

# RESTRUCTURING IN THE OIL AND GAS INDUSTRY: IMPLICATIONS FOR HR PRACTITIONERS

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## Abstract

Management of people and organizations requires some specialist attributes. In managing these vital resources, there has to be a distinctive philosophy of providing and enhancing people-oriented organizational programmes. Restructuring is one of such activities or programmes. This activity is essentially designed to reconstruct or reorganize the structure of the business activities to suit objectives, purpose as well as circumstances of the job. Oil and gas industry is a potential sector of the business environment that is more prone to constant but periodic restructuring due to its dynamics. This Paper explores the structure and work environment in some oil and gas industry in attempts to reorganize or restructure them. These attempts are highlighted with implications for organizations' employees, stakeholders as well as the HR Practitioners. An insight into the restructuring of PTI has been buttressed as a specific example on how the modern organizational perspectives have been put in place against the orthodox method in order to bring efficiency and effectiveness in the operational activities with resource centered HR Practitioners in focus.

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**Keywords:** Oil industry, gas industry, HR practitioners

## Introduction

The theme: *Restructuring in the Oil and Gas Industry: Implications for HR Practitioners* is an engaging discourse in the oil and gas industry and also very relevant to current happenings in Nigeria. The intricacies involved have continued to challenge Human Resources (HR) practitioners especially in the volatile business environment of oil and gas. Human Resources Management (HRM) is rather complex and wide. In broad terms, it is used

to describe the body of management activities covered in personnel management. This way, HRM becomes just a modern and corporate form of labeling “personnel Management”.

However, the term HRM also widely refers to a particular approach of managing human capital clearly distinct from personnel management. Human Resources Management goes beyond an updating of the label “personnel management” and encompasses a distinctive philosophy towards carrying out people-oriented organizational activities (Abbass, 2003). This way, HRM is held to serve the modern organization more effectively than traditional personnel management. Perhaps a clearer distinction between the traditional personnel management functions and the focus on human resources management can be seen from the table I on Personnel Management as against HRM

**Table I:** Personnel versus HRM

	Personnel Management	HRM
Time and Planning Perspective	Short term, reactive, ad hoc. Marginal	Long term, proactive strategic, integrated
Psychological contract	Compliance	Commitment
Control systems	External controls	Self-control
Employee relations Perspective	Pluralist, collective, low trust	Unitarist, individual, high trust
Preferred structures/ systems	Bureaucratic/mechanistic, centralized, formal defined roles	Organic, devolved, flexible roles
Roles	Specialist/professional	Largely integrated into line management
Evaluation criteria	Cost minimization	Maximum utilization (human asset accounting)

Source: Adapted from Torrington et'al, 2002, P.10

The Human Resources Management functions include a variety of activities. The key among these activities includes deciding what staffing needs are required and whether to use independent contractors or hire employees to fill these requirements or needs such as, recruiting and training the best employees. Others include ensuring high performers, dealing with performance issues, and ensuring personnel and management practices which conform to various regulations. HRM activities also include managing approach to employee benefits and compensation, employee records and personnel policies. In other words, the totality of the Human Resources (HR) function aims to manage people so that the people and the organization are performing at optimal capability in a highly fulfilling manner, within a highly competitive and profit-oriented environment.

### **The Concept of Restructuring in the Oil and Gas Industry**

The concept of restructuring in business has to do with reconstructing or reorganizing the structure of a business to suit new business objectives and purposes. There are three major forms of corporate restructuring: portfolio restructuring, financial restructuring and organizational restructuring. Portfolio restructuring involves changes in the configuration of lines of business of a firm through acquisition and divestiture transactions. Financial restructuring typically involves taking on high amounts of debt forcing managers to focus on core businesses, eliminate free cash flow and minimize organizational slack to ensure maximum operating efficiency. Organizational restructuring on the other hand focuses on how an organization changes its current operating procedures and practices to meet changes in the external environment, designed to retain old and attract new customers.

The last two decades witnessed an era of corporate reorganization and restructuring in the oil and gas sector. Over time, the trend had become increasingly rampant. Ready examples of corporate restructuring in the oil and gas industry include the mergers and acquisitions that brought about Exxon-Mobil, Chevron-Texaco, Total-Elfina, etc. Others were the organizational reorganizations that affected SPDC (Globalization aka SOFU), NNPC Project Pace and the PTI Upgrade project. These activities actually changed and transformed the nature and structure of the work environment in such organisations. These have also come to constitute tremendous personal cost to individuals affected and the institutions involved by the corporate reorganization and restructuring. HR practitioners must therefore begin to take stock and map out strategies of maneuvering the unwieldy and troublesome nature of such restructuring to make it cost effective, challenging and rewarding to the organizations and employees as well as all the stakeholders.

