

Business strategy of areva

Business



Business Strategy of AREVA Strategy Management Assignment 4/18/2011

Submitted To: Prof.

Dinesh Likhi Submitted By: Group 3 Ambuj Lal Deepak Kumar Kinshuk

Chouksey Swetabh Singh PGP101005 PGP101015 PGP101025 PGP101039 2

Introduction The AREVA group is a global leader in solutions for carbon-free power generation solutions. The group had consolidated revenue of 9.104 billion euros in 2010 and consolidated net income of 883 million euros. The group employs 47,851 people in the Nuclear and Renewable Energies businesses. AREVA's strategy is built on developing carbon-light energies by expanding its core nuclear business and its second pillar, renewable energies. The group's biggest advantage is that it is active in a broad spectrum of businesses in carbon-light power generation.

The group is one of very few suppliers capable of meeting customer requirements at every stage of the value chain, offering global solutions that protect the environment while complying with stringent safety criteria. Its integrated model and policy of partnerships put AREVA in an ideal position to anticipate market requirements. AREVA's activities are organized into five Business Groups. Mines groups the uranium mines exploration and operation activities. The Front End converts and enriches the uranium and designs the fuel for the nuclear reactors. Reactors and Services groups the activities of design and construction of nuclear reactors and propulsion and research reactors, and the activities of maintenance of the nuclear power plants.

The Back End recycles the used fuel and provides transport, clean-up and dismantling services. Renewable Energy develops wind energy, bio-energy,

solar power and hydrogen power solutions. Diverse Portfolio AREVA has a completely integrated value-chain in its business and is not just present but self-sufficient almost all aspects of its business. The company does mining, front end, back end, reactor building, maintenance and even recycling. It is also venturing into the fast growing renewable energy market. It gives the AREVA group a great advantage against its competitors and its Mining business group covers exploration, extraction and processing of uranium ore and the reclamation of sites after production has finished.

AREVA is the first uranium producer in the world in 2009. The group, which holds a broad portfolio of mines in operation (Canada, Kazakhstan and Niger), as well as projects under development (Africa). Front End The AREVA Front End business group combines activities associated with the conversion and enrichment of uranium and with the design and fuel production for nuclear reactors. The production capacities of the group, one of the world's leaders in the sector, are undergoing modernization. Submitted By: Group 3 3 The world leader in the front end of the nuclear cycle, the AREVA Front End Business Group combines operations related to uranium conversion and enrichment and the design and fabrication of nuclear fuel for both types of light water reactors (LWR). Reactors and Services The Reactors and Services business group combines the nuclear reactor design and construction activities and the products and services activities necessary for the maintenance, operation, modernization, and improvement of power plants.

It also includes vessel propulsion nuclear reactor and research reactor activities. AREVA is currently constructing four EPR™ reactors, of generation <https://assignbuster.com/business-strategy-of-areva/>

III+. The Reactors and Services business group designs, and builds nuclear reactors for electricity plants and for ship propulsion. It also offers products and services for the maintenance, operation, modernization, and improvement of power plants. AREVA is the world's leading constructor of nuclear reactors (measured by power-generating capacity installed) and is market leader for heavy equipment replacement components used in nuclear power plants.

Back End The Back End business group (BG) offers end-of-cycle management solutions for used fuel: recycling, logistics, clean-up and site rehabilitation. Working in Europe and North America, this business group implements technology that meets the group's commitments to sustainable development. It offers management solutions for used fuel - a market in which AREVA is the world leader. This business group is structured around 4 principal business units: Nuclear Site Value Development, Recycling, Logistics and Clean-up. Renewable Energy A world leader in nuclear energy, AREVA is resolutely committed to the development of solutions for CO2 free energy production. It is a matter of responding to the planet's essential requirements in terms of reducing greenhouse gas emissions while providing energy to the largest number of people.

