

A Strategic Management Plan for BP PLC

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Brief Contents:

Subtitles:	Page No.
1. Executive Summary	4
1.1 Introduction of BP PLC	5
1.2 Historical Background	5
2. The Benign Perspective Theory	6
2.1 The Strategic Management Model	7
3. Strategic Environmental Scanning	7
3.1 BP PLC Strategic Environmental Scanning	8
3.2 BP's External Environmental Analysis	8
3.2.1 PESTEL Analysis	8
3.2.2 Competitive Analysis	11
3.3 BP's Internal Environmental Analysis	13
3.3.1 Financial Position	13
3.3.2 Organisational Culture	13
3.3.3 BP's Value Chain Analysis	13
3.4 BP SWOT Analysis	15
4. Strategy Choices For BP	16
4.1 Business Level Strategic Choices	16
4.2 Strategic Choices at Corporate Level	17

4.3 International Level Strategic Choices	18
5. Evaluation and Implementation of Strategic Choices	19
5.1 Market Segmentation and Positioning	21
5.2 Finance and Accounting	21
5.3 Management information Systems (MIS)	22
6. Conclusion	22
7. Recommendations	23
8. References	24
9. Appendixes	28

1. Executive Summary

BP PLC is one of the world's largest British oil industry company. BP is serving millions of customers across the globe every day and operating mainly in three segmentations, oil, gas and retail and rest services. BP is also planning to invest approximately \$500 million a year on new renewable energy projects to advance the energy transition.

Strategic management process is used to find new strategic choices for BP and to ensure the successful future direction of business. Strategic environmental scanning is conducted to see macro and micro environmental factors which enforce management to change its position in the marketplace. External analysis shows that BP is facing numerous environmental , political and social challenges. Internal analysis shows that the company is in a strong financial position. The market value of the company is US\$110.21 billion and the current assets are worth of US\$76.69 billion. BP is generating US\$21.88 billion cash from operating activities and has US\$22.29 billion cash and short-term investments which can be used for new ventures.

The overall, strategic environmental scanning illustrates that BP has many strategic choices to implement new strategic direction. However, differentiation strategy, diversification and multi-domestic strategy are more suitable strategies to gain competitive advantage for BP. BP can adopt these strategies in each area and can get a stronger position in international marketplace by focusing on low greenhouse emission and by entering into renewable energy portfolios.

Finally, some recommendations have been suggested in order to implement the new strategic direction. BP is facing many challenges mainly political and environmental, BP needs to change its strategic direction by starting the above mentioned portfolios to avoid any future consequence. The merger and acquisition with large renewable energy company would be beneficial for BP to implement new strategic direction.

1.1 Introduction of BP PLC

BP PLC is one of the world's largest British oil industry company and was incorporated in 1909. The headquarters of the BP are in London and primary share listing is London Stock Exchange. (BP PLC, 2018)

1.2 Historical Background

William Knox D'Arcy established the Anglo-Persian Oil Company in 1909 and changed the name into British Petroleum Company Limited in 1954,. In 1958, BP started new joint ventures to trade crude oil in the US. BP started exploration oil in American continent and found largest oil reservoirs in 1969. In 1989, British Petroleum initiated the frontier exploration strategies which lead BP to find significant discoveries in Colombia, Angola and Azerbaijan.

In 2000, BP bought ARCO American oil industry company and turned into one of the largest oil company and changed the name into BP PLC following the acquisition. The company is functioning in around 80 countries across the globe. It is producing around 3.2 million barrels oil for every day. It is one of the biggest producer in the industry in the entire world. BP has around 17,000 fuel stations spread everywhere throughout the world. The company has also some share in Rosneft which is world's biggest oil and gas company (BP PLC, 2019)

In 2005, a horrific incident happened at the refinery in Texas which slaughtered 15 labours and harmed in excess of 170 workers. Another incident happened in 2010, the production platform Thunder Horse PDQ at Gulf of Mexico was about to descended due to a hurricane which slaughtered 11 employees at work. BP investigated the causes of the incidents and spent over \$7 billion to upgrade all aspects of safety. In 2012, BP stated a project to construct a largest supercomputing complex in Houston to process and manage the unstable data from across BP's portfolio. (BP PLC, 2019a)

2. The Benign Perspective Theory - Strategic Management Process

Definition according to David (2011), "strategic management is the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organisation to achieve its objectives". It focuses on a long range strategy formulation to make progress through finding and generating new and diverse available choices for business and evaluates in order to implement the new or different business strategy. (David, 2011)

