of multiple stage panel interviews. The tests are prepared keeping in mind the specific knowledge requirements for specific positions the interviews are mostly a mix of subject and general questions. Since the Administration Department is merely a facilitator in reality (apparently doing the hiring) no serious attention is paid to designing the interview patterns. Lack of attention to this aspect mostly results in selection of people who have the desired knowledge to handle the position specific problems but may not have the desired attitude required by the organization from its employees to stay with it over longer periods of time.

The selection procedure is also different from the other companies operating in the industry in another aspect. The company has to hire employees according to provincial quotas in line with the overall policies of the government. While this practice may have certain advantages in terms of provision of equal opportunity to people belonging to all parts of the country many deserving candidates from certain areas have to be left out in favor of lesser capable candidates from lesser developed areas.

Transformation of the company from pure public sector organization to a commercial organization has reduced the level of official interference in the selection process.

- **MGCL**

As highlighted in the findings that the HR department is consulted by the strategic management team of the company while contemplating any new ventures. This consultation gives advanced warning to the department of the impending requirement of HR. The HR department plans for fresh recruitments in advance in consultation with the departments for which new employees have to be hired. When the time to fulfill the requirement comes the Department is ready to fulfill the HR needs commensurate with organizational requirements. The department also maintains the succession data of employees and plans for replacement of the employees who are due to retire well in advance, as result when an employee is due for retirement the replacement is already in the pipeline for hiring due to which the department concerned does not face any problem of employee shortage.

The company uses almost all sources of recruitment. Very little reliance is placed on the newspapers. As a result very little processing time is needed as position specific applicant data is already available in the HR Department database. The whole process becomes agile and responsive to the organizational needs when new employees have to be hired both in routine and emergent situations.

The company uses selection procedures that are more or less inline with other companies of the industry. The selection for entry level positions is done through a combination of written tests and interviews while for senior level positions the selection process entails a series of panel interviews. While these procedures serve the company well the make up of the interviews suffers from almost the same problems as with the OGDCL.

While the company considers the candidates referred by the influential people from both inside and outside of the company, yet the selection decisions are mostly based on merit. This contention was also confirmed through interviews with employees of the company from different departments.

- **POL**

HR planning is done by the respective departments keeping in view the staffing requirements arising out of the requirements of succession plan or the new projects to be undertaken commensurate with the aggressive exploration effort of the company or emergent requirements due to sudden voluntary departure of an employee. The department desirous of hiring new employees sends its request to the P&A department. The P&A department gets the approval of the Chief Executive for the purpose of initiating the hiring process. After the receipt of approval the P&A Department initiates the hiring process.

The P&A Department uses a number of methods for attracting potential hires due to which it has a rich pool of applicant data in its files. The availability of applicant data enables the Department to respond quickly to the requirements of the company when a routine or emergent hiring has to be done.

The selection procedure of candidates is exactly in line with the procedure of the other companies discussed earlier. The problem associated with the structuring of interviews is the same as with other companies except this companies also makes an effort at getting to understand the attitude that a particular individual and whether it is in line with the requirements of the company or not. Despite this the relatively higher turnover among the entry level position holders is reflective of certain inadequacies which may be attributable to the interview structure.

The factor of outside influence on the selection decisions is minimized by the policy of the company to follow merit as the sole criteria for selection. While the company considers the requests of influential people from inside and outside, yet the final selection decisions are mostly merit based.

Training and Development

All the companies studied during the process of information gathering place a lot of emphasis on the training of their employees. A varying degree of importance is accorded by different companies to the developmental aspects of the employees by the companies

under discussion. The apparent reason for attaching great importance to the training aspects is that without having well trained and competent employees, the companies in the industry cannot hope to perform successfully and be profitable. Another commonality is that all the companies lay down certain mandatory period of service with the company following attending a training activity at the expense of the company. Penalty for premature departure from the company is usually reimbursement of either full or depreciated training cost by the employee leaving the company. With these commonalities there are differences of methodology among the companies in the way they impart training to their technical employees of the managerial cadres.

- **OGDCL**

The major advantage that OGDCL has over all other companies (Pakistani and MNCs) operating in Pakistan is that this organization has the control over the lone training institute for Oil and Gas industry in the country. As a matter of fact all the companies operating in the industry utilize the facility for training their employees. The variety of courses offered by the institute caters for most training requirements of the company.

The procedure for the newly inducted technical cadre managerial employees includes a balanced mixture of class room and on the job training. This method provides very good opportunities to the newly inducted employees to develop both theoretical and practical understanding of the job that they have been hired to perform. Moreover, since the employees concerned have to serve some minimum period of time with the company, the training imparted during the courses gets transferred to the job.

The employees sent to attend advanced training or refresher training are sent to the training institute without any Training Need Analysis which has its own implications. The practice of sending employees to attend training associated with the induction of new equipment is restricted to the employees who are the planned users of the new systems. This augers well for the company as the training immediately gets transferred to the performance of the jobs in the field which is the actual purpose of training activities undertaken by organizations. While sending employees to attend various training courses the input of the employee concerned is not solicited. Employees concerned do not have much say in choosing certain training or developmental activity especially when the training is to be conducted in a foreign institute. The employee concerned has to either attend the particular course or forego his chances in favor of someone from within the organization who is willing to avail the offered opportunity.

The spectrum of planned developmental activities for the senior employees of the company was largely restricted to the attendance of a course at NIPA. The company also gives leave to the employees with over ten years of stay with the company for attending various degree programs both in country and abroad. In certain cases the company also reimburses the tuition fees to the employee

concerned. Keeping in view the changes that are taking place at the company, the future complexion of these activities cannot be forecast at this point in time.

- **MGCL**

The methodology adopted by MGCL is different as compared to what OGDCL practices. As per the procedure in vogue at this company the entry level position holders are given on the job training. This module includes things other than specific job related learning. At this stage the employee concerned is rotated in different teams where he gains hands on knowledge of the job. Besides the inclusion of more general training aspects like improvement of communication skills and computer skills add value to the module and benefit the trainee both in the immediate and long term contexts. While this method of training has its own advantages it also has certain shortcomings like the employee concerned does not get the desired level of theoretical knowledge hence a gap remains between the skill and the knowledge of the trainee which can take a long time to fill.

The preparation of training plan in the five years perspective takes care of the employee's training requirements in a comprehensive fashion made more meaningful with the inclusion of the input from the employee concerned. The maintenance and regular updating list of courses to be attended by the employees of the company keeps the system consistent with the changing requirements of time and are of benefit to the company. The practice of linking the training and development to the performance appraisal of the employees helps in bridging the skill gap of the individual employees in relation to the job expectations.

The developmental activities of the employees are well geared ensure that the employees receiving them get prepared for effectively handling future jobs. The most distinct feature of the training and developmental activities organized by the company for its employees is the accommodation of the employee choice in selection of courses or location or the facility. The only limiting factors for accommodation of the employee choice are the financial constraints and the relevance of training or developmental activity to the operations of the company. This flexibility given to the employee detailed to attend any such activities add the value of the activity and the employee motivation.

- **POL**

The system of training and development followed at POL closely resemble the system being followed at the MGCL and thus has almost the same strengths and shortfalls. The differing aspect is that as against the practice followed at MGCL instead of including the employee input while planning training and development activities for individual employees the input of department concerned is included in the training plan for the individual employee. The aspect of linking the training to the weaknesses observed in the employee performance as reflected in the

performance appraisal of the employee enables the weak employees to address their performance deficiencies which augers well both for the employee concerned and the company. The practice of not including the employee input while planning his training and developmental activities also lead to certain problems like non accommodation of the employee aspirations and lack of sufficient motivation on part of the employee.

