

# [Bp is one of the worlds leading management essay](https://assignbuster.com/bp-is-one-of-the-worlds-leading-management-essay/)

BP is one of the worlds leading international oil and gas companies, providing its customers with fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items. BP operates at the frontiers of the energy industry. They use world-class assets, technology, capability and know-how to meet energy needs and deliver long-term value (BP Oil, 2013).

In business, an organization is described as a group of persons aiming for a mission. An organization needs structure. Organizational structure determines how the roles, power, and responsibilities are assigned, controlled and coordinated, and how information flows between the different levels of management (Business Dictionary, 2013). Structure will depend on the organizations objectives and strategy. An organizational structure is the hierarchy companies develop to govern and manage business operations.

Every organization starts with a plan. “ Planning may be broadly defined as a concept of executive action that embodies the skill of anticipating, influencing, and controlling the nature and direction of change”. – McFarland. Setting goals starts with top managers. The overall planning process begins with a mission statement and goals for the organization as a whole (Daft, 2011). The different organizational parts are drawn together contractually and coordinated electronically, creating a new form of organization. Much like building blocks (Daft, 2011).

Management control describes the means by which the actions of individuals or groups within an organization are constrained to perform certain actions while avoiding other actions in an effort to achieve organizational goals (Reference for Business, 2013).

Financial controls include key financial targets for which managers are held accountable. These managers are held responsible to upper management to achieve financial targets that contribute to the overall profitability of the organization.

Some of the most common management controls used by businesses today are financial statements, financial analysis, and budgeting. Systems to measure financial performance interims of profits/investments is called Economic value-added (EVA). Here you will identify whether your investment has added value to the company. A system that measures stock market’s estimated value of past and expected investments projects is called Market value-added (MVA). Activity-based costing analyzes product and customer profitability. Basically it identifies the most and least customers and products. More recently Corporate governance has been added to controls. It ensures accountability and transparency in an organizations relationship with its stakeholders (Daft, 2011).

As stated above managers often have the financial responsibility. But, often individual department heads are typically responsible for keeping expenses within budgeted guidelines. These managers, however, tend to have less overall responsibility for financial profitability. In either case, financial controls place constraints on disbursement of funds. Increased disbursements must be justified by increased profits. For departmental managers, staying within budget is typically one key measure of periodic performance reviews. The role of financial controls, then, is to increase or show profits as well as to keep costs to a minimum. To determine which costs are reasonable, some firms will compare their processes and performance measures to other organizations in the same industry; this would be called benchmarking.

Quality controls is the process in which the quality or a product or service meets customer satisfaction; considered acceptable. For some companies, zero defects-no variation at all-is the standard.

At BP Oil, each year the audit committee examines its performance and effectiveness, and ensures that its tasks and processes remain appropriate. In 2011, the committee used an internally-designed questionnaire administered by external consultants. The same question set was used as in 2010 so that any trends could be identified. Key areas covered included the clarity of its role and responsibilities, the balance of skills among its members and the effectiveness of reporting its work to the board (BP Oil, 2013).

Regardless of what type of organizational structure your organization decides upon, they will mostly always include three elements, Governance, Rules, and Work Distribution (Unterman, Davis, 1984)

Governance is a person or a group of people who have to make the decisions within an organization. Below is BP Oil Organizational Chart

## CEO

Robert Dudley

## Chairman of the Board

Carl-Henric Svanberg

## Director

Antony Burgmans

## Director

Erroll Davis

## Director

Cynthia Carroll

## Director

George David

## Director

Dame Dowling

## Director

Andrew Shilston

## Director

Paul Anderson

## Director

Frank Bowman

## Director

Brendan Nelson

## Director

Phuthuma Nhleko

## BP Europa

MS

## Refining & Marketing Business

IC

## CFO

Brian Gilvary

## Secretary

DJ

## Office of the President

DS

## Alternative Energy

KL

## BP America

LM

## Corporate Business

BG

## Development

BL

## Production

BF

## Exploration

MD

## Human Resources

HS

## Safety & Operational Risk

MB

## Strategy & Integration

AH

## Legal

RB

## CIO

DD

## Investor Relations

FM

Rules by which the organization operates, Companies have to apply real delegation of authority, to establish exactly who is responsible for what and to ensure that everyone, at every level understands the framework of standards within which they are expected to do their job.

If you have a set of business activities spread across the world there will always be unexpected events in one place or another. There will be circumstances which will require immediate reaction. This would place a heavy premium on the quality of judgment of the local managers and the team leaders. In many cases there won’t be time to call up the upper management for advice.

Team communication, a special form of horizontal communication, presents unique challenges for the manager. One important decision about the formation of a team is choosing the team’s method of communicating, which influences both team performance and employee satisfaction (Daft, 2011). Team communication focuses on two characteristics: a centralized network and a de-centralized network. Centralized communication seems to be very effective for large teams because it limits the number of people involved in decision making. Result are faster decisions that involves fewer people. In a decentralized network, individuals can communicate freely with other team members. Members process information equally among themselves until all agree on a decision (Daft, 2011).

