



PEOPLE DEVELOPMENT ROUNDTABLE

Communicating & Engaging in New Solutions for Developing Human Capital

By Nataša Kubíková

The People Development Roundtable held under the high patronage of His Excellency Eng. Tarek El Molla took place in Cairo on 13th December 2016. The roundtable took upon itself a mission to identify alternative ways to transform mechanisms for building human capital for Egypt's oil and gas industry.

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In the opening speeches, the key partners Egypt Oil&Gas (EOG) and Oil&Gas Skills (OGS) defined the framework of the debate. According to Eng. Mohamed Badr, Oil&Gas Skills Chairman, “people development is the most important element of any serious development plans, which can be achieved through two positive tools; education and training.” In fact, “people development has become mandatory for Egypt’s future development.”

“We [the government] have recognized that building a world class human capital is one of crucial assets which will remain a cornerstone of the oil and gas sector modernization success,” as noted by Eng. Mohamed Mounes, Undersecretary for Production, Ministry of Petroleum, who delivered a presentation by Oil Minister, Tarek El Molla.

Indeed, “equipment and assets have no value without people,” stated Eng. Tarek El Hadidy, CEO of the Egyptian General Petroleum Corporation (EGPC), and expressed hope that the event will present some directions to work towards in the future, with the help of Egyptian industry’s partners.

INDUSTRY DETERMINED TO JOINTLY DEVELOP PEOPLE

“The joint participation [at the debate] clearly shows the importance of the subject in the eyes of the government” as well as other companies, added Brian Twaddle, Country Manager and Director at TransGlobe Energy, who co-moderated the roundtable.

As he explained, “the performance of the organizations, be it government entities, IOCs, service companies or JV companies is determined by the skills, competencies, motivation, and the behavior of the people,” especially in the environment when all operators in “Egypt must compete for investments in the global sector for the available funding globally has been reduced by over \$300 billion per annum for the past two years; that is more than 40%.” “Anticipation is that this level of reduction is to continue into 2017. Therefore, there has never been a more important time to talk about the development of our people.”

Moreover, it is imperative to adopt an active approach to finding viable solutions for people development.

Through such a shift in attitude “we would stop asking merely about the challenges, and instead turn our attention to solutions, and present a more productive puzzle as to how to implement them,” stressed Eng. Mohamed Fouad, EOG Managing Director. Such an approach will serve the benefit of the industry best.

Yet, an agreement about and implementation of new solutions cannot be achieved “without enhanced communication and committed engagement” of all involved actors, the public and private spheres alike, as these two factors will define a success or a failure of the attempts, as Eng. Fouad further noted. The industry thus calls for “an inflow of diverse ideas, which we would analyze through a comparative perspective to seek the most suitable models we can apply,” he added.

MOVING AHEAD IN 2017

Therefore, according to the Oil Minister, represented by Eng. Mounes, “we plan to design an efficient people development agenda to make the best use of the existing human capital and expertise. It aims to put up an efficient and comprehensive talent management system that will be formed by and for the people in the industry through training and exchange programs that will set benchmark practices for talent management.”

In 2017, “the focus of the Executive Technical Committee will move towards supporting the ministry and the government with the implementation of the new sector strategy and the modernization program,” said Twaddle.

The Committee further advocates for “the participation of the younger generation in the sector, which is key to our success, as involving them in our work will not only inject new ideas, energy and drive into the efforts, it will also offer excellent development opportunities for them.” Inclusion is one of main concerns that the sector addresses.

Overall, “we have a lot of challenges concerning human resources management system such as overstaffing, lack of managerial skills,” according to Osama Mobarez, Undersecretary for Minister’s Technical Office, Ministry of Petroleum, but these will be tackled through a new modernization scheme. Among the present obstacles, Osama El-Saadawy,

Marketing Manager at OGS, highlighted low capacity building strategy and inefficient recruitment process. He pointed out that while “technical capabilities are well developed, management skills require further development support.” Similarly, “programs to identify and develop leaders have been initiated, though their impact thus far is uncertain and not aligned with succession plan.”