The practice of planning the training and developmental activities for the employees concerned in one year perspective is considered useful to address the short term training needs of the employee and the company but the long term perspective is ignored. The practice of including the departmental input in preparation of the schedule of courses for the year enables the company to send its employees to attend training courses meant to exclusively address specific training requirements for its employees which directly benefits the company.

Performance Management

While there are many commonalities between the companies under discussion in the area of training and development, there are vast differences in the manner the companies treat the sphere of performance management.

- **OGDCL**

Like most public sector organizations in the country (with certain notable exceptions), performance management has not been taken as a serious issue in the company. At the moment the company is attempting to part with its old way of doing things. As a result, the management is reportedly attempting to revise the company's performance management system. How much and what types of changes will be incorporated are questions to which at the moment there are no clear answers. As far the existing system is concerned it suffers from a multitude of malaises. These malaises include, lack of transparency, no feed back to the appraisee either within the review period or at the end of year, no linkage with the compensation, a vague linkage with employee development and problems in the areas of both process and measures. The system was in some remote way linked to the promotions of the employees. The major governing criterion for promotions under the system being reviewed presently was number of years spent with the organization.

We know that the organizations which do not take the important task of managing employee performance suffer from such problems as employee turn over, lack of motivation and other problems which are regarded as detrimental to the overall health of the organization. Similarly, such systems nurture the Free Rider category of employees---a category found in abundance in the organization.

- **MGCL**

The company has a well structured and focused performance management system. The system lacks transparency to the extent that the appraisee is not shown the final grading awarded to him by his appraiser. The final gradings, recommendations regarding training and developmental needs and input in the training and developmental aspects are shared with the employee by the HR department. The HR department also provides the dispute resolution forum to the employee concerned. The system is also clearly linked to financial rewards, developmental opportunities and promotions of the employees.

The criterion for promotion in the organization is a balanced mix of performance and seniority. While the system offers high performers rapid growth opportunities, it also allows average performers to be promoted purely on the basis of their seniority. This practice allows even the average performers to continue serving the company with some incentive to look for. The aspect of weeding out the below average performers has served to reduce the Free Rider category in the organization.

- **POL**

The company takes a very traditional view of the managing the performance of its employees. The top down target setting process and the high degree of managerial discretion given to the appraisers leaves the appraisee in a weaker position. When this factor is juxtaposed over a vaguely defined dispute resolution mechanism and an absolute lack of any formal counseling mechanism, the appraisee's position vis- a-vis his supervisor becomes weaker still. When such circumstances prevail normally the annual performance appraisals are used more as political weapons and tend to lose their true value and spirit.

Performance appraisals are clearly linked to the rewards and training needs of the employees. As such an employee with weak skills set is often given a chance to bring his skills at par with his job requirements. The company's policy of not firing its employees regardless of their demonstrated performance also raises questions about the overall effectiveness of the performance management system. By not removing the dead wood from its ranks the company inadvertently nurtures a Free Rider class. This class of employees not only serves as a source of demotivation for their peers but also damage the overall interest of organization. This does not auger well for the interest of the company in the long run.

There is no formal system of grooming the junior employees in the company. Sole reliance is placed on the day to day job related coaching provided by the seniors of the employees to their juniors and it is considered sufficient. The concepts of formal and informal mentoring are not put to practice which have their own ramifications in the context of employee development.

Compensation

OGDCL, MCGL and POL offer different compensation packages to their employees. Practices followed by the three companies are discussed individually as under:

- **OGDCL**

The compensation system of the company is under revision at present. The old system being in line with the pay structure of the federal government was way below the industry standards particularly the employees serving in the MNCs operating locally drew salary packages which were many times higher than the employees of OGDCL.

The very high level of job security and the overall conditions in the job market of the country served as motivation factors for the company employees. The same is however, no longer true as the job market conditions have changed and there is high level of business activity in the Oil and Gas sector due to the peculiar problems that the country is facing in terms of resource depletion. The old system was also not linked to the performance of the employee. A combination of the absence of performance reward linkage and very high level of job security has given rise to a very large free rider category. This category is not only a source of demotivation for the performing members of the organization but also detrimental to the overall interests of the company.

While the details of the new compensation package are yet to be known, its expected linkage to the demonstrated performance of the individual employee seems to be a correct step as it will motivate high performers on one hand while reducing the free rider category on the other hand. The benefits offered to the company employees in field are far less as compared to their peers serving in POL and MGCL. The company does not provide married accommodation to its employees serving in the field locations which make the lives of its employees serving at the field locations harder due to their prolonged absence from their homes. The other compensation factors like provision of family medical coverage and leave etc are more in line with the average industry standards. The reaction of the existing lot of the company's employees towards the hiring of contract employees at higher compensation packages can cause serious harm to the company as it has already started to create ripples among the existing lot of company employee. The issue, if not addressed immediately will not only lead to serious dissatisfaction among the existing lot of employees but will also not allow those hired to deliver better performance at higher salaries and benefit packages.

- **MGCL**

The pay packages offered by this company are closest to industry standards among the three companies studied. The benefits provided at the otherwise relatively remote field location include provision of all facilities to the employees

working at the field locations. Provision of these facilities along with additional benefits such as leave fare assistance and the responsive systems of the company keep the employees usually satisfied at the field location.

- **POL**

At present the compensation packages offered by this company to its employees includes are well below the industry standards. Having realized this problem at present the company is getting a market pay survey done to revise its salary structure to bring it at par with the industry standards. The annual raises of the company include an across the board annual raise and a performance related raise cater to sustain the buying power of its marginal performers at its existing levels while substantially benefiting its star performers. Dissatisfaction resulting from disparity between the industry and company pay structures notwithstanding, this system serves as a source of motivation for performing employees on one hand; it also prevents dissatisfaction on the account of reduction in the levels of real income for the marginal performers. Revision of the company salary structure in relation to the industry standards will auger well both for the company and its employees.

The provision of married accommodation and other allied facilities at the company field locations cater for most of the employee problems at these locations and contribute positively towards employee satisfaction. The added benefits offered to the company's staff at Morgah in the close proximity of its Head Office include provision of quality housing, recreational and other facilities for its SMS employees. For NMS employees, free accommodation, medical and educational facilities are also provided by the company at Morgah alongside the SMS employees.

Use of Information Technology

Out of the three companies studied in Oil and Gas sector of the country only one company is making use of the information technology to optimize the efficiency of its HR function. MGCL has developed its own version of HRIS through an in house effort. The company in general and the department in particular are drawing direct benefits from the system. Despite being the only company using IT as a business function enabler among the three companies studied for this research, MGCL is still some distance away from exploiting the true potential of this technology. The company will be able to get true results only when its plans of making HR information available to the individual employees materialize.

So far as the other two companies are concerned, they are still using the manual methods of maintaining employee related information. Although POL has some plans to develop its own custom built HRIS, yet seeing the way things move in that company, it will take this company sometime before it can implement such a system even if it gets one developed through the use of some other firm.

The case of OGDCL is most unique among the three companies studied. While the company is using the traditional methods of maintaining employee related information, so far there seem to be no plans to develop or implement such a system. Even if such a system is put in place, given the cultural context of the company, its effective implementation will remain to be a question mark.

