

# British petroleum (bp) strategic change management



BP is most widely associated with its fuel stations and forecourt retail operations; it also has a wide range of activities. The exploration of oils, gas, extraction, transportation, and the processing and selling of fuels. Bp has developed a low carbon energy strategy such as wind farms and solar power. BP operates the Wild Bean Café brand in the UK, Europe, South Africa and Australia. The convenience store brand is also in the US. However, Wild Bean Cafés are focused on quality food and coffee, having a strategy of differentiation from competitors offering poorer quality Refreshments.

### **1. 1. 1. Company's Mission**

The company aims to be competitive on the low pricing of its fuels, and this is evident on garage forecourts where drops in oil prices have been passed on to their consumers more rapidly than some of its competitors. In all BP's activities they seek to display some unchanging fundamental qualities, integrity, honesty, honest dealing treating everyone with respect and dignity, striving for mutual advantage and contributing to human progress.

The group aims

- To have the best competitive corporate, operating and financial performance.
- To improve and to be accessible, inclusive and diverse.
- To engage the creative talents of their employees, and develop and apply leading Cost- effective technology and intellectual creative to enhance innovation and new ideas.
- To carry on its business in an environmentally responsible manner, and develop cleaner energy and renewable energy sources. The group is

committed to the responsible treatment of the planet's resources and to the development of sources of lower- carbon energy.

BP expresses that their group value fewer than four headings

- Performance
- People and capability
- Health, safety and environment
- External relationships

## **GROUP VALUE PERFORMANCE**

Compliance with the law and ethics > to comply with all applicable laws and regulations in each jurisdiction in which the group operates. All BP employees will be required to comply with the code of conduct, which prohibits illegal, corrupt or unethical practices and high standards of decency.

Continuous improvement > improve continuously in pursuit of the group values by setting targets and through encouragement of our employees.

Internal targets > to establish realistic and reasonable targets in the group plan. Any Progress against targets will be reported internally and analysed transparently and in a timely manner so that progress and variations can be understood voluntarily.

## **PEOPLE AND CAPABILITY**

Human capability and technology > to nurture human capability and ensure that the right technology, skills, behaviours and intellectual property are available for the pursuit of the broad goals.

## 1. 1. 2. Challenges

- BP is currently underperforming due to
- TNK BP in Russia is currently experiencing power struggles between British executives running it and Russian billionaire shareholders
- It's safety record has been questioned
- The company has experienced an explosion at the Buncefield in 2005 which killed 15workers and the spill in the United States of America which caused pollution.
- The company has also lost consumer confidence.
- Financial problems
- Bp also has been responsible for the spill in the Gulf of Mexico

(Online).

## **TASK 1**

### **Understand issues relating to strategic change in an organisation**

The importance of strategic change management in any organisation cannot be overemphasised. Change management has increasingly become a necessary business concept among business firms especially in the wake of the recent dynamic global business environment.

Strategy is the direction and the scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.

Strategic change management is a systematic approach to dealing with change, both from the perspective of an organisation and on the individual level including adapting to change, controlling change, and effective change.

## **CONTRIBUTIONS FROM THE GURUS**

Julia Bologun (2001) describes strategic change as

“ Arising from management trends such as culture change, business process swings, empowerment and total quality. Other change initiatives are driven by the need for organisations to reposition themselves in the wake of changing competitive business conditions”.

Strategic change is context specific in any organisation and the way it is managed has no simple formula or universally agreed framework that will work in all cases (Bologun, 2001). Organisations have different challenges and issues that affect them and when the change process is deemed necessary to undertake, the roadmap is always different per case study.

Different theorists have made attempts by giving and emphasised that strategy must be context sensitive. The culture web framework is introduced as a means of addressing the ‘ softer’ issues, which is a critical first step, as barriers to change must be identified. The strategy kaleidoscope will help managers to understand the change context and plan for transition.

