

## CHAPTER V: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

This chapter concludes based on the results found in chapter four. The main objective of this study was to investigate the role of HRM practices towards increasing social skills and labour productivity of Libyan oil and gas companies. This research starts with a comprehensive literature review on strategic HRM practices affecting labour productivity describing major transitions. This chapter supports suggests that HRM practices and social skills of managers and employees enhances labour productivity by utilising high performance work practices. The implementation of HRM practices for the managers and employees was positively and significantly related to labour productivity gains. Following the introduction, section 5.2 highlights the recapitulation of the study whereas in section 5.3, the research questions depicted in the first chapter were answered with the statistical findings of chapter four and supported by previous studies. In addition, sections 5.4 and 5.5 highlight the contribution of the thesis to the body of knowledge and managerial implications.

Section 5.6 concludes the major findings of the thesis, while section 5.7 highlights the research limitations. The study concludes with recommends for future studies in section 5.8.

## 5.2 Recapitulation of the Study

This section highlights the essence of the study by revisiting its key findings. It identifies various perspectives that is believed enhance labour productivity in the oil and gas companies of Libya. It is important for the managers and academicians to examine the key HRM practices identified towards influencing labour outcomes.

Based on the findings of the study, there is no support for the hypothesised relationship between staffing and labour productivity. How the company conduct the staffing practices including enrolment, selectivity, and socialisation was found to have no relationship with labour productivity. Staffing is the ongoing process and labour productivity is the output produced by the employees. The result is satisfied with having no relationship between them.

The second variable of HRM practices was on-the-job training, and it was hypothesised that there is a positive relationship between on-the-job training and labour productivity. Employees who receive training are more productive as compared to those not receiving. Thus, it was expected to have positive influence of on-the-job training on labour productivity for the employees working in oil and gas companies of Libya. However, the result contradicted with the theoretical assumption. This may be due to a lack of training activities experienced by the employees in their job or lack of linkage

between training and employee appraisals. The third variable of HRM practices (decentralised decisions) was having positive relationship with labour productivity. Due to high sensitivity and riskiness in the process of operations in the oil and gas companies, it is very important that the employees perform their tasks as per their supervisor's and top management requirements. Thus, the decentralised decision from top management to the employees is crucial, especially in the oil and gas sector. The fourth variable i.e. employee motivation was found to have no relation with labour productivity. Libya as a developing country and Libyan oil and gas companies contributing to the country's GDP must be able to motivate their employees by compensating based on their performance.

The finding of the study also showed that social skills played a mediating effect between HRM practices and labour productivity. The lack of social skills aggregate performance along with individual's personality. Even though the direct link between HRM practices and labour productivity was not significant, with the appropriate usage of social skills i.e. collaboration and networking, employees are able to contribute to enhance labour productivity.

Employees and managers must have good cooperative skills and work in the field as a team in order to overcome the problems and increase productivity. Furthermore, managers must consider collaboration and networking as a strategy to get the work done in an effective manner without any conflicts among the employees. Social skills was also found to have direct relationship with labour productivity. This indicates that the appropriate usage of social skills can enable the employees to improve their professional knowledge and increase the relationship with other colleagues and managers.

In addition to the factors internal to the organisation influencing the HRM processes, several factors external to the organisation affect the way HRM practices are organised. The fluid and dynamic environment of the oil and gas industry presents a particularly problematic context for effective employee resourcing. Industry wide, recent governmental initiatives within the industry's performance improvement agenda (have recognised the importance and business case for advanced HRM practices. As a response they have developed a set of toolkits to assist organisations in adopting good people management practices. These may form a useful starting point, however, being piecemeal they seem to neglect the importance of the strong relationships between the different HRM functions.

### 5.3 Review of Research Questions

There is growing evidence that HR practices are related to Organizational Performance though weakly in some cases, but little empirical attention has been paid to exploring the path through which these practices impact organizational outcomes, such as productivity and profitability. HR models are mostly based on a common underlying assumption that HR practices affect Organizational Performance through HR outcomes, like changes in their work related attitudes and behaviours which determine the extent of usage of their skills and abilities by the employees for the benefit of the organization (Wright and Nishii, 2004; Macky and Boxall, 2007).