Coordination, Communication and Team Work

A mixed trend was observed among the companies with regards to these three vital aspects of the organizational working and day to day life. All the companies publish newsletters with a slight variation in frequency of issue. The news letters contain only business related information in case of OGDCL while the newsletters of the other two companies are more comprehensive in their content. The attitude of the employees with regards to information displayed on the Departmental notice boards is mostly lackluster in the case of OGDCL due to the overall environment prevailing in the company.

The element of interdepartmental coordination is almost similar in nature. The sole exception is MGCL where the company's utilization of its intranet serves to enhance the coordination ability of the various business functions.

The culture of team work is not apparently paid much attention by the respective companies. Only slight variations were observed in companies.

Employee Retention and HR Practices

Employee turnover is a fact of organizational life. To a certain extent it is also a healthy phenomenon for organizations as new arrivals bring in fresh perspective and new ideas some of which may benefit the organization. No matter what an organization does to retain its employees there will always be certain amount of voluntary turn over in all organizations because the preferences of people change over a period of time. When we talk of the harmful effects of employee turnover we actually refer to a rate of employee turnover whereby the phenomenon starts to hurt the interests of the organization concerned. Another interesting aspect of the phenomenon of voluntary turnover is that mostly talented employees leave organizations as in most industries organizations compete for talented employees—no organization wishes to add liabilities to its payroll.

Retention of highly skilled workers is one of the main issues facing business organizations in the developed parts of the world these days. While Pakistani job market is characterized by a set of peculiar conditions, hence most business organizations of the country do not face this challenge as in most cases replacements are easy to find. However, even under the prevailing job market conditions with unemployment figures running in the range of well above 7 percent (world bank estimates) skilled employees

prefer to stay with certain organizations while looking for a job with others is only a matter of compulsion and the moment such people find an opportunity they immediately switch over to other companies. The critical question why does this happen and why people leave one organization and join another while performing the same job sometimes under similar compensation scheme? In literature review part of the paper an attempt has been made to find answers to this question by including glimpses of contemporary thought on the subject. Let us see how do the HR practices of the organizations under review are linked to their ability to retain their technical employees?

Contemporary research identifies certain reasons which lead to voluntary turn over in organizations. Some of the reasons due to which employees leave companies are:

- Failure to hire the correct type of employees.
- Below the industry standards compensation.
- Poor performance management.
- Failure to acknowledge good performance in tangible terms.
- Lack of developmental and career growth opportunities.
- Lack of empowerment and Lack of Job satisfaction
- Lack of supportive environment.
- Failure to treat employees with respect.
- A culture of lack of trust and Poor Motivational climate
- Lack of Employee Communication

A closer look at the above mentioned reasons reveals that all these factors are directly related to the HR practices of an organization. Let us relate these factors to the HR practices of the organizations under discussion:

- **Failure to Select Appropriate Type of Employee**
This factor is directly related to the recruitment and selection practices of the organizations. While analyzing the Recruitment and Selection practices of the three organizations in the preceding paragraphs of this section of the paper, we found out that the all organizations are following similar practices with minor variations and the impact of these practices on these organizations. Failure to design appropriate interview format was identified as a common weakness in the selection process of these organizations. Looking at the voluntary turnover figures of these organizations we find out that even in the organization with a very low voluntary turn over rate, some employees do leave out of considerations such as convenience which may be prevented by detecting this trend in the selection process.
- **Below Industry Standard Compensation**
The compensation system of a company is one of the main factors that determine the inclination of the employees to stay with or leave the company. This factor is again a direct reflection on the HR practices of organizations. Organizations under review offer different compensation packages to their employees. While

compensation is considered to be perhaps the most important element in determining an employee's willingness to stay with his/her employer globally, in our country due to the peculiar socio economic conditions this aspect of HRM assumes added importance as compared to the developed world.

Analysis of the compensation packages of the three organizations under discussion reveals a direct linkage between the HR practices of the organizations in this area and their relationship with the voluntary turnover figures as quoted in the preceding parts of the paper. We find out that the OGDCL offers least salary and benefits to its employees and has the highest voluntary turnover rate among the three companies. This aspect when viewed in comparison to the size of the companies should be a source of concern for the company's management.

The issue of compensation both in terms of salary and benefits is particularly more relevant to the technical cadre employees of the oil and gas industry. Employees belonging to the technical cadres like geophysicists, geologists, drilling specialists and petroleum engineers are considered to be highly migratory employees in the Oil & Gas sector. For most people belonging to these categories in this sector the job requirements usually necessitate stay in remote and often rugged locations that can be either inland or offshore. Since working conditions in terms of physical discomfort remain the same in most cases retaining these employees needs adoption of special measures by the companies. From our analysis of the compensation practices we also know that out of the three companies, MGCL offers the most balanced combination of compensation packages to its employees. Besides offering the industry compatible salaries, this company also offers attractive residential facilities to its employees on the field locations which nearly eliminates the difficulties associated with staying away from one's family. The facilities offered by this company at its field location include such attractions (from the stand point of an average Pakistani) as provision of air-conditioned married and bachelor accommodation with free electricity, club, and company paid medical facilities and a host of other attractions. By providing these facilities alongside industry compatible salary the level of employee satisfaction is increased to the desired levels whereby, they are ready to stay with the company for very long durations and eventually retire. The result is that the voluntary turnover rate of the company is well below one percent. This figure can be a source of envy for any company of the industry.

POL not only offers almost similar benefits to its employees serving on its production sites but also its head office staff in Rawalpindi. The salary packages of the company staff are better than OGDCL but remain well below industry standards. Other reasons for voluntary turnover notwithstanding, the relatively higher turnover in this company, the voluntary turnover figures of the company confirm the linkage between compensation and voluntary turn over. The turnover figures for this company lie between those of OGDCL and MGCL.

- **Poor Performance Management**

Performance management is one of the most important constituent parts of the HR systems of an organization. Proper performance management systems with clear reward and development linkages serve as source of motivation for the high performers on one hand while keeping the marginal performers on their toes to catch up or be ready to face the consequences of poor performance. It is also known that a good performance management system serves as a source of acknowledging good performance in clear tangible forms like enhancements in the levels of earnings, promotions at a faster rate as compared to the marginal performers and publicly visible acknowledgement like being declared Employee of the Month, Quarter or Year. Research shows that organizations that follow such practices have much higher employee retention rates. While a good Performance Management system augments the organizational efforts to retain employees a poor performance management system does the reverse. Let us find out how does this element of the HR practices of an organization is related to the organizations under discussion?

A closer look at the practices of OGDCL reveals that the company was practicing a performance management system that was at par with the other departments of the federal government. The sole tool being used to manage the performance of its employees was the annual performance appraisal conducted on an attribute based performance appraisal instrument. The system lacked transparency and while being vaguely connected to the developmental aspects of the employee had no direct bearing on the salary or benefits of an employee. Another drawback with the system was its absolute inability to censure poor performance. Such practices serve as a source of demotivation on one hand and at the same time nurtures the Free Rider category. Under conditions where good performance is not rewarded and poor performance is not punished employees with higher potentials and a desire to excel become strangers in the very organization that they serve and leave the organization on first available opportunity, something that is a ground reality in OGDCL.

