

Term paper on business report- company report royal dutch shell

[Business](#), [Company](#)



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Executive Summary

Royal Dutch Shell is a global fossil fuel exploration, production and transport company. The balance sheet of Shell is in the black. They have made successful changes in order to stream line a top heavy employment hierarchy. They are optimistic and positive about their new locations for extracting gas as the easy oil pools from drilling are being used up. The problem I see is that they are using extraction methods that cost more than the efforts for extraction. If pollution clean-up and health costs of local populations are added to the calculations the Shell balance sheet, unfortunately would not show a positive flow of money.

Although I recognize the efforts the company is making to stay in a

leadership position in their sector, in all good consciousness I cannot recommend that they be allowed to set up operations in France.

Royal Dutch Shell Macro Environment

Royal Dutch Shell is an independent petroleum and oil products company that has its corporate offices based in The Hague, Netherlands. The Royal Dutch Shell plc is incorporated in England and Wales. 1 Its drilling and transport operations are located in ninety countries and territories. 2 Other operations at the same locations include resource exploration, production, marketing, and manufacturing. 3 The natural resources the company can provide include liquefied natural gas, gas, petroleum products, chemicals and renewable energy projects. The Shell sign is a familiar sign in many parts of the world because of the gas stations. The reported annual revenue for fiscal year 2011/2010 was reported at \$372 199 million; this reflects a revenue growth of 32. 63 percent. 4 Shell announced that a Production Sharing Contract between Shell China Exploration and China National Petroleum Corporation on March 21, 2012. 5 The project is for removing shale gas from Chinas Sichuan Basin, China (also known as fracking). Interestingly China is also an oil exporting competitor. CEO Peter Voser indicated that Shell's US strategy will be to use shale extraction methods to supply the US with gas. 6 He spoke positively of extracting petroleum products from sand tars (which is being done in Canada). And a big strategy is the exploration for petroleum under the Artic. 7

Company's International Strategy

The Royal Dutch Shell Company insists that its strategy is to help “ power and sustain people’s lives” 8 according to their Sustainability Report 2009. The wording of the strategy is very interesting “ developing cleaner fossil fuels and alternative energies that fit our business.” Fossil fuels may seem cleaner at some point for example, when they are burned in a home, but the clean-up of the pollution during the processing of the cleaner fuels is not mentioned. Their business strategy is to increase the number of major new projects (Upstream) with an expectation of 3. 5 million barrel oil equivalent a day. 9 They will invest in new methods of refining and new petrochemicals (Downstream). Upstream and downstream are terminologies used to label some of Shell’s strategies. Upstream International is designated for the exploration, and transportation of petroleum products at locations not located in the Americas. (Upstream Americas has the same tasks as Upstream International plus it extracts bitumen from coal tar sands and it also has started fracking projects in the US.) Downstream refers to other types of tasks that business must carry on such as the transportation (distribution), marketing, and manufacturing of a variety of oil based products and chemicals. There is also a fourth dimension to their logistics and that is the portion dedicated to projects and technologies. Most of the locations are operated in many ways like a company within a company because they each have the entire infrastructure such as the HRM necessities like payroll.

Company's Marketing Approach

Shell's marketing strategy is to put a positive and optimistic spin on the company and the products that it sells. Commercials often emphasize the development of sustainable alternative energies. The television commercials I have seen depict nice green grass outdoors with an engineer discussing his work in the most recent technology. The CEO Voser said recently at a conference in the US that more transparency and more regulation is needed on fracking which makes him sound like a very forward thinking CEO. 10 The marketing strategy globally is to continue to hold a leadership position in order to get good returns for its shareholders. 11 In Nigeria Shell is supporting a local aviation company by buying helicopters. 12 It has also allowed both Nigerian and international journalists for a flyover view of the SNEPCo's Bonga facility oil spill. 13 The pollution is notorious in Nigeria and rarely are journalists allowed in the polluted waters. These public relations campaigns are all an important part of Shell's marketing strategy. Shell also uses its own Shell debit card that consumers can use to purchase their gas. The advantages to use the Shell card include discounts and sometimes free gifts.