El-Saadawy thus presented concrete structures of the People Development initiative within the Egypt’s Oil and Gas Sector Modernization Strategy and Roadmap. Modernization of people development adopts “program objective, which is to improve overall talent management processes to better equip the sector with a qualified and capable workforce.” This can be achieved by numerous measures. One of them aims to “refocus hiring process on recruiting qualified candidates and addressing capability gaps, another to launch detailed career progression plans for technical and managerial tracks, yet another targets an effective talent development system to upskill employees and train leaders,” concluded El-Saadawy.

PRIVATE AND PUBLIC SECTORS’ ROLE

“Private sector and JVs play one of the most critical part in moving our industry forward,” said David Chi, Vice-President and General Manager, Apache, highlighting companies’ impact in three key areas: effectiveness and efficiency of the compensation system; selection of skilled people; and transfer of knowledge within organizations.

SYSTEM OF COMPENSATIONS

In Egypt, the private sector and JVs seems to have a major say in improvements of compensation systems to see if these are working effectively “in terms of incentivizing employees to further their career development,” as Chi put it. “It has been proven that compensating for high performance is a real effective motivator.”

Yet, speaking of financial incentives, Mahmoud Shawkat, Director Sales and Marketing NAF, Baker Hughes, noted that the current system is not effective, because most people in the industry are guaranteed their ‘bonus pay’ due to lower pay scheme they are on,” which instead can become a



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Undersecretary for Production, Ministry of Petroleum, on behalf of Oil Minister, Eng. Tarek El Molla



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Vice-President Egypt, Country Chairman and Managing Director, Shell Egypt

part of their monthly salary structures.

In fact, incentive should not represent a guaranteed bonus pay, but rather become something extraordinary. “Incentive is only made to boost the energy of the people working in the industry to drive their best knowledge, practices, and output,” further clarified Shawkat, therefore this should be bound to performance based on goals for which various percentage rates of an incentive are calculated. “We need to set a correct and an attractive incentive pay scheme for the people to boost their energies and reach the set goals.”

Eng. Kamel El Sawi, President of Kuwait Energy Egypt, seconded the opinion that “the incentive scheme should be linked to performance,” yet, he made a clear distinction between different



compensation schemes within the private sector and JVs, given the different financial backing each of them has. There are also therefore different mechanisms for assessing performance of people within private and public companies.

Further commenting on the evaluation processes and compensations, Eng. Nabil Salah, Chairman & Managing Director, Gupco emphasized that in Egypt, JVs do have measures of staff assessment with bonus schemes. “We [at Gupco] are putting goals for each quarter and review them, which may not be common in all the JVs.” He then proposed an open revision process of these evaluation mechanisms among all the JVs that may be beneficial in the long run.

In contrast to a narrow focus on payments, Eng. Gasser Hanter, Vice-President Egypt, Country Chairman and Managing Director, Shell Egypt, approached the position of JVs from a different angle by looking at the issue of retention. In his view, “one of the problems in JVs is high investment in training and competence development of staff, but JVs cannot compete with the private sector.” “There is also an element of numbers, because our ability to offer competitive pays within JVs is to a great extent influenced by the numbers [of employees] we carry,” which needs to be looked at within the efforts to

design effective compensation payment structures. The industry thus needs to attend to the issue of retention after having invested in training of staff that goes lost to other players, while balancing out “overcompensation” that are implied.

Furthermore, as there is a big difference in salary schemes in the private sector and in JVs, “we should change our culture and mindset to evaluate our people in JVs,

despite that “budget limitation is a big issue in JVs,” said Hussein Farghaly, Operations Support General Manager, Pharaonic Petroleum Co., commenting on the subject from the audience.

From yet another perspective, James Pendergrass, Deputy Exploration Manager and Board Member in Petrosilah, critically analyzed the subject and highlighted the need to make “a distinction between compensation and incentive.” He emphasized a crucial point saying that “we need to address, as the industry, that what we pay our very good people in our offices is a legitimate salary that is not being uplifted by compensation bonuses. We need a good compensation and then the incentive kicks in for extraordinary performance.”