AREVA is developing a portfolio of activities based on four renewable energies: wind energy, bio energy, solar power and hydrogen power, as well as energy storage. The Renewable Energies Business Group is intended to expand AREVA's offer to provide its clients with CO2 free energy production solutions. Submitted By: Group 3 4 AREVA'S 2010 Revenue by Business group AREVA's Strategy Management AREVA's strategy is " TO BE THE <https://assignbuster.com/business-strategy-of-areva/>

LEADING CARBON-FREE ENERGY COMPANY” AREVA intends to grant access to cleaner, safer and more economical energy to the greatest number of people. The group offers a range of innovative technologies for producing energy with no greenhouse gas emissions. Its strategy is based around the following major areas: strengthening its international presence, capitalizing on its integrated model to spearhead the nuclear renaissance, securing the fuel cycle for its clients, developing its activities in the management of spent fuel, developing its range of renewable energies and maintaining a solid financial structure. Developing Global Leadership The group is present in every segment of the nuclear cycle and is broadening its renewable energy business to meet the strategic challenges facing its utility customers.

AREVA aims to use its integrated model to consolidate its position as world leader. 80% of AREVA’s customers currently order at least 3 products or services from the group’s value chain. In addition, the group aims to become a world reference with regard to renewable energies and affirm itself as a leading supplier of green solutions. A Dedicated Approach to Sustainable Development Aware of the responsibilities brought to it through its status as market leader, the group is placing sustainable development in its development strategy and constant improvement to the performance of its operations. In order to position itself as leader in carbon-free electricity production, AREVA is fixing its objectives as:

- Submitted By: Group 3 5 ? ? ? ?
- Constructing 1/3 of new accessible power plants
- Securing the fuel cycle for its current and future customers
- Developing technologically mature, long-term solutions for used fuel management term
- Becoming a recognized industrial player occupying a significant place in renewable energy on three

target markets: wind energy, biomass and hydrogen energy
Maintaining a Solid Financial Structure
The group policy is to maintain a solid financial structure, profitability and high cash cash-flow.

The following guidelines are intended for the implementation of AREVA's development strategy. ? A solid financial structure is a sign of security for the group's customers. This enables the group to enter into major contracts, especially in connection with new reactor , sales, and the funding of its future investments. ? AREVA has set up provisions for its end-of-cycle liabilities and created a dedicated end cycle financial portfolio to cover all of its estimated end-of-cycle expenses. ? Maintaining strong and recurring operating cash flow allows the group to fund its capital expenditures and create value for its shareholders.

res Share Holder's Information Source: AREVA reference document 2010
Submitted By: Group 3 6 Governance
AREVA's governance is based on a Supervisory Board, Advisory bodies, Executive Board and Steering Committees. These bodies supervise and drive the group's activities. In accordance with the principle of subsidiarity, the management method combines operational decentralization, through the Business Groups, with global coordination, and the functional departments drive the group's common policies. The governance of the company is dedicated into 2 sections: ? Governance dedicated to efficiency and transparency (Supervisory Board, Executive Board, Board Committees, Science and Ethics Committee) ? Governance dedicated to AREVA strategy (Steering Committees and functional departments)
Supervisory Board
When the AREVA group was created, it adopted the legal status of a business
<https://assignbuster.com/business-strategy-of-areva/>

corporation with a Supervisory Board and an Executive Board. The primary role of the Supervisory Board is to exercise ongoing oversight of AREVA's management by the Executive Board.

It also reviews the group's overall strategy. The Supervisory Board is required to meet at least once per quarter. Roles of this board are as follows: Oversee the Executive Board's management of AREVA ? Review the overall strategy for AREVA and the group ? Approve annual budgets multi-year plans for AREVA and its direct subsidiaries ? Delegate authority to the Executive Board to conduct transactions that the Executive Board cannot accomplish without such authorization ? Members of the Supervisory Board are appointed by shareholders and by holders of voting right certificates, except for employee-elected members of the Board and representatives of the French government. The Supervisory Board is made up of 15 members, including 4 independents, who are appointed for 5-year terms. Independent member: holds no more than 10% capital and has no financial or commercial (customer/supplier) links to the company.

Executive Board The Executive Board is the decision-making body for management and administration of the company. Its authorities grant it the broadest corporate governance powers. The Executive Board has the power to act on behalf of the company in all circumstances, except when authority is expressly attributed by law to the Supervisory Board or to shareholders. The Executive Board meets as often as the group's interests require.

