

# Report on bhp-billiton

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



## **Introduction**

BHP is a multinational company in Australia which deals with mining and petroleum. It has its headquarters at Melbourne, Australia and it also has a major management office in London, United Kingdom. According to the revenue measured by 2011, it was the largest mining company in the world. And as per February 2011, it was the third-largest company according to the market capitalization.

As the history goes, BHP Billiton Company was formed in the year 2001 when two companies formed a merger. The two companies were; Broken Hill Proprietary Company Limited (BHP) from Australia and the Anglo-Dutch Billiton plc. Since BHP Billiton limited was the majority partner, the Australia decided to register it.(Peng 2009). It was listed in the Australia security exchange as the largest company in the country according to market capitalization. The UK decided to register BHP Billiton Plc and put it in the primary listing in the London stock exchange market and it was a constituent of FTSE 100 index. By 23rd December 2011, it was the ninth-largest company listed in the London stock and also had a market capitalization of approximately £39. 6 billion.

this company as per now is the leading producer of major minerals such as coal, copper, aluminium, iron ore, silver, nickel, manganese, uranium and also have vested interest in oil and gas. This report is going to be analysis of BHP Billiton company in terms of their;

- Corporate affairs
- Governance
- SWOT Analysis

- Charter
- Code of business conduct
- Dividend stock analysis.

## **Corporate affairs**

The two companies; the Australia Billiton limited together with the British Billiton plc are listed separately in the stock exchange market as earlier been mentioned with different shareholder. (Welch 2005). But one unique thing is that they are being run under one umbrella of board of directors and one management structure. Even though one is situated in Australia and the other one located in London, they still remain under one management. Apart from the two mentioned countries, BHP Billiton Company has also its corporate centers in Johannesburg, South Africa and Houston, USA, and offices in Perth, Santiago, Singapore, Shanghai and The Hague.

BHP Billiton Company has its branches distributed across the world and these justify two major important international trade theories. That is the vent for surplus theory and the absolute advantage theory. The former explains that incase of surplus in another country that is if the country produces more than the domestic consumption then it can export that particular commodity to another country with less supply. The products of Billiton company can be sold through is corporate offices located across the country. The later theory explains that BHP Billiton Company while is able to take advantage of the labor or the availability of a certain product produced in one of this country and maximize its production. .( Wild, J. J., Wild, K. L. and Han, J. C. Y. 2006).

The company also has got some corporate social responsibilities such as

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being a signatory participant of the voluntary principles on security and human rights. They constantly donate some money to this organization to help cater the less fortunate and security issues of this firm.

A part from that, BHP Billiton on June 2011 donated 10 million US\$ to help bring up and establish two very important energy institutes at the university college in London. The two institutes are the Energy Policy Institute, based in Adelaide, and the Institute for Sustainable Resources, based in London.

For over 150 years now, this company has helped in terms development and contribution to various economies across the world. They have a strong foundation which resulted from a merger of BHP and Billiton.

## **Governance**

The way this company conducts its business is underpinned by the corporate governance. They are truly committed to the highest level of governance which always finds it possible to reward exemplary ethical standards as well as integrity at personal or corporate level. Above all they are very respectful to others too. The corporate governance of BHP Billiton is organized in different ways. The first definition is their constitution. Every body is aware of the constitution and ready to implement it at all levels in order to realize the dream of the company. The second way in which the corporate governance of this company is defined is the memorandum and articles.

( Wild, J. J., Wild, K. L. and Han, J. C. Y. 2006). This makes the agreements to be fulfilled without alteration of any section. The memorandums are used to keep the records of any form of agreement or promise which is suppose to be fulfilled at a later date. They also use corporate governance statement as well as compliance checklist. They also from time to time compare their

practices with international bodies like NYSE governance.

BHP Billiton Company also operates under board committees. These committees must operate under specific terms of reference. In these terms of reference, the Board Governance must have a Document which outline their operations, Terms of Appointment of must be laid down clearly especially for Non-executive Directors, the induction program for Non-Executive Director, a committee of remuneration fully equipped with its mandates and finally, a committee responsible for risk management and auditing,. (Welch 2005).