Other participants noted that compensations do not necessarily have to be only in the form of finances,



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ENG. ABED EZZ EL REGAL

Vice Chairman for Production and Fields Development, EGAS



but come in different shapes and sizes. Training can also serve as a form of incentives in the private sector and within JVs. For instance, “Apache has a comprehensive training program,” as David Chi noted, in which employees are acquiring new knowledge “not only through classroom training, but the most important part is for them to take on different responsibilities i.e. on the job training.” Hence, the organizations play an important part also in developing people across the value chain.

In addition, Brian Twaddle from Transglobe noted that “there is no direct correlation between money and performance.” Instead, he stated, that “one of the ways that stimulates performance is opportunities, yet, there is a lack of them within very heavily staffed organizations.” Therefore, “we have to create opportunities for people... to perform, to innovate, to do new things, to change the way we work, and to drive better team performance.”

Eng. Sami Amin Egypt Managing Director, Subsea7, seconded this view saying that “building a succession plan and worrying about leadership mean that we need to think how we can make the industry more attractive.”

As demonstrated by Transglobe, a merger can be one of the ways available for entities to generate

new opportunities that would allow people grow responsibilities, develop best practices, transfer knowledge and bring in a whole new energy.

TALENT ACQUISITION

The debate on selecting the right talents for jobs was opened with a proposition that the oil and gas companies tend to often consider talent acquisition to be identical with the recruitment, as Mahmoud Shawkat, Director Sales & Marketing NAF, Baker Hughes, pointed out. As he further explained, “recruitment is about filling vacancies, but talent acquisition is an ongoing strategy to find specialists, leaders, or future executives for a company.”

As it appears, “many companies do not have strategy for talent acquisition, they hire people on rolling basis when vacancies open,” said Samir Abdel Moaty, Country Manager, Egypt, Rockhopper Exploration. Therefore, confusing “strategic nature of talent acquisition” as a long-term planning with short-term recruitment processes is counterproductive. In fact, according to Shawkat, organizations should dedicate between three to six months for acquiring new professional talents, which may boost their human capital and output.

Further elaborating on the selection processes, Osama Abdel Halim, Egypt & Libya Area Manager



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at Halliburton, said that interviews as a method for finding new people can be insufficient. Hiring should rather be “followed by a probation period accompanied with an evaluation of hired employees’ performance.” The competence-based hiring processes appear essential to identifying talents based on the scope of their knowledge, skills, and abilities to perform specific jobs.

Yet, this necessarily requires the industry to devise Competence-based Management System, which is currently lacking in most of the companies. Organizations need to introduce “Competency Mapping,” stated Kamel El Sawi, Kuwait Energy Egypt, which is “a process of identifying what is required in skills, knowledge, attitude, behavior, and abilities to fill a specific job and do it effectively.” It is only in this way that organizations will be able to



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GEOLOGIST MOSTAFA EL BAHR
Oil&Gas Skills



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Egypt & Libya Area Manager,
Halliburton

evaluate their employees' capabilities in order to “not waste a good technical talent by forcing him to take over a managerial position,” as Halim argued.

“If we have talent acquisition strategy, this will help us to identify the talents, internally and externally, which might lead us to use professional help of third parties,” Samir Abdel Moaty from Rockhopper Exploration stated. External consultancy would then contribute to retaining talents and in effect minimize finances that companies invest in training people that leave their posts. Hence, Abdel Moaty seconded Halliburton's Manager, saying that “finding the right match between the talent and the job is critical to retain these talents.” Moreover, as Walid Nossier, Country Manager, Egypt at Weatherford, shared, companies can collaborate in exchanging pool of trained talents. “We can provide some CVs



of those [talented people] that are trained from JVs for other organizations to select from them.”

Searching for talents through high standard human capital development schemes will undoubtedly allow companies to find much desired innovators and changers. As Brian Twaddle noted, “our industry has changed dramatically over the last couple of years. We have to change, and we need to recruit innovators as well, in addition to desperately needed technicians, geologists, HR people, etc. Talent acquisition programs have to recognize this.”

