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A Strategic Management Plan for BP PLC

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1. Executive Summary

BP PLC is the parent company of the BP group, is one of the world's largest British oil and gas 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 external forces of change and internal changes which assist management to improving its position in the future. External analysis shows that BP is facing numerous environmental , political and social challenges. Internal analysis shows that BP has a strong financial position and strong organisational culture. 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 producing alternative energy portfolios such as wale & tidal, solar panels, solar water and heating, lithium batteries and electric charging stations.

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 the parent company of the BP group, is one of the world's largest British oil and gas company and was incorporated in 1909 in England and Wales. BP's headquarters are in London and primary share listing is the London Stock Exchange. BP's ordinary shares are also trading on the US and Germany Stock Exchange and securities on the New York Stock Exchange in the form of ADSs. (BP PLC, 2018)

1.2 Historical Background

William Knox D'Arcy, the founder of BP, was entered into the oil industry in 1901 and established the Anglo-Persian Oil Company in 1909. In 1954, the company was renamed the British Petroleum Company Limited. 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 1998, British Petroleum Company was merged with American oil company Amoco Corporation (formally, Standard Oil Company). In 2000, BP acquired American oil and gas company ARCO and lubricants and chemicals company Burmah Castrol and became one of the world's largest oil companies and the company was renamed BP PLC following the acquisition. (BP PLC, 2019)

In 2005, an explosion happened at the Texas City Refinery which killed 15 workers and injured more than 170 employees. In the same year, BP's production platform Thunder Horse PDQ was about to sank following the passage of a hurricane. Another incident happened in April 2010 in the Gulf of Mexico which killed 11 workers and sank the Transocean Deepwater Horizon drilling rig. 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 for commercial research. The project was completed within two years and processing and managing the geologic and seismic data from across BP's portfolio. (BP PLC, 2019a)

2. The Benign Perspective Theory - Strategic Management Process

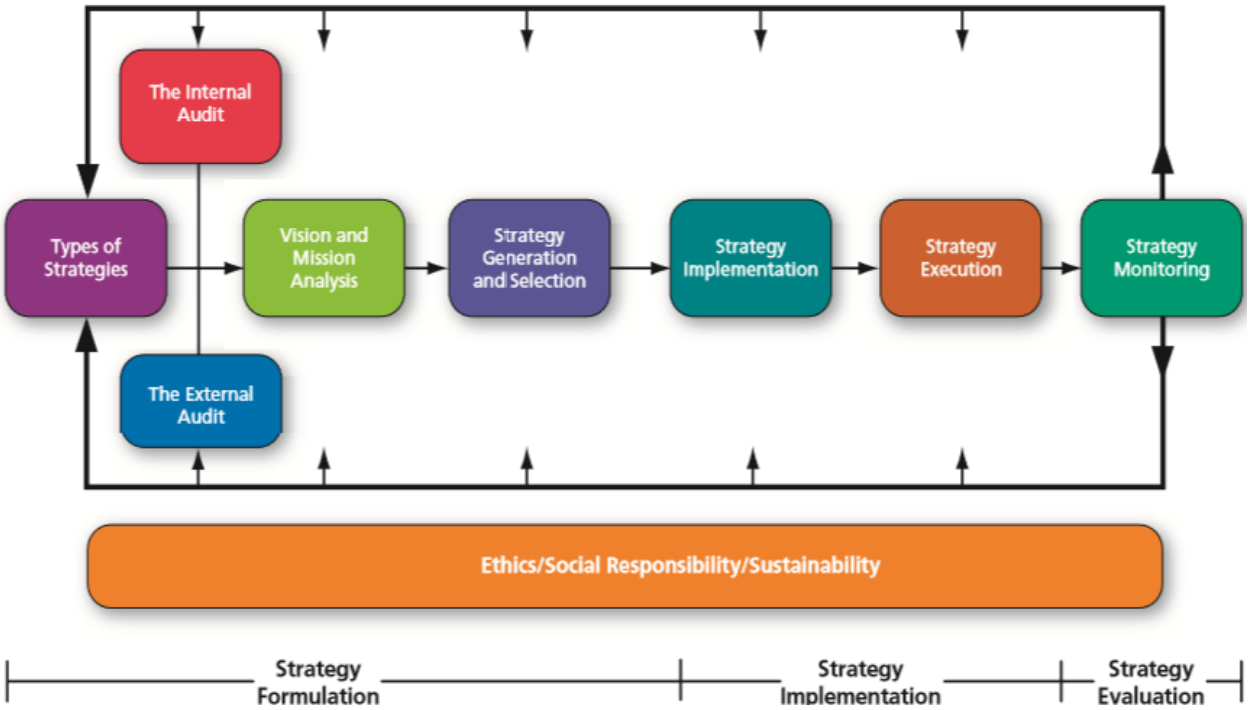
According to David (2011), "strategic management is the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organisation to achieve its objectives". Strategic management focuses on long range strategy formulation to achieve organisational success. The objective of strategic management is find and generate new and diverse opportunities for business. Strategic management examines the internal and external environmental factors to fine managerial choices among numerous good alternative options 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 such as what new businesses to enter, what businesses to leave, whether to expand business operations or need to diversify. The second stage of the strategy management process is strategic implementation which includes establishing annual objectives, making policies and allocating resources to execute the new strategy such as developing a supportive culture, an effective organisational structure development, budgets, developing information systems and mobilising employees and managers to execute formulated strategy into action. 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. All strategies are subject to future alteration due internal and external factors. strategic evaluation comprises three fundamental steps which includes reviewing internal and external factors, measuring performance of the strategy and require corrective actions. (David and David, 2015)

