

Introduction to strategic management management essay



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Every organization is responsible of what they produce, how do they carry out their business activities, and also what do they need to keep in mind in terms of protecting the environment when it comes to their business that is related to extraction of oil from the deepwater. So the following of the assignment is based on the critical incident that occurred in BP and they suffered a hug loss due to explosion in one of their rigs in Gulf of Mexico and that resulted in major oil spill which had a serious effect not only on their business but also to the environment and society at large. So there is case study on British Petroleum and what type of strategic decision they should take and also apart from that what are the different challenges that this organization would face from the outside environment has been explained in detailed manner.

Introduction to Strategic Management (SM)

So what do we understand by Strategic Management. As per Ireland (2009) it can be termed or explained as the strategy that organization has to make use of so that, they can be able to achieve common objectives of the organization and also at the same time it would be easy for the company to achieve competitive advantage in the market. SM is very important due to many reasons. They mainly include if the organization is facing problem in their business line, if they want to launch new product in the market, for proper analyzing the environment. Also the major decisions that the organization takes is also based on what strategy that they are going to use and how it would have an impact on their business revenues and profit margin.

The main definition for SM is “ art or science in formulation, evaluation and also to take important decision that are cross functional in nature and that would actually help to achieve their common aims and their objectives” (Ireland, 2009). This simply means that they have to plan for their activity, then evaluate and then they need to implement after taking into consideration various points so that it would be easy to analyze and also can make necessary changes as and when it is being required.

SM has been regarded as one of the important factor in the success of every organization. Apart from that, they also need to analyze what were their past or present actins and what outcome did they received and accordingly act for the later one. In the following assignment there is case study on BP where they had am major explosion in their rig and due to which there was one of biggest oil spill incident that occurred in their business operations. This incident was no more a business issues but it became a political issue and the job of this organization is how they tackle with this problem and what all challenges they have when taking future steps. So the main job of this organization was in taking immediate corrective steps to stop the spillage and also come out with the practical solution so that it does not harm any marine life and also human beings. They would have major opposition from the government, from other NGO and also from the society and they are responsible to answer them.

British Petroleum: General Overview

http://indolinkenglish.files.wordpress.com/2009/08/bp_logo1.jpg

(Source: indolinkenglish.wordpress.com)[1]

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As per Raymond & Solly (2006) it has been well known fact that BP is the largest gas and oil extraction organization all round the world. The headquarters of BP are in London, United Kingdom. In terms of revenue, it is important to know that, BP is the 3rd biggest oil and natural gas organization and it is 4th largest in the world. The structure of the organization is such that, it is integrated vertically. It is mainly in to production and exploration oil and gas. The main business operation of Bp are exploring oil from the deepwater's, to produce it, to refine it, distributing, and last but not the least they are also in marketing of their business operations. The petrochemical plan of BP is one the biggest and it also has their business operation in trading of the power (electricity) mainly in different parts of UK. Apart from that, BP has been a pioneer in production of renewable energy and they would include solar, wind energy, bio fuel and also hydrogen.

They have their operation in more than 80 regions worldwide. The total Bp station stand to around 22000 and it is produces or explores around 3. 9 million of the oil barrels. One of the facts is, America is having one of their largest business operations and so it is one of the best and large producers of oil and gas in USA. In United States of America, their headquarters are in Houston, Texas. The major incident that BP had faced was in 2010 their oil spillage in the Gulf of Mexico. This is spillage was one of the worst in the history of oil and gas company. Their share prices are being traded in London stock exchange and also they have their dual listings in Ney York Stock Exchange.

It is regarded as best global brand all round the globe due to their business operations. They have clear understanding regarding the future and also it <https://assignbuster.com/introduction-to-strategic-management-management-essay/>

seems like their vision and mission seems to be quite possible. They are into that type of business, which is required by every individual, by every organization to run their business. Apart from that, the energy they produce is very much clean affordable and also it won't cause any type of harm to the environment. Their name BP not only symbolizes their main brand name British Petroleum but also it indicates Beyond Petroleum.

Apart from that, their intention was not only to produce energy only by using natural resources but also to make use of alternate solution by producing renewable energy or alternative energy. Apart from that, they are very much fast in their approach and so can deliver better type of products that would be easy to use and also it would not have any type of damage to the society. This is how they do their business operations and due to which they are quite distinctive in their own way (Raymond & Solly, 2006).

Critical Incident in BP: Worst Oil Spillage

BP experienced one of the biggest oil spillage from their rig in the year 2010 at Gulf of Mexico. It has been said that, it is not only one of the worst oil spillage in the history of oil and gas industry. This incident occurred in Deepwater Horizon and so the effect of that was enormous and due to which environment has damaged to a great extent. Due to this, marine life was being affected to a great extent. The major cause of this spillage was due to explosion in their rig and that had taken the life of 11 of their internal workers and many of them were injured, After few months from this incident, they realized the amount of oil spill but the damage was done and now their main responsibility is how to stop it and they also have to clean the water so that, marine life is not affected.