A part from the board committees, the company is also being governed by core policies which include; Securities Dealing, Code of Business Conduct, Human Resources Policy and their Approach to Diversity.

The above stated groups have a clear mandate or duty to carry out and are being overseen by the Company's Group Management Committee. The company has Group Level Documents (GLDs) which direct the mandates given to these committees. (Welch 2005).

This document also has a function of outlining the minimum performance which is required from all sectors of the company. The minimum performance is mandatory and should not be below. The documents are used majorly internally but in all the branches of BHP Billiton Company across the world.

## **Code of business conduct**

Committed to working with integrity

The company always operate with a lot of integrity . this means they do make right decisions at the right time and do things the write way. For

instance, the company obeys the opportunity cost theory in that they find it very productive to mine gold in South Africa than any other country in Africa. ( Wild, J. J., Wild, K. L. and Han, J. C. Y. 2006). The company management committees argue out that gold exists in South Africa in large quantity than any other country in the same continent. Therefore mining gold in South Africa brings a lot of profit.

On the same note, BHP Billiton Company makes good application of the comparative cost theory. This rule is concerned in comparing the cost of producing goods in different countries. They major on the major highly produced commodity in a particular country at the lowest cost possible. The company works under code of business conduct which sets the standard to any committee to work with integrity.(Griffin 2010). The value of integrity is adhered to by everyone work for or on behalf of the BHP Billiton. It is the code that outline how the company operates its business and above all, they places priority on high ethical standards and ensuring that there is trust between them and there stakeholders. As earlier been discussed, the company has its branches in many countries across the world. Therefore without trust and integrity, the business might not do well.

### **BHP Billiton Company has diversification portfolio which has and will continue to be their defining attribute.**

Raising a business conduct concern

The employees of this company are encouraged to ask whatever they don't understand or unclear to them. This is creating a conducive workplace necessary for producing good results. They also welcome opinions from the outside people. This helps them realize their weaknesses as well as their

strengths.

. BHP Billiton Business Conduct Advisory Service is a service which operates worldwide and is mandated to solve all the business queries and issues. This service is can be conducted through telephone or mail.(Griffin 2010). This means that even the stakeholders or the public can question the operation of the business through this service.

## **SWOT Analysis of BHP Billiton Company**

This particular company is well known the entire world as a mineral resource company. It has a distinct marketing approach and it is for this reason it acquires a competitive advantage over its peers. It has a strong market presence, variety of products and a long term customer relationship. (Griffin 2010). These values make this particular company to stand strong despite the recent economic difficulties.

The main aim of SWOT analysis is after internal and external analysis of BHP Billiton Company, the strengths, weaknesses, opportunities and threats are highlighted. The SWOT analysis has helped the company to draw conclusions a bout how to execute the strengths and defend against its weaknesses.

### **Strengths**

This company offer several products to its customers. This make it easy for the customers to choose their best or the appropriate products to use. It is also has its offices in many countries across the world. This makes them to stay closer to their customers to avoid travelling. the minerals are sold very first since travelling time is reduced. Information about the company is also available near to many customers. (Hill 2010). The advertisement cost is

greatly reduced increasing the marginal profit. This highly justify the absolute advantage theory of international business. While some other companies stay or stagnate themselves in one place, the BHP Billiton company is found in many countries. Therefore those companies use a lot of money to do the advertisement. This has enabled the company to make a superior capital to its investors.

Hence, the company has retained a strong credit in the global market. A dedicated customer service is offered by this company to its product portfolio and regain from it by passing a long price increase to its clients.

## **Weaknesses**

As much as the company enjoys a lot of strengths, it also has some weaknesses in terms of operation. One of the weaknesses lies on the measure of gross margin and the long term financial return on equity. In order to move closer to its peers, the company should improve on the two stated areas. Currently, the company is being faced with serious human resource operations. (Hill 2010). The employees are not fully qualified to carry out their duties. This is experienced mostly for those works at the mining sector. In terms of corporate communication, the company is weak. The staffs do not respond proactively to quarries . They has problems with the new media and they also do not make proper group communication to the investors as well as the stakeholders.

