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**THE RELATIONSHIP BETWEEN INTERNAL ORGANIZATIONAL
ENVIRONMENT AND INTENTION TO LEAVE AMONG
EMPLOYEES IN THE OIL AND GAS-BASED
ORGANIZATIONS**

MOHAMMAD A. AL-RABIAH

**A Thesis Submitted to Asia e University in
Fulfilment of Requirements for the
Degree of Doctor of Philosophy**

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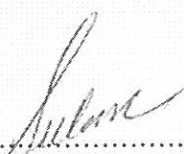
ABSTRACT


This thesis investigates the relationship between dimensions of internal organizational environment (IOE), socio-demographic profiles and intention to leave among employees in oil and gas-based organizations (O&GBO). It is also aimed to identify the significant contributors of the dimensions of internal organizational environment and socio-demographic profiles of the respondents' with intention to leave. Previous turnover studies emphasized the primacy of intention to leave (ITL) as an immediate precursor of actual turnover. Anticipating the lower response rate, a total sample of 773 were identified out of 5562 population. Data were obtained from 400 respondents working for O&GBO via self-administered email questionnaire. After conducting the data integrity and sanity, the responses were analyzed to answer the five objectives of the study while testing the null hypotheses. The dimension of Internal Organizational Environment (IOE) in this study consists of job satisfaction, organizational commitment, compensation and benefits, training and development, and leadership practices. The findings suggest that there is a significant relationship between the components of IOE and intention to leave. Internal Organizational Environment contributes 23% towards the intention to leave among employees in the selected O&GBO. The outcome of this research contributes to planning and implementing talent retention strategies particularly among oil and gas-based organizations. Recommendations were addressed to HRM practitioners to re-evaluate the compensation and benefits package, to put emphasis on employee learning and development, highlighting an essential for managerial training to improve the work environment and communication within the organization. Several suggestions for future research are presented. If the antecedents of intention to leave can be identified,

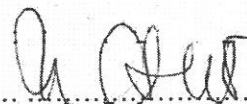
appropriate HRM practices may minimize the dysfunctional turnover of highly talented employees.

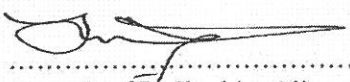
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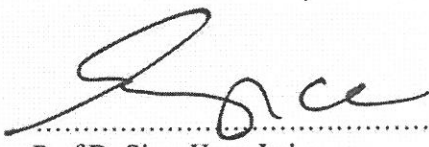
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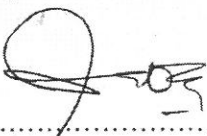

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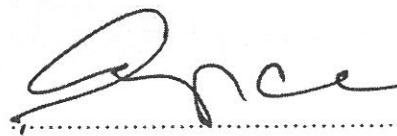

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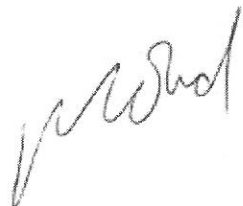

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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the program and / or exclusion from the award of the degree.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

A number of factors are likely to affect the global oil market in the coming years, including the strength of the global recovery, the path of oil production in the United States, and the extent of supply outages in countries experiencing conflict and political instability. Although these factors mean there is considerable uncertainty about the oil market outlook, there is potential for the supply to continue to grow more quickly than the demand in the coming years. In the past, Saudi Arabia has shown an ability and willingness to respond to changing conditions in the global oil market to help balance supply and demand. How it responds in the future will have important implications for the global oil market as well as for fiscal and external balances in Saudi Arabia.

Even though Saudi Arabia's economy has evolved significantly over the past decade, further diversification is important. As stated in the Ninth Development Plan of the Kingdom of Saudi Arabia: "With successive development plans recognizing the risks inherent in one-sided heavy reliance on production and export of crude oil, diversification of the production base of the Saudi economy has been, ever since the beginning of development planning, a prime target for economic development." The government has used rising oil revenues to increase investments in human resource development and public infrastructure. The relatively higher wages available in the oil and gas sector mean this is often a more attractive employment choice, particularly for skilled workers. Addressing these incentives while undertaking further reforms to strengthen the business environment and improve the education

and skills of the workforce will be necessary to meet the government's goal of further economic diversification.