While searching for talents, universities are inevitably one place to look. In terms of selecting well-trained people, collaboration with universities was raised as an important factor that defines the role of the private sector. Therefore, improved channels of communication between the industry and universities are inevitable. Eng. Abed Ezz El Regal, Vice Chairman for Production and Fields Development, EGAS called for “better communication between the industry and universities to define certain courses and definite numbers of graduates that are required to fill skill shortages of the industry.”

In this way, the currently missing link between supply and demand of talents will be created and effectively sustained. Accordingly, “we may need to resize the

current number of 600 graduates if there are no jobs available for them,” noted Mahmoud Shawkat from Baker Hughes. In this regard, Eng. Mounes from the Oil Ministry emphasized, that “the minister has sent out a memorandum to the authorities for higher education asking for reducing the number of petroleum engineering students by around 50%.”

However, some industry leaders argued that the answer to skills shortage is “not in reducing the number of university graduates rather to streamline education curricula to produce competent people,” as Osama Halim emphasized. The oil and gas companies should collaborate with universities' faculties regarding specific courses that are required in the field. The universities would thus release not only educated graduates, but also skilled talents, the ones the individual industry sectors need the most.

And in this lies a role for IOCs that can help the sector. According to Eng. Kamel El Sawi, President of Kuwait Energy Egypt, “we as Kuwait Energy initiated a talent program three years ago mainly for young professionals” through efficient communication with universities to successfully hire graduates.

It is truly essential that “the government needs to communicate with external bodies, one of them being universities, in order to solidify manpower planning,



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Country Director and General Manager Egypt,
Libya and South Sudan, Baker Hughes



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which is one of the critical issues. This will give us the overall big picture during the next five years to see how we need to hire in terms of volumes," added Osama El-Saadawy on this account.

On the other hand, Eng. Hussein Fouad El Ghazzawy, Vice-President & General Manager, Schlumberger, believes that currently "there is a lot of engagement of private companies, JVs, and service providers to cooperate with universities in setting selection criteria for the industry's employees."

Nonetheless, for these strategies to work best "we need to modify the internal system in the companies for talented people to be allowed to grow," said Eng. Mohamed Badr, OGS.

In retaining talents, there is a need to set up a program that would allow these employees to change their positions horizontally within the industry's organizations. A certain form of talent rotation may provide some foundation for it. Santo Giannone, Petrobel Deputy Reservoir General Manager, said that "many time people are not growing up very fast, therefore, we need to set up a program to allow them to change their positions, to establish a sort of a rotation mechanism."

In addition, in support of more efficient progress in building world class human capital for the industry,

training and development remain most vital parts.

TRAINING AND DEVELOPMENT

Training is a crucial part that reflects on performance culture within organizations, which can be modified accordingly. This approach offers an alternative look at people development as presented at the roundtable by Amira El Deeb, Senior Partner and Head of Organization Development Practice at Logic Management Consulting (LMC). It offers a roadmap to success in building a constructive culture, as opposed to passive/defensive or aggressive/defensive culture i.e. less productive ones. It is for the fact, as Amira El Deeb stated in her presentation that "culture is something we should start looking at to manage and enhance."

Furthermore, there are also external training programs like Amal that provides extracurricular training for recent graduates in order to transfer technical knowledge in cooperation with professionals. This helps new employees apply practical knowhow directly on sites. Amal has thus an ambition to fill the existing skills gaps, according to its representative Amr Hamza: "The core of the program is technical knowledge delivered by the professionals from the industry to expand trainees' skill set through a practical part and apply it in the industry practices directly."



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It is clear that in addition to a coordinated approach via university education, on the job training (on-job training) has become a key variable in people development. Engineers and technicians can be co-trained by companies themselves from an early stage as university graduates in order to prepare them for their future responsibilities on the sites.