Structural relationship between HRM practices, social skills and labour productivity was investigated and the findings were consistent with those of previous studies concerning the relationship that appeared in contemporary literature. As provided

earlier, the main issue related to enhance labour productivity is the lack of standard HR practices that decreases petroleum production. Libyan oil and gas companies struggled with many difficulties due to this issues resulting in a negative impact on productivity. In order to overcome this issue, four HRM practices constructs were operationalised in this study. In total, thirty-five questions based on HRM practices dimensions were used in this study in order to measure labour productivity that was represented with nine questions. The findings for each research question is presented as below:

*Research Question One*

*What is the relationship between HRM practices and labour productivity?*

Findings indicated that three constructs of HRM practices i.e. staffing, on-the-job training and employee motivation were not having any significant relationship with labour productivity whereas only decentralised decisions was found to have a significant relationship with labour productivity at p value of 0.042 i.e. less than 0.05. When supervisors treat employees fairly, social exchange and the reciprocity norms dictate that employees also reciprocate.

**Staffing**

Confirmatory factor analysis was examined for the construct staffing of HRM practices towards labour productivity. The result provided in Table 4.36 having standardised coefficient of -0.062 at p level of 0.233 ( $p > 0.05$ ) confirmed that there is no influence of staffing selection of HRM practices on labour productivity in the Libyan oil and gas

companies. Managers can use the findings of this study to enhance the positive attitudes of their employees, as this study proposes that positive attitudes of employees can be enhanced when their organization commits resources to human resource activities and programs (Agarwala 2003). It is implied that if a company's management supports the human resource department in continuously using innovative HR practices to develop their employees, then employees are likely to perceive a high degree of commitment and support from the organization. Moreover, this positive impression should engender more positive employee attitudes, which in turn would have an impact on employee behavior.

Eskildesn & Nussler (2000) highlighted one important factor when organization failed to prioritize the importance of staff retention which contributed to talent cost. Organizations needs to bear both direct and indirect cost when replacing the loss due to staff turnover which includes acquiring high talented replacement benchmarked with market rate salary, cost of hiring and assimilating new talent, and the indirect cost of lost productivity, customer satisfaction, loss of intellectual capital and negative effect on reputation. Therefore, organizations should pay careful attention on the importance of effective employee retention strategy in which will help them to be the market leader by sustaining the business in marketplace.

Furthermore, the findings reported may have some interesting implications for managers. First, the positive findings regarding staffing and productivity only describe that employees who are satisfied with how performance appraisal and training and development is conducted are indulge in higher commitment and have lower turnover intentions. Thus, in order to obtain such positive outcomes, organization should provide a

performance appraisal and training and development platform where employees must report satisfaction with HRM practices. Prior studies have examined the impact of individual HRM practices or combination of selective HRM practices, such as performance appraisal, training and development, and career advancement (Hemdi and Nasurdin 2006).

However, Huselid et al. (2005) mentioned that indirectly staffing selection as an important practice by HR influences labour productivity and performance. Similarly, Datta et al (2005) investigating in Greece, stated that, “staffing solution reduces labour cost and increase their productivity”. However, the finding of this research contradicts previous studies perhaps due to differences in context. Thus the real sub hypothesis between staffing and labour productivity is rejected.

### **On-the-job training**

Training is claimed as HRM practice which is viewed as an important investment for future success (Zeithmal & Bitner, 2004). Using a combination of training types may be the most effective way to increase employees’ productivity, especially as it depends on their skill, the quality of technology available, and effective management.

In addition to better productivity, organizations that emphasize employee development make a lasting impression and earn lasting loyalty. Reducing skill gaps in organisations has long been regarded a major and ongoing challenge for people working in human resources and talent management. Showing training delivers a positive, tangible effect on staff performance is increasingly required. This is particularly true among

operations and finance teams who want to see improvements and efficiencies so that productivity can be increased.

The result of confirmatory factor analysis provided in Table 4.37 indicated that there is 0.095 i.e. 9.5% influence of on-the-job training with labour productivity, but the result was not significant at p level of 0.05. Thus, the real sub hypotheses investigating the relationship between on-the-job training and labour productivity in the selected Libyan oil and gas companies was rejected. According to De Grip and Sautermann (2013), training enhances individual performance through a planned intervention where the role of training is imperative. In order to achieve organisational goals, the capacity of the employees are improved through effective on-the-job training. But the result addressed by Barrett & O'Connell (2001) found that the number of workers trained did not statistically improve labour productivity. Thus the real sub hypothesis between on-the-job training and labour productivity is rejected.