2.1 The Strategic Management Model

The strategic management process can be applied by using a strategic management model. The strategic model illustrated in figure 1 is a comprehensive 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 formulating, implementing, and evaluating strategy. (David and David, 2015a)

Figure 1: Strategic Management Model



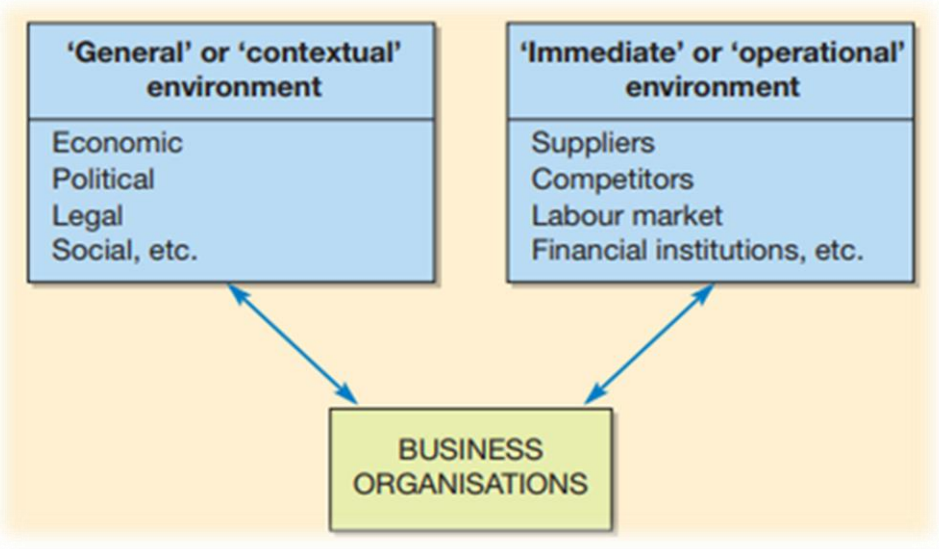
Source: David, F. and David, F. (2015). *Strategic Management*. 15th ed., p.47

3. Strategic Environmental Scanning

The business environment includes external forces of change and internal changes which assist management to improving its position in the future. (Choo, 2005) 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.

Macro-environmental factors and drivers refer to the attributes that begin and influence the business operations and performance. These originate not only from domestic sources but also from international sources. (Morakanyane, Grace and O'Reilly, 2017) Micro-environment factors are immediate surroundings forces that influence organisation's operations and performance includes suppliers, competitors, labour markets, financial institutions, customers. (Worthington and Britton, 2006)

3.1 BP PLC Strategic Environmental Scanning

In this section, BP's strategic business environmental scanning is conducted via external and internal environment analysis to find out the factors and forces of change in order to reshape the organisation's strategic direction and to obtain sustainable competitive advantage in the market.

3.2 BP's External Environmental Analysis

In order to demonstrate an external environmental analysis of BP, PESTEL Analysis and Porter's Five Forces Competitive Analysis are conducted.

3.2.1 PESTEL Analysis

I. Political Factors:

- The Deepwater Horizon rig explosion killed 11employees in the Gulf of Mexico in April 2010 and almost 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 and had also established the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling. (BBC, 2010)
- In recent decades, the oil and gas 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 s significantly important correlation between oil and gas industry and the global economy. The consumption of oil and gas are forced by the global economic growth. When the rate of inflation reduces, 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 the oil and gas industry such as Global Economic crisis, bankruptcy of the large commercial investment banks and over debt public and private sectors. (Donwa, Mgbame and Ekpulu, 2015)
- The oil and gas industry is supporting economic recovery of the UK and has contributed over £330 billion in production tax. The oil and gas industry is providing over 280,000 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 key factor for the competition in the renewable energy 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 toxic air pollutants such as nitrogen oxides, carbon monoxide, hydrogen sulfide , sulfur dioxide, methane gas and other light volatile fuels which cause developmental and reproductive problems, cancer and childhood asthma. 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 Jones Magazine, BP was one of the ten worst corporations due to its environmental and human rights records in both 2001 and 2005. The Institute of Political Economy Research had ranked on BP 25th from100 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)