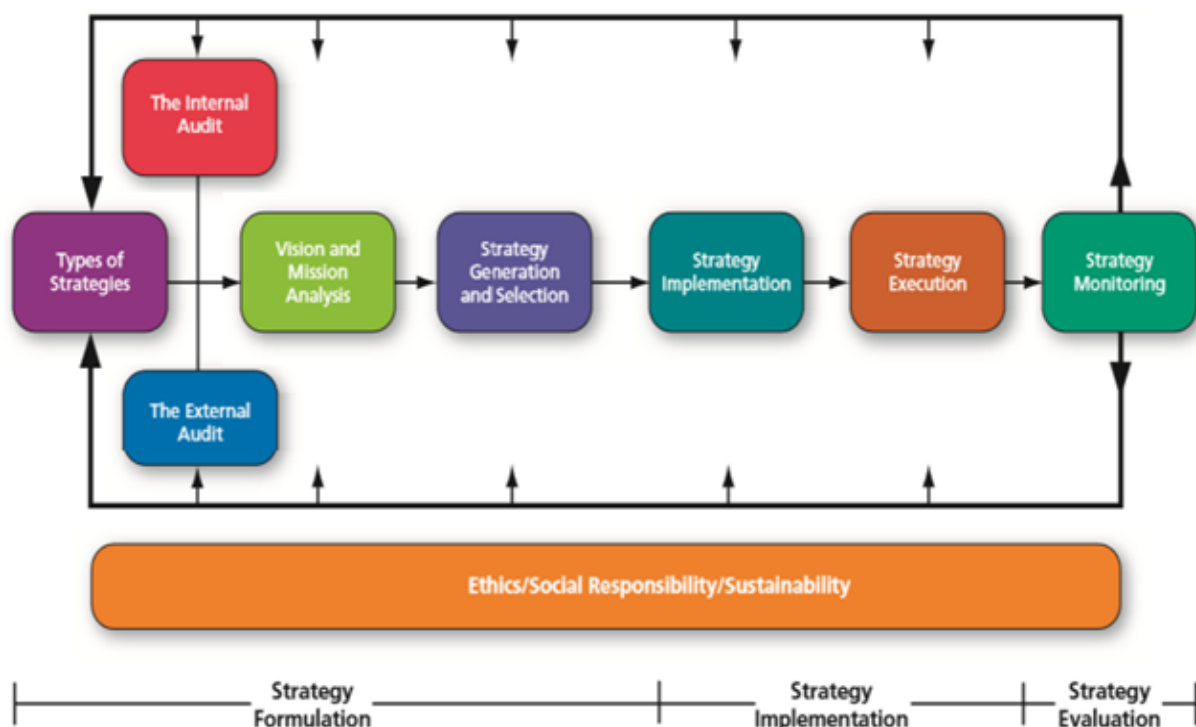
The strategy management process comprises three strategy stages which includes formulation, implementation, and evaluation. Strategic formulation develops a vision and mission to establish long term objectives, recognises internal and external forces of change and identifies alternative available options. The next stage of the strategy is strategic implementation which includes determining long term objectives, making plans and allocation of the resources to execute the new strategy. The third and final stage of the strategy management process is strategic evaluation. strategic evaluation helps management to know when a specific strategy is not functioning according to plan. The strategies are liable to future change due internal and external forces. strategic evaluation comprises essential steps which includes reviewing business environmental forces, performance of the strategies and required amendments. (David and David, 2015)

The strategies of an organisation comprises of the approaches and game plan to produce effective performance of the company. The companies create strategies to accomplish their target objectives. Financial objective are required in light of the fact, the financial performance is fundamental to safeguarding the company's prosperity viability. Strategic objective gives constant direction to support an organisation's business position. These objectives refer to an organisation's competitiveness and make it unequivocal that an organisation should not only perform well financially but it also convey on building an organisation's the s' long term business and competitive position. (Chaneta, 2011)

2.1 The Strategic Management Model

The strategic model shown in figure 1 is a widespread model of the strategic management process which includes certain steps for strategy process. This model does not ensure the success of business, however it illustrates a comprehensive realistic approach for strategic process. (David and David, 2015a)

Figure 1: Strategic Management Model

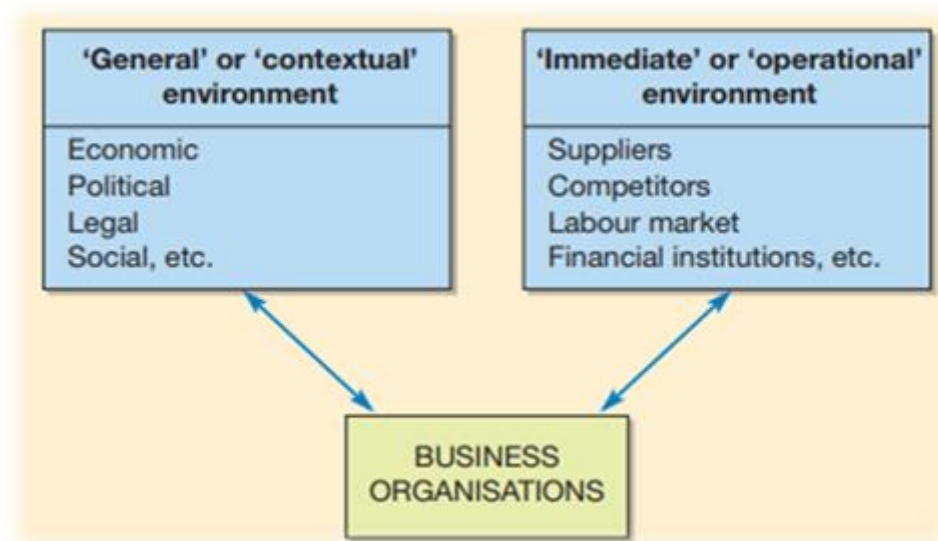


Source: David, F. and David, F. (2015). *Strategic Management*. 15th ed., p.47

3. Strategic Environmental Scanning

Environmental scanning is fundamental to the business strategy formulation. The success or the failure of any company depends on the factors and forces of change which affect the operations and performance of the business. It is impossible to formulate a good strategy for the business without considering the effects of environmental factors on the business. (Abu Amuna, Al Shobaki and Abu Naser, 2017)

Figure 2: Two Levels of Business Environment



Worthington, I. and Britton, C. (2006). The Business Environment. 5th ed.p.6.

