

# The operation of british petroleum commerce essay



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This undertaking examines the operation of British Petroleum ( BP ) in the visible radiation of established international concern theories. Two major facets are considered ; Globalisation scheme and corporate societal duty & A ; moralss. Although certain weaknessss are highlighted BP is assessed to execute optimally on both counts. A decision is drawn and certain recommendations with regard to the manner of research are made in the concluding subdivision.

## **Report Contentss**

The study assesses the operations of British Petroleum to set up to which degree the operations of BP are in line with related direction theory. The undertaking starts with a brief debut on the concern of BP. This sets a phase and develops a context for farther treatment. The 2nd subdivision discusses the research method adopted in the readying of this undertaking. Several methods are explored and the most executable selected as the method of pick. The 3rd subdivision looks at BP 's operations in two respects ; international trade and globalization scheme, and corporate duty and moralss. The concluding subdivision of the undertaking is a decision that summarises the chief subjects highlighted in the work, observing its accomplishments and restrictions and sets the phase for future research. At this phase some recommendations are besides made.

## **Introduction**

British Petroleum ( BP ) is a planetary Oil and Gas company with its central offices in the UK. It is one of the universe 's largest concerns by virtuousness of its grossss. On is corporate web site, it footings its ego as 'one of the universe 's largest companies, supplying its clients with fuel for transit, <https://assignbuster.com/the-operation-of-british-petroleum-commerce-essay/>

energy for heat and visible radiation, retail services and petrochemical merchandises for mundane points '. As of its fiscal twelvemonth terminal 2009, it owned 22400 service Stations around the Earth, it owned operations in 30 states around the universe, it employed 80, 300 people in different states, it owned 16 refineries around the universe ( with the biggest in Houston Texas ) , it produces 2. 3 million barrels per twenty-four hours and owned oil militias of approximately 18. 3 Billion barrels ( BP web 2010 )

## **Research Methods**

This undertaking aims to measure the operations of BP. It takes into focal point two major issues in planetary concern and scheme ; International trade & A ; globalization scheme and moralss including facets of corporate societal duty. The direction literature proposes several qualitative research methodological analysiss ( Bryman, 2004 ) . These methodological analysiss include ; studies, questionnaires, instance surveies, focal point groups, experiments and interviews ( Bryman, 2004 ) . Pursuant to the purposes of this undertaking, a instance survey attack is employed in which I consult several paperss which discuss direction theory ( detailed in Hill, 2009 ) and I examine how their application in pattern basing on the instance of British Petroleum. I use the BP web site as a nucleus beginning to deduce information for this intent. Given the deficiency of resources, other research methods such as interviews, questionnaires and concentrate groups are impractical. The following subdivision inside informations the operations of BP and the related theoretical underpinnings.

## **British Petroleum 's globalization scheme**

Globalization refers to the current tendency where the universe is going a planetary small town by efficaciously inter-knitting, national boundaries are being relaxed and states are progressively dependent on each other for endurance. Globalization nowadays important chances to concerns every bit good as challenges. Firms that can get by with the tendency enjoy larger markets, cheaper resources and hence higher profitableness. Firms that are unable to vie expeditiously are faced out.

As highlighted above BP is a planetary company with a extremely acclaimed globalization scheme. The success of this scheme could be attributed several ( three chief ) factors as discussed below.

### First-mover advantage

The history of BP can be traced back to the constitution of the Anglo Persian Oil Company, a subordinate of the Burmah Oil Company in 1909. This house explored the Iranian golf for many old ages and was converted to the British Petroleum company after the Second World War. Scanty reports show that the house expanded enormously by 1960 developing its operations beyond the Iranian golf into North America. Most significantly it established a important presence in the North Sea by being the first company to happen Oil in Alaska ( BP web, 2010 ) .

The above indicates the length to which BP has gone to set up itself as one of the universe 's biggest and most successful companies.

New Trade theory suggests that first movers can profit tremendously from certain economic and strategic advantages in footings of operations. The theory argues that 'for those merchandises where economic systems of graduated table are important and stand for a significant part of universe demand, the first movers in an industry can derive a graduated table based cost advantage that ulterior entrants find about impossible to fit ' ( Hill, 2009. P 187 ) .

First mover advantage can potentially explicate the construction of the Oil and Gas industry. The industry is made up of few large participants and many little participants in the Western universe where competition is free. In other states such as Kuwait, Saudi, Russia, China, Iraq and Qatar competition in the industry is restricted and the major oil users are authorities owned.