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They made use of various techniques to stop the oil entering in the beaches or wetlands. They were able to protect almost 100 miles of the beaches that was being surrounded by it. Experts were being appointed to analyze the situation and they were of the view that, much of the oil that was being dissolved and hence not that much visible in the complete area.

Due to this major incident, government of US had solely blamed BP to take responsible for this entire issue and so they need to cover their damages and also ensure that they complete their clean up drive as soon as possible. Also BP agreed and promised to solve the problem as soon as possible as they were equipped with equal number of staff, and if need arises might recruit more employees. During this time, they had faced number of challenges from the government, their competitors, and their partners and also from the society at large.

(Source: guardian. co. uk)[2]

Henry Mintzberg Model: Paradoxes and BP

[http://1. bp. blogspot.](http://1.bp.blogspot.com/_3hUVL409jNg/SRGx55cePgI/AAAAAAAAAGY/aw9gT3r_Fls/s320/mintzberg.jpg)

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(Source: mpkpk2008. blogspot. com)[3]

As per (Source: mintzberg. org), every organization has their organizational chart or organization structure under which every organization works. So according to the Henry, there are mainly 5 different divisions in his model.

They can be described and explained in the following way:

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Operating core:

This are the people who are working in operation department and their main activity is to make sure that operations is being carried out properly and there is not such disruption in the work flow. They are regarded as the basic and fundamental structure in the organization.

So in case of BP incident, they had a major loss and due to which their operating core was one of the team who might be responsible for the oil spillage. They need to be alert all of the time and as they are Ealing with the natural resources and it can have negative effect on the company and environment and if not taken care of.

Strategic Apex:

This part forms the top management of the organization. They are responsible to make important and qualitative decisions. Their main task is to ensure that their job is being done properly and also they need to make sure that the organizational objectives can be achieved at some point of time.

In case of BP, they have a structure of strategic apex but due to taking things lightly and also not working on their explosion related incident, they suffered a pressure from the government and held being responsible for that.

Technostructure:

This is the division who needs to plan, design and alls implement new systems in place so that their business operations is not affected and also at times, they have to provide training to the other staff.

Middle line:

They from very crucial part of the organizational structure because they form a link between strategic apex and operating core. They are the middle level managers whose main responsibility to communicate effectively with both the division and ensure workflow is not affected due to communication gap.

In their case, their manager had to form a link and also make sure that they communicate the issue with their operating core and also at the same time help their strategic apex team to solve the matter as soon as possible.

Support staff:

They are the people who are working outside the operating flow. They form a important part in organizational structure and due to which, they are very much helpful at times of major crisis or during major incident. So they need to work outside their main operating workflow and ensure that, there is proper coordination in the organization. They support people, systems and then based on their analysis; they have to form a decision regarding the step that needs to be taken post the oil spill incident.

(Source: Mintzberg. org)[4]

Key Strategic Decisions on the basis of Mintzberg Model

According to (Teece, Pisano, Shuen 1997) The main fundamental of strategic management is how the firms achieve and sustain to the competitive forces in the market as well as achieve the sustainable competitive advantage in the market. The importance of strategic management lies in its analysis planning an implementation in various strategies. On the analysis of British Petroleum current critical issues a broad and a descriptive strategic model has been prepared in order to achieve the competitive advantage in the market.

Implementation of New Safety Measures

Safety measures are one problem that the company is facing since a very long time. The company has been very poor in order to safety measures of their Operational wells, Workers as well as their safety equipments. The safety systems of the company have seen a number of failures during crisis. During the Oil-spill the safety equipments could not respond properly as all the warning alarms and systems were a complete failure which led to loss of life of 11 workers in the oil spill. The company need to adopt new safety measures by reevaluating their systems. They need to upgrade their information systems which provide information during any alerts or crisis. The company should look in to safety of the employees much more seriously. Post-crisis compensation to the workers is not a solution. " One area of immediate concern, industry experts said, was the lack of a remote system that would have allowed workers to clamp shut Deepwater Horizon's wellhead so it would not continue to gush oil. The rig is now spilling 210, 000 gallons of oil a day into the Gulf of Mexico" ([5]davidicke. com)

Low capital expenditure on project management

On analysis of the company operational structure the analysis have concluded that company have speeded more on project management instead of other important segments. It is the area where the company spends more than 20% and at the same time the company have squeezed the cost from other operational departments of the corporation. The company should look in to this issue and try balance the input of cost in the project management.