Contextual or Macro forces allude to the external forces that influence the business performance and force business to bring changes. (Morakanyane, Grace and O'Reilly, 2017) Operational or Micro-environment forces are immediate surroundings forces that influence organisation's operations. (Worthington and Britton, 2006)

3.1 BP PLC Strategic Environmental Scanning

In this section, BP's strategic business environmental scanning is conducted in order in order to reshape the organisation's strategic direction.

3.2 BP's External Environmental Analysis

In this section, PESTEL Analysis and Porter's Five Forces analysis are conducted.

3.2.1 PESTEL Analysis

I. Political Factors:

- The PDQ explosion at Gulf of Mexico which killed 11 employees and sank the Transocean Deepwater Horizon drilling rig. The disaster has become political due to severity of the incident as it not only caused loss of lives but also caused loss of fisheries in the sea. The American administration has enforced more strict policies. (BBC, 2010)

- In recent decades, this sector has been subject to scrutiny because of environmental issues such as quality of air and water and climate change. The government environmental regulations enforce oil and gas companies to reduce carbon emission. (Investopedia, 2018)
- The governments across the world are supporting the ultra low emission electric vehicles. The sales of new electric vehicle has been reached over 3 million in 2017 which represents a growth of 54% as compare with 2016. The UK Government is expecting every vehicle (car and van) to be zero emission vehicle by 2050 and planning for new sales of vehicles to be truly zero emission by 2032. (International Energy Agency, 2018)

II. Economic Factors:

- There is a significantly important correlation between this industry and the global economy. The consumption is forced by the global economic growth. When the velocity of inflation falls, the demand of oil and gas increases in the market and companies try to increase the supply. There are some other economic factors which are connected with this sector such as , bankruptcy of investment banks and economic crisis. (Donwa, Mgbame and Ekpulu, 2015)
- Industry is also supporting economic recovery of the UK and has contributed over £330 billion in tax and accommodating about 3 million jobs in the UK. (Oil&GasUK, 2019)

III. Social Factors:

- The world's climate is changing which is spreading worries among people about the sustainability of the future. The change in climate and environmental pollution is destroying the reputation of the BP. The consumers buying patterns have been changed particularly in the energy industry and are moving towards green energy which is concerned over the sustainability of the future of the BP. In addition, Drilling and heavy traffic creates noise and disturbance to the local community (BP PLC, 2019aa)

IV. Technological

- The world's interest in renewable energy is expanding because of innovative technologies which is the main reason for the rivalry in the renewable industry. BP is planning to invest approximately \$500 million a year on new renewable energy projects to advance the energy transition. (BP PLC, 2019b)
- BP is planning to invest \$200 million over a three year period on Lightsource BP project to develop substantial solar capacity. BP has invested to initiate an ultra fast battery charging technology (called StoreDot) for the mobile device and commercial or industrial use which will be available by 2020. The fast charging technology would be used later on for electric vehicles charging and will reduce the charging times. (BP PLC, 2019b)
- BP and Johnson Matthey have invested in Fulcrum BioEnergy which would be US's first commercial scale waste to fuels production plant. The plant will use household's waste to produce fuel for transport. BP has also invested in Chinese company, PowerShare to develop a virtual marketplace for vehicle sharing which will connect people to a network of rental companies to reduce the need for new vehicles on the road. (BP PLC, 2019b)

V. Environmental Factors:

- Oil and gas refineries are a main cause of air pollution which causes developmental, cancer and childhood asthma problems. The oil and gas refineries are also major contributor in contamination to ground water and surface water along with contamination of soils. (Environmental Protection Agency, 2003)
- BP's oil and gas production refineries and petrochemicals plants are causing air pollution and contamination to ground and surface water. According to some magazines, BP was one of the most noticeably terrible company due to human rights and environmental records in both 2001 and 2005. The Institute of Political Economy Research had ranked on BP 25th from 100 worst air polluters corporations in the U.S. BP had also paid \$10 million fine to the EPA in July 2000. (PolluterWatch, 2012)
- The rate of carbon emissions from energy consumption has been increase from 1.6% to 2.7 % in 2018. (International Energy Agency, 2018)