The biggest problem is all about training of the staffs concerning the ever changing technologies across the world. Communication is very important in any business to prosper. Therefore if this company employs people from other countries to work in foreign countries in which they don't understand



their national language, the problem is created. Working with unqualified people reduces productivity of the company. At times the company is forced to employ people from the country where they are based. In some cases you might find that the level of education in that particular country is very low. ( Wild, J. J., Wild, K. L. and Han, J. C. Y. 2006). This might be ordered by the government of that country. Therefore, BHP Billiton Company is forced to either work with the unskilled people or spend a lot of money in training them. This happens especially in the third world or developing countries.

## **Opportunities**

BHP Billiton Company has the advantage of having several projects in the pipeline to execute. There are 29 projects which have already passed the feasibility test and are almost commencing. This is likely to boost the source of revenue for the company. These projects will be executed in a cost-effective manner to prevent losses. The company has the advantage of strengthening its brand position in the market.(Griffin 2010). This can be done by re-branding and conducting a thorough market research across the world. They can also use new media and proper customer outreach in order to realize their dream of being relevant for long in the market. This simply is an indication of the company's strengths operations as well as making its customers aware of the company's brands.

BHP Billiton is guided by Kyoto protocol and this has enabled them to reduce the green house emission by 5%. with the proper management of this programme, environmental responsibility and sustainable development can be realized. This company produces significant sources of energy across the world therefore they are in a better position to further venture in supply

chain and operation. They can as well get involved in the transportation and utility industry to increase their profit margin and lower their production cost further.

## **Threats**

There is a continued rise in the costs of suppliers, that of energy and shipping. Some other threats are increased contract labor costs, inflation and the issues concerning the staff are continuously restricting the company from growth and development.

The major threat to this company is more of political. This company faces political threats even from its own country which is Australia. (Hill 2010). The government has issued unfavorable ruling towards this company especially concerning infrastructure access. Politics is always dynamic and as usual, the government always wants to be on the right side. In foreign countries like United Kingdom, the company faces strict political rules. Since the company's activities are associated with environmental pollution, they must put clear steps to deal with this situation.

Another threat is that, BHP Billiton Company relies greatly on china as the major market for their natural resources. Incase of any economic slowdown in china, they had to find other alternative market for their products to remain relevant in the market. Even though china is currently enjoying economic increase, it is mostly likely to fall since their products are claimed in the world market as not being original. This might cause a great impact on BHP Billiton Company in terms of profitability and revenue.

## **Charter**

The BHP Billiton Charter defines their relevancy as far as the business is concerned, their values and how they realize and measure their success. The charter is the most important means in which the company communicates or shows their clients what they are and what they do as an organization . it also forms most important deal for decision making. The company is committed to keeping long term value of their shareholder. They do this through acquiring, developing and marketing of their natural resources. Their strategy is to own and operate in large, low cost and much diversified market.

The company is as well been managed by values. Such values include sustainability where they put health and safety first and being environmentally friendly as well as supporting the community. (Hill 2010). They also operate on high level of integrity by doing what is right and fulfilling their target. BHP Billiton is highly accountable by defining and accepting responsibilities and they ensure that their commitments are delivered. Another core value is that they are simple and obey the opportunity cost theory of international trade. They go for what is important first and consider others later. This company gears their efforts towards performance. They stretch their capabilities in order to deliver superior business results.

## **Dividend stock analysis**

The international dividend achiever for this company has increased consecutively for 13 years. The company achieved divided increase last in august 2012. the board of directors approved a dividend of \$1. 14 per share

which was equivalent to 3.6% increase. This was semi annual distribution. Over the past decade, an annual total return of 19.60% has been delivered by dividend growth stock to its shareholders. ( Wild, J. J., Wild, K. L. and Han, J. C. Y. 2006).

## **Conclusion**

BHP Billiton Company is a large and renowned company which should be managed with a lot of dignity and clarity. As discussed on the SWOT analysis, the company should not concentrate on celebrating its opportunities and strengths but should also look at the weaknesses to amend them.(Peng 2009). The issue of employee training should be given a priority. They should consider expanding to some other countries which are also rich in mineral resources like Libya. This will be done through thorough market research and commitment of the management. The good qualities like the customer relationships should be maintained for the longest time possible. In order to succeed, the company must learn to work with the foreign governments since failure to do this, the business will stumble.

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