

HUMAN RESOURCE MANAGEMENT ROLE AFFECTING SUSTAINABLE MANAGEMENT: A CASE STUDY OF OIL AND GAS COMPANY IN THAILAND

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Abstract: *The objectives of the research were to study the level of sustainable management and human resource management role affecting sustainable management in an Oil and Gas Company in Thailand. The sample was 369 employees who were drawn by simple random sampling method and the data were analyzed by using statistical program. The statistics used in the research were percentage, arithmetic mean, and standard deviation. Multiple linear regression analysis was used to test the hypothesis. The results found that the level of sustainable management within the company was at high level. In addition, values and ethics, recruitment, compensation, development and engagement could affect sustainable management within the company. All independent variable could explain the variation in sustainable management at 80.8%.*

Keywords: *Human Resource Management, Sustainable Management, recruitment, development, engagement, value and ethics*

1. Introduction

A changing workforce, global competition, advances in information technology, new knowledge, an uneven recovery from the 2008 global recession, demands for sustainable organizational performance, and a host of other changes are forcing organizations to constantly examine and reevaluate how they operate. They are using new technologies, changing their structures, redesigning work, relocating their workforces, and improving work processes to respond to an increasingly demanding, unpredictable, and global competitive environment (Lawler and Worley 2011). These important changes have significant implications for how their human capital should be managed and how their human resource functions should be designed and operated. But are organizations changing their human capital management policies, practices and processes? Are they redesigning their HR functions?

Over the past decade, it has been difficult to find a management book or business magazine that does not point out how many of the changes in the business world have made human capital—people—an organization's most important asset. Human capital management has been the focus of a great deal of writing focused on finding, motivating, developing, and monitoring the right talent. The annual reports of many corporations in North America, Europe, and Australia argue that their human capital and intellectual property are their most important assets. In many organizations, compensation is one of the largest costs, if not the largest one. In service organizations, it often represents 70 to 80 percent of the total cost of doing business. Adding the costs of training and other HR management activities to compensation costs means that the HR function often has the responsibility for a very large and growing portion of an organization's total expenditures.

In most organizations, the compensation cost of human capital is not the only, or even the most, important determinant of an organization's effectiveness. Even when compensation accounts for very little of the cost of doing business, human capital has a

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significant impact on the performance of most organizations (Cascio 2000; Cascio and Boudreau 2011). In essence, without effective human capital, organizations are likely to have little or no revenue. Even the most automated production facilities require skilled, motivated employees to operate them. Knowledge work organizations depend on employees to develop, use, and manage their most important asset, knowledge. Thus, although human capital does not appear on the balance sheet of corporations, it represents an increasingly large percentage of many organizations' market valuation (Lev 2001; Huselid, Becker, and Beatty 2005).

In an increasing number of organizations, having the best talent and talent management processes can be a continuous, difference-making source of competitive advantage. It can make companies more innovative and agile, better able to develop superior products and customer knowledge, and offer superior services (Worley, Williams, and Lawler, 2014).

The future of corporations increasingly depends on their addressing the social and environmental challenges that affect their economic activity. Corporate social and environmental responsibilities need to shift from being a peripheral add-on focus and risk-avoidance activity to being integrated into how companies operate and into their business strategies (Mohrman and Lawler 2014).

Society is increasingly demanding that corporations develop sustainably and operate in ways that meet the needs of the present, without compromising the ability of future generations to meet their needs. This definition of sustainable performance was originally articulated in a 1987 United Nations report, *Our Common Future* (Brundtland 1987), and has become the dominant definition of sustainability.

Leading companies have made strides in embedding the triple bottom line of

financial, environmental, and social sustainability in their operating and reporting practices. However, it is not clear how many companies have fully incorporated social and environmental responsibility into their business strategy, financial decision making, performance goals, reward systems, or employment processes (Mohrman and Lawler 2014).

Companies are finding that corporate social responsibility is now a major factor in being able to attract, hire, and retain top talent. Some organizations have created an employer brand that addresses this need and are providing employees with meaningful ways to participate in the transition to sustainability. HR functions can play a major role in implementing corporate sustainability by building it into HR strategy, policy, and practices. They also can help organizations manage the changes that are required in order for them to be sustainably effective. Human resource professionals can play a central role in change management, culture change, organizational design, and competency building, all of which are critical components of a sustainable business strategy.

In many respects, sustainability is not new turf for HR. It has always been active in organizations' community and charitable activities. HR has also had a major role in determining and assessing how its organization's employees are treated, a key part of an organization's social sustainability.