Talented human capital is one of the most significant resources for the success of any government or organization. Swanson and Holton (2001) defined human capital as the skills, knowledge and expertise that one accumulates and obtains through training and education. To ensure the sustainability in the business environment, organizations need to recruit, develop, retain and use the talent capital strategically as it is the most vital resource which enables the organization to achieve a competitive advantage and perform successfully. It has been noted by Macey & Schneider (2008) that it is critical to invest in human capital for enhancing the performance of individual employees and organizations on the whole. Therefore, organizations have to ensure that they retain their talent capital for increasing their productivity and achieving their set business objectives and goals.

Human capital is the most valuable and important resource for every organization in the present, competitive and knowledge-based global economic situation (Maertz & Campion, 2004). Although, there is significant attention given in order to retain talented human capital, there is also an increasing concern related to high turnover rate among talented employees in contemporary organizations. The evolution of traditional economies to a global and knowledge-based digital economies has created tremendous opportunities across the globe for skilled and talented human capitalists. The new global and knowledge-based economy does not demand physical appearance of human capital in the workplace. Employees have a choice to work on flexible hours anywhere, anytime with anyone without rigidity on the employment contract. Thus, the favorable employment market created tremendous pressure on the conventional organizations in attracting and retaining

talent. Saudi Arabia, known as a conventional country with regard to embracing the digitalization of the economy, is facing enormous challenges in attracting, motivating and retaining talented human capital. High employee turnover is a serious problem which is not given due attention and has serious negative effects on businesses.

Employee turnover (leaving an organization) is a major organizational phenomenon. This incident is critical and the consequences have a multifaceted impact on the organizations, individuals and the society as a whole. It has become a topic of interest for both practitioners and scholars. The decision for an employee to voluntarily leave the organization has significant impact on the individual as well as on the organization. Several academic scholars from multiple disciplines namely education, economics, human resource management, psychologists, sociologists, and organizational behavior specialists have shown interest in studying employee turnover over the years.

Albawaba (2008b) reported that high employee turnover rates cost organizations in the UAE about US\$2.7 billion a year. Similar challenges exist in Saudi Arabia being the world leader in oil productions. Organization endure high financial cost owing to employee turnover that can usually be categorized as either a direct or an indirect cost. Organization perceive that the direct cost are associated with exit interviews, new recruitment, training and compensation, socialization and disruption, as well as a variety of other indirect costs. Indirect costs are intangible and associated with non-financial costs in nature, such as the loss of valuable organizational know how, skills and decreased employee motivation (O'Connell and Kung, 2007). Employee turnover impacts organizations by disturbing operations as well as team dynamics and performance, translating into further financial costs for organizations (Mello, 2011). While hiring, human resource managers expect the new

hires to render long periods of productive service, but for one reason or another, the skilled and talented personnel are always on the move. Thus, retaining them in employment remains a chronic problem that requires considerable effort and attention.

There is no standard benchmark of employee turnover level that can affect the organization. The constant change of employees represents a real problem for the organization, in terms of training costs, productivity and performance. The impact is very much dependent on the type of employment competition existing in other labor markets. While it is relatively easy to find and train new employees quickly with little cost (i.e. where the labor market is loose), it is possible to recruit spontaneously despite having a high turnover rate. On the other hand, where talents are generally rare (i.e. where the labor market is tight), it takes a few months or years to fill a vacancy regardless of the industries. The scenario becomes serious among the industries that demand highly skilled technical talent such as oil and gas.

The Saudi Arabian economy remains very dependent on oil revenues to support growth, fiscal and external balances. Over 90 percent of fiscal revenues and 80 percent of export revenues come from the sale of crude oil. Lower oil prices will have an immediate negative effect on the fiscal and external balances, and over time will also likely lead to slower growth. Unique to the Middle East, the employment market—particularly in the Gulf Cooperation Council (GCC)—are dependent very much on the expatriate workforce. Currently, the majority of the gulf employment market is flooded with Asians from India, Pakistan, Philippines and neighboring Arab countries. Even though the solution to deploy workforce from other countries is widely available, the current way forward, toward nationalization, targets the respective government and forces the employer to retain nationals in their

organization at any cost. The lower number of availability of local talents had further widened the gaps in the employment market that demand the employers to retain them at any cost, not only to sustain in the market, but also to comply with the government agenda.