## **Restructuring: Implications for HR Practitioners**

In each of the aforementioned cases, the organizations were seeking an increase in operational efficiency and effectiveness through significant changes in organizational structure. Often this is accomplished by what HR practitioners now referred to as rightsizing i.e. human asset disposal or acquisition (Bowman and Singh, 1993: 6). The implication here is that HR practitioners must realize that such consequences especially that of downsizing often lead to disruptions in the work environment, which can affect the bonds that have developed between a worker and an organization. The allegiance between worker and organization is somewhat de-emphasized, as organizational leaders grapple with methods to deal with the uncertainty and change. The psychological contract between a worker and an organization is therefore undergoing fundamental changes that leave workers unsure of their role and place in organizational systems.

Thus, the HR practitioners must recognize that in some cases there may be viable alternatives to downsizing and must be prepared to help Management locate such alternatives and implement them. As stated, rightsizing involves layoffs; otherwise called downsizing and also new recruitment. In carrying out a downsizing exercise, HR practitioners must equally realize that although layoffs may sometimes be necessary, but it can always be done better or worse. Some of the thoughts generated by Robert T. Golembiewski (1999), a researcher in this field, on what are to be avoided and/or emphasized when carrying out a downsizing exercise are:

**(a) Avoid Secretive huddling on the Top Floor** primarily; all possible efforts should be made to avoid putting employees in the role of veritable mushrooms: kept in the dark, covered with organic matter, and perhaps waiting to be canned. All too often - indeed, almost always – the basic pre-announcement dynamics are deliberately restricted to a small elite working under conditions of secrecy and perhaps conspiracy, if not deep cover. Rather than secrecy, substantial information programs targeted to all major stakeholders especially the workers unions should be the prime vehicles supporting downsizing efforts. The rationale for this first prescription is not obscure. In the present view, secrecy is seldom maintained; above all, the rumor mills often make worse what are inherently unattractive situations. Hence, lack of knowledge can encourage the “wrong people” to leave, which leads to the irony of a recruitment programme being instituted to remedy the shortfalls created by a cutback made worse by painful silence and attempted secrecy. Let the point be put positively. Perhaps the dominant motivation of the elite secretly huddling to determine the fates of others is the fear

that any partial disclosures may result in people simply failing to work in any interim period – to stop, dead, before the target date.

Beyond this element, secrecy is often motivated by a desire to retain choices and flexibilities for the longest-possible time. However, neither research conducted nor experience gained supports this fear. In one case, however, progressive production records were set just as a long-announced termination date approached. In addition to philosophic reasons for such an approach, the practical reality is that secrecy is seldom achieved; and even if it is, rumors may very well be worse than even the most draconian realities. What is true for employees also holds for all stakeholders. The point stressed is that HR practitioners must endeavour to encourage openness in communication and involve a participatory process in any given downsizing exercise.

**(b) Enlarge the Range of Adverse Personnel Actions** Fitting personnel actions to the situation has much to recommend it. Specifically, “downsizing” usually refers to reductions in total employment, but some downsizing goals may be achieved in terms (for example) of a lowering of an organization’s job or skill profile. Consider a marketing organization that decides to reduce its managerial cadre—given reduced sales, or a desire to upgrade salesperson’s jobs. Demotion of such managers is seldom relied upon, but evidence suggests the shortsightedness of relying on only dismissal or early retirement in such cases. Thus, the chance to accept demotion may be viewed as a good faith response to a job once done well enough, but no longer seen as useful. Moreover, demotion also retains a pool of possibly-promotable should the situation change.

Management lore sharply inclines to the view that demotion poses serious dangers, but evidence suggests the common viewpoint is misguided. Several iterations of a generic design reflect the real values of a choice to accept demotion (Golembiewski 1999). However, confirming evidence also comes from other sources (Hall and Isabella, 1985). The choice is no quibble. Over time, no doubt, millions of “middle managers” had been eliminated from both governments and businesses, under the simultaneous goads of sophisticated information systems as well as of the burgeoning desire to empower lower levels of organization. In this double squeeze, middle managers become expendable. In our experience, most opt to stay on when given the choice of demotion and consequent reduction in compensation packages. Performance problems seldom result, and management can gain a useful reputation for caring while retaining useful experience for improved conditions.