From the above articles, human resource management has importance in the company and affecting to the sustainability of the company significantly. Researcher is interested in studying human resource management role affecting sustainable management in oil and gas company in Thailand that make the company has sustainability and continuous development.

2. Research Objectives

- To study the level of sustainable management in an Oil and Gas Company in Thailand.
- To study the human resource management role affecting sustainable management in an Oil and Gas Company in Thailand.

3. Hypothesis

Human resource management role in term of Values and Ethics, Recruitment, Compensation, Well-being, Development and Engagement affect Sustainable management in an Oil and Gas Company in Thailand.

4. Conceptual framework There are two major variables in the conceptual framework. Independent variables are derived from HRM's Role in Corporate Social and Environmental Sustainability (2012) and dependent variable is sustainable management in an oil and gas company. The conceptual framework is shown in figure 1

Independent Variable

Dependent Variable

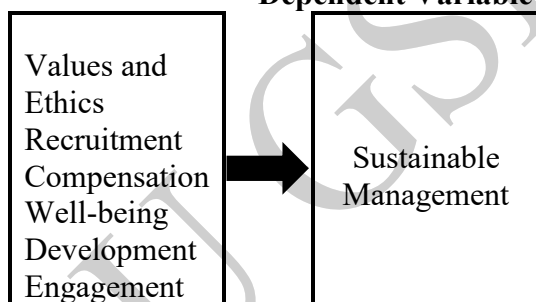


Figure 1: The conceptual framework

5. Scope of research

Within this research study the researchers focused on overall of employees who worked in oil and gas company in Thailand.

5.1 Populations and sample

The population in this research were 4,662 employees who worked in an oil and gas company in Thailand. The sample size was

369 employees who were drawn by simple random sampling method

5.2 Research Design

Researcher have determined the independent variable and the dependent variables

5.2.1 Independent Variable is human resource management role which consist of Values and Ethics, Recruitment, Compensation, Well-being, Development and Engagement

5.2.2 Dependent Variable is Sustainable Management

5.2.3 Period March 2016 – April 2016

6. Research Methodology

The research instrument used in this study was questionnaire, which related to human resource management and sustainable management.

The researcher used 5 point Likert Scale to ask respondents rate the level of each variables according to their opinion

7. Data analysis

The researcher analysed the data by using statistical programme:

The data were analysed using percentage, arithmetic mean and standard deviation, Multiple linear regression analysis was used for hypothesis testing.

8. Result

Table 1: Personal factors.

| Personal factors | Frequenc y | Percentag e |
|-------------------|---------------|----------------|
| Gender | | |
| Male | 218 | 59.1 |
| Female | 151 | 40.9 |
| Total | 369 | 100.0 |
| Age (year) | | |
| 21 - 30 | 154 | 41.7 |
| 31 - 40 | 170 | 46.1 |
| 41 – 50 | 30 | 8.1 |
| >50 | 15 | 4.1 |
| Total | 369 | 100.0 |
| Education | | |
| | 4 | 1.1 |
| | 24 | 6.5 |

| | | |
|--|------------|--------------|
| High School/Vocational Diploma/High Vocational Bachelor's degree | 130 | 35.2 |
| Master's degree | 208 | 56.4 |
| Doctor's degree | 3 | 0.8 |
| Total | 369 | 100.0 |
| Experience (year) | | |
| ≤ 5 | 150 | 40.7 |
| >5 - 10 | 118 | 32.0 |
| >10 – 15 | 47 | 12.7 |
| >15 – 20 | 22 | 6.0 |
| >20 | 42 | 8.6 |
| Total | 369 | 100.0 |

According to the Table 1: It is found that the majority of the employees in an oil and gas company in Thailand is male who graduated in master's degree. They are 31-40 years old and have less than 5 years experience in the company.

Table 2: Mean (\bar{X}) and standard deviation (S.D) and level in Sustainable Management of Oil and Gas Company in Thailand.

| Sustainable Management | \bar{X} | S.D. | Level | Order |
|---------------------------------|-----------|-------|-------|-------|
| Organizational Governance | 4.156 | 0.590 | High | 8 |
| Human Rights | 4.003 | 0.672 | High | 5 |
| People | 4.003 | 0.672 | High | 4 |
| Safety, Health, and Environment | 4.354 | 0.524 | High | 7 |
| Fair Operating Practices | 4.271 | 0.551 | High | 3 |
| Corporate Citizenship | 4.289 | 0.566 | High | 6 |

| | | | | |
|---|--------------|--------------|-------------|--|
| Supply Chain Management | 4.303 | 0.507 | High | |
| Product Stewardship | 4.201 | 0.588 | High | |
| Reporting and Reputation Stakeholder Engagement | 4.215 | 0.466 | High | |
| Overall | 4.215 | 0.466 | High | |

According to the table 2: The results found that the level of sustainable management within the oil and gas company was at high level.

