

Organizational restructuring within the royal dutch shell group



The ability of an organization to re-evaluate its systems and restructures its operations in tandem with changing market forces acts as the most important aspect in facilitating its continued market dominance and sustainability. With the fast impacts of globalization turning out to be the key determinants of consumerism and management orientation, organizations have been forced to change their models of management if they are to remain not just relevant in the market, but sustainably profitable.

After its operations for close to a century as one of the global petroleum company giant, Royal Dutch Shell Group assimilated a new structure to address emerging forces more effectively. This paper provides an intrinsic evaluation of the Royal Dutch Shell Group Restructuring at the height of changing and emerging market forces. SECTION A 1) Identify and assess the main features of the Royal Dutch Shell Group's approach to strategic management in 2000. Use your findings to critically evaluate the view that the group is "a prisoner of its own illustrious history" (case p.

122 at risk of losing its leading position in the global petroleum industry. In your view, writing as if you were an analyst using the module theory to assess the situation in 2000, how could the group improve its approach? a) Main features of the royal Dutch Shell Group's strategic management in 200. According to Alan (2009, p. 31), strategic management is a holistic approach that organizations assimilate in facilitating their internal and external efficacies towards improving profitability. As Grants (2008, p.

121) indicates, Royal Dutch Shell Group features assimilated in 2000 revitalized its key objectives and mission towards countering the new forces that threatened its long held position. To begin with, the company shifted <https://assignbuster.com/organizational-restructuring-within-the-royal-dutch-shell-group/>

from a geographically-based management structure, to a business sector-based structure which was considered to be more responsive and therefore capable of addressing the emerging challenges. Since the formation of the group at the onset of 20th century, Grant indicates that it assimilated a stronger geographical based structure which was seen as a better option in reaching out the new markets (2008, pp.

122-123). Notably, a geographically based structure reduced the ability of the company to not only harmonize its main operations, but created diverging outsets that culminated to overlooking emerging forces. According to the Diamond model by Michael Porter, organizations must constantly reevaluate their ability to counter market forces and therefore generate the needed competitive advantage for higher profitability (Donald, 2009, pp. 36-37). The new structure therefore increased the focus on demands of the market and government forces for the different countries the company operated in to outdo its competitors.

According to Michael, Duane and Robert (2008, p. 56), a company is defined on the basis of its success strategies assimilated in its structures. Therefore, it assimilated a leaner management structure that was seen to be more effective in generating a better focus in the management. Grant (2008, p. 121) points out that over 1000 corporate positions were eliminated to promote easier decision making in addressing key issues that threatened the company. Grant (2008, p. 127) continues to say that indeed the Royal Dutch Shell Group structure was one of the most complex as its decisions were made at the grassroots and communicated upward. Read about Dutch Lady Strength and Weaknesses

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Though the new matrix did not fully manage to infuse the top-downward approach which was being employed by other companies such as Exxon, a leaner team facilitated a similar approach but with a sectoral outlook. According to the Hofstede theory, an organization culture must be able to resound harmonically with national and global shifts in facilitating higher profitability (Alan, 2009, p. 39). Royal Dutch Shell Group therefore redesigned its systems of coordination and control to infuse an intrinsically responsive mechanism that would not proactively seek new mechanism of recapturing the fast shrinking market.

Grant (2008, P. 128) explains that decision making was shifted to the business unit levels while eliminating non effective administrative layers. It is however the culture of thinking about the future in its structures that would generate critical analysis of alternatives to capture new markets while remaining ahead of the competitors. b) “ Royal Dutch Shell Group is a prisoner of its own illustrious history” Royal Dutch Shell Group reaction towards the changing forces of the market appears to be strongly impacted by its historic outset.

According to Porter’s five forces model, all the forces in an organizations must be able to assess its key threats and establish responsive systems to counter them and therefore remain ahead of its key competitors in the market (Michael, 2008, pp. 45-46). Notably, despite the realization of the holistic efficacy that a top-downward approach could have in restoring Royal Dutch Shell Group to its position as the world leader in the petroleum industry, it was hard to assimilate it due to its historically highly devolved structure (Grant, pp. 125-126).

After the formation of the Royal Dutch Shell Group through merging the Netherlands-Based Royal Dutch Petroleum Company and the British-based Shell Transport and Trading Company, the two companies continued to operate as two different units. Grant further indicate that even their shares in the stock market were listed separately (2008, p. 124). Changing this format was therefore hard as it had been fully internalized and therefore risked the needed flexibility to win the market. In his view, William (2009, p. 36) points out that organizations' management derive the needed culture that define their operations in addressing emergent issues.

However, it is worth noting that companies and organizations' cultures should be carefully enriched with time to assimilate modernistic approaches for addressing emerging issues. At the time of its formation and indeed during the first half of the twentieth century, Royal Dutch Shell Group was largely driven by the need to expand in the low competition and high consumer demand market. Therefore, its focus failed to entrench the need of a strong management unit for addressing possible challenges. As a carry over, this effect strongly haunted the group by making it hard to easily respond to the emerging competitors.

Michael et al (2008, p. 75) point out that organizations should be able to embrace the notion of change management in facilitating constant improvement in their survival strategies. However, the rigidity assimilated in the Royal Dutch Shell Group reduced the efficacy of the devolved management acting as an effective change agents. Grant (2008, P. 123) indicates that all the systems of management structure consisted of

independently operating companies and therefore could not be categorized as a formal structure.

Therefore, the complexity of this management model reduced the ability to create a similar viewpoint that could easily create consensus for addressing the new competition. It is therefore no doubt that the group operations are defined by its past outset that threatens its global position in the petroleum industry. c) How can the group improve its approach? To effectively address the challenges facing the group, it is essential that the following methods are assimilated to enrich the assimilated strategy. To begin with, the company should further seek to create more focused units towards centralizing the management structure.

As Grants (2008, P. 128) indicates, most of the Royal Dutch Shell Group competitors were fast upcoming due to assimilation of the centralized top-down approach in managing and controlling the key operations. The company should also adopt a new culture of change in its systems to facilitate easier identification of new opportunities and engaging all the stakeholders creatively in generating innovative ideas that can be used to further colonize the market. In this case, the Royal Dutch Shell Company must be able to establish the need for constant improvement to reduced stagnation observed in the first half of the 20th century.

As a result, all the managers would be innovatively involved to seek mechanisms of improving their areas of specialization. As Alan (2009, p. 53) concurs with emergent scholars on management, there is needed constant evaluation and comparison between the Royal Dutch Shell Group and other competitors in the industry. As a result, the company would not only be able

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to know its position in relation to them, but also understand the mechanism they employ. This would be every critical in facilitating effective enrichment of the key strategies employed to meet its objectives.