### **Decentralised Decisions**

The third variable decentralised decisions of HRM practices was hypothesised with labour productivity. The findings revealed that there is positive and significant influence of decentralised decisions on labour productivity. Decentralization is claimed to improve allocative efficiency, in the sense that the goods provided by governments in localities will be better matched to the preferences of the residents of those localities. This is sometimes known as the preference-matching argument. Second, decentralization is

argued to increase the efficiency of delivery of the oil and gas industry. Decentralization also lead to a decrease in lobbying by interest groups, which both distorts policy choice and increases waste of public funds. Here, a small number of contributions by Bardhan & Mookherjee (2003), Bordignon, Colombo, & Galmarini (2003), emphasize that the link between decentralization and lobbying is ambiguous. Indeed, under some conditions, there can be more lobbying and distortion of policy choice under decentralization, confirming the belief.

Approval from the supervisor is crucial for the employees working in the risky and challenging environment in oil and gas companies. Thus it is crucial for the employees to get the opinion from their supervisors for every small matter (Van Thuyet, Ogunlana, & Dey, 2007). Due to the challenging and dynamic environment, high velocity settings and fast action is required especially in the oil and gas sector. Further studies like mentioned that, "Top management delegates the low level management and employees for major focused decisions along with improving labour productivity" (Groves, 2005; Sahinidis & Bouris, 2008). Thus the finding of the study showing positive influence of 0.149 (14.9%) at p value of 0.042 was statistically significant with labour productivity.

### **Employee Motivation**

The fourth variable of HRM practice i.e. employee motivation investigating relationship with labour productivity showed that there is no significant relationship between them. Furthermore, theoretically the findings contradict as if the employees are highly

motivated the productivity per labour hour is likely to increase. Li & Butler (2004) noted that this can be achieved by having performance appraisal process which is characterized by autonomy support, in which employees are provided with reasons and choices for doing tasks. Moreover, participation or self-reported performance process may increase employees' satisfaction with the process.

Previous studies also mentioned that, "employees are motivated with an effective compensation and reward process that also helps to enhance productivity" (Abozed et al., 2009; Kanfer et al., 2012). Furthermore, according to Mathis (2004), competitive rewards and compensation structure improves employee retention and their work based functions. However, the result of the study found that the influence of employee motivation is not related to increase labour productivity. Thus, the sub-hypothesis investigating the relationship between employee motivation and labour productivity was rejected. Overall the main first hypotheses investigating the relationship between HRM practices and labour productivity was also rejected.

#### *Research Question Two*

*What is the relationship between HRM practices and social skills?*

The second research question focused on the relationship between HRM practices and social skills of employees in the sampled oil and gas companies. This question was crucial in relation to the lack of efficient practices on tasks in the oilfields. Increased collaboration, networking with strategic actions, and working as a team leads to perform the task faster and that eventually enhances productivity. Thus, it was important to find

the influence of HRM practices on social skills. The result provided in Table 4.39 revealed that all the dimensions of HRM practices have a significant influence on collaboration and networking of social skills. The standardised coefficient of on-the-job training had the highest beta of 0.367 at significant level of  $p$  less than 0.001 with collaboration. Similarly, decentralised decision has a beta coefficient of 0.308 at  $p$  value less than 0.001 with collaboration of social skills, followed with  $\beta = 0.216$ ,  $p < 0.001$  for staffing with collaboration and  $\beta = 0.118$ ,  $p < 0.021$  for employee motivation with collaboration.

In addition to the relationship of HRM practices with collaboration, networking of social skills also provided a result similar to that of collaboration. The highest beta coefficient was experienced between on-the-job training and networking by 0.458 at  $p < 0.001$ . However, other HRM constructs were having  $\beta = 0.201$ ,  $p < 0.001$  for decentralised decisions with networking and  $\beta = 0.156$  at  $p < 0.05$  for staffing with networking,  $\beta = 0.125$  at  $p < 0.05$  for employee motivation with networking. Previous studies like also confirmed HRM practices depends on social and technical skills of the individuals and their ingenuity (Budhwar et al., 2007; Deshopande and Golhar, 1994; Thongsennheuang, 2012).