In the case of MGCL the performance reward linkage is clearly established and the system has the capacity to get rid of Free Rider category. Besides this aspect, the system also provides a grievance resolution mechanism to the appraisee, which further improves the strength of the system. The issue of opaqueness however, serves as source of some anxiety among the employees as they are just informed about their weaknesses and are communicated their final grading not by their appraiser but by the HR department. Despite this grey area, the presence of clearly established performance reward linkages and protection offered to the employees by the HR system of the organization make the system acceptable to the performing employees while discouraging the Free Rider category. The turnover figures of the company serve as the source of confirmation to the effectiveness of the system.

The case of POL again resides in the middle. The performance management system of the company is clearly linked to the employee rewards and development. What it does not accomplish is the elimination of the Free Rider class of employees. The failure of the system to eliminate this employee category serves as a source of demotivation for the performing employees as the Free Rider class thrives at their expense. The system of top down goal setting and the absence of a clearly spelled out dispute resolution mechanism makes the system prone to abuse by the appraisers. The highlighted weaknesses serve as source of demotivation for the performing employees. Under the present arrangement the appraisee is thrown at the wish and whims of the appraiser with hardly if any protection being offered by the system. While the system is better than the one followed at OGDCL but weaker as compared to MGCL so are the turnover figures for the company.

- **Failure To Acknowledge Good Performance In Tangible Terms.**

This factor is directly linked to the performance management which is already discussed in the preceding paragraph. The additional aspect being highlighted is the absence of practice of visibly acknowledging the good demonstrated performance of a particular employee among organizations under discussion. Out of the three companies, this practice was found to be observed by the MGCL. As it goes without saying that such practices serve as source of encouragement for the performing employees of the organization and hence directly have positive impact on the employee retention ability of the organization. Turnover figures of the company concerned verify this contention.

- **Lack Of Developmental and Career Growth Opportunities**

Seen in perspective of the three companies being discussed, all the companies provide these opportunities to their employees in their own ways. The element of developmental activities also includes the grooming of junior employees by their seniors particularly their managers. As such no organization out of the three has a formal grooming program for its employee to include the contemporary methods of mentoring whether career or psycho-social. As can be seen from the analysis of these aspects of HRM in the three companies, that MGCL has the best set of practices in these areas, while POL offers the next best options to its employees while OGDCL figures out in the bottom. The turnover rates of the said companies also display a similar pattern.

- **Lack Of Empowerment and Job Satisfaction**

As highlighted earlier that all these companies have a culture of top down decision making and element of centralization to varying degrees. Centralization curbs the individual initiative and results in lack of empowerment leading to lack of control over job related decision making. This element directly leads to lack of job satisfaction that translates into higher turnover.

An almost similar situation prevails among all the organizations. The negative impacts are reduced in organizations with better HR practices in other areas, while the situation is accentuated in the case of OGDCL.

- **Lack Of Supportive Environment And Culture Of Lack Of Trust**

Provision of supportive environment is the directly related to the overall organizational culture, which by itself is the cumulative reflection of the management style and HR practices of an organization. Hence organizations with less than satisfactory HR practices will have a corresponding culture and a weaker support environment and higher turnover. On the other hand organizations with better HR practices will have a culture that provides supportive environment to the employees leading to lower turnover. A study of the cultures of the three companies highlights this aspect. Without going into the details of individual organizational cultures we can find out that OGDCL provides the least supportive environment to its employees which directly corresponds to its typical public sector organization culture characterized by rivalries leg pulling and similar vices. POL falls next in line followed by MGCL. The turnover figures of the companies also follow a similar pattern.

- **Failure To Treat Employees With Respect And Poor Motivational Climate**

Seen in the overall context these factors are by products of the cumulative impact of the overall HR practices of an organization. Treating employees with respect also includes listening to them and empowering them to take their work related decisions by themselves. Needless to point out that the three organizations follow a similar pattern and the employee turn over rates conform to the pattern i-e the organization that treats its employees the best has the least turnover and reverse is the case with those that do no do so.

- **Lack of Communication**

All the organizations rely on their news letters to communicate with their employees. Other than this the companies do not have any formal communication forums which provide an opportunity to the employees to interact first hand with the higher management. While the news letters of the smaller companies are more comprehensive I terms of covering employee related issues the news letter of OGDCL is only restricted to provision of business related information despite the presence of full fledged Public relations office. MGCL fares slightly better than the other two as it uses the company intranet for communicating various policies etc to its field locations and within its head office to various departments.

CHAPTER FIVE

CONCLUSIONS &
RECOMMENDATIONS

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on industry analysis, findings and analysis of the HR practices and the respective ability of OGDCL, MCGL and POL to retain their technical employees, following major conclusions are drawn:

- **Industry Structure**

Oil and Gas industry in Pakistan is characterized by the presence of many domestic and foreign companies. As such the industry structure is fragmented. With the foreseen increase in the level of exploration activity the existing levels of competition for skilled Human Resource is foreseen to increase putting additional pressure on the industry players to take measures to retain their technical employees who are critical for their business success.

- **Organizational Structure and Staffing Level of HR Function**

All the three companies are organized along functional departments with varying degree of coordination among departments especially at lower levels. Staffing levels of the HR or its equivalent functions varies from colossal over staffing in OGDCL to under staffing at POL. MCGL although slightly under staffed fares better among the three companies.

- **Level of Integration Between HR Function and Strategic Management Team**

Except for MGCL the other two companies are still functioning on the traditional Personnel concept thus not deriving the advantages associated with integrating the HR function with the Strategic Management Team of the organization.

- **Culture**

Total bureaucratic orientation, power distance and top down decision making characterize the culture of the industry. OGDCL has the same culture as for any other public sector organization of the country. The cultures of MCGL and POL have more corporate orientation although the inevitable cultural differences among these organizations exist. Smaller companies, despite their cultural problems fare better than OGDCL.

- **Recruitment and Selection**

Except OGDCL which exclusively relies on newspapers as source of recruitment due to peculiar restrictions imposed on it by the Supreme Court, the other companies follow contemporary recruitment practices. The companies use similar selection methods with minor variations. The common weakness with the selection of Entry Level employees is the lack of proper interview structure to designed to identify the inclination of the employee to stay with the company for longer duration of time.

- **Compensation**

Differences exist in the compensation packages offered by different companies to their employees. Out of the three companies studied, OGDCL offers the least salary and benefits to its employees. POL fares better than OGDCL in terms of offering better salaries and benefits but falls behind the Industry average. MGCL is the only company out of three which offers industry compatible salary and benefits. POL is the only company which practices profit sharing in form of bonuses to employees. No company uses other methods of compensation like ESOP or team based rewards etc. Voluntary turnover figures of the organizations exactly follow the compensation pattern i-e least turnover in the organization which offers the most and highest turnover in the organization that offers the least.

- **Training and Development**

Training is accorded great importance by all the organizations studied. OGDCL offers the best combination of classroom training and field exposures to its Entry Level employees. The training modules of MGCL and POL for their Entry level employees suffer from the common weakness of creating a gap between theoretical and practical knowledge. Apparently, MGCL is the only company doing proper Training Need Analysis for its employees and bases the training activities of its employees on it. POL provides additional training to its employees in relation to the weaknesses observed in the employee performance, some form of TNA is done at departmental level. All the companies get an undertaking from their employees to stay for certain duration of time with the company after completion of training in shape of a Bond. Duration of mandatory stay with the company varies from company to company. MGCL is the only company out of the three companies studied that plans the training and developmental activities of its employees in a five year perspective. POL plans its training and developmental activities on annual basis while no evidence of such planning was found in OGDCL. Proper attention is not paid to the Employee development at OGDCL, its smaller competitors fare much better. Higher turnover among the senior employees of OGDCL as compared to the smaller companies confirms the linkage. None of the companies studied has a formal grooming program for their junior employees.

