

SUSTAINABLE SUCCESSION AND CAREER MANAGEMENT IN THE CASE OF ENERGY SERVICE COMPANY

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ABSTRACT

The oil and gas business had increasingly felt the pressure of a persistent market downturn in recent years. Initiatives of reducing number of headcounts, operational cost optimization, and organization downsizing have impacted to employee condition such as insufficient people development, stagnant rewards and compensation, and also establishing culture of to-do-more-with-less. The research observes the implication of business issues to the succession and career-planning program in the company. The objective of this research is to analyze the implementation of these programs using quantitative approach that referred to the integrating succession planning and career-planning framework. The research compares company performance against best practices in integrating succession and career planning program. Assessment concludes that company is on the right path in succession and career-planning program, however three primary issues were identified that need attention on improvement: leader's worriedness on losing of experience staffs, uncompetitive salary in the market, and lack of transfer knowledge. The authors provide a qualitative approach to offer simple solutions with higher impact and avoid overwhelming in further implementation. The centralized HR practices along with financial aspects were taken into account also in the strategic planning.

Keywords: oil and gas industry, business downturn, succession management, career planning, centralized human resources

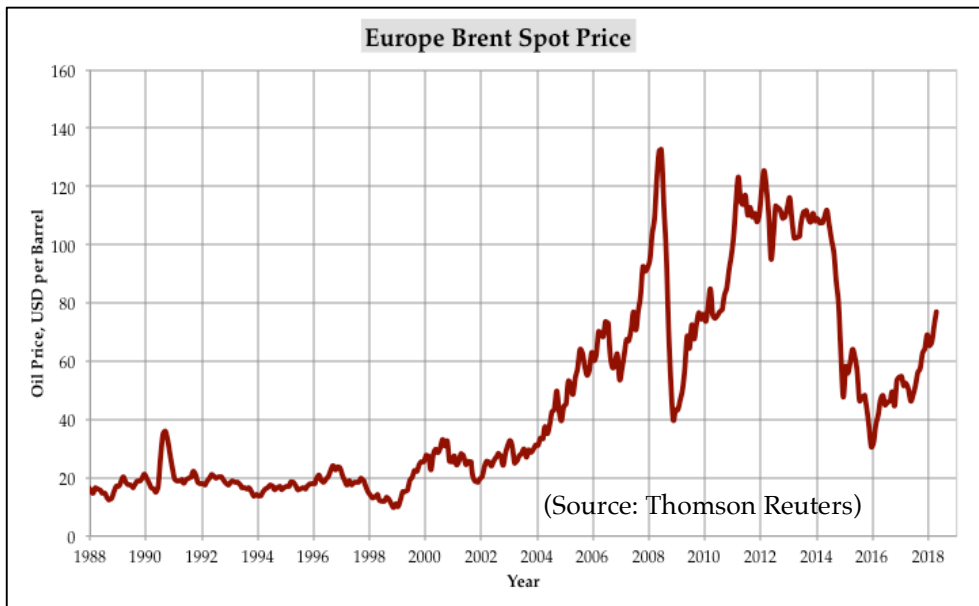
INTRODUCTION

Recent years have to be extremely challenging for oil and gas industry, widespread pricing pressure and activity reductions on a global basis impacted on the reduced of commodity prices. The sharpest industry decline in history for the last 20 years represents during 2016 as presented in **Figure 1**. The impact hit not only to oil and gas producer, but also providers of products and services to the energy industry.

A multi national company provider of products and services is a subject of this research. The company is one of the world's largest products and services providers to the energy business. In 2006, Eastern and Western Hemisphere operations were introduced to realign company work. In 2007, company services divided into two divisions: Drilling and Evaluation, and Completion and Production. The world's broadest array of products, services and integrated solutions for oil and gas exploration, development and production offered currently.