Submitted By: Group 3 7 The Executive Board is made up of 2-5 members appointed by the Supervisory Board for 5 year terms.

The Board is currently made up of 4 members. Board Committees AREVA's Supervisory Board has established 4 specialized committees that carry out their activities under the Board's responsibility. Their roles: provide opinions, proposals and recommendations in one of the areas of expertise related to corporate governance. Their members are appointed from among the members of the Supervisory Board. Four specialized committees are:

Strategy Committee The Committee assists the Supervisory Board and provides opinions and recommendations on the group's strategic objectives.

Compensation and Nominating Committee The Committee recommends compensation levels, retirement and insurance programs, and in-kind benefits for executive officers. Audit Committee The Committee helps define the group's accounting, financial and ethical standards, assists with budgeting, and ensures the quality of financial publications. End-of-Life-Cycle Obligations Monitoring Committee The Committee helps monitor the asset portfolio set up by AREVA subsidiaries to cover their future clean-up and dismantling expenses. Science and Ethics Committee Made up of eminent representatives of civil society, the Science and Ethics Committee support the group's reflection on major societal stakes associated with the energy sector. The purpose of this committee is to enable the group to continue to progress, while benefiting from informed guidance from experts recognized in their field.

The committee is consulted with respect to the major societal stakes likely to have an impact on the longterm development of the energy sector, and it formulates suggestions for the President of the Executive Board. The Science and Ethics Committee is composed of 17 members. Among 17, 4 are AREVA

<https://assignbuster.com/business-strategy-of-areva/>

members and 13 are external members. The Steering Committees The Steering Committees make up the management tools for AREVA. Organized when the group was created, the Executive Committee (EXCOM) is the group's internal decisionmaking and information body. In addition, the Executive Committee creates and supervises, alongside AREVA's Executive Board, the internal controlling devices.

Committees are responsible for assisting the Executive Committee in areas of specific competence. All initiatives to streamline the group's systems are subject to approval by these two bodies. The Executive Board relies on the Executive Committee. The EXCOM defines group objectives and ensures operational management. It is responsible for the validation of all Submitted By: Group 3 8 significant financial commitments, or those with a strong strategic or commercial dimension. Functional Departments The functional departments develop synergies for the various operating entities and help them implement the group's strategy.

They help management committees define and implement the group's strategy. They monitor performance of the various entities, business groups, business units and subsidiaries, and promote best practices in management, sustainable development, communication and the environment. Business Groups The group's operational organization is aligned with its strategy of supporting the revival of nuclear power and the development of renewable energy. It is based on 5 Business Groups: Mining, Front End, Reactors and Services, Back End and Renewable Energy. In addition, the Engineering and Projects Organization cuts across our nuclear operations to support the entire group.

This organization aims to increase synergies related to engineering among all of our operations and to continually improve how we respond to customer needs. The directors of these business groups are the group's main operational managers. They report directly to the Executive Board. SWOT Analysis Study of internal and external environment of a company is the first step in strategy planning process. Environmental factors internal to the firm are usually classified as Strength (S) and Weakness (W) and those external to the firm are classified as Opportunity (O) and Threat (T). The study of all such external and internal factors is referred as SWOT analysis.

The SWOT Analysis provides information that helps in mapping the firm's resources and capabilities to the competitive environment in which it operates. It is a vital tool for strategy formulation and selection. Internal Environment SWOT Analysis External Environment Strength Weakness Opportunity Threat Submitted By: Group 3 9 Areva- SWOT Analysis AREVA is engaged in providing technological solutions for nuclear power generation. The company is one of very few suppliers capable of meeting customer requirements at every stage of the value chain. Strong market position enables the group to sustain competitive pressures. However, any introduction of new regulations or modification in the existing regulations in the nuclear industry could increase the compliance cost of the group.