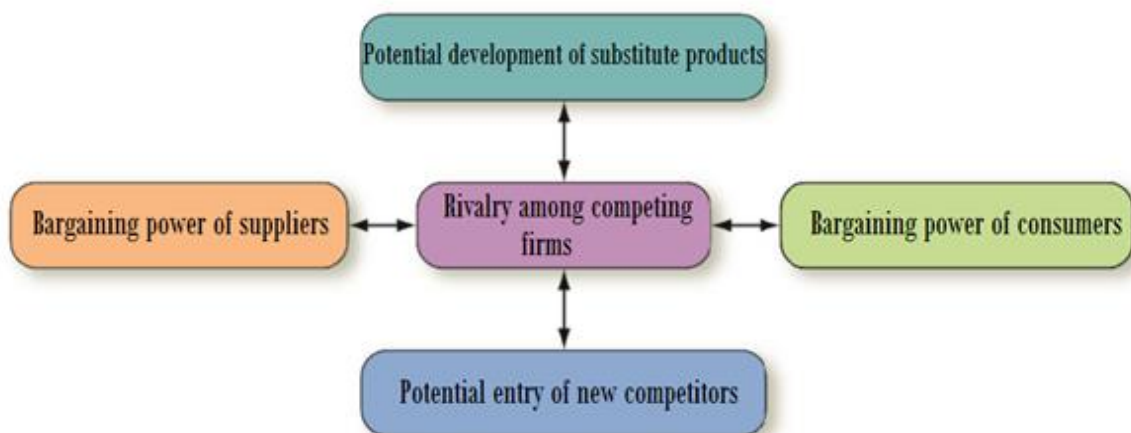
VI. Legal Factors:

- The government's climate change assessment report is increasing pressure on the industry in order to reduce greenhouse gas emission. The report estimates that climate change could cause approximately \$2 trillion from U.S. economy every year. Trump administration is also supporting legal limitations to cut greenhouse gas emission causing from oil and gas industry. (Luck, 2018)
- The Health and Safety Executive HSE has implemented more health and safety requirements under Regulations 2015 in the Offshore Installations and Onshore Hydraulic Fracturing Regulations 2016 to protect groundwater following the incidents. (practicallaw, 2017)
- The oil spill had caused many official limitation on BP due to the damages caused to the environment and society. The US justice department ordered BP to pay environmental fine under Clean Water Act for the sum of \$18.7 billion following the incident in 2010. (Rushe, 2015)

3.2.2 Competitive Analysis

Porter's (1985) Five-Forces Model (figure 3) of analysis is a commonly applied approach to develop a strategy in many industries. (David and David, 2015b).

Figure 3: Competitive Analysis: Porter's Five-Forces Model



Source: David, F. and David, F. (2015). *Strategic Management*. 15th ed., p.239

I. Rivalry among competing firms

The rivalry in industry is high because of numerous rivals in the market. The major competitors are Chevron Corporation, Exxon Mobil, Total, Conocophillips, PDVSA, Saudi Aramco, Pemex, Emirates Oil. However, BP has strong position in energy market as it is fifth largest company in the world by revenue. (Lewis, 2018)

II. Potential entry of new competitors

There is low potential for new entrants because of a strong rivalry in the market. The industry in which BP functions also require huge capital investment to cover expenditures like process equipment utilities, ancillary equipment, infrastructure, fineries, drilling machineries and indirect cost such as construction related costs, plants, technical facilities, equipment, transport, engineering, distribution, research and development and management. Approximately, \$5 to \$20 million are required per exploration site. (BERA, 2013)

III. Potential development of substitute products

There is low potential development of substitute products in the industry. Many substitutes are in developmental phase such as hydroelectricity, lithium-ion battery, nuclear energy, wind power and solar energy. However, there is a huge switching cost to develop of substitute products and because of this barrier no big company is entering into oil and the solar industry. (Petroleum, 2015)

IV. Bargaining power of suppliers

The supplier's bargaining power is medium as there are a high number of suppliers from private organisations to government and there are many potential buyers alike to BP. The dominant suppliers influence the business through high prices and supply of production. (Hokroh, 2014)

V. Bargaining power of consumers

There is a moderate bargaining power of consumers due to increasing demand. Persuasive purchasers have the capability to decrease the price, guarantee prevalent quality and request more services. The oil industry is in a prevailing position to deal prices. The industry is hoping to acquire the rights to put resources

into production portfolios, forming renewable energy businesses to deal political and legal obstructions. (Hokroh, 2014)

3.3 BP's Internal Environmental Analysis

In this section, BP's internal environmental analysis is conducted via Value Chain Analysis and SWOT analysis along with financial position and organisational culture to find out the internal forces of change in order to reshape the organisation's strategic direction and to obtain sustainable competitive advantage in the market.

