

Strategic position of baker hughes incorporated



Baker Hughes is a combination of Baker International Cooperation and Hughes Tools Company in April 1987. A provider of formation evaluation, drilling, completion, production and reservoir consulting to the oil and gas industry with its operations into two Hemispheres, eastern with five regions (Asia Pacific, Russia/Caspian, Middle East, Europe and Africa), western with four regions (US Gulf, Latin America, US Land and Canada) with 35,000 employees in 90 countries.

Setup

The aim of this report is to critically evaluate the strategic position of Baker Hughes Incorporated and how its emerging technology in well completion may impact on the future position of the organisation.

Background

The company is very wide in oil and gas industry, provides reservoir consulting, formation evaluation, drilling, completion and production products and services to the worldwide oil and gas industry. The purpose of this course work is to explore the area of well completion products and services. Baker Oil Tools' is a section of Baker Hughes in well completion products and services, its technologies, planning, and approach to avoid risk, reduces production, intervention cost, and extend the life of well. The scope and depth of reliable completion solutions allow you to create the ideal conduit from formation to surface, regardless of your well type or operating environment. This is the key to getting the most returns. For high-rate, big-bore completions to multizone, openhole horizontals in shale gas multilaterals, our completion systems are improving and minimizing life of well cost.

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The technology associated with this section of the oil and gas industry are artificial lift systems, permanent monitoring system, chemical injection system, integrated operation, wellbore construction and completion, specialty chemical and management. Baker Oil tool is responsible for the provision of equipment, services from its completion phase through the productive life of oil and gas wells. Wellbore intervention products and services are to produce the asset, deals with troubleshooting drilling problems, improve maintenance, and restore economical production. Technologically based tools used in wellbore intervention are tubing fishing system, casing exists, wellbore cleaning and temporary abandonment. (Baker Hughes 2010).

2. 1 Profile

Baker Hughes (Wikipedia 2010) provides reservoir consulting, formation evaluation, drilling, completion and production products and services to the worldwide oil and gas industry. It has made impact in the oil and gas industry in providing reliable, practical solutions when and where to its customers to reduce costs, risk and improving on its productivity. From reservoir to the refinery, they have created value with high-performance products and services to analyze, drill, evaluate, complete and produce oil and gas reserves and then transport and refine the hydrocarbons. Innovation has been part of Baker Hughes, through conceived ground breaking inventions that has revolutionized the oil and gas industry. They have advanced and searching for solutions to conquer the next frontier in areas such as: Differential performance, Regions and geomarkets, Technology,

Technical expertise, Drilling and evaluation, Completions and production, Fluids and chemicals, Reservoir technology and consulting services.

It is a top-tier oilfield service company with a century-long track record which delivers solutions that help oil and gas operators make the most of their reservoirs that provides reliable, practical solutions when and where to their customers at lower costs, reduce risk and improve productivity and helps oil and gas producers by providing practical technology to find, develop, produce and manage petroleum reservoirs. (Wikipedia 2010)

2. 2 Mission

Strive to build an inclusive culture that values the diversity of our global workforce and sustains an environment in which employees can develop and reach their ultimate potential.

2. 3 Vision

Global team of diverse, talented, and results-driven people makes Baker Hughes the company of choice for our employees, customers, and communities.

ENVIRONMENT

The environment comprises of two segments namely the Internal and External Environment.

Internal

This part of the environment explores the organization's mission, vision, purpose and value, stakeholders and power, culture, organizational balance, process and competence, etc

3. 1. 1 Stakeholder

Stakeholder can be a person, group, organization, or system who affects or can be affected by an organization's actions. According to the definition above, Baker Hughes stockholders comprises of the management, customers, suppliers, government agencies, staff, local community, shareholders, political parties, union, trade association, owners, financial community, activity group, customer association and group, media. Baker Hughes stockholder service is managed by Mellon Investor Services, a transfer agent and registrar who assist in managing the investment, keeps record of every outstanding stock certificate and the name of the person to whom it is registered. When stock changes hands, the agent transfers the ownership of the stock from the seller's name to the buyer's name. At the end of each day, they reconcile all transfer records and makes sure that the number of shares debited is equal to the number of shares credited. It also uses the stockholder records to pay dividends and issue proxies. (Baker Hughes 2010)