Strengths 1. Strong Operation: AREVA is involved in a broad spectrum of businesses in carbon-free power generation. The company is one of very few suppliers capable of meeting customer requirements at every stage of the value chain, offering global solutions that protect the environment while complying with stringent safety criteria. AREVA was one of the first to

<https://assignbuster.com/business-strategy-of-areva/>

anticipate the wave of carbon-free energies, both renewable and nuclear, and to develop a strategy in this field. As a result, AREVA developed, before its competitors, a comprehensive strategy for meeting market demand. AREVA capitalizes on this strength through innovative, multiproduct, multiservice offers that meet its customer's needs.

This circle-of-service is both environmentally sound and economically beneficial. The diversity of the group's businesses makes it particularly attractive in a market, where nuclear expertise is scarce. Moreover, its integrated model and policy of partnerships gives AREVA a competitive advantage. 2. Significant complete nuclear cycle backlog: AREVA is recognized for its technological expertise in every aspect of the nuclear business, backed by 50 years of research and operating experience. As a result, the company's order backlog was to the tune of E43.

302 billion (approximately \$60.38 billion) in FY2009. The backlogs include firm orders but exclude unconfirmed options, thus ensuring constant revenues over a period. The high level of the backlog demonstrates the repeat nature of business and the visibility which the group enjoys across the nuclear value chain. AREVA has witnessed an increasing backlog over recent years.

This nuclear renaissance benefits all of the group's operations, including front end, reactors and services, and back end divisions, the front end division contributed 64% of the total backlog, followed by reactors and services that contributed 20%. The remaining backlogs were that of back end division. With its global footprint and recognized technologies and

expertise increasing backlogs are signs of good future growth. Weakness 1. Dependence on few customers: The group generates most of its revenues from few customers.

Top ten customers of the group represented almost 50% of revenues from Submitted By: Group 3 0 nuclear and renewable energy operations in FY2009. The largest customer, EDF, represents almost 25% of the group's revenues from nuclear and renewable energy operations. The loss of one of the group's main customers, or a reduction in their purchases, or an erosion of contract terms or conditions will have a significant negative impact on AREVA's financial position. 2. Long-term nature of customer contracts: The group sometimes concludes long-term contracts in which prices are adjusted based on general indices rather than current market prices for certain commodities or services. This type of contract could prevent the group from taking advantage of price increases for those products or services; this is the case for certain natural uranium sales contracts, in particular, or for conversion or enrichment services.

In addition, the profitability of certain long-term contracts in which the group commits to providing deliverables at a fixed price, adjusted based only on general indices, could be affected by certain excess costs that cannot be charged to customers, including unanticipated increases for certain types of costs, technical difficulties, subcontractor default, or a suboptimal group organization. The performance of this type of contract could, therefore, reduce the group's anticipated profitability, or even cause an operating loss.

Opportunity 1. Capital expenditure plans: AREVA intends to be a major player in the nuclear revival while continuing to grow profitably. In this

<https://assignbuster.com/business-strategy-of-areva/>

context, organic Capex program is drafted for the 2010 to 2012 period and is estimated to a cumulative total of E6.5 billion (approximately \$9.

06billion). The company's investment goals are to secure the group's access to uranium, strengthen the chemistry business for the long term, adjust the group's enrichment capacity to market demand, support reactor sales, and develop assets acquired in renewable energies. Capital expenditure program in the mining business unit of the front end division is expected to focus on raising the annual uranium production capacity to 10,000 to 12,000 metric tons by 2012. Capital expenditures for the chemistry and enrichment business units should be devoted mainly to the Comurhex II and Georges Besse II projects. In the reactors and services division, AREVA will continue to secure certification of the EPR reactor from the regulatory authorities in the US, the UK, and other countries where EPR reactor projects may be developed.

In the back end division, the group will continue to invest in the replacement and maintenance of its sites, particularly the La Hague and MELOX plants. In renewable energies, AREVA plans to invest through 2012 to increase its production capacities in off shore wind and expand its portfolio of technologies. Having a well defined capital allocation plan smoothens the expansion process and encourages growth. Submitted By: Group 3 11 2.

Kyoto Protocol: The Kyoto Protocol calls on industrialized countries to reduce greenhouse gas emissions from the 1990 level by 5.2% on an annual average between 2008 to 2012.