- **Performance Management**

Performance management is accorded varying degrees of importance by the companies studied. The Turnover figures of the organizations and their attitude

towards this vital HR practice confirms that organizations with better Performance Management practices have lower voluntary turnover rates as compared to the organizations with ordinary practices in this area. It is also confirmed that the organizations with lackluster approach towards this aspect nurture Free Riders who are a source of demotivation for others. All companies have clear career tracks for their employees. Promotion criteria are however, different. In this respect the smaller companies fare much better than OGDCL. Except for MGCL no company visibly acknowledges good performance of employees.

- **Communication**

Companies in the industry do not attach great importance to the important element of communication with their employees. Company newsletters are expected to accomplish the task of effective communication which is insufficient due to inherent limitations of this communication tool. As a result a communication gap exists between the senior management of the companies and their employees on the lower rungs of the organizational ladder.

- **Use of IT**

Except MCGL no other company out of the three studies uses IT to augment their HR function despite presence of IT Departments in each. Record keeping and planning are still done using manual method with computers being used mostly as typewriters. Failure to exploit the available contemporary methods results in loss of efficiency.

- **Linkage Between HR Practices and Employee Turnover**

All the factors leading to voluntary turnover of employees as identified by the contemporary thinkers are directly related to the HR practices of that the organizations follow. There is a clear linkage between the HR practices that the organizations follow and the voluntary employee turnover trends of most notably technical employees in the oil and gas industry as the demand for the skill sets possessed by this category is high and is foreseen to follow similar trends in future also. The linkage between the employee turnover and the HR practices is confirmed during the course of this study. By now it is established that the companies with best set of HR practices have the lowest voluntary turn over rates among their employees while the companies with ordinary sets of HR practices have higher employee turnover rates. By implication it means that if an organization has to improve its ability to retain talented employees it needs to improve its HR practices. Among the companies studied for the purpose of writing this paper, OGDCL follows the most ordinary set of HR practices and has the highest turnover rate. The HR practices of POL are better than OGDCL due to which its employee turnover rate is lesser than the said company. The HR practices of MGCL are the best among the three companies and correspondingly its turnover rate is lowest.

RECOMMENDATIONS

Through this study a linkage between HR practices and ability of organizations to retain their talented employees has been established. Establishment of this linkage implies that if an organization has to improve its ability to retain its talented employees it needs to improve its HR practices, the cost of such failures means loss of talented employees at a faster than healthier rate which is harmful for the overall interests of the organization particularly in the Oil and Gas industry where competitive advantage of the companies greatly depends on the technical skills of their employees. Keeping in view the findings, analysis and conclusions derived from the study of three organizations, following recommendations are proffered:

- **Separation of HR From Administration**

In two out of the three organizations studied, HR is considered synonymous with administration. OGDCL and POL are still functioning along the old Personnel concept while MGCL draws a clear distinction between HR and Administration. It is recommended that the both OGDCL and POL should reorganize their existing set ups along the contemporary HR concepts. In the immediate perspective the companies should separate their HR functions from Administration and a plethora of other distractions in case of POL. It is also recommended that the positions of GM HR and HR Executive created at OGDCL and POL respectively be given appropriate assistance along with clearly defined charter of tasks, duties and responsibilities.

- **Level of Integration Between HR and Strategic Management Function**

It is recommended that OGDCL and POL should accord proper importance to their HR functions after appropriate reorganization. For better strategy formulation and implementation these organizations are recommended to achieve a higher level of integration between their HR (or equivalent) and their respective strategic management functions. MGCL is recommended to fully integrate its HR function with the strategic management function and represent HR on its strategic management team.

- **Size of HR or Equivalent Function**

The administration function dealing with HR matters is colossally over staffed at OGDCL (over 2500 employees) and too leanly staffed at POL. Both the organizations are recommended to work out efficient staffing levels for their departments and then staff these accordingly. It is also recommended that MGCL should address the slight understaffing problem to sustain and improve its present levels of efficiency.

- **Recruitment and Selection**

It is recommended that all three organizations should evolve appropriate interview formats for various positions to assess the inclination of a candidate to stay with the organization for a longer duration of time besides assessing his/her job related abilities.

It is also recommended that OGDCL should take measures to increase the number open merit based seats particularly among the technical cadres. The provincial quota seats for technical positions be rationalized in favor of underdeveloped areas so that capable candidates belonging to more developed areas are not left out and at the same time the people belonging to underdeveloped areas keep getting their chances.

- **Training and Development**

It is recommended that:

- OGDCL should base the training of its employees on the Training Need Analysis. Weaker employees should be given more exposure to training activities to make them more useful.
- POL and MGCL should revise their method of training entry level technical cadre employee. A mixed blend of class room and on the job training on lines similar to OGDCL is recommended for these companies.
- OGDCL and POL should plan the training and developmental activities on the lines of MGCL after giving due consideration to their peculiar organizational environments.
- OGDCL should introduce structured development programs for its high performers.
- All these companies should institute formal employee grooming programs in pure relationship to their peculiar conditions and culture. MGCL being aware of its problems in area of grooming of employees is recommended to consider adoption of Mentoring as a tool to overcome the identified problem.

- **Performance Management**

To make their existing performance management systems more effective and meaningful which serve as a source of motivation for good performance while discouraging inadequate or marginal performance among their employees it is recommended that:

- Although revision of the existing system of performance management is under active contemplation at present in OGDCL, yet it is recommended that the effort should go well beyond mere revision of the performance appraisal forms. The rumored implementation of MBO type performance appraisal if correct should be done on MBO-II pattern to effectively cater

for the “System Effect”. The revised system is also recommended to be transparent as against the totally non transparent system in practice at present.

- OGDCL should establish clear performance—reward linkages in its effort to revise the existing system of performance management.
- POL should rationalize the managerial discretion in its system of performance management. To get rid of the free rider category the system should be revised to enable the company to get rid of dead wood and Free Riders.
- MGCL should eliminate the element of opaqueness from its otherwise good performance management system.

- **Compensation**

OGDCL and POL are recommended to revise their pay scales and bring them at par with the industry standards. OGDCL should also consider provision of married accommodation facilities to its employees serving at various field locations.

OGDCL is recommended to link its pay raises to the performance of its employees. This will have a substantial effect on the motivation of its employees.

It is also recommended that to retain high caliber senior managerial employees all the companies should consider offering ESOP or other similar programs to them.

- **Career Progression**

It is recommended that OGDCL should establish a linkage between promotion and performance and follow the career progression patterns resembling its much smaller competitors. It is also recommended that having employee seniority as the sole governing criterion for promotions be discontinued as soon as possible as it is great source of demotivation for the high performers in the organization.

- **Communication**

It is recommended that all organizations under discussion should devise additional methods of internal communication. In this area creation of “Open House” type forums should be considered by the companies. The existing communication gap needs to be bridged.

- **Visible Acknowledgement of Performance**

To publicly appreciate the performance of the good performers in the company

it is recommended that OGDCL and POL should also introduce Employee of the Month/ Quarter/ Year programs keeping in view their specific environment and considerations. As already highlighted that such appreciations serve as a source of motivation for not only for the employees' concerned but also for other employees of the organization.