BP has established itself in most of the western universe due to its first mover advantage. It is able to cut costs in its operations and derive benefits from economic systems of graduated table and range. Many houses can vie efficaciously in Oil development, geographic expedition, extraction and refinement, and hence they turn to prosecute in the proviso of support services such as distribution or the derivation of chemicals for other fabrication industries.

### Competitive advantage

Porters findings on national competitory advantage can be extended to understand why BP locates in the parts it does. BP is a planetary house but has operations at changing grades in approximately 30 different states universe broad ( BP web, 2010 ) . Despite runing significantly in 30 states, its <https://assignbuster.com/the-operation-of-british-petroleum-commerce-essay/>

merchandises and services are available in over 100 states ( BP web, 2010 ) .

Porter 's diamond asserts that ' the grade to which a state is likely to accomplish international success in a certain industry is a map of the combined impact of factor gifts, domestic demand conditions, related and back uping industries and domestic competition ' ( Hill, 2009. P 191 ) . Hill ( 2009 ) argues that based porters theory a net income seeking house should place its operations in those states where such activities can be performed optimally.

BP operates in Africa, Asia, Australasia, Europe, North America and South America.

In Africa, it operates in Joint Ventures with houses in Egypt, Angola and Algeria. Its pick to run merely in join ventures in this state can be explained by the political economic system of these states. These states can non be termed as 'full democracies ' and are frequently susceptible to civil crisis. Operating as a joint venture, curbs the house 's hazard in the event of a political crisis but allows it to bask the grosss to be derived from its operations. It besides has a immense presence in the Southern parts of Africa but in these parts it engages more with the selling of its solar energy constructs. This part is rich in natural resources ( sunlight ) but the development of energy webs is really hapless. The states in this part rely to a great extent on hydroelectricity which is normally non sufficient to supply for industries and families.

BP besides operates as joint ventures in Asia with operations in Pakistan, Vietnam, Indonesia, China, South Korea and Malaysia. It manufactures lubricators and solar panels in China and India where labor is inexpensive.

BP does non research crude oil in Australasia. Its operations in this part are geared towards the proviso of solar energy.

BP operates as a base entirely entity in much of Europe. Its operations in Russia are partially owned ( joint venture ) by a Russian company. It has major geographic expedition and production installations in Canada, Trinidad and Tobago, Venezuela and Columbia. These parts are rich in natural gas and oil asking BP 's localization of function to the countries.

## Merchandises

Hill ( 2009 ) noted that Raymond Vernon developed the merchandise lifecycle theory after his realization that houses had to maintain innovating in order to keep a demand for their merchandises and guarantee growing in gross. The theory can be used to explicate the globalization tendencies, invention thrust and merchandise mix of British Petroleum.

BP presently produces a broad scope of energy merchandises including oil, natural gas, air current energy, solar energy, bio fuels and crude oil based lubricators.

Two decennaries ago, its primary merchandise was Oil. Research and development in the industry has led to the debut of cleaner and more sustainable signifiers of energy. These signifiers of energy are widely

regarded as the hereafter of the Oil and Gas industry. Speculators believe <https://assignbuster.com/the-operation-of-british-petroleum-commerce-essay/>

that at some point in clip oil will be faced out as coal was faced out with the find of oil. BP has realised the fact that oil as a merchandise has reached its adulthood phase and its demand might decrease with the coming of new signifiers of energy. The house has taken a prodigious place in the new energy market by running a major portfolio of energy merchandises stand foring the mix of all bespoke and advanced new signifiers of energy.

Unlike telecastings for illustration, Oil can non be re-engineered and further developed. Invention by alteration is hence hard. BP has turned the focal point on energy efficiency i. e. researching and developing ways in which energy can be saved. Alternatively of inventing 'faster or stronger ' energy which might be impossible BP has turned the focal point to the development of equipment and use techniques that will salvage energy through low ingestion. This encompasses invention that fuels the demand for its merchandises.

## **Ethical motives and Corporate Social Responsibility**

As Hill ( 2009 ) emphasized ethical issues in international concern are brought about by political, legal, economic and cultural differences in between countries- 'what is considered normal pattern in one state might be considered unethical in another ' ( p. 124 ) . The ethical challenge, I will reason, is significantly increased for planetary houses. BP for illustration operates in all the different continents of the universe. In maintaining with Hill 's statement moralss is comparative and context dependant. In certain states, it is ethical to use immature people. In the UK, all employees must be above the legal age of 18 to derive full employment. The legal age

alterations significantly between states changing from 16 to 21. Most multi  
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national houses deal with this challenge by inventing a set of corporate values which govern their operations in all parts. BP web ( 2010 ) argues that the company is driven by four major values ; progressive, responsible, advanced and public presentation driven.