BP is making changes. In March 2011, upstream Operations in BP became a global function. This meant that all operations specialists, all over the world, were brought together into one team that could be managed as a global unit of professionals. The man charged with leading the function was Fawaz (‘ Fuzzy’) Bitar. Bitar says: “ I believe the functionalisation of Operations is a step forward in our efforts to continue enhancing safety, and making us more efficient and more standardised. We now have a strong central team that includes vice presidents for reliability and maintenance, for subsea operations, for engineering services, for logistics and for all the key functions that are required to manage operations.” BP saw a significant drop in the number of process safety incidents for the Production division for the first half of 2012 versus the first half of 2011 and their plant efficiency is improving. It took more than merely centralizing the team to bring about the improvements BP is beginning to see. Bitar is clear on the priorities. He says: “ The single most important factor is people – having the right people onboard who are properly trained, competent, respected, and listened to. If you have a workforce with good, healthy relationships with management, you are setting yourself up for a very strong operation. It’s our people who bring the equipment to life. “ Having a management system that clearly sets out the standards to which we must work is essential in any high-hazard industry. It’s also about our behaviors – running a disciplined organization with the right culture (Bitar, 2013).

Decision making is also a crucial part of management. Learning from mistakes

The new BP CEO, Bob Dudley, told ABC that the Gulf oil spill “ has come out of nowhere” for the company.

In the mid-nineties BP was all the rage in management circles, in part because it was one of the very first firms to take the notion of “ knowledge management” seriously. John Browne, its then-new managing director, was a very smart and experienced executive who seemed to “ get” knowledge. The company was also exploring multiple new technologies (including videoconferencing) to give managers more access to resident expertise (Davenport, 2010).

However, by early 2000 most of these well-publicized efforts were in tatters. The firm was focusing more and more on controlling costs and boosting its share price (it had a severe case of “ Exxon Envy”), and its prized “ peer assist” program-the jewel of its knowledge program-was barely functioning. By the time of the Texas City refinery explosion in 2005, the Toledo refinery explosion in 2006, and the Alaskan pipeline rupture in 2006, knowledge management was a relic. The cultural byword had become “ full steam ahead” (by 2009, it was “ every dollar counts, every seat counts”) and the emphasis was off organizational learning (Davenport, 2010).

A new “ operating management system” was implemented in 2007, supposedly to prevent such disasters from happening. Its rigid structure specified 8 key elements and 47 sub-elements. In setting new judgment parameters for managers, this system stressed compliance. But BP also created higher incentives to find shortcuts and take risks. Record profits were posted soon after, perhaps confirming BP’s new direction (Davanport, 2010).

We are not saying (we’d like to, but we can’t prove it) that there is a causal relationship between the dismantling of a knowledge management program and the subsequent missteps that culminated in the Gulf disaster. However, it seems likely-in at least three ways-that good judgment was distorted and threatened in the decision-making climate BP subsequently developed (Davenport, 2010).

By taking apart a successful program and not replacing it-or by replacing it in part by a system-a message was sent about human judgment versus rote processes, checkboxes, and rules (Davenport, 2010).

A series of lesser disasters with no systemic and widely understood learning taking place enabled more and greater disasters. The lanes were widened for what risks were permissible without punishment; rewards were primarily for cost-cutting and not withdrawn for risky behaviors (Davenport, 2010).

Dudley claims that BP has learned a lot from the Gulf disaster (Davenport, 2010).

In my opinion, making mistakes is hard to avoid and we will learn from them, but there is never what you call a “ small mistake” as there can be significantly sizeable consequences such as loss of life as happened in the disasters mentioned.

Robert Dudley, Group Chief Executive and Director. Robert Dudley, it appears that his role focuses on technology and innovation. A technological change entails two things; invention and innovation. Invention is to develop a new idea and innovation refers how to bring about that idea into commercial usage. Technology Management has brought about concerns about strategic and operational capabilities of a manager. Main focuses include: developing products or services, corporate productivity, profitability and competiveness, and mostly importantly customer satisfaction (Mason, 2013).

In 2011, at a speech during at a Hinton Lecture, Dudley states “ Engineering makes progress through small steps as well as by step changes driven by events such as research breakthroughs, technologies developed in wartime and the lessons from specific incidents” (Hinton Lecture 2011, Bob Dudley, bp. com). He further states “ engineering and technology have helped our industry to meet demand as well as to manage risk – which includes implementing the lessons learned from accidents” (Hinton Lecture 2011, Bob Dudley, bp. com).

Key leaders include Carl-Henric Svanberg, Chairman. Mr. Svanberg, reminds me of the importance that human skills play to be successful manager; Human skills is the manager’s ability to work with and through other people and to work effectively as a group member. Human skill is demonstrated in the way a manager relates to other people, including the ability to motivate, facilitate, coordinate, lead, communicate, and resolve conflicts (Daft, 2011). In a personal interview Svanberg conveyed “ First of all, success always depends on people. Of course, in this industry as in any walk of life, you can strike lucky, but, generally, even when you look for oil, there is a very high degree of specialist knowledge and analysis. So, it really all comes down to people. It would seem to me that Svanberg focuses on a team approach.

Training is one of the most frequently used approaches to changing people’s mind-sets. A company might offer training programs to large blocks of employees on subjects such as teamwork, diversity, emotional intelligence, quality circles, communication skills, or participative management (Daft, 2011).

BP Oil states World-class engineering leaders are needed to help them realize their vision as they invest heavily in new technology. They also invest in their people, emphasizing continuous professional development through their graduate programs and the MIT Project and Engineering College and Academy (BP Oil, 2013).

In conclusion, BP’s businesses are organized to deliver the energy products and services people around the world need right now (BP Oil, 2013).