- **Cultural Changes**

It is recommended that the senior management of all three companies should make serious efforts to reduce the prevailing high degree of formality and power distance that seem to characterize the industry's combined culture.

ANNEXURES

Schedule of Training Courses At PRTI

Annexure A

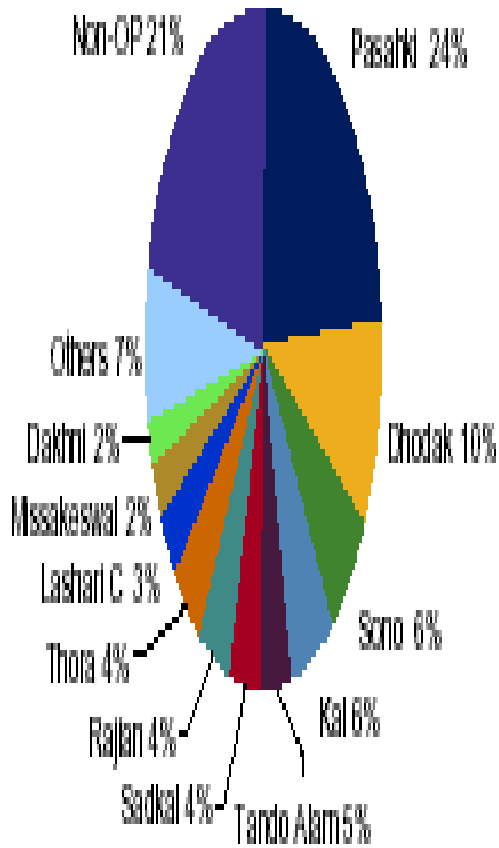
JULY – DECEMBER 2005

No	GEOLOGY	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
GL 104	Drill Cuttings, Core Handling & Description	Naveed	04-08					
GL 105	Basic Wireline Log Interpretation	Saeed	18-22	▲				
GL 106	Basic Field Geology	Shahzad					14-18	
GL 107	Cross Sections, Contouring & H.C. Prospecting	Shahzad			19-23			
GL 108	Introduction to Wireline Logging	Bashir	11-15					
GL 109	Potential Source Rocks of Indus Basin	Mujtaba/Shahzad		15-19				
GL 110	Introduction to Sequence Stratigraphy	Imran/Shahzad			05-09			
GL 203	Mud Logging Techniques	Sarwer					21-25	
GL 201	Fundamental Concepts of Development Geology	Bhatti					28	02
GL 304	Subsurface Formation Pressure Evaluation	Sarwer						19-23
GL 306	Depositional Environment of Reservoir Rocks	Dr. Asghar						05-09
GL 401	Introduction to Exploration Geochemistry	Raees			12-16			
GL 404	Stratigraphy of Pakistan	Shahzad		08-12				
No	GEOPHYSICS	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
GP 103	Basic Seismic Data Processing	Muneer/Sajid					07-11	
GP 106	Fundamental Concepts of Seismic Interpretation	Muneer/Sajid						19-23
GP 205	Seismic Velocities	Muneer						26-30
GP 401	3-D Seismic Data Acquisition & Survey Design	Muneer			05-09			
GP 405	2D/3D Seismic Refraction Analysis using PC	Muneer/Khalid		22-26				
No	DRILLING	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
DR-102	First Line Supervisor's BOP & Well Control (Refresher)	M. Hussain		29	02			
DR 205	Bottom hole Assembly & Drill String Design	M. Hussain						26-30
DR 502	Drilling Fluids, Hole Problems & Hydraulics	Ilyas	25-29					
DR 503	Casing Design	Ilyas						05-09
DR 407	Introduction to Pumps & Valves	Jamil				17-21		
DR 408	Failure Analysis of Turbocharger	Jamil		15-19				
DR 410	Oil & Your Engine	Jamil	18-22					
DR 411	Caterpillar Fuel System	Jamil			19-23			
DR 412	Engine Reconditioning with Emphasis on Measurement and Machining Process	Jamil						26-30
DR 413	Swivel & Rotary System	Jamil					14-18	
No	ENVIRONMENT & SAFETY	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
ES 103	H ₂ S Alive & Rescue for Production & Process	Midhat		08-12			28	02
ES 000	Mines Act 1923	Sartaj		29	02			
ES 000	Environmental Law 1997	Sartaj					07-11	
No	MANAGEMENT & SUPERVISION	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
MT 107	Special Power Ordinance 2000	Major Hamid	11-15	22-26			28	02
MT 108	Introduction to Petroleum Industry	Tahir					14-13	

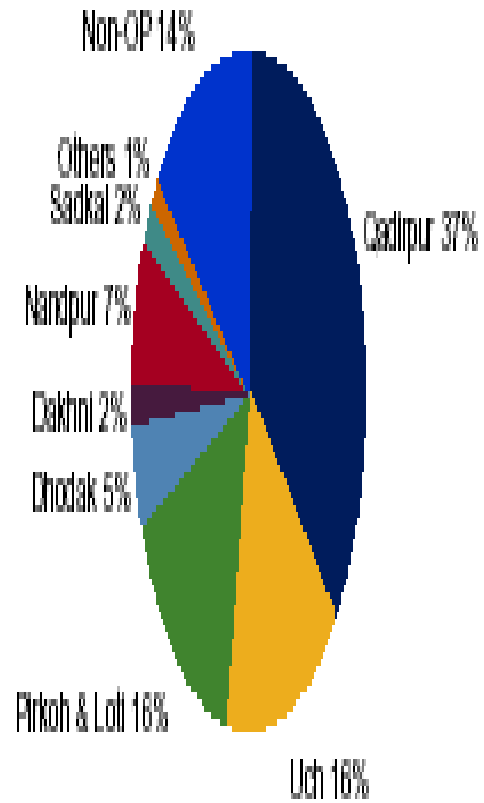
MT 105	Effective Communication Skills	Salim			05-09			
MT 202	Management Techniques & Managerial Skills	Salim			12-16			
MT 111	Self Management & Development	Salim					28	- 02
MT 112	Twenty First Century Leadership	Salim						05-09
No	PRODUCTION	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
PD 106	Hydraulic Jet pumping	Liaqat/Tahir		29	- 02			
PD 107	Flowing Well Performance	Tahir						12-16
PD 108	Introduction to Artificial Lift	Tahir			19-23			
PD 116	Introduction to Well Testing Methods	Dr. Paracha					07-11	
PD 123	Water Control in Production	Imran		15-19				
PD 201	Pipe Phase Software	Ahmad		08-12			21-25	
PD 131	Reliability Central Maintenance	Adnan Mansoor					14-18	
No	MATERIALS & CORROSION ENGINEERING	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
CR 106	Ultrasonic Testing	Naveed						12-17
CR 112	Corrosion Control of Underground Pipelines	Naveed		22-26				
CR 110	Electrical Maintenance Management Program of Process Plants	Naveed	25-29		26-30			
CR 111	Causes of Corrosion & Control	Naveed					21-25	
No	INSTRUMENTATION ENGINEERING	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
IET 110	Basic Instrumentation	Naseem	04-08					
IET 100	Basic Well Head Instrumentation	Naseem		22-26				
IET 310	Electronics Instrumentation & PLCs	Naseem					21-25	
IET-210	Process Instrumentation	Naseem			26-30			19-23
No	RESERVOIR ENGINEERING	INSTRUCTOR	JUL	AUG	SEP	OCT	NOV	DEC
RE 101	Introduction to Reservoir Engineering	Dr. Paracha			12-16			05-10
RE 102	Oil & Gas Reserves Determination	Dr. Paracha		22-26				
RE 103	Gas Well Testing	Dr. Paracha						
RE 104	Reservoir Fluid Properties	Dr. Paracha			26-30			
RE 105	Oil Well Testing	Dr. Paracha					28-02	
RE 106	Practical Aspects of Reservoir Engineering	Dr. Paracha						
RE 107	Petroleum Economics	Dr. Paracha						26-30