3. 1. 2 Stakeholder's map

Low INTEREST High

GROWTH

Customers, Union, Media,

Trade Union, media

Staff, Top Management, Shareholders,

Financial Community, Suppliers, Local

Community, Customers

Government, Shareholders,

Management, Political Group,

Financial Community

Customers, Local Community,

Media,

3. 1. 3 Culture

Company culture is the unique qualities of the organisation. It determines how the workers act, energy contributed to overall teamwork, innovation, technology, customer service, productivity, problem solving and quality.

Baker Hughes delivers performance at well site through application of technical knowledge, practical experience, and dedication to quality service. This company has built a very high performance culture, based on its Core Values of Teamwork, Integrity, Performance and Learning. Programs in Baker Hughes are introduced to encourage, recognize and reward perfect execution at rig site. Baker Hughes field performance is supported with

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worldwide operations networking organized around specific product lines, to enable best in class planning, logistics, equipment repair and technical service. With the structure of Baker Hughes culture, shareholders can raise opinions and resolve it together, acting on new opportunities, move into new one and, creative in direction. (Baker Hughes 2010)

3. 1. 4 Balance of the Organization

This segment describes the balance of the product and services of Baker Hughes as a company.

High SHARE Low

GROWTH

High Revenue, High Market Share

Low Revenue, High Market Share

High Revenue, Low Market Share

Low Revenue, Low Market Share

The Market Growth versus Market Share interprets the organizational balance of Baker Hughes, its growth in product and services, and Market Value. Efficiency and Effectiveness increases their value.

Baker Hughes is a supplier of wellbore-related products and services provide products and services for drilling, formation evaluation, completion and production, and reservoir technology and consulting to the worldwide oil and natural gas industry. Baker Hughes business is dependent on the capital of <https://assignbuster.com/strategic-position-of-baker-hughes-incorporated/>

its customers, expenditures, dedication to field development and production, oil and natural gas exploration, customers' expectations for future oil and gas prices, economic growth, hydrocarbon demand and current and future oil and natural gas production. The balance of the organisation and its operations is organised into a number of geomarket regions, which report to nine different region presidents, then report to two hemisphere presidents. Product-line marketing and technology report to the president of products and technology. The presidents of Western Hemisphere, Eastern Hemisphere, Products and Technology, Vice President of Supply Chain report to Chief Operating Officer of the company.

This organizational structure is intended to strengthen client-focused operations by moving management into the countries where its businesses are conducted. The product-line is responsible for product development and manufacturing, technology, marketing and delivery of solutions for customers to advance reservoir performance. While the supply chain is responsible for development of cost-effective procurement and manufacturing of products and services. (Wikipedia 2010)

According to Deaton C. C., (2010) " Quarter three was a good quarter for Baker Hughes. Our Drilling and Evaluation segment reported record revenue, record operating profit and record operating profit margins with 44% year-over-year incremental operating profit margins. Accordingly, we will continue to invest in manufacturing capacity, make additions to our rental fleets, and hire and train field engineers to support our customers' needs through the end of the decade." (Baker Hughes 2010)

3. 1. 5 Process / Value

In Baker Hughes, integrity is the foundation of their individual and corporate actions in honesty, trustworthy, respect and ethical in our actions which drives an organization. The values of baker Hughes are the basis for maintaining a common culture. These cultures are: Integrity, Teamwork, Performance, and Learning. Teamwork enhances their individual abilities and strengths to achieve a common goal. Performance excellence, focusing on things that are important drives the results that differentiates baker Hughes from other competitors in the oil and gas industry. Learning in an environment where benchmarking and adopting best practices is the key to achieving the potentials of individual and the company.