The stipulated reduction target is 7% for the US, 6% for Japan, and 8% for the European Union. As a result, the commission of new coal-fired power plants is expected to go down. Coal-fired power plants produce about twice as much carbon dioxide per kilowatt hour (kWh) as a gas turbine (850gram/kWh versus 450 gram/kWh). Nuclear power is emission-free, and so does not contribute to global warming or climate change. Although nuclear power carries other environmental risks, such as the storage of nuclear waste and the risk of accidents, but the current environmental frameworks (such as the Kyoto treaty) are more concerned with global climate change than with storage risks. As a result of Kyoto Protocol, about 20 gigawatts (GW) of renewable energy (about 50% more than currently installed) is expected to be commissioned.

This is expected to boost the prospects for nuclear power generation. Being the one of the largest player in the nuclear energy market, the group stands to gain favorably from this regulatory development. Threats 1. Regulation on nuclear facilities: The group's operations are subjected to constantly changing national and international regulations that are becoming increasingly stringent in the areas of nuclear and environmental safety. The International Atomic Energy Agency (IAEA) and the European Commission have each established their own international system for nuclear materials safeguards. Other international agreements, adopted under the umbrella of the IAEA, govern nuclear safety in the facilities.

These agreements include the Convention on Nuclear Safety (CNS) and the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management. With respect to the European Union, the <https://assignbuster.com/business-strategy-of-areva/>

provisions of the Euratom Treaty and its implementing regulations have reinforced the aspects relating to nuclear materials safeguards and to the establishment of unified rules for radiation protection of the public and workers and for the transport of radioactive waste. Any introduction of new regulations or modification in the existing regulations could increase the compliance cost of the group. 2. Increasing competition: The group's products and services are sold on international markets characterized by intense competition on price, financial terms, product/service quality, and the capacity for innovation. In some of its businesses, the group has powerful competitors that are larger than the group or have access to more resources.

Moreover, these competitors may sometimes make decisions that are influenced by extraneous considerations other than profitability or have access to financing at advantageous terms. Further, competitive pressures have increased as a result of the deregulation of the electricity market, which opened the door to new competitors for Submitted By: Group 3 12 the group's main customers and in particular resulted in increased price volatility. Deregulation may lead to changes in prices for electricity and for products and services related to the generation, transmission, and distribution of electricity and/or to lower investment in the nuclear power sector. Additionally, nuclear power is competing with other energy sources, whether fossil fuels (particularly oil, natural gas, and coal) or renewable energies such as hydropower, biomass, solar, and wind power. These energy sources could become more attractive and cause demand for nuclear-generated electricity to drop. Increasing competition, therefore, threatens to erode the market share of the company.

3. Disparities in the supply of commodities: The group's operations require large supplies of specific commodities and semi-finished products, including base products, zircon ore, and others. Some operations also use large quantities of electricity. For instance, electricity represents approximately 60% of the cost of enrichment by gaseous diffusion. That electricity is supplied in large part by the group's largest customer, EDF, either to cover its own requirements for the enrichment services the group provides to EDF, or in connection with the electricity supply contract for enrichment services that the group exports.

The group's large requirement for commodities and semi-finished products is such that the group could experience procurement difficulties, given the limited number of suppliers. For all of these operations, a shortage of commodities or semi-finished products could translate into a production slowdown or even, in certain circumstances, in shutdown. Porter's Five Forces The analysis external environment for a firm can be best done with the help of Porter's Five Forces. This tool was first devised by Michael Porter postulates that level of intensity of competition is best determined by basic competitive forces. The collective strength of these forces determines the ultimate profit potential, measured in long run return on invested capital, for a firm in the industry.

This paper has attempted to analyze the five forces for Areva. The analysis is slightly different in the terms of the approach to determine the affect of all forces. Here for the sake of simplicity the mathematical approach has been taken for the analysis. All the constituents for a respective force have been given rating in the range of 1 to 100 and further the probability for each is <https://assignbuster.com/business-strategy-of-areva/>

calculated by dividing each rating with the sum total of all the rating for respective force. Further the importance of the same for Areva is given rating in the range of 1-5.