**(c) Learn From the Past** Organizational resources should be made available to facilitate coping with subsequent iterations of boom-and-bust cycles. In brief, success often breeds failure: in this sense, even the most efficient downsizing experience may contain the seeds of its own come-uppance, absent reasonable stewardship. And downsizing failure clearly demands learning. Those who cannot learn from their experience may be forced to repeat it. How can “learning organizations” be cultivated? We hear much of this prototype but, to illustrate only, such organizations will develop a four-featured repertoire of responses: – seeking to prevent what might happen; – defending against what seems to be happening; – reacting to what has happened; – creating slack in resources sufficient to generate a new vision keyed to the ever-unfolding future. Clearly, the fourth response is particularly salient in making proactive safeguards against success leading to failure, both before as well as after downsizing. The other three responses have their situational uses, but they poorly suit a strategy of learning from the past.

**(d) Set and Follow Standards** HR practitioners must look at all issues involved in downsizing, the rational, the objectives to be met, needed strength of workforce reasonable to keep the wheel of production going, etc and then set standards or criteria that will be adopted in disposing the excess baggage without hurting the business. If for instance as in the case of NNPC’s Project Pace which aims primarily on laying off the ageing workforce while injecting fresh blood into the system, HR officers must set the standards to follow in achieving this: useful questions must be asked; such as:

- (i) Is age the only relevant criterion for lay off?
- (ii) Will past performances and competencies be evaluated?
- (iii) What of bad records? Should a staff that has severe bad record be left at work just because he is 40 years while a 55 year old valuable staff of tremendous asset to the organization is laid-off?
- (iv) Are medical records going to be examined to ascertain those staff whose medical status are no longer helpful to achieving quality and maximum output, etc?

Examining all the factors will help the HR practitioner to arrive at the necessary criteria to be adopted in deciding on which worker to be dropped or who to retain. Having set the standards, these standards must strictly be followed and seen to be followed. Any deviation will send the wrong signals and will cause upheavals in relationships between management and the organization’s relevant stakeholders especially the labour unions.

**(e) Involve the Stakeholders** We have already discussed the imperative of avoiding taking decisions in secret over downsizing. Related is the need to collaborate closely with the relevant stakeholders of the organization especially the in-house trade unions in working out modalities of carrying out a hitch free exercise. They must be carried along on the various issues of concern. The argument that cutting the workforce is basically a management function is not altogether plausible. Though the decision is a management prerogative, the decision process must involve the stakeholders to sustain industrial harmony.

**(f) Align Process With Legal Imperatives** Downsizing has to take cognizance of legal contracts guiding the employer and the employees. Such matters as compensation rights and entitlements should be secured. It should be seen that other social contract requirements between the worker and the employer have been duly observed and followed during the disengagement process. It is the responsibility of HR practitioners to ensure organizational compliance with this important requirement. HR practice has also gone beyond the process of effecting cut in staff strength as and when the need arises to preparing staff for such inevitable changes in life. Organizations that are deemed to be employee friendly prepare their workers for post retirement life. Such preparations take usually the form of seminars, workshops and re-skilling development. These preparations help the staff concerned to fit into and be useful in the larger society after the leaving the organization. The act of getting this done is solely an HR function. HR practitioners may therefore wish to take cognizance of the enormous goodwill that this service garners for the organization and the empowerment value, which it renders to employees.

**(g) Rightsizing, Not Just Downsizing** As has been stated earlier, rightsizing is not just about downsizing. There is the element of inter-departmental postings, using the extra hands in a bloated department to fill up an under staffed department. To successfully effect such organizational reshuffling and still maintain performance at maximum efficiency and capacity, the staff that are to be transferred to other units may necessarily need to be re-trained or re-skilled to perform the new roles expected of them.

Another aspect of rightsizing involves new recruitment. HR practitioners function to identify need areas for staff recruitment, competences required, and the selection procedure and processes to be undertaken to fill such vacancies. As in the case of downsizing, standards must be set and followed. Equally the selection procedure and processes should be transparent, fair and objective. Another implication of effecting new recruitment lies with

staff development. The new staff necessarily need to undergo some form of orientation and development to fit into the organization. It is the function of HR practitioners to ensure that this is carried out.