Saudi Arabia being the highest oil producer in the world is expected to contribute half of the production to an enormous US\$300 billion investment to deliver a staggering 10 million barrels of crude oil per day by adding more capacity by 2015 (Oil Review, 2008). The production has remained broadly unchanged despite the drop in oil prices. Thus, the investments in the oil and gas industry and new ventures mean an increased demand for a skilled workforce, contributing to the existing shortage. The world mandate is to meet the crude oil requirement in the market, but nevertheless also demand a competent and skilled workforce. Furthermore, the scarcity of the talent in the demanding employment market against supply has created high mobility opportunities, specifically among the national talents in the oil and gas-based industries in the current scenario. Another force factor that lead to high turnover is the work locations. The location of oil and gas organizations are generally located in remote areas, and the remote areas are not in proximity to cities or towns. In fact, most of them are staying away from family, so the national workforce will be attracted to any job opportunities that comes along which allow them to be near their home. Even though, the government has enforced various rules and regulations to minimize the mobility of expatriate workers i.e. employment ban, restriction on visa transfer, to expatriate employees in order to regulate the market demand. However, such regulations is dispensable to local or national workforce. National or local workforce are free to move around with shorter notice period to their choice of employers. A strict enforcement to employers to maintain a substantial

nationalization percentage in the organization is mandatory in order to secure an additional expatriates workforce. Organizations in the Middles East, especially in Saudi Arabia cannot afford to lose any single national from their organization. In fact, every single organization is trying to pinch from each other to secure the nationalization target in order to continuously operate in the region. Therefore, there is an immediate need to study the antecedents' factors which help the organizations to minimize the turnover and devise an appropriate talent retention mechanism that best fit the oil and gas-based industries in the region.

Turnover behavior is a multistage process that includes attitudinal, desired and behavioral components. There is a large body of research confirming the linkage between intention to leave and the actual behavior of leaving. Ajzen (1991), suggests that behavioral intention is a good predictor of actual behavior. Intention to leave has emerged as the strongest precursor to turnover, highlighting it as a key element in the modeling of employee turnover behavior. There is considerable support for the notion that intention to leave is probably the most important and immediate individual-level antecedent and predictor of turnover decisions (Chiu & Francesco, 2003 and Fox & Fallon, 2003).

Many studies indicate that one of the top three reasons why employees leave their companies is the internal working environment. Literature has suggested that internal organizational environment may contribute to the high intention to leave (Gieter, et al., 2011; Glisson, et al., 2008). Numerous elements, for example, an insufficient firm motivation and job development possibilities, work discontent, unmet work objectives, efficiency issues, situational restrictions, socialization issues, a higher level of work tension, along with negative work feedback may subscribe to intention to leave. The bottom line is, the turnover is the outcome of a combination of

one or more of the above factors that create an intention to quit or leave the organization. Therefore understanding the dimensions that contributes to intention to leave is essential in providing an appropriate proactive employee retention model to the organization. The ultimate objective of this study is to understand the internal organizational environment factors that contribute to the intention to leave phenomenon and find ways to reduce the turnover rates in oil and gas-based organizations.

1.2 Problem Statement

The oil and gas-based sector form the backbone of economy and have been playing a crucial role in the social development of Saudi Arabia. Saudi's oil production has remained broadly unchanged despite the drop in oil prices. The resurgence of the oil sector would not only encourage competition in the market but could also be the thrust in making new industries and translating the existing industrial structure. Therefore, the health of this vital sector is very important in keeping up the health of the overall economy of Saudi Arabia.

Despite the recent crash in the world crude oil price, this sector continues to be the key driver of the economics of Saudi. Nevertheless, productive organization management mostly relies upon the quality of human resources that supports the organization performance. Abundant studies exist that illustrate the significant relationship between human capital and organizational performance. (e.g. Guest, 2002; Wright et al., 2003; Tessema & Soeters, 2006; Quresh et al., 2010; Chen and Huang, 2009; Lorg et al., 2013; Tanghorg et al., 2014). Therefore, despite overcoming the lower oil price challenges, retention of trained and high-quality personnel is a fundamental factor for organization's competitiveness in the current economic scenario.

In the competitive market, an employee has a lot of mobility opportunities from one company to another. Thus it is important that an organization understands what causes an employee to leave an organization and proactively design a retention policy framework for sustainable organizational performance. Analysis of employee data, displayed in Table 1, indicates the turnover rate in one of the O&GBO between 2007 to 2011. Table below shows a total of 1486 employees departed from the selected organization and the majority of them were nationals.