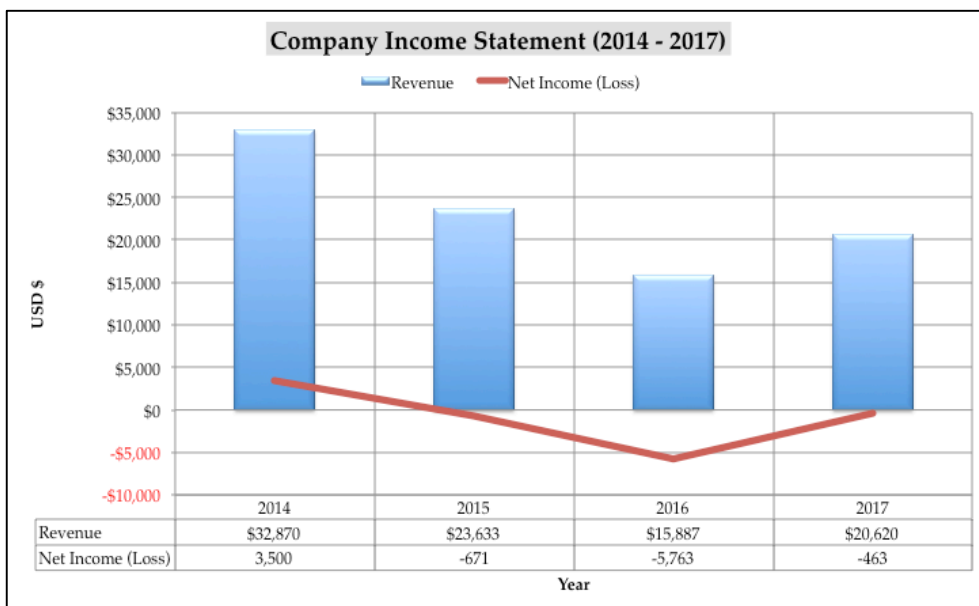
14 product service lines (PSLs) comprised. Two divisions: Drilling and Evaluation, and Completion and Production, were operated in. Across both divisions and the spearhead of integrated-services strategy, were supported by Consulting and Project Management. PSLs have either been acquired or organically grown, but ultimately company is always looking for new PSLs on to fill any gaps that may arise as the oil and gas industry encounters new challenges.

Figure 1. Oil price history chart in the last 30 years



Significant operating losses during 2016 recognized for the company as the impact of this crisis (**Figure 2**). During the downturn in 3 consecutive years, company’s revenue was decreasing up to 50% with the biggest loss of 5 million USD in 2016. However, since the lowest point within February and May 2016, crude prices have improved significantly as the market have been recovered from the bottom of the business downturn.

Figure 2. Company income statement from 2014 until 2017



In order to anticipate oil price downturn and business recess, several strategic plans were executed such as reducing number of headcounts, cost optimization in day to day activity, organization downsizing, and many more. These initiatives were typically performed in service companies but not limited to oil and gas operator as well. The company in this research is built on parent company’s technology or research and development. Furthermore, all HR policies and rules relating succession and career planning are formulated by headquarter and implemented by all operating area at all over the world. Implementing a sustainable succession and career planning is really challenging by considering centralized HR application. Besides, the culture of each area as well as business environment where the company operates is mostly different.

The decision as explained above has indirectly impacted to employee behavior that identified as internal forces, such as insufficient people development, stagnant rewards and compensation, and the culture of “to-do-more with-less”. However, all operational human resource practices were still performed as usual. The objective of this research is to understand the

implementation of succession and career planning. Now the question is: could succession and career plan be sustained and bring a positive impact to company and all employees in unpredicted business behavior.

DEFINITION

The process of developing the talent in the organization for the purpose of future deployment is well known as succession planning definition (Berger, 2017). Making the preparations required to have the right people ready to fill key roles when vacancies arise are involved in succession planning. When the right people are ready to fill vacancies, organizations save tremendous amount of time and resources that would otherwise be used scrambling to fill those voids. On top of that, having as much as possible every critical position of the organization that filled by internal candidates who have been prepared to be succeed in those roles is the ultimate goal of succession planning. Achieving this goal eliminates the need to recruit for the most difficult-to-fill positions and allows recruiting efforts to focus on entry-level and non-management roles.

On the other hand, the process that individuals identify and implement steps to attain their career goals can be considered as definition of career planning. Five basic steps of the process (Connor, 1982) is explained in **Table 1** below which consist of self-assessment, investigating career opportunities, goal setting, action planning, and evaluation.

Table 1. Career planning process

Basic Step	Process
Self-Assessment	Examine personal interests, skills, values, and abilities.
Opportunity Exploration	Seek information on available job opportunities from family, friends, online-job-boards, and job fairs. Examine the skills and abilities required.
Goal Setting/Reality Checking	Decide which job/occupational opportunities fit both personal interests and skills/abilities. Set specific target job objectives for a defined time period.
Action Planning	Outline all steps needed to reach a specific career goal—formal training, internships, job search strategy development, network building, further career exploration, etc.
Evaluation	Review progress on steps in the action plan, realism of goals, and accuracy/currency of self-assessment. Revise career plan based on new information.