3.3.1 Financial Position

The BP PLC is a financially sound company. The market capitalization value of the BP is US\$110.21 billion and the current assets are worth of US\$76.69 billion. The debt level of the BP is constant at approximately US\$60.36 billion. BP is generating US\$21.88 billion cash from operating activities and has US\$22.29 billion cash and short-term investments which can be used into business and new ventures. (Simply Wall St, 2018)

3.3.2 Organisational Culture

BP's organisational culture is based on the five values and code of conduct which present a fixed perspective for the approach in which it functions. The organisational values include security, regard, perfection, motivation and team work. BP's organisational culture and clear ethical codes facilitate the organisation to make decisions in a reliable manner around the world. (BP PLC, 2019g)

3.3.3 BP's Value Chain Analysis

Michael Porter's value chain analysis is a connection of vertical collaborating activities to achieve a competitiveness. (Kumar and Rajeev, 2004)

BP is an internationally vertical oriented integrated organization. It has value chain steps in all phases of its operational activities, including the developing, extracting, transporting, trading, manufacturing, marketing, selling and renewable energy generation. The business model of BP (Figure 4) is creating value and tangible growth through its five stages in the value chain process which includes all the above mentioned business activities. (BP PLC, 2019c)

Figure 4: BP's Business Model



Source: BP PLC (2019c). *BP Business Model*

The above value chain business model shows the global network of the organisation which is exceptionally diverse and requires the various activities at various stages to add the values.

The Upstream division is accountable for activities such as extracting, field developing and production and is separated in two divisions such as discovering activates and reservoir development activities. The exploration activates are responsible for finding new resources through accessing, extracting and evaluating. The upstream production side of the business produce 75% income and the value addition cost uncovers the pump cost of oil is approximately 60%. (BP PLC, 2019d) BP is using technology underpins to add value in the value chain process such as seismic imaging and digital technologies in the upstream value chain activities to strength the exploration and to enhance the oil recovery and creating applications to integrate. BP is utilising computerised machineries which are improving business operations such as robotising drilling. (BP PLC, 2019e)

BP is building and applying technologies in the refineries and chemical plants to enhance operational reliability, increase efficiency and decrease emissions. Innovation encourages facilities to process several thousand unrefined oil a year with securely, reliably and effectively. (BP PLC, 2019f)

3.4 BP SWOT Analysis

BP's strategic competence is evaluated by demonstrating SWOT analysis.

I. Strengths – Internal Strategic Factors

- Largest British oil and gas company
- Global distribution network
- Stable free cash flow
- Applying technologies
- Strong brand positioning

II. Weakness – Internal Strategic Factors

- Not utilizing opportunities
- Not utilizing finance efficiently
- High days inventory ratio
- Unclear selling proposition
- Spending on training and development

III. Opportunities – External Strategic Factors

- New technological opportunity
- New renewable energy business portfolios
- Enter a new emerging market
- Decreasing transportation cost
- New online channel
- Free Cash Flow to invest into new projects.

IV. Threats - External Strategic Factors

- Strong competition in oil and gas industry
- Increasing rates of crude oil
- Increasing environmental concerns
- No innovative development in products
- Global currency fluctuations
- Vary in foreign government regulations
- Online buying behavior
- Increasing electric vehicle industry

4. Strategy Choices For BP

In this section, various strategic choices have been placed for BP at Business, Corporate and International level.

4.1 Business Level Strategic Choices

According to Porter, business level strategy assists organisation to achieve competitive advantage from three generic strategies. (David and David, 2015)

Figure 5: Michael Porter's Five generic Strategies

		GENERIC STRATEGIES		
		Cost Leadership	Differentiation	Focus
SIZE OF MARKET	Large	Type 1 Type 2	Type 3	—
	Small	—	Type 3	Type 4 Type 5

Source: David, F. and David, F. (2015). *Strategic Management*. 15th ed., p.149

It is obvious from the above business environment analysis that BP is world's largest British oil industry company and have a strong brand spot in the market. The differentiation strategy (type 3) is required to achieve competitiveness in the market. The above analysis shows that there many opportunities which can be utilized to create differentiation strategy. Analysis shows that BP can use new online channel, renewable energy business portfolios and can enter into new emerging markets by applying differentiation strategy.

4.2 Strategic Choices at Corporate Level

Ansoff Matrix is applied to evaluate the different available cooperate level choices for BP as it helps to decide new strategies for business growth.

Figure 6: Ansoff Matrix for BP's Cooperative Strategy

	Existing Products	New Products
Existing Makets	Market Penetration • Competitive Prices • Sales Promotion • Advertisement • Joint Ventures • Subsidiaries	Product Development • New Quality Products • Beverages & Food • Restaurant Chain • Car Parts
New Markets	Market Deployment • New channels of distribution • New segments	Diversification • Wave & Tidal • Energy Storage • Solar Panels • Solar water and heating • lithium battery • Electric charging station

