

I MUST HAVE JOE THE WELDER ON THE CONTRACT: UNDERSTANDING THE FACTORS THAT DRIVE ROCK STAR STATUS FOR INDUSTRIAL SERVICES INDIVIDUALS

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ABSTRACT

Oil and gas (O&G) firms employ a variety of professional and industrial services to accomplish their mission. These range from professional engineering and construction services to semi-skilled (“roughneck and roustabout”) labor needs at well-sites, pipelines and refineries. The O&G industry is extensively outsourced, with the levels of outsourcing generally increasing as one moves upstream in the energy pipeline (i.e., towards the well itself).

Our case study research examines the extent of outsourcing in the O&G industry through an information-processing theory (IPT) lens (Daft & Lengel 1986; Galbraith 1974). Among the key findings were differing patterns in outsourcing for specific human assets (i.e., for particular individuals rather than simply a given company or set of similar companies). We postulate that varying levels of environmental equivocality and uncertainty are key drivers of the extent to which firms prize human asset specificity in contracting decisions.

Methodology: The study follows the case study research designs put forth by Yin (5th Ed., 2013). A total of 19 O&G firms participated in semi-structured interviews. These firms were proportionally split among upstream, mid-stream and downstream segments, and involved multiple interviews with individuals from both procurement and engineering functions.

Findings: A number of research propositions were developed as a result of data analysis (typical outcomes in inductive case study research). In this study, we develop and explicate research propositions specific to firms’ differential desire for human asset specificity in contracting arrangements. In general, we found that high equivocality environments push firms to contract with specific individuals who have existing track records of success in ambiguous environments (such as finding oil quickly on a site). High uncertainty environments, by contrast, push firms to contract with specific individuals or firms with reputational expertise or credentials. Equivocality elements seem to dominate when both equivocality and uncertainty are high. In addition, a preliminary IPT-based taxonomy of the O&G industry was developed across the upstream, midstream and downstream portions of the supply chain.

REFERENCES

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