A meeting of needs without compromising the ability of future generations to meet their own needs defined as sustainability. The motivations behind sustainability are often complex, personal and diverse. Sustainability has 3 pillars (economic, environment, and society), which shared by many individuals and organizations (University of Alberta, 2012). these value demonstrated in their policies, everyday activities and behaviors. A major role in developing current environmental and social circumstances is coming from the individual itself.

CONCEPTUAL FRAMEWORK

Integration succession and career planning model introduced by Rothwell was used in this research, the platform of integrating succession and career planning is formulated in order to strengthen and sustain quality of leaders. The complete processes from employee, employer, and HR practices, as illustrated in **Figure 3**, were considered in selecting framework model for the research.

First stage is determining when succession and career planning are appropriate strategies. The development of internal staff can be performed systematically and appropriately using succession planning. Do not just start a program at crisis situation when manager worried losing of experienced staff as impact of dissatisfaction. Second stage is formulating the proper talent management policy, goals, roles, and accountabilities. Writing a clear policy that describes why the organization is undertaking the programs, what specific measurable goals are to be achieved from them, what roles from different stakeholder groups will play, and how stakeholder groups will be held accountable for achieving results in line with measurable goals is excellent starting point for any succession and career planning program. Crystalizing a leadership thinking is an important objective in this stage. Clarifying present job duties and employee competencies are in the third stage. Current job description is an important thing to have in order to clarify what people do. Besides, the competencies has to be clarified to know what kind of people should do the work and have a successful job performance (Rothwell et al, 2015).

Figure 3. Integration cycle of succession and career planning



Fourth stage is managing and measuring performance. Holding people accountable for what their job descriptions, and competency models at their current levels of responsibility are essential in performance management system. The best performance management system measure individuals based on results and behaviors. Fifth stage is recruiting and selecting talent to meet present and future needs. It is about recruiting and selecting talent from inside and outside the organization. Sixth stage is aligning future job duties and employee competencies with organizational strategy. Acceleration pools attempted in more and more organizations to expedite talent development which referring job description and competency models. What people will do and what kind of people will be needed in the future to implement the organization’s strategy successfully must be understand very well within organization.

Seventh stage is assessing individual potential for promotion. Assessing potential for promotion to the next level or beyond can use many approaches (Rothwell, Stopper, Zaballero, 2015) such as global manager ratings, manager ratings with criteria, 360-degree assessments, assessment centers, psychological tests, portfolio assessment, step-up assignments, internal or external rotations, and realistic job preview.

Narrowing developmental gaps through individual development plans and actions are written in eighth stage. When individuals are objectively rated against the work expectations and competencies/behaviors necessary for higher-level responsibility, a development gap will be exist. Individual development plans (IDP’s) is usually used in many organizations to pinpoint developmental strategies to close the gaps. Ninth stage is retaining talent and transfer knowledge. The least developed of succession or talent management strategy is defined as talent retention. Retaining institutional memory and proprietary knowledge are the main consideration on knowledge transfer that can be lost when experienced employees depart organizations for any reasons, including retirement.

The last stage of the process is evaluating program results compared to goals. Both strategic and tactical models required by organizations to guide the integration of succession and career planning programs. Tactical models guide managers on what they should do every day while strategic models focus on the big picture.

METHOD OF DATA COLLECTION

The research process begins with problem identification on how authors analyze current business issue and correlates to the topic about human resource practices, especially on succession and talent management. Next process is diagnosing the problem through several steps: literature review, model selection, establishing questionnaire according to the suitable framework model, data collection, and data analysis.

In populating the data for research analysis, a questionnaire was established and analyzed by quantitative approach using self-assessment methodology. Slovin's formula is used, which allows sampling the population with a desired degree of accuracy (Stephanie, 2013). In this research, the formula will calculate the available sample to an error tolerance. The Slovin's formula is written as follows:

$$n = \frac{N}{1 + Ne^2}$$

Where, n= Number of samples or sample size, N= Total population, e= Error tolerance.