Higher Investment on maintenance and capital expenditure

From the analysis of the incident the company have done heavy investments in development of their project management but in this case the company have suffered a major setback when it came to invest in maintenance and safety equipments for their Oil wells and Workers. One of the major reasons of the outbreak of the Oil spill is the company s narrow attention towards critical issues of safety and security. The company should look in to this issue and increase the amount of expenditure in the capital assets of the organisation. The good wills of the company have gone really down due to the various such incidents in the life of the organisation. In order to restore their brand name in the market the company needs to undertake higher capital expenditure and maintenance cost.

Sharing Of Information

BP was accused during the Oil Spill of hiding information as well as sharing information up to a limited extent which made the shareholders of the company very much upset. The company also was not clear about the

strategy they have placed in order to start the relief work and also cap the leakage the well which spilled almost 210000 gallons of oil a day. BP organisational structure is that they have to understand the importance of the situation and be clear about their steps and decisions which can affect many other individuals as well as other corporate.

Implementing new organisational Culture

The profits soared by the organisations is very much high and they achieved record profits in the past. At the same time the company have to understand and reorganise its management culture. The current management culture of BP is more of reactionary management culture. The current culture of the organisation believes in low maintenance cost, higher profitability and cutting costs and efficiency which have given arise to a number of other problems of the company. BP has to reevaluate their companies complete management culture and stabilize it by more of motivational forces and concentrating on higher efficiency level.

Oil spill Clean up strategy.

The havoc created out of the Gulf of Mexico oil spill has been able to encounter new problems in the life of the organisation. Oil Spills usually causes of loss of sea life and a very amount of pollution to the marine life. The company have adopted a very moderate pace of cleaning up of the oil well and also the company to face challenges form the adverse sea conditions which led to more huge loss to the company. On the basis of this mistake and understanding the entire case the company should design the various ways in which such incident occurs in future the company is well equipped and do not repeat the same mistake in future.

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These are some of the key decisions that the company needs to undertake in order to restore their position in the market as well as cover up their losses.

The oil spill has spoiled the name of the company in the global market.

These are some steps suggested which will make the company sustainable in the global market conditions.

Challenges to the Key Strategic decisions

Market competitiveness

The global market is subject to political, social as well as economical influences. In order to compete in the market a very high amount of sustainability is required. Analysing the current position of BP the company is standing very much weak and there have been number of issues recorded against the company. The company is known as one of the most irresponsible companies of the world. The company has to make major changes in its operations as well as other functional areas which will help to regain that image and attain that position in the market in which the company is having a sustainable competitive advantage in the market.

Environmental Pressure

The various environmentalists are after BP as the oil spill caused by them has resulted in a major loss to the marine life and various regions in the nearby Gulf of Mexico. Also the company is supposed to pay up the cost of entire oil clean up as well as the company is supposed to pay heavy compensation in order to loss of life and damage to marine life in the Gulf of Mexico. The Environmentalists are putting a very heavy pressure on the

American Government in order to cease the operations of the BP in the Gulf of Mexico.

Financial Instability

The company have faced the worst ever loss in the history if the organisations ever since it was incorporated . The company have written off a loss of almost of £19 billion which is the highest ever recorded in any company. The company is also planning to sell of its assets of almost £18 billion in the next 18 months in order to attain its financial stability. This shows that there are a lot of issues regarding its financial stability and investments in other projects. Also the company s major venture with Russia is also been under threat after the company was nit able to meet up their venture agreements.

Problems of Meeting Targets

The current position of the company indicates the worst ever crisis in the life of the organisation. In accordance to key strategic decisions the company is facing the problem of meeting their targets as the company had to shut their gulf of Mexico well due to the spill which is creating a major concern for the production department of the company. The company is facing major delays in extracting oil fro oil well which is again underlying major losses for the organisation.

Share Holder Issue

One of the major critical and the most challenging issue faced by the company is from its own shareholders. The shareholders of the company are

loosing trust in the company as the company did not adopt appropriate measure during the spill which led to the downfall of the shares of the company in the global market. Also the company did not inform all the necessary information to the company shareholders which have again resulted to the issue pertaining the shareholders of the company

Conclusion

The following assignment have studies the current strategic position if British Petroleum and the impact of the oil spill on the company's strategic decision making and management. Strategic management is equally necessary along with the operational management in order to attain a sustainable competitive advantage. Strategic decisions are completely based on the current market position as well as their future targets and objectives of the company. In the report e have analysed the importance f strategic management with the help of the model prepared by Henry Mintzberg as well analysing key factors of the organisation which caused the critical issue. On the learning of the strategic model a strategic plan is prepared which will help the company to regain its loss status as well as cover up its loss . Finally any strategy which is designed have to be prepared after understanding the challenges faced by the organisation in the market. The research based model of strategic management is been analysed from various books, Journals and news papers to facilitate current and recent information on the company strategic position.

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