According to Bradfield, D. H., (2010) The Company specialises in the design and supply of process packages and completely integrated systems for oil/gas production, refinery waste water treatment, petrochemical and power generation markets. Baker Hughes business is basically in two segments namely drilling and evaluation, and completion and production. The drilling and production provides product and services used to drill and evaluate oil and gas wells, drilling and completion fluids, directional drilling services, measurement while drilling (MWD), logging while drilling (LWD). The completion and production segment provides product and services used in the completion and production phase of oil and gas wells. It's basically offers wellbore construction, casedhole completion, sand control and wellbore intervention solutions. (Baker Hughes 2010)

EXTERNAL ENVIRONMENT

This section of the organisation is where either the structure, strategy is affected or both.

3. 2. 1 Five Forces Analysis

Five forces analysis looks at five key areas namely the entry, power of buyers, power of suppliers, the substitutes, and competitive rivalry.

New Entrants.

There is a lot of oil and gas servicing companies all over the earth, barriers to entry into this industry are numerous to scare away the new companies. They vary depending on the area of product and service, market the company is situated. If we consider a company to supply pumping trucks needed at well sites which will very costly at a rate of one million pounds each. While other areas of the oil and gas business requires skilled manpower to handle this equipments. This category of company in the oil and gas sector such as these have higher barriers to entry than those offering just drilling, support services or services. Sufficient cash is another big barrier to entry. New companies need to have sufficient money to displace the existing ones. These factors are also considered; The economical value, the high or low cost of entry, ease of access to distribution channels , cost advantages not related to the size of the, will competitors retaliate, government action, how important is differentiation. , very high if there are few but big players in the industry, the rate of cost reduction when switching customers is always low.

Suppliers.

Baker Hughes is one of the leading oil and gas company in the world, much of this section of the business is dominated by powerful companies. Their large amounts of huge capital investment tend to weed out suppliers of rigs, refining pipeline. No much of competition, but have significant power over smaller drilling and support companies.

Buyers.

Power tends to go towards the buyer but almost all commodities there are no much difference, the buyer goes for where prices are low and a better contract term.

Substitutes.

These are generally alternative to oil which includes solar power, wind power, gas, coal, biofuel, nuclear energy and hydroelectricity. Oil is not powering automobile, it is very useful in other materials like plastic. Baker Hughes can withstand the treat of substitute because of its specialty in areas directional drilling and seismic drilling. This company is critically analysed because of their product and services.

Rivalry.

The slow rate at which these oil and gas companies grow is what is facing most of them. Almost every company in this industry can do one thing; there is a high exit barrier in the oil and gas companies. Aside of the company's scrap value of the equipment, if it not operating, then, it value-adding capability. Baker Hughes major rivalry is Slumberger, Halliburton and Weatherford. This is most likely to be high where entry is likely; substitute

products, suppliers and buyers intend to control the market. (Baker Hughes 2010)

3. 2. 2. PESTL

NEW ENTRANTS

DEEP WELL OIL & GAS. INC.

SUPPLIERS

AMOS INTERNATIONAL

TEK OCEAN

VTT MARITIME

BUYERS

ATLAS COPS, NORTH AMERICA

COMPETITORS

HALLIBURTON

WEATHERFORD

SCHLUMBERGER

SUBSTITUTE

BIOFUEL

3. 2. 3 VALUE CHAIN DIAGRAM

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Support Activities of the company

FIRM INFRASTRUCTURE: Administration, Legal, Financial Management,
Accounting

HUMAN RESOURCES: Training, Recruitment, Personnel, staff planning

PRODUCT AND TECHNOLOGY: Production Engineering, Market Testing, R&D,
Product and Process Design, Drilling Engineering

PROCUREMENT: Specification, Funding, Supplier Management,
Subcontracting

Inbound Logistics

Operations

Outbound Logistics

Sales and Marketing

Servicing

Supply Schedules,

Raw material, Controls,

Receiving,

Quality control,

Equipments

Production control,

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Manufacturing ,

Packaging,

Quality control,

Drilling,

Well Completion

Delivering,

Invoicing,

Order handling,

Dispatch,

Finishing goods

Promotions,

Market research,

Sales analysis,

Order taking,

Customer Management

Education and Training,

Upgrades,

Maintenance

Primary Activities of the company.