Product Stewardship was in high level which was in the first rank at $\bar{X} = 4.355$ and S.D. = 0.551, and the next rank are Safety, Health, and Environment ($\bar{X} = 4.354$ and S.D. = 0.524), Reporting and Reputation ($\bar{X} = 4.303$ and S.D. = 0.507), Corporate Citizenship ($\bar{X} = 4.289$ and S.D. = 0.566), Fair Operating Practices ($\bar{X} = 4.271$ and S.D. = 0.551), Stakeholder Engagement ($\bar{X} = 4.201$ and S.D. = 0.588), Supply Chain Management ($\bar{X} = 4.166$ and S.D. = 0.534), Organizational Governance ($\bar{X} = 4.156$ and S.D. = 0.590), Human Right ($\bar{X} = 4.053$ and S.D. = 0.590) and People ($\bar{X} = 4.003$ and S.D. = 0.672).

Table 3: Mean, Standard deviation (S.D.) and level of Human Resource Management Role in an Oil and Gas Company in Thailand.

| Human Resource Management | \bar{X} | S.D. | Level | Order |
|---------------------------|-----------|-------|-------|-------|
| Values and Ethics | 4.185 | 0.502 | High | 2 |
| Recruitment | 4.028 | 0.567 | High | 4 |
| Compensation | 4.087 | 0.664 | High | 3 |

| | | | | |
|-----------------|-----------|-----------|----------|---|
| Well-being | 4.22 1 | 0.56 5 | Hig h | 1 |
| Developme nt | 4.01 4 | 0.67 8 | Hig h | 5 |
| Engagemen t | 3.99 7 | 0.64 5 | Hig h | 6 |
| Overall | 4.08 9 | 0.50 4 | Hig h | |

According to the table 3: The results found that the level of Human Resource Management Role in an Oil and gas company was at high level

Well-being was in the high level which was in the first rank at $\bar{X} = 4.221$ and S.D. = 0.565, and the next rank are values and ethics ($\bar{X} = 4.185$, S.D. = 0.502), compensation ($\bar{X} = 4.087$, S.D. = 0.664), recruitment ($\bar{X} = 4.028$, S.D. = 0.502), development ($\bar{X} = 4.014$, S.D. = 0.678), Engagement ($\bar{X} = 3.997$, S.D. = 0.645), respectively.

Table 4: Multiple Linear Regression of Human Resource Management affecting Sustainable Management

| Human Resource Management Role | b_j | t | p-value |
|--------------------------------|-------|--------|---------|
| Constant | 1.024 | 10.488 | 0.000* |
| Values and Ethics | 0.137 | 4.001 | 0.000* |
| Recruitment | 0.104 | 3.874 | 0.000* |
| Compensation | 0.048 | 2.101 | 0.036* |
| Well-being | 0.036 | 1.171 | 0.242 |
| Development | 0.195 | 7.670 | 0.000* |
| Engagement | 0.267 | 8.282 | 0.000* |

R = 0.899; R² = 0.808; F = 253.701; p-value = 0.000**

Remark * P-value ≤ 0.01
** P-value ≤ 0.05

According to the table 4: it is found that F = 253.701, p-value = 0.000 (less than 0.01),

R² = 0.808, this can explain that all independent variables could explain the variation of sustainable management at 80.8%. Engagement has most influence on the sustainable management (b₆ = 0.267), followed by Development (b₅ = 0.195), Values and Ethics (b₁ = 0.137) , Recruitment (b₂ = 0.104) , and Compensation (b₃ = 0.048), respectively. In addition, Well-being has no influence on the sustainable management (b₄ = 0.036).

9. Conclusions

9.1 Sustainable management within Oil and Gas Company in Thailand

The results of this research showed that oil and gas companies in Thailand had a high level of sustainable management. Sustainable management in a company was extremely important, particularly in Product Stewardship which need to focus heavily on the issue of customers need and responsibility for society and environment. This is consistent from concept of The International Council of Chemical Associations (2007) that Sustainable products provide environmental, social and economic benefits while respecting public health, welfare, and environment over their full life cycle, from the extraction of raw materials to final disposal. Sound product and process management practices are crucial to make this happen.