According to Gray Hampel his referred strategies as Strategic decay the notion that the value of all strategies, no matter how brilliant decays overtime”. (Gray Hampel 2000)

Abell. D also came up with his own understanding of strategy as Strategic windows and stressed the importance of the timing both entrance and exit of any given strategy (Abell . D 1978).

Henry Mintzberg looked at the changing world around him and concluded that there are five types of strategies (Henry Mintzberg 1988)

- Strategy as plan
- Strategy as ploy
- Strategy as pattern
- Strategy as position
- Strategy as perspective

The entire three theorists were talking about the equivalent things to which I do agree with. For an organisation such as BP to prevail in this ever changing market their strategies have to change and not stick to the same strategy for too long because it won't be as effective as it was, timing is of importance to an organisation, where and planning, of the strategy is vital.

## **AC2. 1 Examine the need for strategic change in BP**

All organisations are currently undergoing some type of change. Many of the organisation change programmes arising from management fads such as customs change, business process engineering, empowerment and total quality, branding, reputation. For instance BP had the need to change because of its Experience of controversies regarding business practices, environmental damage, and hazards to workers. Other large energy companies have come under fire for releasing huge amounts of greenhouse gasses into the atmosphere. For some time, BP is trying to turn a new leaf in

its history book toward a more environmentally-friendly future through investments in renewable energy and a support of ethics and compliance initiatives. British Petroleum changed its name to BP and then tried to rebrand itself as Beyond Petroleum.

As an organisation it's important to change with time and surroundings.

There is need for change because of the external and internal developments and internal factors.

These factors bring attention to the organisation to formulate and implement strategies to survive in the competitive market. There is need for strategic change because it is also necessary in order to gain competitive advantage enables the organisation to be focused also enables adaptability

BP has been able to enjoy a large market share and gain competitive advantage over its competitors because of accepting to change with its surroundings and by learning what its customers need and want from them as a company. Change has also enabled Bp to adapt in any environment; For example the company has gone green to protect the environment and have become the big campaigners for going green and change has also enabled the organisation to be focused on what is important to their stakeholders.

## **AC2. 2 Assess the factors that are driving the driving the need for strategic change**

According to Johnson, Scholes, Whittington (2006) " the major influence of change in organisations is categorised as six factors namely Political, Economic, Social, Technology, Environment, and Legal otherwise known as the PESTEL framework"

<https://assignbuster.com/british-petroleum-bp-strategic-change-management/>

P- POLITICAL: Government stability, Taxation policy, foreign trade regulations and the social welfare policies.

E-ECONOMIC: Business cycles, GNP trends, interest rates, Money supply, inflation, unemployment, and disposable income.

S-SOCIO-CULTURAL: Analyzing the population demographics, income mobility, life style changes, Attitudes to work and leisure, Consumerism, levels of education.

T-TECHNOLOGY: Has unleashed a process that has been called “ perennial gale of creative destruction.” Technological change can make established products obsolete overnight and simultaneously create host new product possibilities. Thus technological change is both creative and destructive both an opportunity and a threat.

E-ENVIRONMENT: specifically stands for ‘ green’ issues, such as pollution and waste.

L-LEGAL: embraces legislative constraints or changes, such as health and safety legislation or restrictions on company mergers and acquisitions.

## INTERNAL

The employment of a new leader.

Benchmarking exercise against external organisation

Senior management dissatisfaction with the status quo



Employee -Management conflict.

Bp has been affected by the political and the environmental aspect. It had a spill in the USA which had an intervention of the politicians. The organisation had to respond to the demands and controversy from the media, consumer and politicians of the state by changing a lot of its strategies in place. BP agreed to the demands of the politicians (foreign trade regulations and social welfare policies) to compensate the residents affected by the spillage. All these problems needed Bp to change its strategies.