Total affect for each constituents of each force is calculated by multiplying the company rating with the probability. The sum total of the affect from each constituent is Submitted By: Group 3 13 alculated to find the total affect of each force and finally a simple average of the same for each force is calculated to determine the final position of the firm. From the table in the next page it can be inferred that the company is positioned well and the competitive forces are favorable for the company and seems profitable.

Rating of Total company (1-5) 0. 18 4 0. 74 0.

16 3. 5 0. 54 0. 18 4 0. 74 0.

17 3. 5 0. 58 0. 15 0. 17 4 0. 58 4 0.

66 3. 84 2 0. 29 2 0. 14 3. 5 1.

00 4 1. 07 2. 5 0. 58 3. 08 0.

18 0. 18 0. 08 0. 22 0. 13 0.

16 0. 05 2 3 2 4 2 2. 5 1. 5 0. 36 0. 54 0.

17 0. 87 0. 27 0. 39 0. 07 2. 7 5.

no. Name of force Constituents Economies of scale Product Differentiation
Capital Requirements Switching Costs Access to distribution channels
Government Policy Total competition in supplier industry substitutes of

suppliers' products Importance of buyer to the supplier Switching costs for suppliers' products Threat of forward integration by suppliers Total Switching Costs Scales of buyer purchases differentiated products Importance of quality availability of information threat of backward integration concentration of buyer power Total Renewable Energy Fossil Fuel power Large hydro Total Rivalry Total Rating of force probability (1-100) 95 80 95 85 75 85 515 40 20 80 75 65 280 75 75 35 90 55 65 20 415 70 95 65 230 95 95 1 Threats of new entrants 0. 14 0. 07 0. 29 0.

27 0. 23 2 Bargaining power of Suppliers 3 Bargaining power of buyers 4 Threat of substitute products 0. 30 0. 41 0. 28 4 1.

22 4. 5 1. 86 2. 5 0. 71 3. 78 2.

5 3. 5 3. 5 5 Rivalry among competing firms 1 Grand Total 3. 37 Submitted By: Group 3 14 Value Chain Analysis alue The AREVA group is a global leader in solutions for carbon-free power generation solutions. arbon free In the pursuit of achieving its strategic goal for providing carbon free power solutions, company has expanded its core nuclear business and added renewable to is portfolio.

Mining •Uranium ore exploration • Mining •Ore Shipping Front end •Fuel fabrication and assembly Fuel •Fuel Enrichment • Conversion/ Chemistry •Fuel / Product Shipment Fuel Reactors and services •Nuclear power plant design and construction Nuclear •Pressurized water reactors and boiling water reactors Pressurized •maintenance and re-engineering operations engineering •Services to reactors Back End Used fuel treatment •Recycling of reusable materials Recycling •Waste packaging and storage Waste

<https://assignbuster.com/business-strategy-of-areva/>

•Transportation and logistics Transportation •Nuclear site value development Nuclear Renewable Business •Wind power •Bioenergies •Hydrogen energy The group's biggest advantage is that it is active in a broad spectrum of businesses in carbon-light power generation. The group is one of very few suppliers capable of meeting light customer requirements at every stage of the value chain, offering global solutions that offering protect the environment while complying with stringent safety criteria. Its integrated model and policy of partnerships put AREVA in an ideal position to anticipate market requirements. For example, the group was one of the first to anticipate the wave of carbon-free energies, free both renewable and nuclear, and to develop a strategy in that field. This market vision prompted AREVA to develop, before its competitors, a comprehensive strategy for meeting Submitted By: Group 3 15 market demand. AREVA is capitalizing on this strength through innovative, multiproduct, multiservice offers that meet the new expectations of its customers.

The group is known for its immense technological expertise in every aspect of nuclear business, backed by 50 years of research and operating experience with proprietary processes and a range of new generation reactors to meet the energy challenges of the 21st century. The value chain can be analyzed with the help of tool suggested by Porter known as Porters Vaue Chain. Primary Activities ? Inbound & Outbound Logistics: o Dedicated logistics division o Security and safety is given high priority o Adequate and Responsive process o Maintains real time information on shipments ? Operations o Huge manufacturing facilities spread across the globe o Immense expertise and experience in all aspects of nuclear business ?

