

Innovative strategy in royal dutch shell

Business, Strategy



Abstract

Royal Dutch Shell has established itself as a market leader in the gas and oil industry primarily due to its innovative approach to product development. By looking at the corporate strategy of the organisation a much greater understanding of the use of innovative strategy can be obtained, with reference to corporate culture as well as the practical reality of innovation in a changing world.

What is the Corporate Strategy of Shell?

Royal Dutch Shell ("Shell") is one of the main players in the oil and gas industry and is recognised as the largest company in the world, in 2013. Shell is involved in every aspect of the oil and gas industry, with a large amount of vertical integration from the initial exploration through to the end trading, giving it potentially a large amount of power within the industry. The purpose of this paper is to look at the innovative strategy of Shell, with particular reference to its general corporate strategy, its structure, mission and vision, as well as looking at how its corporate culture encourages innovation at every stage of the operation.

As noted by Shell itself, the company aims to meet with growing demand from customers to produce more power, but with less impact on society and the environment. As a result, the company has placed a great deal of emphasis on investment in research and development, in order to create greater efficiencies, so that the company can produce more energy, without incurring greater costs, either financially or environmentally (Burdon et al.,

2008). The generic strategies employed by Shell are seen to be focused on differentiation by looking towards innovation in its exploration and production, with a focus on renewable and trading arrangements, as well as the more recent introduction of Shell Global Solutions International which include technologyservices within the industry. It therefore has an overall advantage which has been gained by establishing new technologies, while also reducing the threat from new entrants or the threat from substitutes (Maharaj and Herremans, 2008).

Mission Statement and Vision

Shell has established several general business principles as part of its day-to-day operations. However, despite having a myriad of different activities and business units, it has a set of 8 business principles which are applied at every stage. These are the combination of the three core values, namely honesty, integrity and respect for people which established 8 core business principles - economic competition, business integrity, political activity, health and safety, security and the environment, local communities, communication and engagement, and compliance (Davenport, et al., 2007).

As part of the business strategy, the organisation is openly committed to sustainable development, which requires the team to look at balancing short- and long-term interests and integrating a broad range of responsibilities with a broad range of stakeholders.

Corporate Culture towards Innovation

Bearing in mind these principles, Shell is following an ethos of innovation, recognising that sustainable development and the new technologies that achieve this are central. One of the main strategies pursued by Shell is that of encouraging innovation and, as part of its shareholder mission, the organisation recognises that it cannot develop innovation alone and has therefore encouraged individuals to submit ideas as to how they can overcome challenges within the energy sector, in such a way that will enable companies such as Shell to meet with future global demand.

Shell also works in partnership with many other organisations in order to tackle some of the major challenges facing the industry. Furthermore, it recognises that developing specialist in-house skills by recruiting the top scientists and researchers to work at its technology centre to tackle all of these problems will mean that Shell's long-term agenda will ultimately be achieved (Shell, 2013). A team of nine Chief Scientists work within the organisation, each with their own specialist area. For example, Jose Bravo is the Shell Chief Scientist Separations and is currently looking at developing new equipment to work in the refinery in order to facilitate more efficient separation. He states: "...we see technology as a way that Shell is going to carry on into the future. It is a fundamental part of our business strategy and the people that deliver that technology are the key resource for the company for the future".

This statement shows the type of culture that is emerging within the organisation and the importance is placed on innovation at every stage (Verburg, et al., 2006).

Processes of Innovation, Stages of New Product Development

The Chief Technical Officer, Gerald Schotman, goes one step further in his statement saying: “ Technology underpins our ability to shape the future of energy. But we must have a clear vision of the future to know what technology we must develop today”.

There are three key regional technology centres, the first in Amsterdam, the second in Houston and the third in Bangalore. The centre in Houston houses over 2, 000 scientists, with six of the Chief Scientist also being resident here. Several projects are being undertaken within the technical centre, including looking at new technologies which will enable the company to unlock trapped natural gas and also to develop catalysts which will enable them to speed up chemical reaction, thus making the overall process considerably more efficient and gaining access to natural gases that would otherwise be wasted (Sparrow and Ringland, 010).

The centre in Amsterdam was the first technology centre established in 1914 and it currently works closely with local universities in order to share expertise; it has also been responsible for some major developments such as the ability to turn natural gas into transport fuel.

Overall Rewards for Innovation

Shell relies almost entirely on its ability to innovate and develop new efficiencies and new products within the oil and gas industry. By being one of the largest companies in the world, Shell is able to capitalise on this by investing in long-term development. Scientists are perceived to be vitally important to the organisation and the culture is very much towards achieving long-term development in line with the business strategy (Ortt, and Van der Duin, 2008).

Vertical integration is also a key part of the strategy which enables the company to make the most of efficiency and share expertise and resources, where appropriate, thus providing greater technological innovation in the long run. An innovation strategy is central to Shell and has become an ingrained part of its mission, vision and values, as well as the underlying culture among the workforce. In doing so and by encouraging partnership with other organisations and higher education establishments, this innovation strategy is likely to be the key to the long-term success of this growing organisation.

References

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