The world is advancing in technology and for it to compete in the ever changing business world, Bp has to be ready to change and adapt to those changes. The organisation has come up with programs that can help its staff to have knowledge of the new and advancing technology; For instance they needed to improve on the machinery that they use to drill. Bp has advanced in technology by using sophisticated technologies and tried- and true techniques to be able to find oil and gas.

The company also incurred a loss when they lost a lot of oil in the spillage which affected their financial situation. The spillage affected their market share by its price dropping in the global market; the other factor which affected Bp was the environmental factor. The spillage polluted the water and hence affecting the resident's livelihood and it also affected the wildlife. BP had to come up with a strategy to stop the spillage which resulted to large sums of money being spent. Bp has changed and responded to change by striving to secure and make sure that it isn't affecting the environment since they are big campaigners of climate change and going green.

In the case of BP, management was dissatisfied with the way Tony Hayward Group Chief Executive handled the Mexico oil spillage. Tony Hayward resigned and this called for replacement of new management.

### **A. C2. 3 Assess the resource implications of the organisation not responding to change**

There are severe resource implications to an organisation such as BP for not responding to strategic change. The response should be implemented at the right time and BP's call to sort out the spillage needed a response at the time; had they not responded and acted as efficient as possible their reputation would have been damaged further.

If BP as an organisation does not respond to change, this will affect its entire resources adversely.

Human resources normally includes the

Restructuring Redundancies Interviewing

Hiring Training Layoffs

Physical resources mainly affect the non-current assets of an organisation such as

Equipment

Vehicles

buildings

reputation

<https://assignbuster.com/british-petroleum-bp-strategic-change-management/>

Financial resources have an impact and it may also have a huge one on the

Costs of training

Redundancy costs

Relocation costs

New building

Refurbishments of existing buildings

For BP to manage the changes effectively, Human Resource has to implement strategies that would enhance change:

Training is a vital aspect of human resource and ensuring that its members of staff and employees are well trained. The organisation bought together a project team to develop Andrew oilfield, located in the North Sea. Since discovery about 20 years earlier, attempts had been made to develop the field, but each conceptual plan floundered and Andrew had gained a reputation as being too difficult to achieve economic sanction. Bp brought in consultants who coached Bp engineers and contractors in ways of working together and “ think out of the box” to solve Andrews technical and economic problems

Interviewing is paramount for the succession of Bp’s organisational aims and objectives. Bp has to have the right employees in place so as to be able to compete with its competitors in the ever changing environment

## **A. C 3. 1 DEVELOPING SYSTEMS TO INVOLVE STAKEHOLDERS IN BP**

Stakeholder is a person, group, or organisation that has direct or indirect stake in an organisation because it can affect or be affected by the organisations actions, objectives and policies.

Stakeholders in every organisation play a very important role in day to day running of an organisation. It is vital to develop a system that involves stakeholders in the planning of change. The systems need to be appropriate, applicable and workable in the organisation chosen.

Most importantly concentration must be devoted to the most influential stakeholder. Stakeholders include Government, suppliers, competitors, owners, customers, unions and these can be internal stakeholders or external stakeholders. It's important for Bp to have knowledge of its business surroundings for them to identify market segments to fulfil customer need. The expectations of BP will certainly be an increase in profit maximisation, growth in market share, capital investment, high product quality and high quality performance.

### **Systems to involve stakeholders**

A system is a structured collection of parts that are highly incorporated to accomplish an overall goal. The system has various inputs, which go through certain processes to generate certain outputs, which collectively, accomplish the overall required goal for the system. So a system usually brings in stakeholders to perform in different aspects to achieve organisational objectives. (Online)

Configuration system - An organisations configuration consists of the structure, processes and relationships in the course of which the organisation operates. The reason for configuring challenges is vital to organisational success.

Functional structure- Once an organisation grows beyond a very basic level of size and complexity, it has to start dividing responsibilities. This system is based on the primary activities that have to be undertaken by an organisation such as production, finance and accounting, marketing, human resource and research and development.