Delaney & Huselid (1996) categorized the human resource management practices into the factors that improved employee skills, motivated and inspired the employees, and arrangement design of the workplace. They concluded that at least the following four human resource management dimensions could be acknowledged in his work, these were, employee feedback, their training and development, workplace design, and the employee

pay system (Patterson et al., 1997, 2004) while discussing impact of people management practices on business performance has argued that HR practices in selection and training influence performance by providing appropriate skills. Furthermore, Wright et al (2003) have argued that an employee will exert discretionary effort if proper performance management system is in place and is supported by compensation system linked with the performance management system. Job definition is combination of job description and job specification. It clearly outlines duties, responsibilities, working conditions and expected skills of an individual performing that job. Thus, statistically, this question and relationship was answered.

#### *Research Question Three*

*What is the relationship between social skills and labour productivity?*

Social skills cannot be understood without understanding the importance of collaboration and networking as a human experience. Furthermore, it was revealed by Tsang (2003) that uncertainty and unpredictable cannot be overcome without the understanding on the importance of collaboration and networking. The result from the statistical analysis between social skills constructs and labour productivity revealed that both collaboration and networking have robust relationship with labour productivity. The beta coefficient for collaboration with labour productivity was 0.490 at p value less than 0.001. Similarly, the beta coefficient for networking with labour productivity was 0.420 at p value less than 0.001. These significant statistics confirmed that employees working as

a team without any conflicts with their colleagues enhance their problem solving skills along with increased labour productivity.

Collaboration makes it easier to analyse problems using charts and graphs and to objectively document goal of improving performance in current and future undertakings (Rytivaara & Kershner, 2012). This skill is a necessity in oil companies since it enhances productivity and enables employees to share a common knowledge and relates their experiences in problem solving. Collaboration among employees and managers helps to develop a robust network and improve their relationships and experiences. Every employee that get compensation is based on productivity. Furthermore, mentioned that the organisational policy of the role of skills that are measured by their knowledge and capabilities as being as social good, help individuals to become more employable and attain higher earnings levels to improve productivity and performance. Furthermore, some studies have found that HRM can affect the social skills Aggarwal and Bhargava (2009); Thongsennheuang (2012), and the social skills could influence the productivity (Ashkanasy, Härtel, & Daus, 2002).

#### *Research Question Four*

*What is the mediating effect of social skills between HRM practices and labour productivity?*

The fourth and final research question investigated the mediating effect of social skills between HRM practices and labour productivity. Studies suggested social skills as mediating the relationship (Baron & Kenny, 1986; Tharenou et al., 2007). Thus, this

study utilised social skills with collaboration and networking dimensions as mediating effect between HRM practices and labour productivity. The statistical result provided in Table 4.39 revealed that the direct effect of HRM practices on labour productivity was not significant whereas the indirect effect from HRM practices to social skills and social skills to labour productivity was found to be statistically significant. Thus, after reviewing the four steps of Baron & Kenny (1986) for confirming the mediating effect, it was confirmed that the social skills have robust positive mediating effect between HRM practices and labour productivity.

Effective communication skills for the employees and managers are especially important during the initial stage of venture creation due (Zott & Huy, 2007). According to Markman & Baron (2003), social skills play an important role toward financial success. Numerous findings and proposals in the literature on HRM show that employees with social skills can affect employee performance and success. Moreover, the previous studies focused on relevance of each social skill to consequence in business and relevance to work performed by employees. HR leadership was strong and performed to the best of its ability. According to the observations of HR members across the companies did not show any major difference in terms of knowledge, skills and abilities. However, perceptions of HR functional performance varied across the four case organizations.

Employees with robust collaboration and networking skills with their colleagues and supervisor are able to gain proficient knowledge and improve their own personal skills along with enhancing labour productivity in the company.