OGDCL FIELDS BY PRODUCTION

Oil Producing Fields



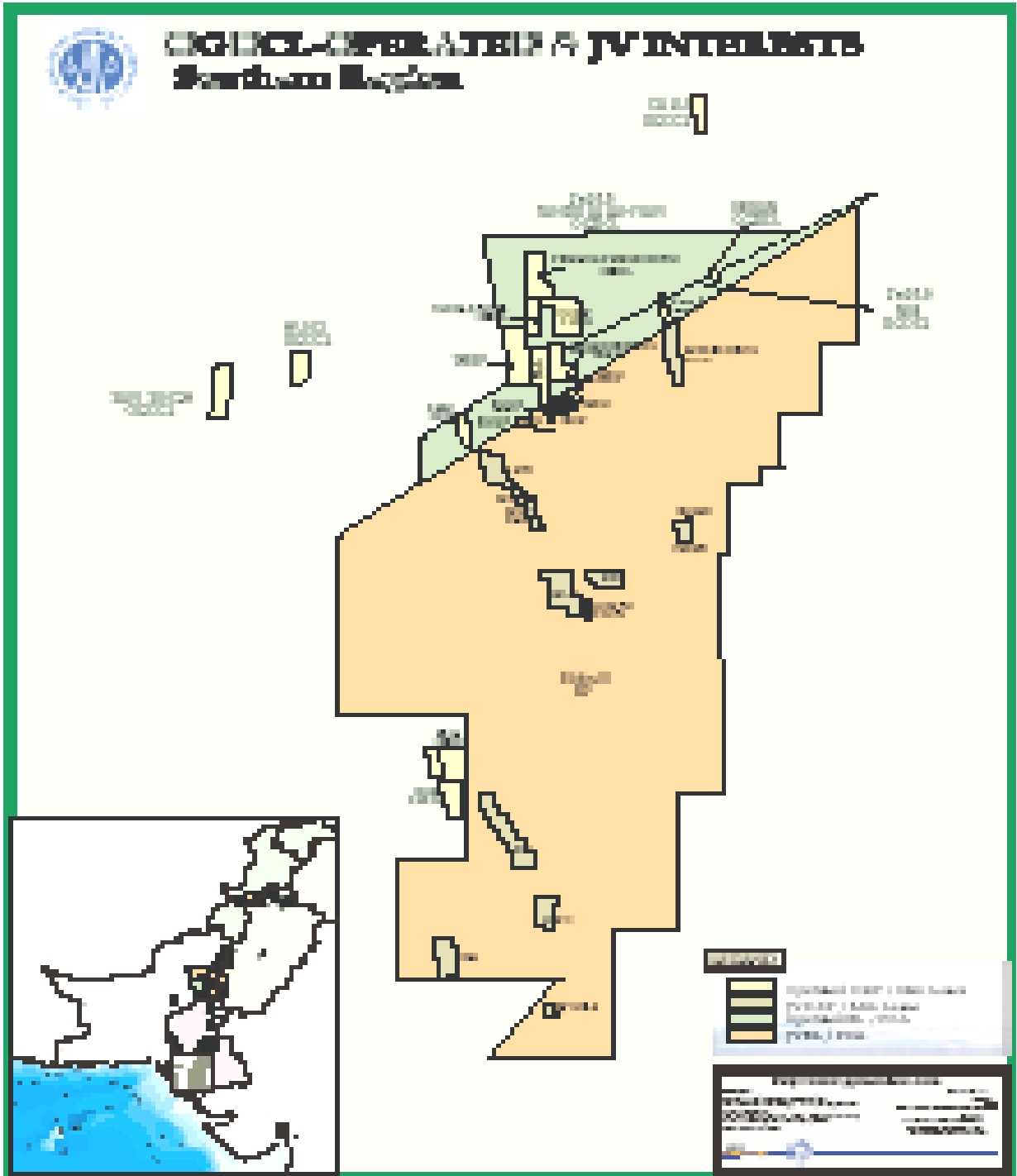
Gas Producing Fields



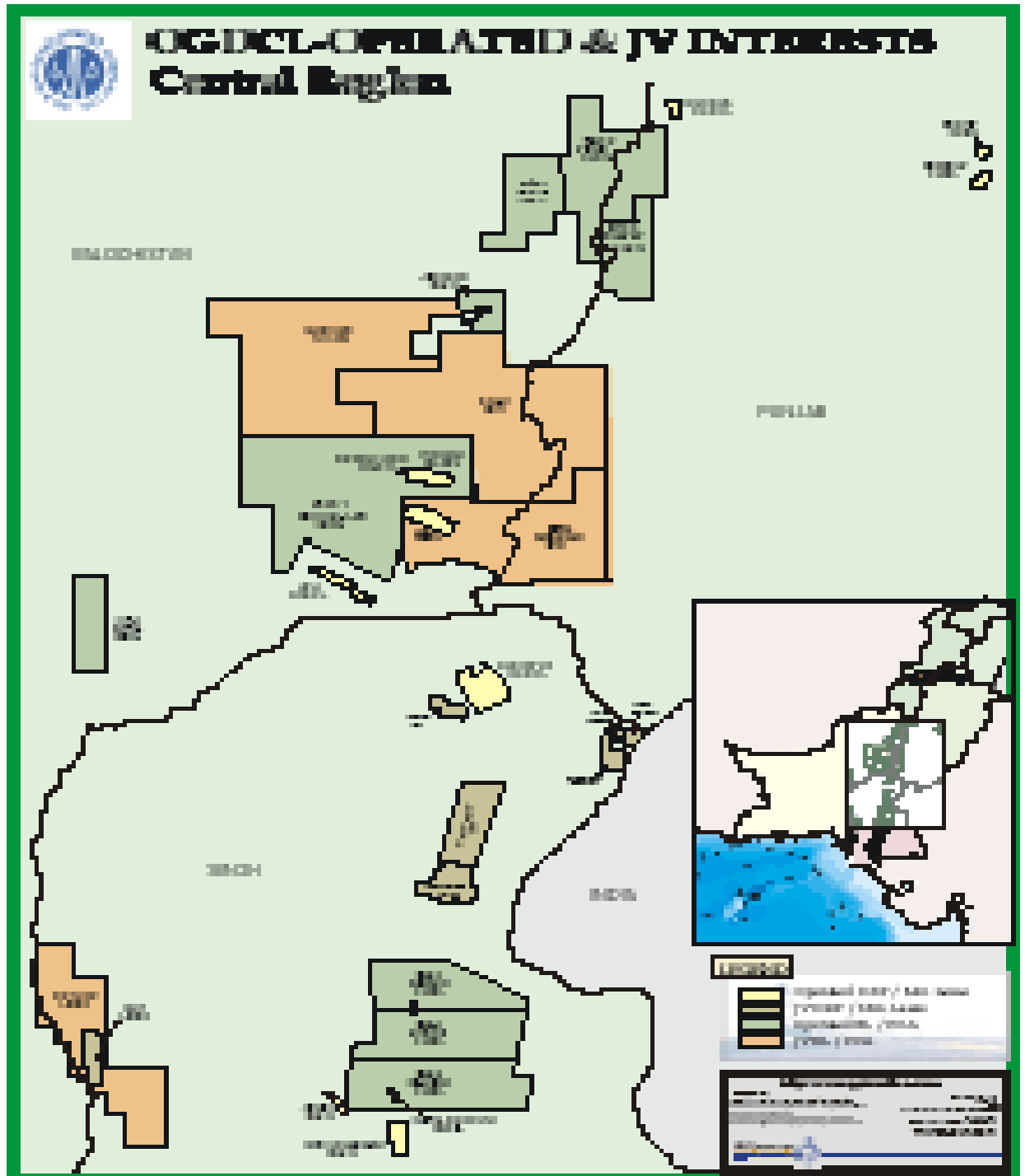
Source: Blackwater Petroleum Services Limited and OGDCL