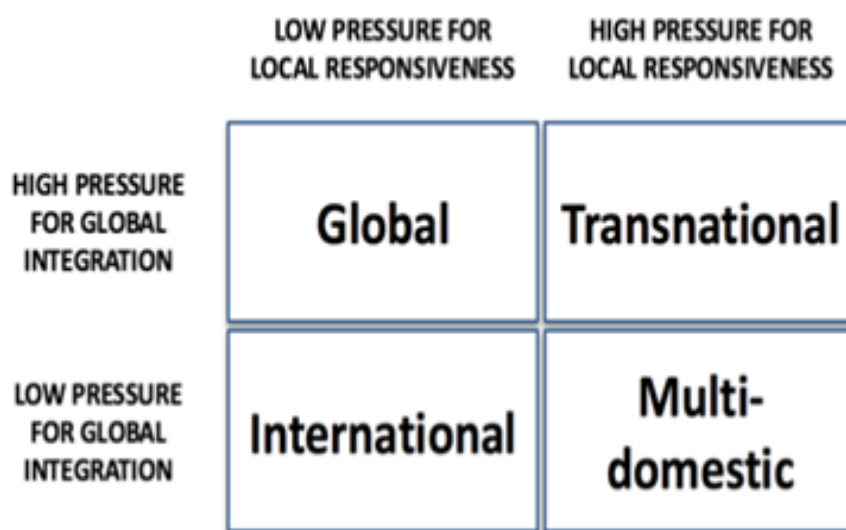
- Market penetration focuses on selling existing products into the existing customers. Analysis shows that BP has great customer loyalty and applying market penetration strategy to increasing the sales as it is more practical and convenient strategy to target the customers. BP can increase market penetration strategy by offering competitive prices, sales promotion and joint ventures.
- Product development strategy allows to offer new products to its customers existing customers. BP can add new products into its product line, can change product packaging, new food and beverages, restaurant chain and some car parts on its stores to gain competitive advantage.
- Market development strategy is used to increase the sales of existing products into new markets. BP can find new distribution channels to target new markets to expand its business. BP can expand it channels in Asian Countries such as China, India, Pakistan And Bangladesh to target new markets.

- Diversification is the most important strategy for BP. Analysis shows that BP facing environment, political and economical challenges. In order to deal with these forces, BP needs to go for diversification strategy. BP can penetrate this strategy by starting new portfolios such as wave & tidal, solar panels, solar water and heating, lithium batteries and electric charging stations.

4.3 International Level Strategic Choices

BP PLC is successfully functioning in 78 countries worldwide. (BP PLC, 2019) Analysis illustrates that environmental, technological and economical factors are enforcing to adopt international strategies. The Bartlett & Ghoshal Model shows the global strategic choices for organisations to control their global functions based on the pressure of local responsiveness and global integration.

Figure 7: Bartlett & Ghoshal Model of International Strategy



Source: Strategic Options for Multi-National Corporations – Bartlett & Ghoshal

BP needs to develop multi-domestic strategy as international strategies are strong enough. BP has high local responsiveness pressure and has low global integration pressure. Multi-domestic strategy requires the cultural values to be service oriented and customer focused which can be achieved with a strong customer oriented organisational culture. BP needs to increase quality and reliability of their products rather than lower price and needs to change the business direction towards renewable energy industry as fossil fuel industry is going to be vanished in the

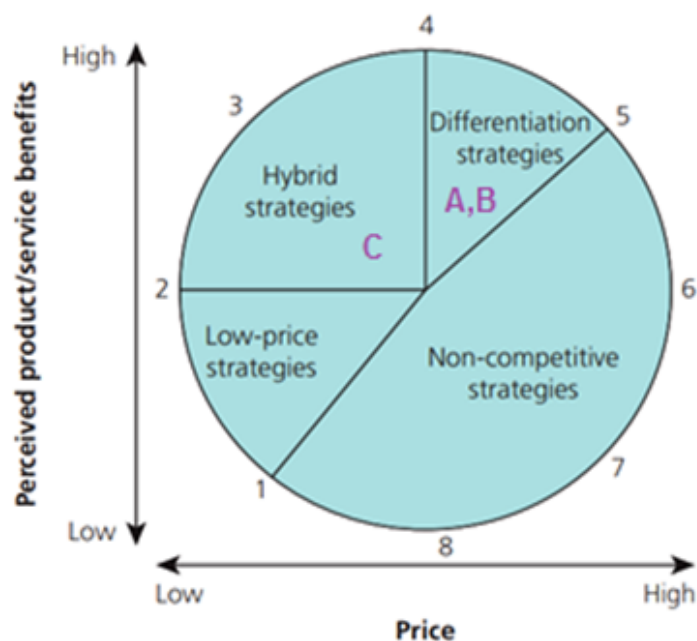
future. BP can customised its products to the environment condition by considering local inclination, religious traditions and other features that relate to locality of the country where it operates.

5. Evaluation and Implementation of Strategic Choices

The strategy clock is a strategy tool which illustrates that organisations can achieve competitive advantage by adding value to customer through their want or need and better or more valuable product than their competitors. (Innovationforgrowth, 2016) The strategy clock is used to evaluate the cost-benefit relationship of the above mentioned strategies.

All the above mentioned strategies can lead to gain operational performance and competitive advantage. However, differentiation strategy (A), diversification (B) and multi-domestic strategy (C) are used for evaluation and implementation. The position of these strategies have shown in the figure below;.

Figure 8: Strategy Clock And Positioning Of Strategic Choices



Source: D. Faulkner and C. Bowman, *The Essence of Competitive Strategy*, Prentice Hall, 1995.

The strategic choices evaluation is prepared by applying following criteria; **suitability, feasibility and acceptability.**

The industry has growth opportunities particularly in Asia. However, in Europe and America environment, political and technological factors are forcing towards low emission and renewable energy. The SWOT shows that BP has opportunities to invest renewable energy business portfolios and can enter into new emerging market. The differentiation strategy and diversification strategy will be suitable for BP. Multi-domestic strategy will help to increase the quality and reliability of their products though understanding the customer's needs. The suitability of strategic choice can be observed by stakeholder mapping. The markets as China, Singapore and India have high demand for Oil, starting new fuel stations in the that markets has an opportunity to expand the business volume. Multi-domestic strategy and other strategies will not only help business to expand but also will the government to generate more revenue and quality products for consumers.