"In implementing quality training it is important to follow the international standards with credited and certified programs based on the industry needs. These programs will have an impact on training budgets as high cost training leads to a large return on investments and vice versa," said Geologist Mostafa El Bahr, Oil & Gas Skills. To achieve this, a supervision of training should be guaranteed, hence allowing the monitoring and subsequent analysis of the training impact that would best support



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organizations' business objectives.

On-job training can be made profitable from the costs perspective. As industry leaders stated, improving training techniques across hierarchies in organizations could be a good solution for a complex people development program. Advocating a long-term planning strategy, leaders proposed that organizations should aim for spreading training resources across the entire organizations to the levels of lower and middle management in order to rationalize budgets as in developing new leaders for the future. "If we manage to train a smaller group of people in the middle management, they can help us spread training techniques to a wider group through beyond the job training, which could be a very good solution for the industry," elaborated Ahmed Farid, HR Manager, Shell.

In contrast to this proposition, Mahmoud Shawkat shared the experience of Baker Hughes that adopts a more focused approach. "We have an extensive program certifying talents, while looking for leaders for the future. But they come in limited numbers. Therefore, we are not spreading our efforts and resources across the organization, but we are limiting our resources to those specific talents."

Overall, the support in private sector's training schemes comes also via other channels such as the Executive Technical Committee. Brian Twaddle said that "people development has been on the Committee's agenda since its formation" [in November 2013] and it has always included "dedicated training sessions for young professionals."

Retaining these talented professionals further requires an appealing career ladder schemes.

PROMOTIONS: PROGRESSING THROUGH CAREER LADDERS

When talking about people development, there is a need to solidify a career plan for organizations' employees' future, which comes with suitable promotion schemes and career tracking for oil and gas employees.

Jonathan Kurtz, Region Manager for Human Resources & Administration at Apache, encouraged "to establish development and promotional guidelines and to clear company policies as important

for staff looking to advance in an organization. Clear guidelines eliminate ambiguity and requirements for advancement."

He pointed out that "staff within Egypt's oil and gas industry has had an advancement [structure] traditionally based on time and position versus a competency based promotion system," which the panel approached critically.

Promotion is not something one is necessarily eligible for or can be bound by the time an employee served in a company. The roundtable participants agreed that "promotion represents a personal and managerial responsibility," as Eng. Tarek El Hadidy eloquently said. In order to sustain people development they have jointly recognized that the companies should give a special attention to developing employees' prospects. Therefore, instead, the industry needs to modify the promotion scheme to attract and retain needed professionals.

Indeed, developing a suitable promotion scheme has been Egypt's industry's concern for several years. The companies thus need to outline effective procedures that will resolve issues related to the existing promotion ladder by strongly binding it to performance management structures.

According to Gasser Hanter from Shell, "in IOCs we have a few tools that we deploy quite effectively in our operations in managing career progression. We look for sustained performance of the individual, we look at ability to operate at a higher job grade as a prerequisite for promotion, but more importantly we look at the business need for the job to be done at the higher grade rather than the time spent on the job."

Developing a career path is inevitably linked to talent acquisition and retention. Therefore, creating a complex interconnected strategy that will allow employees to move horizontally across the industry through different companies, can be a valuable composition.

COLLABORATION IS INEVITABLE

To achieve progress in people development, organizations should be open and willing to launch intensive cooperation. As Wael Bakr, CEO of MCS Free Zone, a private sector company working in the offshore industry, put it, "if the private sector works



hand in hand with the government companies in the oil sector, this can boost skilled personnel who can drive the industry forward."

Eng. Sameh Hussein, Country Director and General Manager Egypt, Libya and South Sudan, Baker Hughes, pointed to the private sector as an accelerator of the government's efforts.

Government's people development program should be necessarily endorsed by the private sector companies. "We all need to tap into this program and expand on that in a long-term effort, which can generate resources," Eng. Hussein added.

In other words, the major role that companies in the private and public sectors are fulfilling is to provide a platform for sharing lessons learned and jointly debating impact of their experience in a plethora of areas, people development being a crucial one. Only in this way, all involved actors can jointly evaluate alternatives of people development and mark significant and sustainable progress for decades to come.



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