#### 5.4 Contribution to the Body of Knowledge

As a contribution, this study is extended the HRM practices of the oil and gas companies by exploring its influence on the labour productivity. In the Libyan oil and gas industry, the existing labour productivity is set to be enhanced through a reform of the key factors concluded in this thesis. The unreliability of labour productivity is also minimised by this research with an effective usage of HRM practices and social skills of employees and managers. Firms operating in a less dynamic environment may possess lack of high performance practices and increase productivity. Development and motivation of the employees including their collaboration and networking skills are required for a highly competitive environment. These strategic practices were accepted by other studies (Datta, Guthrie, & Wright, 2003; Datta et al., 2005; Rachmi, 2013).

This research has also contributed toward enhancing the understanding of Libyan oil and gas companies and their HRM practices along with understanding their skills and abilities in the dynamic oil and gas sector. Thus, it is believed that the inclusion of collaboration and networking skills would enhance their productivity and reforming HRM practices performed by the individuals is not enough. From the findings of the study and from previous studies on the role of social skills on productivity, this study confirmed both theoretical and practical contributions for explaining the issue of labour productivity. Previous HRM studies have attempted to identify how the organisation managed components of HRM (Bowen & Ostroff, 2004; Dhiman & Mohanty, 2012). Although

these studies contributed by providing valuable information on the components of HRM practices in the organisation contexts and enhancing employee's role and working environment, the importance of collaboration and networking in the form of social skills had not been explored in the relationship between HRM practices and labour productivity. This study provides following contributions to the body of HRM practices.

First, the study reveals that in order to enhance labour productivity in the employee context, social skills are believed to influence labour productivity more than that of HRM practices. This study therefore contributes to the improvement of HRM literature by extending the views of previous studies which suggested that high commitment (Keng Boon, Arumugam, Samaun Safa, and Abu Bakar, 2007), motivation earning links connecting social skills (Duncan & Dunifon, 2012), and labour productivity leads to workforce performance (Datta et al., 2005; Delery & Shaw, 2001b).

Second, at a highly fundamental level, the HRM-social skills offers insights for managers and practitioners to increase the supply of information disclosure along with increased productivity and one's employability.

Third, this study is an effort to understand the influence of HRM practices, social skills and labour productivity by opening up a debate on the importance of HRM practices in the development of labour productivity. The importance of social skills among employees and managers need to be areas of focus rather than HRM practices alone in order to build organisational performance and labour productivity. The

combination of HRM practices and social skills can add value to organisational commitment.

### **5.5 Implication for Managerial Practice**

This research offers important insights for HRM practices by identifying the importance of social skills towards enhanced labour productivity. The main managerial implication is that the strategic role of the manager in the organisation must include social skills in order to increase the relationship between managers and employees. From the validation of the framework, all the HRM functions must be in accordance with increasing productivity to best meet organisational objectives. For instance, Schuler and Jackson (2005) stated that, “HRM practices leads to increase business capabilities”. Linking HRM practices with business issues, thinking, planning and management strategies and skills can enhance HR policies and practices, as agreed by (York, 2009).

Empirical facts support the analysis, that HRM practices can manipulate perceived organisational performance and employee performance plays a mediation role between HRM practices and perceived organisational performance. Organisations interested in their development and growth ought to adopt transparent procedures for recruitment and selection of human resource on competency basis. Similarly for creating high level of organisational commitment and company ownership with high quality service and productivity, the comprehensive training and development programs need to be arranged to update employee skills for meeting the challenges of contemporary competitiveness. Organisational performance needs appropriate employee handling so that they stay in the

company. It needs a suitable career planning system. For making effective decision-making the employees should be given adequate chances of participation in decision-making, because sometimes, employees know, what the management does not. Most of the organisations in

Libya do not see employee participation as a catalyst to better employee performance and thereby lower labor turnover. This research is indicating that it is one of the major contributory tools towards performance. Compensation is the reward for which majority of the people work.

Thus, operating in a stable and dynamic environment, managers and employees need to work as a team in order to develop new knowledge and complete tasks for effective productivity. It is crucial for the managers to understand the estimated value of labour productivity so as to identify and manage the cost and time allocation (Moselhi & Khan, 2010). Since labour productivity is changeable, the study covered several values of labour productivity which is more rational. Real primary data on the opinion of managers not only focused on the actual labour productivity but also contributed to enhance their body of knowledge in the analysis, measurement and estimation of labour productivity. Supporting the organisation with more HRM practices including social skills for qualities trained and developed employees can enhance the communication, negotiation and the process of participation.