Convergence system- This is where previously separate industries begin to overlap in terms of activities, technologies, products and customers. (G. Johnson et al 2008)

### **A. C3. 2 Develop a change management strategy with stakeholders**

Management strategy is an arrangement to manage stakeholders according to the level of power and level of interest. It is a key concept for business to survive /grow by responding to any environmental changes.

A strategy is the direction and scale of an organisation over the long term, which achieves advantage in a changing environment throughout its configuration of resources and competences with the aim of satisfying stakeholder expectations.

## **STAKEHOLDER ANALYSIS (MAPPING)**

Stakeholder analysis helps an organisation to define whom to try to involve when designing a process of change. It also helps to determine in which way and how to include the stakeholder in the organisation. The process allows the organisation to find out whose information needs should be considered.

### **A**

#### **KEY PLAYERS**

Involve them

Increase effort and level of interest

### **B**

#### **KEEP INFORMED**

Engage and update

Involve

### **C**

#### **KEEP SATISFIED**

Least important

Communication and update

### **D**

#### **MINIMAL EFFORT**

Participate

Increase level of interest

The stakeholder analysis has two axis and four quadrants:

The x - axis represents influence

The y - axis denotes power

The quadrants are:

HH - high high

HL - high low

LH and LL low high and low low

High power, interested people these are the people you must fully keep and make the greatest efforts to satisfy.

High power, less interested people: put enough work in with people to keep them satisfied, but not so much that they become uninterested with the message.

Low power, less interested people keep these people adequately informed, and talk to them to ensure that no major issues are arising. These people can often be very helpful with the detail of your project.

Low power, less interested people: again, monitor these people, but do not turn them off with undue communication

For the analysis to be effective the following should be carried out:

Their interests, values, and concerns

What sources of stakeholder power

What claims they might make on the organisation

Who the most important stakeholders are from the organisations perspective

Map the relationship between them

Identify the resultant strategic challenges

### **A. C3. 3 Evaluate the systems used to involve stakeholders in the planning of change**

Six steps need to be taken into consideration so as to involve stakeholders in the planning of change:

Identify: who the stakeholders are (government, customers, investors, suppliers)

Prioritise: Stakeholders will have varying degrees of power, influence and interest in planning. It's important to identify, prioritise and understand the impact they will have on the decisions made.

Map their profiles: This will show their different responsibility and who will have greater influence on the stakeholders.

Develop an engagement strategy: one way of engaging with the stakeholder is by using a stakeholder light traffic strategy. Using the traffic light image is a useful way to flag up what strategy is appropriate with the different relationships in place at any given time.



Optimise their support to make good of the support they are giving you in the planning of change. This is by ensuring that you keep those stakeholders satisfied.

Monitor changes to ensure that any changes are put across to those stakeholders. It's important to give frequent updates.

BP stakeholders can be involved through meetings such as the Annual general meetings where all aspects of the company are discussed with members of the BP board and Carl- Henric Syanberg as chairman. The chairman informs other stakeholders on the different plans and issues that were discussed by board and what projects they were ready to take as an organisation as an organisation.

Change in Bp happens all the time and I think that out of the four systems I have picked the stakeholder analysis because it is effective and it gets involves all stakeholders and Bp is able to operate for the best intentions of its stakeholders.

### **A. C3. 4 Create a strategy for managing resistance to change**

In every company there are forces involved when a company decides to adopt new strategies. There are resistive and driving forces. In this case the resistive forces are those that don't want to accept any kind of change brought about in the company and sometimes there those who are in the favour of change. It's important to put in place strategies of how to manage any resistance going on in the organisation

## **INDIVIDUAL RESISTANCE**

Individually, people may resist, although this is generally limited to the extent of their personal power. For those with lower power, this may include passive refusals and covert action. For those with more power, it can include open challenge and criticism.