SWOT ANALYSIS

Strengths, Weaknesses, Opportunities and Threats. SWOT is the internal Strengths and Weaknesses of a firm and the environmental Opportunities and Threats facing a firm. SWOT analysis is a technique, which is widely used by managers to analyse a company's strategic situation. Baker Hughes effective strategy is derives from its internal resources (strengths and weaknesses) and its external situation (opportunities and threats). If accurately applied, baker Hughes has powerful implications for the design of a successful strategy.

Strengths, Weaknesses, Opportunities and Threats (SWOT)

FACTORS

Internal

Strengths

Steady financial performance

Strong R&D capability

Wide product portfolio

Wide geographical presence

Weaknesses

Lack of scale

Settlement with DOJ and SEC

External

Opportunities

Growth in global oil and gas drilling

Acquisitions of BJ Services & Nova Technology Corporation

Energy services in China

Deepwater Technology

Threats

Intense competition

Risks associated with conducting business outside the US

Economic slowdown in the US

Seasonal fluctuation

Renewable energy

Baker Hughes is focused on expanding in high growth regions like Russia, Middle East, capitalizing in high oil price, profitability in the Middle East is far guaranteed.

Baker Hughes is learning to swim in deeper waters which is a new demand in oil and gas industry. In deepwater technology, drilling is expensive and oil is drilled thousands of feet below sea level. Seasonal fluctuation poses a threat to baker Hughes profits. Renewable energy also poses a threat to baker Hughes demands. (Datamonitor 2008)

STRATEGIC POSITION OF BAKER HUGHES

Baker Hughes has invested on people, infrastructure and technology. It served as the foundation for the next of strategy action designed to help increase market share and achieve a long-term profitable growth. Their strategic position is in three-phase

Improve customers focus; by improving management diversity and quality, establish market segment to facilitate communication across the enterprise, reorganisation, customer segmentation and people strategy.

Achieve operational effectiveness; hiring of the first chief information officer to lead enterprise wide information team, Outsourcing certain finance operations to reduce cost and improve efficiency, Hiring of vice president of supply chain to establish an enterprise approach to supply chain function, e. g. manufacturing, purchasing and logistics.

Optimize product portfolio; Build out reservoir technology and consulting group.

Targeted research, development and engineering spending in global network of technology on key projects, Establishing of three project centers, namely completion and production; fluid and chemicals; drilling and evaluation.

Filling of significant gaps in product portfolio in areas like pressure pumping through the merger and acquisition of BJ Services and its product lines which are;

INTEQ: provides drilling and formation evaluation.

Baker Atlas: wireline logging services e. g. advanced formation evaluation, production and reservoir engineering, petrophysical and geophysical data acquisition.

Baker Hughes Drilling Fluids: Fluid system and services e. g. optimise drilling and completion process, maximise hydrocarbon production and manage drilling waste.

Hughes Christensen: provides Tricone TM and PDC drill bits, ream while drilling and casing drilling technology.

Baker Oil Tools: completion, intelligent production and intervention solution to manage cost and reduce risk while maximising reservoir.

Centrilift: artificial lift systems e. g. submerging pumps ESP, specific engineering, project management, well monitoring services.

Baker petrolite: chemical technology solution for hydrocarbon production, transportation and processing, delivers pipeline integrity services. (Baker Hughes 2010)

NEW TECHNOLOGIES IN WELL COMPLETION & INTERVENTION

Baker Oil Tools, world leader in well completion and intervention solutions. Division of Baker Hughes, which provides completion through Packers and Flow Control, Subsurface Safety Systems, Liner Systems and Wellbore Isolation, Sand Control Pumping, Tools, and Services, Tubing-Conveyed Perforating, Systems. This branch of Baker Hughes is sealing and anchoring technologies, planning, risk avoidance, maximising production, reduce intervention cost, and extend the life of well. Baker Hughes has made impact in the oil and gas industry, from the reservoir to the refinery they have created value with high-performance in their products and services to analyze, drill, evaluate, complete and produce oil and gas reserves and then transport and refine these hydrocarbons. (Baker Hughes 2010)

These are the emerging technologies in well completion and intervention

Packers and flow controls: To increase profit by reducing risk and minimizing life of well cost.