Table 1: Employee turnover rate from 2007 to 2011 in a selected O&GBO

Year	2007	2008	2009	2010	2011
Attrition Rate	4.9%	3.8%	6.4%	4.1%	5.7%

Source: Internal Attrition Report, 2011

Abdullah (2008) showed that 80% of employees who left the selected O&GBO were new to the organization, had an average GPA of 3.0 or higher and their performance rankings were above average or excellent. In other words, the high performers tend to leave the organization with a shorter span of tenure. This reflects that there are wide gaps in the retention of high caliber talent in the selected organization. Therefore, it is of utmost importance for the organization to address these issues in order to retain their employees for sustainable growth of the industry which significantly contributes to the GDP of Saudi Arabia.

Retaining skilled and talented employees is a crucial management issue in the O&GBO set up. The selected O&GBO has about 5800 employees and produces about 70% of the country's crude oil. Looking at the business demand and the continuity of

the current turnover trends, this issue of turnover may affect oil production in the world in the years to come.

There have been no previous studies done to address the turnover issue within these organizations. All previous efforts to retain key talented personnel have been on a case-by-case basis without a proper understanding the causes that can help the organization to establish a proactive talent retention model. Thus, considering the sustainable business requirements, management decided that a 3.1% turnover is a reasonable rate to ensure healthy employment practices (Operating Plan Guidelines, 2009). A decrease in turnover rate comparatively in 2008 was because of the uncertainty of the employment market due to the global credit crunch. Even though there are slight fluctuations in the turnover statistics over the years, the rates are still above the ceiling set by the management in addressing the turnover.

The research guided by Mobely and other researchers (1982) argues that there is a strong link between intention to leave and actual turnover. Hence, this research will focus on the intention to leave among employees in order to address the turnover issue appropriately. A number of studies have examined the relationship between intention to leave and work related variables, such as internal organizational environment and external employment market in other industries. It is widely agreed that internal organizational environment influences employee's intention to leave. In addition, internal organizational environment factors are more controllable by the organization compared to external organizational factors. Even though the generalization of the model related to internal organizational environment is hardly achieved because every employee in an organization is unique (Gieter, et al., 2011). However, to the best of the researcher's knowledge, there are limited studies in the oil and gas-based industries that can conclude which factors are better predictors of the

employee's intention to leave. Accordingly, this study will review the past studies and adopt some prominent dimensions of internal organizational environment as antecedents to the intention to leave based on the established theoretical review. Studying intention to leave in this industry becomes essential to ensuring that skilled and competent employees are retained in the organization to meet business challenges waiting ahead. The antecedents and consequences of internal organizational environment may influence intention to leave in other organization and it may not in oil and gas organization due to its nature of work etc. Therefore results from past research are not necessarily applicable to oil and gas-based organizations.

The selected oil and gas organization being a well-established organization is committed to the national economic growth and her employees. Perhaps, the study to understand the dimensions of internal organizational environment that contribute to an employee's intention to leave will add value to the oil and gas-based industries and support the government initiatives towards nationalization that spur sustainable economic growth. On the other hand, the social demographic profiles of the people in the selected organization will allow the researcher to connect the dots in understanding the internal organizational environment and their contributions towards intention to leave.

1.3 Research Objectives

This research primarily aims to understand the dimension of the internal organizational environment that contribute to the intention to leave phenomenon and recommends possible intervention to reduce the turnover rates in the oil and gas-based organizations. The specific objectives of the study are:

1. To determine the level of perception on intention to leave (ITL) among the employees in the selected oil and gas-based organization.
2. To examine the relationship between the socio-demographic profiles and the intention to leave (ITL) among the employees in the selected oil and gas-based organization.
3. To examine the relationship between the socio-demographic profiles and the dimensions of internal organization environment (IOE) among the employee in the selected oil and gas-based organization.
4. To examine the relationship between the dimensions of the internal organizational environment (IOE) and intention to leave (ITL).
5. To determine the contribution of the dimensions of the internal organizational environment (IOE) toward intention to leave (ITL).

1.4 Research Questions

This study aims to answer the following research questions:-

1. What are the levels of perception on intention to leave (ITL) among employees in the oil and gas-based organizations?
2. What is the nature of relationships between the socio-demographic profiles and the dimensions of internal organizational environment (IOE)?
3. What is the nature of the relationship between the socio-demographic profiles and the intention to leave (ITL)?
4. What is the direction of the relationship between the dimensions of internal organizational environment (IOE) and intention to leave (ITL) among the employee?