## **COLLECTIVE RESISTANCE**

When people find a common voice in organized resistance, and then their words and actions can create a significant threat to the change, even though they are individually less powerful. An organised resistance is usually a sign of a deep divide. People will not go to the bother of organizing unless they have serious issues with the change.

## **PASSIVE RESISTANCE**

Passive resistance occurs where people do not take specific actions. At meetings, they will sit quietly and may appear to agree with the change. They may agree and then do nothing to fulfil their commitments.

## **ACTIVE RESISTANCE-**

Occurs where people are taking specific and deliberate action to resist the change. It may be overt, with such public statements and acts of resistance, and it may be covert, such as mobilizing others to create an underground resistance movement.

1-Participation and involvement: - Is a strategy which is used when dealing with key stakeholders of the organisation. Participation and involvement is usually adopted when the key stakeholders are neither keen nor interested

in company matters and every time the company tries to adopt change for the benefit of the company they resist that change. Using such a strategy can be very helpful to achieve the objectives and on the other hand it is time consuming for the company.

**2-Education and communication:** - Is a strategy which is applied when stakeholders are not aware of benefit of the strategy. It's important to educate and communicate with the stakeholders so as to get them to understand the reason for the change. The major advantage of the strategy is that the stakeholders will cooperate productively and positively. Using this strategy can be time consuming and costly too.

### **3-Negotiation and compromise: –**

The strategy of negotiation and compromise take place when there is a group division. By this strategy a company convince the both groups at working together for the benefit of company. Its also promotes unity which is very good for a company. It is cost effective.

The current situation for Bp Company is not good because there is division of groups. This groups are the Russian shareholder and the British shareholder. This means that there can be experiences of groups opposing each other's opinions hence bringing about resistance for change. In my opinion if BP as a Company has to sustain their rank in international market then they should work together and be united as an organization. Stakeholders should be ready compromise for the benefit of the company.

## TASK2

### AC 1. 1 Discuss models of strategic changes

There are many theories about how to accomplish change. Many begin with leadership and change management guru, John Kotter. A professor at Harvard Business School and world-renowned change expert, Kotter introduced eight-step change process.(Lecture Notes)

#### Step One: Create Urgency

**For change to happen, it helps if the whole company really wants it. Develop a sense of urgency around the need for change. This may help you spark the initial motivation to get things moving.**

**This isn't simply a matter of showing people poor sales statistics or talking about increased competition. Open an honest and convincing dialogue about what's happening in the marketplace and with your competition. If many people start talking about the change you propose, the urgency can build and feed on itself.**

#### Step Two: Form a Powerful Coalition

Convince people that change is necessary. This often takes strong leadership and visible support from key people within your organization. Managing change isn't enough - you have to lead it.

#### Step Three: Create a Vision for Change

When you first start thinking about change, there will probably be many great ideas and solutions floating around. Link these concepts to an overall vision that people can grasp easily and remember

## **Step Four: Communicate the Vision**

What you do with your vision after you create it will determine your success. Your message will probably have strong competition from other day-to-day communications within the company, so you need to communicate it frequently and powerfully, and embed it within everything that you do.

## **Step Five: Remove Obstacles**

If you follow these steps and reach this point in the change process, you've been talking about your vision and building buy-in from all levels of the organization. Hopefully, your staff wants to get busy and achieve the benefits that you've been promoting.

## **Six: Create Short-term Wins**

Nothing motivates more than success. Give your company a taste of victory early in the change process. Within a short time frame (this could be a month or a year, depending on the type of change), you'll want to have results that your staff can see. Without this, critics and negative thinkers might hurt your progress.

## **Step seven Build on the Change**

Kotter argues that many change projects fail because victory is declared too early. Real change runs deep. Quick wins are only the beginning of what needs to be done to achieve long-term change.

