

Finance



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British Petroleum Table of Contents Introduction 3 Restructure 3 Results 4 Conclusion 5 References 6 Bibliography 7 Introduction British Petroleum, Plc popularly known as BP is the largest corporation of the United Kingdom. It is also the fifth largest company across the globe and third largest oil corporation. Established hundred years ago (1909), BP, Plc have its head quarters at St James's, City of Westminster of London. Listed with the London Stock Exchange (LSE), the corporation is a major constituent of FTSE 100.

Restructure

The restructuring of the company can be in many of the verticals. It can take the form of financial restructuring or the business portfolio restructuring. Also, restructuring of a company can be in the strategic decision making process or in that of the human resource related issues.

In the year 2007, British Petroleum, Plc took many of the restructuring initiatives. It had restructured its operations in the North Sea Organisation. The restructuring was aimed to simplify the organisation and to improve the efficiency of the various related processes. The company was compelled to initiate such changes as the production in that area was depicting decreasing trend while cost was rising rapidly (BP, 2007).

As the chief executive of BP put it, the over all restructuring measure was not all about 'cost reduction and cull', rather it was about the a change in culture among the employees of BP, as he observed that the oil major has been suffering from 'over- complexity' (Macalister, 2007).

Though the management claimed it to be mere change in culture but it invariably meant reduction in the employee force as the company was witnessing alarming financial results. To do away with the complexities that according to the top management were responsible for such deplorable

financial results, the company decided to make processes simpler.

The corporation used to have three major divisions namely ‘ exploration and production’, ‘ refining and marketing’ and ‘ gas, power and renewable’. To make operational process straightforward and reduce costs, the management restructured the process by doing away with the third segment and incorporating it into the other two. The company introduced a separate division to handle business of low carbon and options of future growth and named it ‘ alternative energy’ (Kukec, 2007).

Results

The objective of any restructuring plan that any corporate initiates, is to increase its profitability and the financial performance and to create enhanced value for the share holders. The financial results of the British Petroleum for the financial year 2008 clearly depicts that the restructuring plans have paid off well. The operating cash flow, which was around \$ 28. 2 billion in 2006, increased to \$ 38. 1 billion at the end of the financial year of 2008. The dividend paid per ordinary share in 2006 was 38. 4 cents and that at the end of 2008 had been 55. 05 cents, experiencing almost 30% rise. The return on average capital employed was 22% in 2008, 5% increase from 2007. The replacement cost profit at the end of 2008 was estimated at \$ 25, 593 million, almost 39% higher from that of 2007. The capital expenditure and acquisitions of the oil major amounted to \$ 30, 700 million at the end of 2008 (BP p. l. c, 2009).

Conclusion

The case of restructuring at the British Petroleum under the leadership of Tony Hayward has shown spectacular results. The management has accepted that the financial year of 2008 had been outstanding for the

company. And the credit of such terrific performance also resorts to the restructuring plans along with many other factors.

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