Marketing & Sales o Efficient customer service backed by multi-products and multi service offers o High back logs o Strong Coordination among functions in R, Marketing and Product Development ? Services o Wide range of services o Leader in industry o Huge investment plans to further improvements Submitted By: Group 3 16 Support Activities ? Infrastructure o Highly developed information systems to streamline operation o Focus on quality, safety. o Huge manufacturing capacity ? Human Resource Development o Superior personnel training o Capitalizes the group expertise o Internal and international mobility to employees o Focus on talent diversification o Attractive compensation packages to employees ? Technology Development o Strong innovation o Way ahead from competitors to anticipate emerging market trends o Several proprietary rights in the kitty o Prime focus on new technological developments backed with adequate investments ? Procurements o Strict on the quality raw material o High bargaining power o Strong relationships with the suppliers Submitted By: Group 3 17 AREVA: Change Management Change management can be defined as a structured approach of shifting for the current state to the desired state. It is conducted on all levels of the business, individuals, teams and organization, with the aim of empowering and encouraging the employees to accept and appreciate the transition in terms of the job that they have been doing and the way they have been doing it. Change management is one of the most important and the most delicate things to deal with.

It is required because no matter how good or bad a company has been performing, there is always a requirement of further improvements. Also in

today's market of cut-throat competition no organization can afford become complacent. But Change Management is one of the toughest tasks to pull off. The condition sometimes becomes very fragile and difficult to handle. Such situations mostly come up because of the human nature of resisting change.

During the transition period people are asked to move out of the comfort zone that they had built during all this time and are afraid of the new role and responsibility or simply don't want anything change. The most effective way of smoothening such frictions is to make the employees aware of the reasons why the organization is going under the change and convince them on how it will have a positive impact on his job as well as the overall business. It is found that once such sense of responsibility and belongingness is imparted, people find it easy to get along. AREVA is a staunch believer of constant changes. The company thinks that implementing in phases has more disadvantages than the perceived benefits.

It cites two prime arguments in this favour. One is that such process requires the organization to wait until the transition phase to implement a change which is crucial and commands immediate response. Second reason is that it causes friction from employees' end as they tend to resist any major shift from the inertia that they had build around them. So to take care of these drawbacks the AREVA group has opted for continuous change where it is not carried out in terms of phases, here it is rather gradual. It allows instantaneous inclusion of any desired improvement of change.

But this process too is not bug free, the continuous form also comes with its own set of problems. The major problems that AREVA has faced as a result of

this measure is that its employees lose interest because regular occurrences take the sheen away, employees no longer were seeing it as something exciting or beneficial. Instead of willing to understand the new and improved process with anxiety and excitement (which works as a great motivation factor), the employees started seen these things are mere errands.

Submitted By: Group 3 18 AREVA: Market Spread, Rivalry and Co-operation

AREVA is company which is present in most of the world's biggest markets and has attained or is on its way to attain the leadership position. There is hardly any incident or move take by AREVA which shows that it may be satisfied with playing a second fiddle in the market. It has been aggressive in beating down its competition by product innovations and marketing strategies.

It has a very strong network with not only the private sector player of different countries but is also with the authorities from respective governments. Its truly global presence (read dominance) gives it huge edge over its competitors as AREVA is generally in a position where it can leverage its one market's gain in the other one to get ahead in terms of innovation, quality and pricing. This chart shows the orientation of AREVA's revenue sources... Even though the company has most of the pieces in place and has been growing quite fast for a company of its size, but given the fact that in today's fast moving market of cut-throat competition, no organization can afford become complacent. Further strengthening is inevitable because no matter how good or bad a company has been performing, there is always a requirement for improvements and higher expertise. AREVA too faces fierce competition and since its operations are spread across the globe the list of

its competitors is endless. The following depiction speaks volumes about AREVA's ambitious plan to grab an even higher market share throughout the world... Submitted By: Group 3 19 Source: AREVA.

com After selling off its T arm AREVA is currently focusing on huge generation & mining capacity addition. The major markets on its radar for immediate expansion are China, India, France, Canada, Italy and South Africa. There are some smaller potential markets too which are rather waiting to be exploited. There too AREVA has made some significantly big forays and has started investing in a big way. The group's biggest advantage is that it is active in a broad spectrum of businesses in carbon-light power generation. The group is one of very few suppliers capable of meeting customer requirements at every stage of the value chain, offering global solutions that protect the environment while complying with stringent safety criteria.