## **Step Eight: Anchor the Changes in Corporate Culture the market**

Finally, to make any change stick, it should become part of the core of your organization. Your corporate culture often determines what gets done, so the values behind your vision must show in day-to-day work. (Lecture class)

### **Models of Strategic Change**

Lewin's Change Management Model was developed in the 1950s by a psychologist named Kurt Lewin (Syque, 2007). According to Lewin for change to occur in an organisation he looked at three stages, which are still widely used today: unfreeze, transition, and refreeze.

**Unfreeze** - Most people tend to stay within certain comfortable zones and are usually hesitant of change. Employees tend to become comfortable in this unchanging environment and become uncomfortable when any change occurs, even if it is not a major one. To overcome this frozen state, we must initiate an unfreeze period, which is done through motivation. Motivation is important in any organisation, even when it is not changing.

**Transition** -This period is when the change is occurring, which is a voyage and not a step. The transition period takes time because employees dislike change. This is when leadership transition period is good for the company as well as the employees.

**Refreeze** - At the end of the transitional voyage, comes the next stage refreeze. At this stage it's where the company once again becomes stable.

BP has encountered several problems but they have been able to change with its challenging and demanding surroundings. BP as a company has changed its strategies for it to survive in this competitive business world. As an organisation there has been need for change and it has improvised strategies, so as to adapt to this ever changing world

## **AC1. 2 Evaluate the relevance of models of strategic change to BP in the current economy**

All organisations are currently undergoing some type of change. Many of the organisation change programmes arising from management fads such as customs change, business process engineering, empowerment and total quality, branding, reputation. For instance BP had the need to change because of its Experience of controversies regarding business practices, environmental damage, and hazards to workers. Other large energy companies have come under fire for releasing huge amounts of greenhouse gasses into the atmosphere. For some time, BP is trying to turn a new leaf in its history book toward a more environmentally-friendly future through investments in renewable energy and a support of ethics and compliance initiatives. British Petroleum changed its name to BP and then tried to rebrand itself as Beyond Petroleum.

The different models of strategic change are of relevance in the current economy because the group will be able to compete with other oil companies such as Shell strategically. These models assist on the sustainability of the group, the growth of the group and the market share by using the different models.

## **AC1.3 Assess the value of using strategic intervention techniques in organisations**

### **Contingency Theory**

There are many forms of contingency theory. Contingency theories are a class of behavioural theory that challenge that there is no one best way of organising or leading and that an organisational or leadership style that is efficient in some situations may not be successful in others (Fiedler, 1964). In other words: The most favourable organisation or leadership style is dependent upon various internal and external constraints.

There are also contingency theories that relate to decision making (Vroom and Yetton, 1973).

The effectiveness of a decision process depends upon a number of aspects of the situation such as the importance of the decision quality and acceptance; the amount of appropriate information possessed by the leader and subordinate and the likelihood that subordinates will accept an autocratic decision or assist in trying to make a good decision if allowed to participate; the amount of disagreement among subordinates with respect to their preferred alternatives.

Kurt Lewin and his colleagues did different leadership decision research in 1939 and acknowledged that there were three different styles of leadership, particularly about decision-making.

### **Participative Style**

A leader who involves others in decision-making improves the perceptiveness of the issues involved by those who must carry out the decisions. Individuals

<https://assignbuster.com/british-petroleum-bp-strategic-change-management/>



are more committed to actions where they have been involved in the relevant decision-making.

A leader will find that people are less competitive and more collaborative when they are working on united goals.

When people make decisions jointly, the social commitment to one another is greater and that increases their commitment to the decision. Several people deciding collectively make better decisions than one person alone.

## **Autocratic**

In this case the leader takes decisions without consulting with others. A leader makes a decision without any form of consultation. In Lewin's research he found that he this type of style caused the most level of discontent.

An autocratic style works when there is no requirement for any input on the decision, In style it means that the decision would not change as a result of input, and where the driving force of people to carry out subsequent actions would not be affected whether they were or were not involved in the decision-making.

## **Management Intervention**

There are always teams in organisations that are there and the possibility of getting different results. No matter how dedicated a team is there will be tim