**(h) Restructuring, Not Just Rightsizing** It must be stressed that restructuring is not all about downsizing or rightsizing as the case may be. Emphasis may have been unduly laid on these factors because of the sensitive nature and the prime role that HR practitioners play in this management function. However, restructuring also involves the dynamics of successfully carrying mergers and acquisitions. The role of the HR practitioners in organizational development continues to expand and organizations depend on knowledgeable HR practitioners to play some critical roles in making a success of mergers and acquisitions. Critical roles that HR practitioners take on to achieve success in this area include initial strategy and planning, due diligence checks and analysis, and affecting the integration process.

It is therefore the role of the HR practitioners to ensure that there is an effective and efficient planning of jobs and people with a view to balancing demand against supply with the right number of employees at the right time and at the right place. Strategic and integrated motivational devices to productivity ensure job satisfaction, through job enlargement, job rotation; participation, networking and team working as well as feedback circle are essential ingredients in modeling and streamlining the HR practitioners' responsibility to duty.

### **HR Practitioner as the Change Agent During Restructuring**

Restructuring always brings about personal and emotional experience for people caught up in the events. Change management has become an important leadership skill for all managers. A good HR practitioner must see him/her self as a change agent employed by the organization to help manage change effects. He or she ought to have the compassion for the human need to cope with the shock and fear that people feel, combined with a sense of optimism, direction and mission that will help them through the often painful transition from what was to what is to be. HR Practitioners have identified three steps that need to be accomplished before the restructured organization is back on its feet:

- a. Endings - People need to understand and come to accept that the changes are real and not reversible. The old organization, the old ways are gone and won't be restored.

Something has ended...forever. It is reasonable and proper to mourn for the loss, but eventually it is necessary to move on.

- b. Transitions - There is an in-between time when you are letting go of the old and getting familiar with the new. It is a time of uncertainty and often confusion, discomfort and high stress. People may even feel incompetent until they master new tools, new skills and new roles. This is the wilderness through which managers have such a critical role of leadership if the new organization is to take hold and prosper.
- c. New Beginnings - As people come to accept and master their new roles, the structure of the organization begins to gel and once again a routine and sense of "normalcy" begin to become apparent. The old ways fade into memory and the new ways become the expectation. People feel competent and confident again. Productivity increases as people focus on the job at hand rather than dwelling on personal anxieties. In today's business environment...change is the norm, not the exception.

### **The Restructuring of the PTI**

The Petroleum Training Institute (PTI), Effurun-Warri, Nigeria was established by Act No. 37 of 1972 with the objectives of providing “Courses of instruction, training and research in Petroleum Technology and to produce technicians and other skilled personnel required to run the Petroleum Industry” in Nigeria (Nigeria 1972). With the increasing growth and demand, within Nigeria and the entire West Africa sub region, for oil and gas technicians and engineers, over time, to manage the onshore and offshore oil and gas businesses, the PTI’s current disposition cannot meet such challenge. This is because “PTI’s greatest single weakness is its isolation from the networked world. It remains fastened in a time capsule from twenty years ago” (PTI Needs Analysis Report). Thus, government has strategically determined to restructure the Institute to meet these demands locally and internationally. In other words, revitalizing and equipping the PTI would accordingly ensure the continuous demand and supply of the needed skilled personnel required to run the oil and gas industry.

Hence, after a careful study of the Institute by oil and gas professionals from Aberdeen and Nigeria, the Needs Analysis of what should be done for the upgrade and restructuring were proposed, considered and finally approved for implementation designed to refocus the operations or activities of the PTI. The intention is to situate PTI within the

acceptable practice and standards of oil and gas industry obtained internationally. Thus, from training to education and learning, certification to inspection, testing to professional development and consultancy, the restructuring would ensure transfer of technology, improve skills and competences, and bring about safety practices acceptable in the global oil and gas industry. It is further pointed out that:

Capital investment alone will not achieve the goal of upgrading PTI to full International standards. The improvements will need to be sustained, proper quality assurance procedures, regular maintenance programmes will have to be established and followed, a system of continuous development and training of lecturing and administrative staff will have to be embedded (PTI Needs Analysis Report 2002).