Company's Logistics Approach

Shell's drilling and production facilities are very large in Nigeria. The company impacts the entire Niger Delta. The Gbaran-Ubie project (expected finish date was in 2011) will produce 1 billion cubic feet a day. A portion of the production will go to the Nigerian government. 14 Shell is in Nigeria because it has a very good relationship with Nigeria's government. (The

people of Nigeria live in very bad conditions.) In Canada the Athabasca Oil Sands Project (AOSP) converts extracted bitumen into synthetic crude oil. 15 This area of Canadian oil sands is an indigenous peoples' reservation. Extracting the tar from a reservation is easier because of the difference in the environmental laws than in other regions of Canada. As mentioned above they have made an agreement with China to start fracking there. Shell has expressed a lot of excitement about drilling in the Arctic; they already have an air pollution regulation agreement signed with Canada. 16 The change in the climate is changing the shape and composition of the Arctic so drilling under the seas there seems to be a top priority for Shell. Too put it succinctly Shell is everywhere fossil fuel resources are found including Brazil and Russia. They are now moving to regions where natural gas can be recovered. The website information also places a lot of importance on the move to sell liquefied gas.

HRM Approach

Shell is very proud of its successful human resource strategy of inclusivity. In 2009 the company reduced its senior management by 20 percent. 17 They have added more women into senior positions. They have employed more people in senior positions from the countries where operations are located. They are planning to continue to reduce upper management and non-operational positions in order to reduce costs and run the company more efficiently. 18 Shell reports that worker satisfaction is high; 69% of employees registered satisfaction with the workplace in 2009. 19 Shell also

has a lot of North American employees who travel to the locations of the operations in order to fill accounting, engineering and other jobs.

Summary

The benefits of allowing Shell to set up operations in France could be that more people would be employed. The strategy of allowing the nationals of an operation's location to work in the country is a new innovation for Shell. It is not clear whether this will be continued or in what countries employment of nationals will be allowed. The greatest risk to France is the health of the people because of the damage to the environment caused by Shell's operations. Fracking (extraction of oil from shale rock) is a method which destroys local rock structures that protect ground water supplies. Oil spills are a great risk but I could find no straightforward information on Shell's prevention and clean up strategies. The only mention on the web site was about the location in Nigeria which journalists were allowed to fly over. It would be interesting to see the same site by boat. Using the word sustainability in advertisements and reports and actually acting in an environmental sustainable way are two different things. The commercials depicting the engineer talking about non fossil fuel energy sources is a well produced commercial. But in the real world it is Shell's petroleum products that are easy to find not a solar panel, a battery or wind turbine.

Conclusion

Shell has a positive balance sheet that shows a healthy growth rate. The company shows a willingness to move into new locations all over the world. Shell has operations in the Arctic, North America, Russia, and Western Africa

and has just negotiated a new agreement with China. CEO Vousa is a positive asset to the company in with his optimistic attitude. There are a lot of risks in the petroleum and gas exploration business: risk to workers, tanker drivers, and local residents. All the risks have to do with physical risk as well as monetary risk. The CEO has not discussed some of the risks associated with his proposed business strategies. If he had that would allow for more confidence in his leadership abilities. Oils spills have been common and so far Shell has been able to negotiate to stay in locations even if the company has been responsible for oil spills. Vousa needs to discuss how these spills will be avoided and what new technology Shell is developing for immediate clean up. Unfortunately Shell has not shown that it can take responsibility for the damage it does to the environment whether it is in the Canadian tar sands, the Niger Delta or the Northeastern United States. I would say that other companies can offer more advantages for French jobs, promotions and a better future. The fossil fuel industry has not changed its vision to embrace the time for change in energy use. It would be better for France, if for example, an energy company was desired, to welcome an innovative new company with interesting ideas and a talent for using alternative methods for energy production. Sustainable and non polluting energy production would be best for France.

End Notes

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19 Ibid.