Besides, the sustainable management was significant to the managing of safety, health and environment within the company. It measured that the company could effectively manage security, safety, health and environment. The standard procedures of a company could protect employees from unexpected accidents and injuries. In addition, consistently measuring the risk of environment and safety was able to protect employees from illness and other health issues. As a result, healthy employees could work effectively and efficiently to gain high productivity. This is consistent to C. Stephan (2012) that EHS management has two general objectives: prevention of incidents or accidents that might result from

abnormal operating conditions on the one hand and reduction of adverse effects that result from normal operating conditions on the other hand.

9.2 Human resource management role affecting sustainable management within Oil and Gas Company in Thailand

The results of this research showed that engagement affected on sustainable management due to employees were proud of being an employee of this company. The company saw the important of employees' welfare and took a good care of them. As a result, employees had a feeling of being part of the company. They were loyal to the company and willing to work hard for it. Johnson M (2004) mentioned that employee engagement as 'the degree to which employees are satisfied with their jobs, feel valued, and experience collaboration and trust. Engaged employees will stay with the company longer and continually find smarter, more effective ways to add value to the organization. The end result is a high performing company where people are flourishing and productivity is increased and sustained'. Additionally, development also affected to sustainable management. Due to company provided effective training in order to develop employees' knowledges, attitude, experiences and other important skills. Employees would be trained consistently so that they could be productive employees who were more likely to have high job performance. So, the results of the focusing on developing employees would make the company sustainable. According to the concept of training and development of Kashmir Observer (2016), training and development is a function of human resource management concerned with organizational activity aimed at better the performance of individuals and groups in organizational settings. Training and development can also be described as 'an educational process which involves the sharpening of skills, concepts, changing of

attitude and gaining more knowledge to enhance the performance of employees

The values and ethics within company affected to the sustainable management as well because of the difference of beliefs, culture, and behavior of each individual. If the company had a good values and ethics, it could direct every employee to the same direction. Therefore, the company could thrive rapidly and constantly. Santrock, J.W. (2007) stated that value clarification consists of "helping people clarify what their lives are for and what is worth working for. It encourages students to define their own values and to understand others' values Recruiting employees was an important activity for a company. The company had to select the right employee for the right position. The selecting process would be fair by selecting based on the ability of individual. If the company had an effective recruiting process, it could get a suitable and qualified employees that would support the sustainable management of the company in the future. Schuler, Randall S (1987) illustrated that recruitment is described as "the set of activities and processes used to legally obtain a sufficient number of qualified people at the right place and time so that the people and the organization can select each other in their own best short and long term interests".

In Compensation, it is affecting to employees in motivation on work to excellence and making employee will working for the company, forever. We could bring compensation system such as rewarding, promoting, bonus and etc. applied in the company that makes employee work on our business strategy. Lawler (2000) indicated that heavily emphasis the need to reward employees according to the value they bring to the organization. An organization that profits from an employee's performance should share its success with that employee. Employees who bring value to the company. These competencies require that employees not only have the abilities and resource, but

must be autonomously motivated to use them.

Although the level of the well-being was high, yet it did not affect to the sustainable management of the company. The reasons were that the company might create a friendly environment in the workplace or enhance both physical and mental health to employees so that they could work happily. This was like the company provided personal benefit for employees, so that well-being did not create sustainability for a company. Diener & Suh (1997) described that the subjective well-being consists of three interrelated components: life satisfaction, pleasant affect, and unpleasant affect. Affect refers to pleasant and unpleasant moods and emotions, whereas life satisfaction refers to a cognitive sense of satisfaction with life. However, the company should maintain level of providing well-being for employees.

10. Recommendation

The Company should contribute Human Resource Management Role, particularly in the term of engagement and development. In terms of engagement that is key to motivate employees to work more efficiently. This engagement will significantly affect the company's performance. M. Sandhya Sridevi and Solomon Markos (2010) stated in *The Key to Improving Performance* that studies have found positive relationship between employee engagement and organizational performance outcomes: employee retention, productivity, profitability, customer loyalty and safety. Researches also indicate that the more engaged employees are, the more likely their employer is to exceed the industry average in its revenue growth. Employee engagement is found to be higher in double-digit growth companies. Research also indicates that engagement is positively related to customer satisfaction. If the company has high Engagement, the company will be sustainable. The company should provide employee's performance development program

individually, thoroughly, and continuously. Explicit career paths shall be identified and transferring employees between business units shall be allowable in order to encourage employees to realize the importance of each business function and progression. As a result, employees will be convinced for self-development and working through their highest capability. Finally, it leads to overall company's development and sustainability because above at all, human resources are the most rewarding capital who drives company's accomplishment.

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