Qualitative approach afterwards is used to offer an alternative solutions of the identified issues based on data analysis of previous process along with further implementation plan. The last stage demonstrates a feasible solutions with reasonable implementation plan.

DATA ANALYSIS

A 15 concerns were given to all participants in conjunction of HR and line leaders collaboration especially in succession and career planning through questionnaire. Most of participant has experience more than 10 years (92.9%) with first working experience not with the subjected company (71.4%). On the other hand, around 7.1% of population have been working in current role for more than 10 years, 14.3% between 5-10 years, with the rest around 78.6% for less than 5 years. Participants from various PSL were identified and gave a feedback, resulted confidence level of research over 75%. Rating sheet listed in **Table 2** is also prepared to compare organization implementation against best practices in integrating succession and career planning program.

Table 2. List of concern with rating system

No	Items	Rating			
		Strongly Disagree	Disagree	Agree	Strongly Agree
1	You are not worried about the loss of experienced staff	1	2	3	4
2	I understand company's succession and career planning program	1	2	3	4
3	Present daily work is supported by current competencies	1	2	3	4
4	Competencies require for all level	1	2	3	4
5	My performance is measured by result and behavior	1	2	3	4
6	You comply to the company's code of conduct and values	1	2	3	4
7	My company is offering job posting to fill vacant position	1	2	3	4
8	My company filled the vacant position by using internal and external resources	1	2	3	4
9	I know company's strategy very well	1	2	3	4
10	My job description and competency are aligned with company's strategy	1	2	3	4
11	My company is assessing a talent based on competencies and behaviors	1	2	3	4

12	I have good exposure to various work experiences and challenging environments	1	2	3	4
13	I have a good relationship with my superior	1	2	3	4
14	I have a competitive salary in the market	1	2	3	4
15	Transfer knowledge is effectively applied in my company	1	2	3	4

Table 3. Rating system for research of integrating succession and career program

SCORE	DESCRIPTION
46-60	Congratulations. Your organization is closely aligned to best practices
31-45	Your organization is on the right path. Focus on improving items with lower scores
16-30	Your organization is far from best practice. Consider improvements.
15	Your organization is far below average. Take steps to improve your organization's commitment to preparing bench strength.

ANALYSIS OF BUSINESS SITUATION

Overall, the leaders understand company’s succession and career planning program. Job duties and worker competencies were well applied and in place with organizational strategy. Performance management along with development planning within organization were also applied well. Refer to **Table 3**, the company indicates average score of 45 which means company identified on the right path. However, couple of concerns need a focus on improving.

Figure 4. Employee Value Proposition

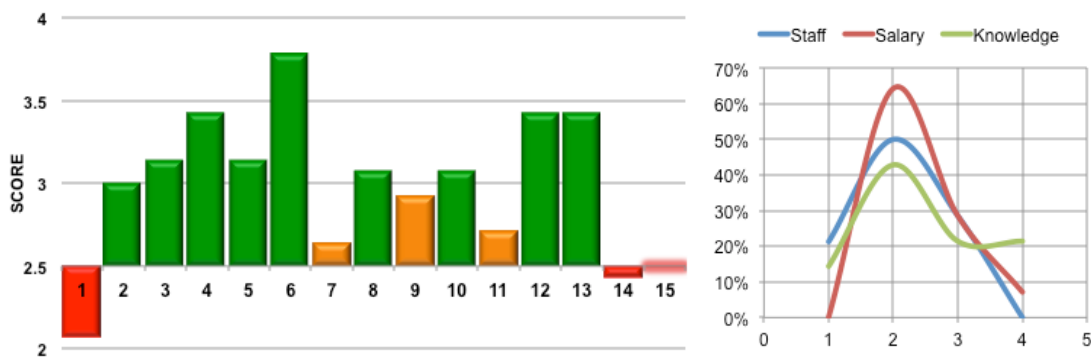


Figure 4 (left) presented a summary of research result in order to visualize the questionnaire result, where x-axis is question number and y-axis is individual score. Score of 2.5 as median was used as a cut off for good and bad sector. Improvements will be focused on items with score less than 2.5. Three items indicated scores below cut off, which are about worriedness on losing experience staff with score of 2.07, salary competitiveness in the market with score of 2.43, and transfer knowledge with score of 2.50. The most bottom sector is also validated by a good probability distribution of scoring result as presented in right picture of **Figure 4**.