Subsurface safety system: reduce risk and increase profit using subsurface safety valves.

Liner system and wellbore isolation: reduce risk and CAPLEX (Capital Expenses)

Sand control pumping, tools, and services: ensures operational excellence in unconsolidated formation at less risk.

Tubing conveyed perforation: achieve maximum production using efficient completion solution.

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Expandable solid tubular system: maximise hole size with significantly reduce non productive time (NPT).

Fishing service: reduce the cost of wellbore problem.

Casing exit: increase profit by accessing previously uneconomic reserves and bypassing trouble

Remedial and stimulation: lower risk, boost effectiveness of remediation and stimulation operations.

Baker Hughes has been know for success in technology innovation. Local teams are supported by global centers of excellence where scientists push the boundaries of value-adding technology to find solutions for progressively more complex technical challenges at dedicated innovation centers. (Baker Hughes 2010)

IMPACT OF STRATEGIC POSITION

The impact of strategy position has enhanced their productivity, efficiency and effectiveness in areas such as: Global Benefits Strategy, Labour and Management Relations, Employee Development, Recruiting and Retention, Global Workforce.

Workforce_jobtype_region

Workplace Diversity and Equal Opportunity

Salary_ratio

Turnover

Employee_turnover

Turnover_region_jobtype

Baker Hughes strategic position will impact on a nation's economy by implementing programs that provide sustainable benefits to the people and communities operation. Baker Hughes employment program is designed to promote diversity in workplace; varied experiences and skills are highly valued and applied toward common goals. These strategies are implemented through assurance of job opportunities for local citizens at every level of the organization. Also, training and development program to advance and succeed in their different careers. The governments, non-governmental organizations, academic institutions, customers, and employees are engaged to address the social needs of community stakeholders, education is placed as a priority in baker Hughes worldwide contributions. Employees are supported by a culture which values workplace diversity, team work, together across geographies and product-lines to deliver advanced technology solutions. The technology program in baker Hughes promotes professionalism, development of science, engineering and employees with technical abilities in their career advancement opportunities based on their performances and contributions to baker Hughes. Global Learning and Development Program provides non-technical training to professionals in corporate and support roles. (Baker Hughes 2010)

Baker Hughes is committed to national content to add people and its economy. Expanding its investments in advanced technology, developing oil and gas markets, identifying national content development, as a measure to

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operational success. Committed to promoting three key areas: global workforce, local suppliers and communities. With focus on these areas like : global workforce, local suppliers and communities, the region and each geomarket management team implement specific plans in adapting with governments legislation, and develop businesses, communities and its local citizens. Engaging customers as partner requires an organisation with the training and experience to deliver effectively. With global workforce, local citizens are represented in managerial, operations and technical positions collectively delivering. There is impact through talent acquisition program; by building students.

Baker Hughes is aiming to continue increasing the composition of workplace and career development. In community level, national content is encouraged through social contributions, which are majorly focused on education. In expanding national content plans, baker Hughes is looking for opportunities to build on the success of existing educational programs. (Baker Hughes 2010)

CONCLUSION

Baker Hughes has invested significantly in people, infrastructure and technology. These investments served as the foundation for the next set of strategic actions designed to help increase market share and achieve long-term profitable growth. Increasing market share and achieving long-term profitable growth requires Baker Hughes to pursue two related enterprise strategies: continue to build global capabilities to serve customers around the world, and deploy customized local solutions to meet customers' needs in each geographic market. For these strategies to be achieved, first,

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improve customer focus, that is understand customers and proactively meet their needs. Second, achieve operational effectiveness and improve overall cost position. Third, optimize existing technology portfolio and fill strategic gaps, including reservoir engineering capabilities and pressure pumping services. To meet this target, baker Hughes needs to carry out a major reorganization and targets more mergers and acquisitions. (Baker Hughes 2010)