The whole gamut of PTI restructuring under the upgrade project is therefore geared towards making the Institute fit-for-purpose and to meet the needs of the dynamic oil/gas industry in provision of basic infrastructure facilities like steady power, information technology and communication, up-to-date state-of-the-art training and learning facilities. Revitalizing the curriculum, restructuring the organs of the Institute and, perhaps most importantly, reorienting the Human Resources of the Institute to acquire needed values for the attainment of new mission and vision of the Institute. In all these, the role of the Human Resources is central and very fundamental.

The upgrade of PTI to international standard designed to revitalize it must be hinged on appropriate structure in consonance with the prevailing practice in the oil and gas sector. Thus, the Institute was restructured into new directorates of Engineering, Science, Registry/HR, Finance & Accounts and Services. Each of the Directorates has a specific strategic responsibility, target or focus. In the old structure, there existed only one Academic Directorate, called Studies. In the new structure, there are now two Directorates: Engineering and Science. The Engineering Directorate comprises Offshore and Underwater Operations, Petroleum Processing and Gas Engineering, Petroleum and Geosciences, Mechanical Engineering and Electrical/Electronic Engineering Departments. This Directorate has the strategic responsibility of research and development.

The new Directorate of Science is made up of Industrial Safety and Environmental Studies, Petroleum Marketing and Business Studies, Information Technology and General Studies. The Directorate has the strategic responsibility for the maintenance of academic quality and enhancement. As the restructuring affected all the segments of the Institute, the Registry was equally affected. It has now been restructured as Registry/Human Resources Directorate with the strategic responsibility of maintaining ethical business practices. The

Directorate has three main Departments: Academic Affairs, Human Resources Administration and Human Resources Development. However, Council Affairs remains statutorily under the office of the Registrar and Secretary to PTI Governing Council.

The Human Resources Development is made up of the following units: Appointments and Promotions, Human Resources Planning, Industrial Relations, Personnel Administration and Discipline, Staff Development and Training. The Human Resources Administration comprises Occupational Health and Safety, Pensions and Insurance, Staff Grievance and Welfare, Staff Records and Data Protection and Staff Salaries and Loans. The Academic Affairs Unit are Admissions, Examinations and Records, Academic and Physical Planning, Students Affairs and SIWES.

Whereas the former Directorate of Finance and Supplies had been restructured Finance and Accounts with strategic responsibility of strategic planning. It nonetheless consists of four Departments: Finance, Budget, Accounts and Treasury. The new Services Directorate is an amalgam of a range of services rendered in the Institute pulled from various structures of the old dispensation designed primarily to have focus, direction and responsibility in the attainment of the new mission and vision set for the Institute and in line with the restructuring of PTI. The strategic responsibility of the Services Directorate is quality management. It comprises the following Departments: Engineering and Technical Services (ETSD) Information Technology, Library Services, Services (cleaning, halls, catering and transport) procurement and Health Safety and Environment (HSE).

While the restructuring exercise took cognizance of the Governing Council, it has resituated it in its prime and apex position. However, the office of the Principal/CE was strategically restructured to give focus, directions and responsibility. Units which, after the restructuring, would directly be under the office are Audit, Security and Public Affairs. Again, the Consultancy Services Unit would be incorporated as Limited Liability Company with its Board to run the Consultancy Services for the oil and gas industry. The restructuring in PTI is gradually settling, as appropriate infrastructure are being put in place in the new structure. It should be mentioned that staff have been trained to be appropriately placed in the new structure and are further being restrained to cope with emerging issues inherent in the restructuring exercise designed to enhance academic quality and the maintenance of efficient and essential business management expected of any oil and gas industry.

## Conclusion

The challenge for human resources practitioners in the ongoing restructuring in oil and gas industry is to ensure successful implementation of the change strategies for the attainment of the organizational objectives. Central in tackling the challenge is to mobilize and inform all the stakeholders the whys, the whats and the hows of the restructuring. This is aimed at allaying fears associated to change in organizations. Involvement of the stakeholders of the organization in the implementation of the change process would also go a long way in reassuring and encouraging them to also “own” up the process and the outcome of change in the organization.

In the implementation process, the human resources practitioners also have onerous task of providing clear focus and direction to the organization while at the same time creating incentive strategies for members of the organization to adapt to the changing situation. With restructuring in the oil and gas industry, the human resources practitioners are challenged to spearhead the change, manage the change and monitor the change to ensure successful implementation and achievement of the new vision of the organization.

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