Its integrated model and policy of partnerships put AREVA in an ideal position to anticipate market requirements. For example, AREVA was one of the first to anticipate the wave of carbon-free energies, both renewable and nuclear, and to develop a strategy in that field. This market vision prompted AREVA to develop, before its competitors, a comprehensive strategy for meeting market demand. AREVA is capitalizing on this strength through innovative, multiproduct, multiservice offers that meet the new expectations of its customers. In keeping with this strategy, AREVA is developing clean energy parks offering a balanced mix of carbon-light energies such as nuclear power and renewables.

The first clean energy park is planned in Ohio in partnership with Duke Energy. AREVA is working on similar developments in Fresno, California, in partnership with FNEG, and near the Point Lepreau nuclear site in New Brunswick, Canada, in partnership with the Province of New Brunswick and New Brunswick Power. AREVA is recognized for its technological expertise in every aspect of the nuclear business, backed by 50 years of research and operating experience with proprietary processes and a range of new generation reactors to meet the energy challenges of the 21st century. These assets put the group in a favorable position, particularly in next-generation reactors and the back end of the fuel cycle. Having built up know-how that places it in the lead worldwide, the AREVA group has adopted an industrial organization that is consistent with its different business segments.

On the alliance building front AREVA has taken several measures to strengthen and structure nuclear engineering resources at the international level to meet an expected sharp increase in demand over the coming years. A major worldwide recruitment effort has been under way since 2004 and 2005, and the group plans to continue its policy of selective acquisitions and alliances in this field. Areva's competitors include General Electric Co. , BNFL's Westinghouse unit, AtomStroyExport of Russia, and Mitsubishi Corp. and Toshiba Corp.

of Japan. The French company has a two-thirds stake in Framatome Advanced Nuclear Power, which is developing the EPR. Siemens AG of Germany owns the rest. The group is involved in a variety of acquisitions, strategic alliances and joint ventures with partner companies. Although the <https://assignbuster.com/business-strategy-of-areva/>

group believes that its acquisitions, strategic alliances and joint ventures will be beneficial, a certain level of risk is inherent in these transactions, particularly the risk of overvalued acquisitions; insufficient vendor warranties, underestimated operating costs and other costs; disagreements with partners (particularly in joint ventures); potential integration difficulties with personnel, operations, technologies or products; lack of performance on initial objectives; or third-party challenges to these strategic alliances or mergers and acquisitions, based on their impact on those parties' competitive positions. Submitted By: Group 3 21

References: ? ? ? ? ? ? ? ? ? www.

areva. com [http://www. bloomberg. com/apps/news? pid= newsarchive= aVXp2zrBpzM4 efe r= germany](http://www.bloomberg.com/apps/news? pid= newsarchive= aVXp2zrBpzM4 efe r= germany) <http://www. livemint. com/2008/09/29160142/Areva-TampD-and-GE-announce. html>

<http://www. areva. com/EN/news-8734/areva-signs-alliance-agreement-withdominion-for-plant-services. html> <http://www. upvery. com/66176-areva-sa-swot-analysis-available-throughbharatbook-com. html>

<http://www. bloomberg. com/apps/news? pid= newsarchive= a. 4oi7ALPLA4> <http://www. hoovers. com/company/AREVA/rfcxhti-1-1njg6y. html>

http://en. wikipedia. org/wiki/Change_management Concepts in strategic management and business policy, By: Thomas L. Wheelen and David Hunger AREVA reference document: 2010 Submitted By: Group 3

<https://assignbuster.com/business-strategy-of-areva/>