Feasibility contains resource and finance feasibility. The resource feasibility helps to increase brand positioning and strength, stocks resources, employees development and customers loyalty. The finance feasibility consist of free cash flow and forecasting for free cash flow. BP is operating internationally and has an ability and an assorted workforce particularly in the administrative position and coordinating with global suppliers to ensure the quality of the product. However, analysis shows that BP is a financially sound company with the market value of US\$110.21 billion. The current assets are worth of US\$76.69 billion and is generating US\$21.88 billion cash from operating activities which allows BP to invest in renewable energy products and the above mentioned strategies will help BP to gain operational performance and competitive advantage.

To implement the strategies successfully, an organisation needs to examine various issues which are essential to effectiveness of strategy implementation such as marketing, finance, R&D and information system. The marketing in implementation creates segmentation, positioning and evaluating to determine to what extent finance is required as source of capital. (David and David, 2015c)

5.1 Market Segmentation and Positioning

The segmentation of market and positioning of a product are two central important variables to strategy implementation. Segmentation can be characterised as the subdividing into particular needs and wants of customers. (David and David, 2015c) The market segmentation and product positioning are two central important variables to strategy implementation.

BP is serving millions of customers across the globe every day. BP is operating mainly in three segmentations, oil, gas and highway retail and rest services which are attached to BP fuel stations. New differentiation and diversification strategy strategies will allow new segmentation to provide its quality products and to increase the product line and their supply into market. These strategies will also allow BP to enter into new market by offering low or zero emission products.

BP can use value-based positioning strategies in order to increase the product perception in the market. BP needs to focus over the quality of its products which will make its new products acceptable in the different industrial sectors. Due to environmental and technological factors news renewable energy products will build a good position in the market and will be more competitive than other competitors.

5.2 Finance and Accounting

Finance is central to strategy implementation as new direction acquires capital, projected financial statements, financial budgeting and financial evaluation of the business. Companies can acquire capital from various sources to implement the new strategies such as debt and equity or the mixture of equity and debt which is commonly used approach to raise capital. (David and David, 2015d)

The BP is a financially strong with the market value of US\$110.21 billion. In 2018, the total assets of the BP group were the worth of US\$282,176 million and the finance debt was US\$56,426 million. BP had generated US\$22,873 million cash from operating activities and the profit before taxation was US\$16,723 million. (see Appendix 1,2) BP has US\$22,468 million cash reserves. (BP PLC, 2018)

The financial statement confirms that the company is in a strong position to implement new strategies and change business direction by invest into new

renewable energy products. BP has US\$22,468 million cash reserves which allow BP to implement new strategies. BP has only borrowed US\$56,426 million as finance debt. Therefore, the combination of debt and cash reserves will be best option for raising capital to implement the new strategies.

5.3 Management information Systems (MIS)

Organisation that evaluates and assimilates the business environment information most effectively, gains competitive advantages over competitors. The efficient management information system is an essential factor in distinguishing successful from unsuccessful organisation. MIS helps to collect, recovery and store data which could be utilised to build competitiveness in the market, for example, buying behavior, cross selling, purchasing conduct, observing suppliers, informing management and employees and representatives educated, synchronization and managing finance. (David and David, 2015e) BP is utilising multi-enterprise communication framework, for example, XML, EDI inside a vertical industry which will help BP to execute new techniques. The structure of the framework depends on a business procedure the executives framework called Maximo. That is connected to outline the frameworks structure part of the total data framework in the more extensive settings of business system and data innovation foundation. (Holland, Shaw and Kawalek, 2005)

6. Conclusion

BP is one of the biggest British oil and gas company and is operating in 78 countries across the globe. The external forces of change and internal factors are forcing BP to adopt new strategic direction. The strategic analysis shows that BP has many strategic choices. However, differentiation strategy, diversification and multi-domestic strategy are more suitable strategies to gain competitive advantage. BP can adopt these strategies in each area and can get a stronger position in international marketplace by focusing on low greenhouse emission and producing renewable energy portfolios for example, wave & tidal, solar panels, solar water and heating, lithium batteries and electric charging stations. BP has strong organisational culture and financial position which allow BP to implement new strategic direction.

7. Recommendations

On the base of above strategic management process, I would like to suggest some recommendations for BP when it comes to implement the new strategic direction.

- BP is facing numerous political, social and environmental challenges, BP needs to change its strategic direction as mentioned above by investing in renewable energy portfolios like wave & tidal, panels, solar heating, lithium batteries and electric charging stations to avoid any future consequence.
- In the past, BP had some unpleasant incidents at workplace which caused over \$7 billion. BP needs to enforce a practical approach to deal with environment and health and safety standards.
- There are many new emerging economies outside the Europe and Americas such as China, Hong Kong, India, Bangladesh and Pakistan. BP can access these markets with the help of new distribution channels. Product development strategic would be best to target new emerging economies.
- The merger and acquisition with any largest renewable energy company would be beneficial for BP to implement new strategic direction with no time.