In footings of being responsible, BP asserts that 'We are committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no injury to people and no harm to the environment ' . This committedness can be seen in the fact that BP describing screens all facets beyond fiscal describing including wellness, safety, human rights, environment and energy.

BP is at the head of the cleaner energy argument. It does its spot by prosecuting in energy salvaging enterprises and invariably researching on cleaner ways in which energy can be produced and delivered. It has diversified strongly into the green energy industry prosecuting in the production of liquefied crude oil gas, fossil fuels and renewable energy.

A major portion of corporate moralss that has been permeant in the direction literature in recent old ages is corporate societal duty. Hill ( 2009 ) argues that transnational corporations such as BP 'have power that comes from their operations and their ability to travel production from state to state ' . Sing for an case the grosss generated by BP yearly, I find that the corporation 's grosss is higher than the GDP of many states. Social duty advocates that directors should see more than merely the economic effects of their determinations ( hill, 2009 ) . More significantly, importance should be placed on the societal effects of determination devising. The European

committee defines corporate societal duty as 'A construct whereby companies integrate societal and environmental concerns in their concern operations and in their interaction with their stakeholders on a voluntary footing ' ( EC website, 2010 ) . It fundamentally refers to the company 's interactions with its enviroing communities and looks at how the company strives to advance development and societal coherence and participates in keeping the environment within such communities. A house 's community is a major stakeholder of the house and therefore demands to be considered. BP 's fiscal coverage incorporates major facets such as its societal duty, its strive for cleaner energy, its parts towards continuing the environment and its strive to better sustainable extraction of energy. Communities take corporate societal duties earnestly particularly when it comes to Oil and Gas houses. This is mostly as a consequence of the possible dangers that can originate from their operations with these communities. Recent crises have ranged from big detonations with terrible casualties to major spillages with the devastation of vegetations and zoologies.

-A reappraisal of the BP 2010 Oil spill crisis

BP faced a 'deep H2O skyline boring rig detonation ' which killed 11 of it 's off shore workers and injured 17 other workers. The rig gushed out over 5 million barrels of petroleum oil into the Mexican Golf between April and July 2010. The spill was ruinous and so were its consequence on wild life, the fishing industry, the touristry sector and the enviroing vicinities. In response to this BP set up a crisis direction plan. It publically apologized for the hurt it caused and undertook to pick the clean up costs. The company has presently set up a \$ 20 Billion dollar fund to pull off the after-effects of <https://assignbuster.com/the-operation-of-british-petroleum-commerce-essay/>

the crisis. During the crisis, BP showed attempt using several techniques to try to halt the escape. It besides arranged a compensation program for those affected by the crisis.

This attests to the fact that BP takes its corporate societal duty and moralss really strongly.

Hill ( 2009 ) besides notes the societal parts or societal investings of BP in Algeria. Hill notes that BP realised its communities in Algeria lacked clean imbining H2O and created two desalinization workss to bring forth clean what for the populace. To add to this, the company provided H2O tins to assist occupants transport H2O from workss to their places.

## **Decisions**

### Summary of findings

This survey has examined the operations of BP in the planetary context to see how certain direction constructs are applied in pattern. Two facets ; globalization scheme and corporate societal duty were reviewed. BP is found to hold a sophisticated globalization scheme which it has fortified over the old ages. This helps it to vie expeditiously and to stay one the universe 's prima corporations. Again, BP is found to hold a robust stance towards corporate societal duty and moralss. Its industry is risky and it is pruned to corporate catastrophes such as spills and detonations. BP has managed to maintain these to a lower limit and when they do occur, BP has taken necessary stairss to pull off the crisis and restrict the harm

### Restrictions

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This work is limited in the fact that it strongly relies on public information beginnings to measure the operations of BP. Several facets could hold been better scrutinized and priceless penetrations drawn through other research methods such as interviews with cardinal workers and concentrate groups to pull varied sentiment.

Due to the restrictions in infinite ( figure of words ) the facets discussed can non be reviewed in greater item.

#### Future research & A ; Recommendations

This research has examined BP 's operations in visible radiation of established theory but has non confirmed if such a method of operation is optimum. It might be interesting to look into whether the merchandise scheme, globalization scheme or their attack to moralss and corporate societal duty affect their public presentation or contributes significantly towards the accomplishment of organizational ends and aims. The restrictions highlighted above besides provide avenues for future research into the country.

Several theories have been propounded in the direction literature. Their apprehension will merely be facilitated by analyzing how these theories are applied in pattern or by look intoing the parts of such theories to direction pattern. In visible radiation of this statement, this signifier of survey is encouraged.