RESULTS AND DISCUSSION

An approach to offer as a problem solver in retaining experience staff and perception on salary uncompetitive in the market is focusing on strengthening employee attraction, retention and engagement through a superior employee value proposition (EVP). It is different with simply measuring employee satisfaction. A function of not just what they get, but what they pay for what they get for employees, as for customers is a value of EVP (Stewart et. al., 2013). Only weakly associated with outcomes such as

employee engagement and turnover exists in employee satisfaction. Only a half the equation on what employees get that existed in employee satisfaction measures.

The predictive power relative to outcomes such as employee turnover and employee extra effort can be in contrast can be delivered twice by research on measuring both what employees get and what they pay for what they get such as hours, time away from home, stress. Consequently attracting, retaining and engaging talent construct a superior employee value proposition. Most of employees care about: Leaders, Company, Job and Rewards captured as four categories of “benefits” in EVP frameworks (illustrated in **Figure 5**).

Figure 5. Employee Value Proposition



Leadership. The single most powerful feature in motivating and keeping employees are the expected strong leadership by several studies. The impact feels not only the success of the company but also the quality of the work environment in the case of poor leadership. People care about the company’s ability to develop leaders and people also do care about the quality of leadership, including themselves eventually. Based on a leadership survey, the best in class companies will need leaders with a much stronger customer focus, global expertise, a capacity to manage huge complexity while driving innovation and collaboration. Indeed, capacities such as the ability to lead diverse and inclusive team think strategically, balance social responsibility, and purpose while meeting financial expectations and driving cultural change are the qualities organizations to attract and develop key employees over the next several decades.

Leveraging the best practices, such as defining future, attracting talent, selecting people with right skills, developing members, engaging, and deploying talent and high potential, have the greatest impact on the performance of the team and ensure a sustainable flow of experienced employee and qualified talent to meet future business needs. Integrated talent management strategy includes leadership development and the succession management process. A consistent and sustainable way to identify and accelerate the development of key leadership talent within the company can be resulted in this case.

Company and Job. Reputation, values, culture and its contributions to the world and the community encompassed everything about the company. Employees might be willing to work longer hours or for less compensation for a company with stronger corporate values or a better reputation. Many of the day-to-day aspects of a job are involved. In particular, this emphasis on how much autonomy, challenge in the job, freedom, and growth.

Reputation and brand equity are paramount in the new war for talent as organizations with superior brand relevance and positive reputations will attract higher-quality talent pools. Candidates want to be part of the brands they love (Sovian and Collins, 2003). Winners will be determined by how well the job seekers connect with the brand and an organization’s reputation. Effective talent acquisition teams focus on building the quality of their talent pools, not the size of the pool. Organizations also understand the importance of ensuring that the employment brand is closely aligned with organizational brand in terms of messaging and that it supports the rational and emotional aspects of the overall brand identity. The employment brand creates the same influence and appeal for current and prospective employees who are drawn to an incorporate employee experience that places mission, vision, and values over profit. A strong employment brand is attracting the type of individuals who will likely succeed in the work environment, repels those who will not and is closely aligned with the organizational brand identity.

Rewards. Wages and benefits are the most people think of, when talk about employee compensation. However, keep in mind, intangibles such as career prospects, development opportunities and social contact with co-workers, compensation or rewards also included. Reward programs are integrated with business, human resources strategies and management processes in order to

focus efforts, maximize returns, and build shareholder value. The primary objectives of compensation programs are to provide market competitive pay structures to enable attracting and retaining talent that is right for the business, motivate employees to perform in ways that support company's business strategy and goals, provide a consistent framework for rewards across the company while allowing flexibility to vary programs based on organization and geographic differences, clearly communicate to employees what is expected of them (behavior) and what they can expect in return (rewards).

Typically there are four perspectives and organization should seek to understand when it wants to identify rewards strategies that will be meaningful to employees while aligning with the broader business strategy: employer, employee, internal cost, and external perspective. Each of four perspectives will provide insight into the potential success of the total rewards program, but it is the combination of these perspectives that will provide the direction for an organization to make decisions related to the elements within the total rewards package.

TRANSFER KNOWLEDGE

Increasing productivity, creating competitive advantage, and ultimately improving profits are effective utilization of knowledge. Transfer knowledge has always a difficult challenge to apply in efficient manner.