Annexure C

OGDCL OPERATING & JOINT VENTURE INTERESTS

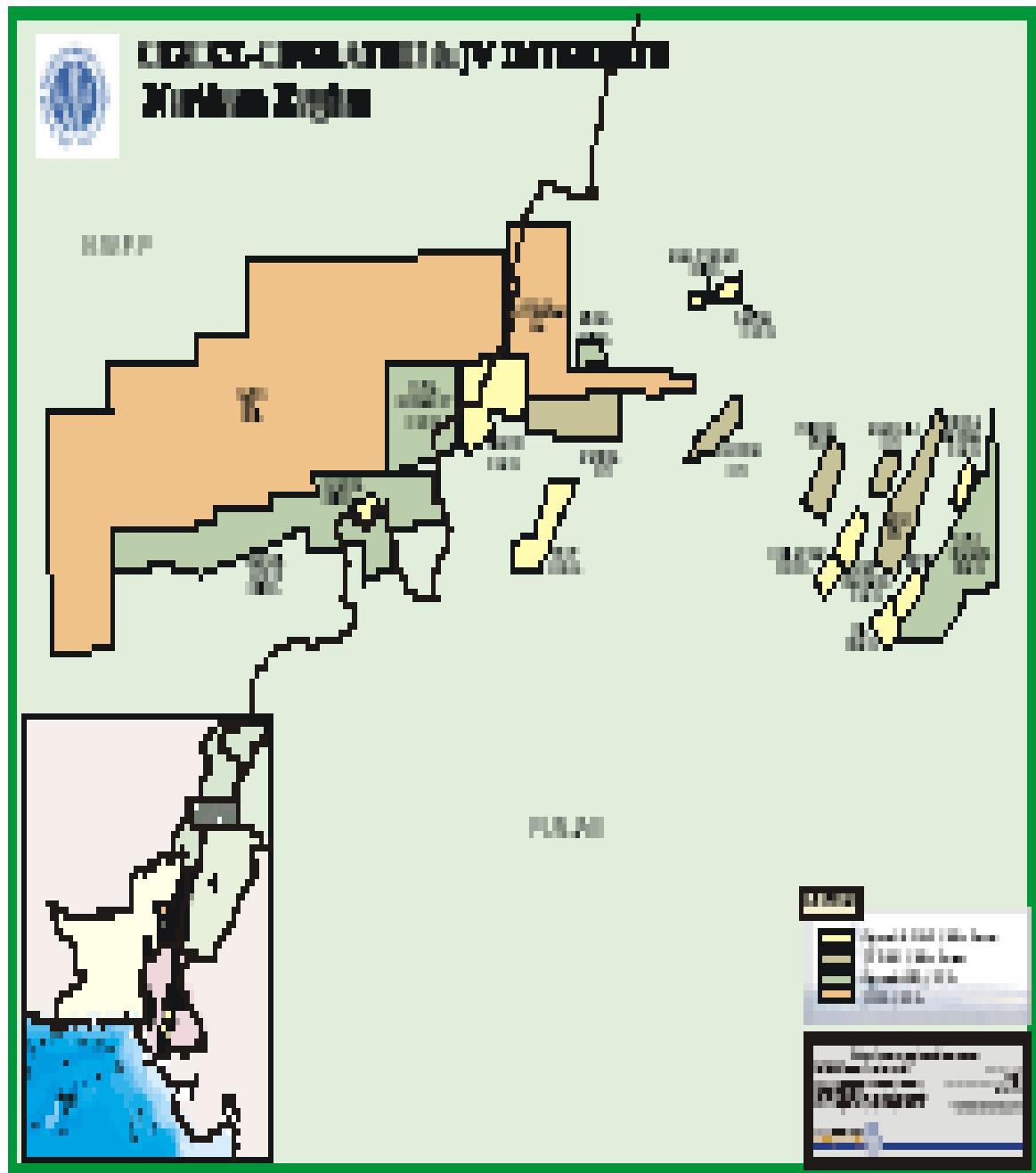


SOUTHERN REGION



CENTRAL REGION

Figure 28-02282 - Capacity of TV Networks (Northern Region)



NORTHERN REGION

Annexure C Ends

Essential Training Needs for Technical Employees (Mari Gas Company Limited)

S.No.	Service Bracket		Essential Landmarks		Production	Drilling	Recommended Courses /Training
	From	To	Reservoir				
1	Trainee Engineers		On Job Field Training, Utilization Of Available Company Software's, Familiarization With Company Policies				Technical Courses 1.Ms Office 2.Visual Basic 3.Technical Report Writing Management Courses 1. Improving Communication Skills 2. Improving Personal Effectiveness 3. Safety Courses
2	1	5	1. Draw Down & Build Up Test Interpretation Using Well Test 200 Software 2. Well Wise Gas & Water Production Monitoring 3. Log Interpretation	1. Customer Gas Sales Agreements 2. Gas Measurement 3. Instrument Calibration 4. Well Wise Gas & Water Production Monitoring 5. Log Interpretation 6. Monitoring Of Internal & External Corrosion & Its Control	1. Well Control Bit Selection Drilling Fluid Hydraulics Lost Circulation Casing Design Well Cementation	<p style="text-align: center;">Reservoir</p> 1. Basic Open Hole Log Interpretation 2. Training On Well Test Interpretation Using V Software 3. Reservoir Management on 1. Gas Measurement 2. Gas Production Engineering 3. Corrosion Control In Oil & Gas Fields	

						<p style="text-align: center;">Drilling</p> <ol style="list-style-type: none"> 1. Drilling Fluid, Hole Problem & Hydr 2. Well Control 3. Cementation 4. Lost Circulation
3	5	10	<ol style="list-style-type: none"> 1. Geological, Geophysical, Production And Reservoir Data Management Using OFM 2. Use Of OFM Models 3. Production Optimization 	<ol style="list-style-type: none"> 1. Well Testing 2. Completion Design 3. Well Intervention 4. Wire Line And Slick Line Operations 	<ol style="list-style-type: none"> 1. Fishing Operations 2. Coring Operations 3. Basic Log Interpretation 	<p style="text-align: center;">Reservoir</p> <ol style="list-style-type: none"> 1 Production Optimization Using Nodal Analy <p style="text-align: center;">Production</p> <ol style="list-style-type: none"> 1. Well Testing 2. Gas Production Operations 3. Completion Design For New Wel <p style="text-align: center;">Drilling</p> <ol style="list-style-type: none"> 1. Fishing Technology 2. Basic Open Hole Log Interpretation

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