Furthermore, the regression analysis through SEM suggested that the four HRM practices including staffing selection, on-the-job training, decentralised decisions and employee motivation along with social skills contribute significantly to labour

productivity. However, it is a debatable issue of formalising HRM practices as it might be costly, but in the future, it would add value to the organisation and its performance. Managers interested in enhancing skills among their employees can improve the growing literature on increasing labour productivity.

### **5.6 Research Limitations and Suggestions for Future Research**

In this study, the assessment of labour productivity analysis was conducted through primary data using survey questionnaires. Since the data was collected based on the opinions of managers, utilisation of field data at component level may enhance the body of knowledge for managers to evaluate labour productivity. At an organisational level, it is crucial for managers to understand different HR characteristics favouring both the firm and the employees. Thus, efforts should be undertaken with more case studies linking the relationship between managers and employees towards the importance of HRM practices for labour productivity in the oil and gas sector. Feedback that is more objective would have been recovered with the real time observation data collection method. However, this kind of method is time consuming, as there is a need to work as an observer tracking the activities of the managers towards their employees.

Future studies may incorporate real time tracking technique for the collection of data in order to improve efficiency and effective of labour productivity analysis. The survey method was only applied to confirm the influence of HRM practices and social skills on labour productivity, and the informal HRM practices have not been covered by the study and thus it may be worthwhile to quantify the effect of informal HRM practices

using a large sample. The respondents in this survey method were the managers/supervisor/top management of oil and gas companies and thus the absence of employees may limit the significance of the study results.

Numerous acts have been performed to identify the HRM practices in various sectors including oil and gas sector influencing organisational performance, and they further stressed on the importance of HRM practices towards enhancing labour productivity. A number of issues have been provided by the findings of the study that could make for further investigation. The HRM model also suggested that out of the four variables (staffing selection, on-the-job training, decentralised decisions and employee motivation), only decentralised decisions contribute directly to explain labour productivity. This study suggests that decentralised decisions lies in the strategic models and enables the HRM policies to be in force.

In future research, instead of limiting the survey to top level management, it is suggested to focus on the opinion from employees throughout the oil and gas industry and perform a comparison of the results. It is suggested for the managers to make a checklist in order to target their productivity weaknesses and attempt to fulfil such weaknesses in an effective way.

## 5.7 Conclusions

This study investigated the influence of HRM practices and social skills on enhancement of labour productivity in selected Libyan oil and gas companies. Based on the empirical findings, social skills along with decentralised decisions have a significant influence on

labour productivity except staffing selection, on-the-job training and employee motivation. This study revealed that HRM practices are more significant to increase labour productivity with the inclusion of social skills like collaboration and networking.

The analysis supports the arguments and previous studies suggesting that labour productivity is enhanced by social skills and HRM practices (Datta et al., 2005). From the findings it is evident that encouraging greater HRM practices including social skills for increasing labour productivity. Employee skills that are in line with comprehensive HRM practices offering supporting practices to training, career ladders, job security, performance appraisals and organisational support have significant influence on their productivity. The importance of collaboration and networking skills of the employees are of more importance as compared to that of HRM practices for enhancing labour productivity. Thus, it is concluded that the respondents working in the oil and gas industry of Libya must be able to manage and motivate their employees including the process of encouraging innovation. The focus on human skills as intangible assets strategically would lead to motivate the employees and yield to competitive advantage. In order to understand the relationship between HRM practices, social skills and labour productivity what has become equally important is that in the area of HRM practices, firms will be able to possess complementary internal fit for high performance structure. The HRM practices can be taken one step ahead in the process of reforms and innovation encouragement with a more dynamic motivational approach. One of the important aspects of achieving labour productivity is concentrating on human resource system practices and communication skills along with networking and collaboration system.

Organisations having transparent selection systems, adequately scheduled training programs and employee participation in decision-making are high performers. These organisations become attractive for local and foreign investors for further investment that contributes considerable growth in the economic activities in Libya. Since the social skill is contributing the mediating role between HRM practices and labor productivity, hence the motivating HRM practices can enhance their performance that increase company performance.

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