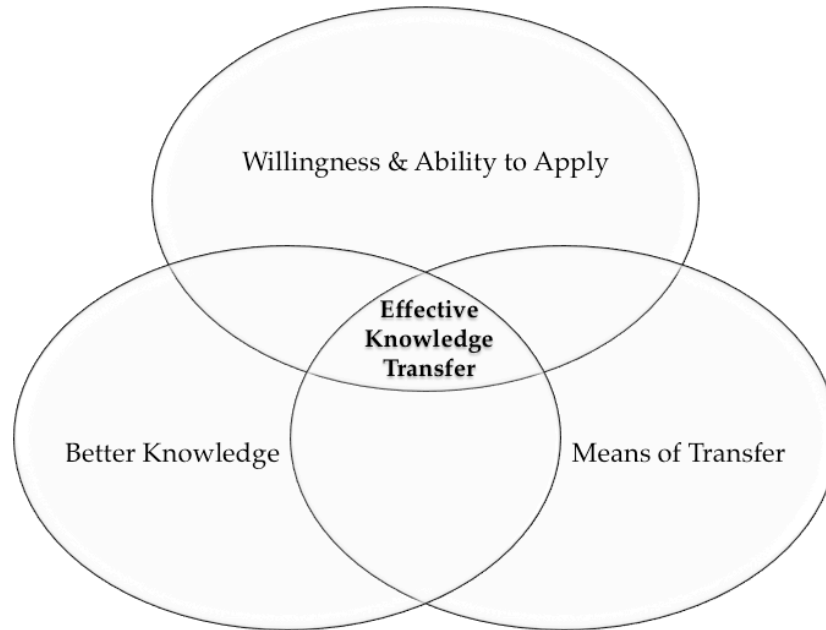
The attitudes, cumulative experiences, and developed skills are factors in knowledge that enable personnel to consistently, systematically, and effectively perform a function. Knowledge goes beyond information and data, focusing more on subtleties such as forming attitudes, understanding meaning, interpreting circumstances, and realistic application to different situations. The success of organization is sometimes hypnotically assumed less important than knowledgeable people. The goal of knowledge transfer is to enable new, less experienced and/or less effective personnel to understand and use another person's knowledge in ways that significantly improve productivity. This causes them to be effective much faster and to levels only attained by the experienced top performers.

Transferring useful and important knowledge to improve company performance require at least three conditions (Seidman, 2005), as illustrated in **Figure 6**.

1. The available knowledge to transfer that is sufficiently better than the user's existing knowledge.
2. A means of transmitting from the holder, or source, to not just one, but many recipients, or consumers.
3. Both willingness and ability to use this better knowledge, both immediately and over the long-term are consumers' must have

Form of informal coaching experience, which is commonly referred to as on-the-job-training (OJT) is the most suitable approaches for knowledge transfer in current economic conditions. When a less knowledgeable person work with someone more experienced, that is a mean of OJT. On other form, the person who have better personal knowledge of how to perform a function, physically models how to perform the function, and/or observes the less experience person performing the function and critiques their performance verbally conveyed.

Figure 6. Conditions required for knowledge transfer



CONCLUSIONS

Succession and career planning program should be synergized to meet employer business objectives and employees needs. Succession planning begins with task and skill analysis and the grouping of jobs into ladders, involving a broader development and a wider look at the organization. Succession planning requires the preparation of multiple candidates for multiple jobs. Planning must include foreseen as well as unexpected job openings.

As a result of research, the company considered having a good implementation of succession and career planning program. However, couples of concern identified on talented or experienced employees, compensations, and transfer knowledge. The worries of losing experienced staffs and concern of compensations are tackled by implementing employee value proposition (EVP) through employment brand and better total rewards program. Meanwhile, on the job training program is offered as a proposal to transfer knowledge issue. The initiative in transfer knowledge could establish a positive impact in EVP program to minimize worries of losing experienced staff.

Good implementation of succession and career planning could sustained and bring positive impact not only to employer but also to employees especially in unpredicted business environment. This research showcases a typical problem in product and service providers at energy industry, also operator at broader especially during business recession. Hence, the solution and implementation are applicable in all type of business in oil and gas, or energy sector.

This study demonstrates a company where succession and career planning program is implemented in systematic basis, however several improvement still can be performed. HR and leaders have a big role on evaluating and sustaining the high-quality execution of the programs and, in the end of the day, to produce as big impact as possible on the company's financial aspect.

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