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9. Appendixes

Appendix 1: BP's Cash Flow Statement for the of 2018

Group cash flow statement

For the year ended 31 December		\$ million		
	Note	2018	2017	2016
Operating activities				
Profit (loss) before taxation		16,723	7,180	(2,295)
Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities				
Exploration expenditure written off	8	1,085	1,603	1,274
Depreciation, depletion and amortization	5	15,457	15,584	14,505
Impairment and (gain) loss on sale of businesses and fixed assets	4	404	6	(2,796)
Earnings from joint ventures and associates		(3,753)	(2,507)	(1,960)
Dividends received from joint ventures and associates		1,535	1,253	1,105
Interest receivable		(468)	(304)	(200)
Interest received		348	375	267
Finance costs	7	2,528	2,074	1,675
Interest paid		(1,928)	(1,572)	(1,137)
Net finance expense relating to pensions and other post-retirement benefits	24	127	220	190
Share-based payments		690	661	779
Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans	24	(386)	(394)	(467)
Net charge for provisions, less payments		986	2,106	4,487
(Increase) decrease in inventories		672	(848)	(3,681)
(Increase) decrease in other current and non-current assets		(2,858)	(4,848)	(1,172)
Increase (decrease) in other current and non-current liabilities		(2,577)	2,344	1,655
Income taxes paid		(5,712)	(4,002)	(1,538)
Net cash provided by operating activities		22,873	18,931	10,691
Investing activities				
Expenditure on property, plant and equipment, intangible and other assets		(16,707)	(16,562)	(16,701)
Acquisitions, net of cash acquired	3	(6,986)	(327)	(1)
Investment in joint ventures		(382)	(50)	(50)
Investment in associates		(1,013)	(901)	(700)
Total cash capital expenditure		(25,088)	(17,840)	(17,452)
Proceeds from disposals of fixed assets	4	940	2,936	1,372
Proceeds from disposals of businesses, net of cash disposed	4	1,911	478	1,259
Proceeds from loan repayments		666	349	68
Net cash used in investing activities		(21,571)	(14,077)	(14,753)
Financing activities				
Repurchase of shares		(355)	(343)	—
Proceeds from long-term financing		9,038	8,712	12,442
Repayments of long-term financing		(7,210)	(6,276)	(6,685)
Net increase (decrease) in short-term debt		1,317	(158)	51
Net increase (decrease) in non-controlling interests		—	1,063	887
Dividends paid				
BP shareholders	10	(6,699)	(6,153)	(4,611)
Non-controlling interests		(170)	(141)	(107)
Net cash provided by (used in) financing activities		(4,079)	(3,296)	1,977
Currency translation differences relating to cash and cash equivalents		(330)	544	(820)
Increase (decrease) in cash and cash equivalents		(3,107)	2,102	(2,905)
Cash and cash equivalents at beginning of year ^a		25,575	23,484	26,389
Cash and cash equivalents at end of year		22,468	25,586	23,484

^a See Note 1 for further information.

Appendix 2: BP's Balance Sheet for the of 2018

Group balance sheet

At 31 December		\$ million	
	Note	2018	2017
Non-current assets			
Property, plant and equipment	12	135,261	129,471
Goodwill	14	12,204	11,551
Intangible assets	15	17,284	18,355
Investments in joint ventures	16	8,647	7,994
Investments in associates	17	17,673	16,991
Other investments	18	1,341	1,245
Fixed assets		192,410	185,607
Loans		637	646
Trade and other receivables	20	1,834	1,434
Derivative financial instruments	30	5,145	4,110
Prepayments		1,179	1,112
Deferred tax assets	9	3,706	4,469
Defined benefit pension plan surpluses	24	5,955	4,169
		210,866	201,547
Current assets			
Loans		326	190
Inventories	19	17,988	19,011
Trade and other receivables	20	24,478	24,849
Derivative financial instruments	30	3,846	3,032
Prepayments		963	1,414
Current tax receivable		1,019	761
Other investments	18	222	125
Cash and cash equivalents	25	22,468	25,586
		71,310	74,968
Total assets		282,176	276,515
Current liabilities			
Trade and other payables	22	46,265	44,209
Derivative financial instruments	30	3,308	2,808
Accruals		4,626	4,960
Finance debt	26	9,373	7,739
Current tax payable		2,101	1,686
Provisions	23	2,564	3,324
		68,237	64,726
Non-current liabilities			
Other payables	22	13,830	13,889
Derivative financial instruments	30	5,625	3,761
Accruals		575	505
Finance debt	26	56,426	55,491
Deferred tax liabilities	9	9,812	7,982
Provisions	23	17,732	20,620
Defined benefit pension plan and other post-retirement benefit plan deficits	24	8,391	9,137
		112,391	111,385
Total liabilities		180,628	176,111
Net assets		101,548	100,404
Equity			
BP shareholders' equity	32	99,444	98,491
Non-controlling interests	32	2,104	1,913
Total equity	32	101,548	100,404