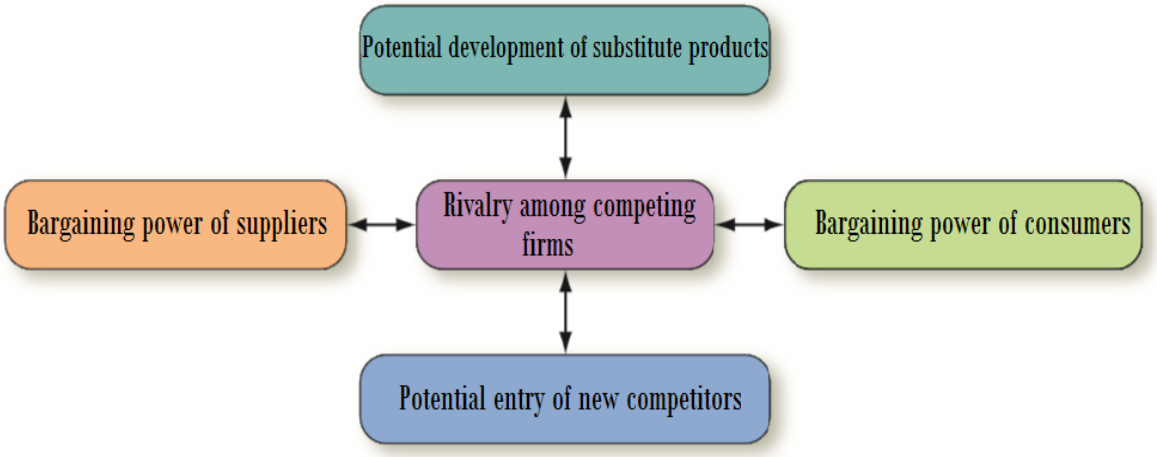
VI. Legal Factors:

- The government's climate change assessment report is increasing pressure on the oil and gas industry to reduce greenhouse gas emissions. The report estimates that climate change could cause approximately $2 trillion from U.S. economy every year. Trump administration is also supporting the Obama-era legal restrictions at cutting greenhouse gas emission from power plants and oil and gas drilling. (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 BP's Deepwater Horizon accident in the Gulf of Mexico in April 2010. (practicallaw, 2017)
- Gulf of Mexico oil spill had caused many legal 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 over the fatal 2010 Gulf of Mexico oil spill. (Rushe, 2015)

3.2.2 Competitive Analysis

Porter's (1985) Five-Forces Model (figure 3) of competitive analysis is a commonly used approach to develop a strategy in many industries. (David and David, 2015b) and is demonstrated to analyse how an oil and gas industry is influenced by these five forces.

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 oil and gas industry is high as there are many competitors in the market. BP's 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 oil and gas company in the world by revenue. The chief executive of BP (Mr. Robert Warren Dudley) said, we are expecting the fuel mix to be the most diverse and the combination of diversity and abundance resources in the market place will be highly competitive for some time to come. Mr. Dudley believed that focusing on efficiency, reliability and a disciplined approach to cost and capital is the key to stay in oil and gas industry. (Lewis, 2018)

II. Potential entry of new competitors

There is low potential entry of new competitors in the oil and gas industry as there is a strong competition in the market. The oil and gas 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 technical facilities, construction-related costs, transport of equipment, engineering, surveys and project management. $5 million to $20 million are required per exploration site. (BERA, 2013)

III. Potential development of substitute products

There is low threat of substitutes for BP in the oil 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 bargaining power of suppliers is medium as oil industry has a high number of suppliers from private organisations to government and there are many potential buyers alike to BP. The dominant suppliers influence the market through high prices, production supply and integration. The oil and gas industry brings the power to the beneficiary countries through global vertical integration. It reduces business risk and increases the profitability at every stage of the chain. (Hokroh, 2014)

V. Bargaining power of consumers

The bargaining power of consumers is moderate because of increasing demand of oil and gas. Influential buyers have the capability to decrease the prices, claim superior quality and demand more service. The oil industry is in a dominant position to bargain prices. Oil and gas industry is looking to obtain the rights to invest in exploration and production portfolios, forming Joint Ventures to overcome political and legal obstructions to meet the host country requirements. (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

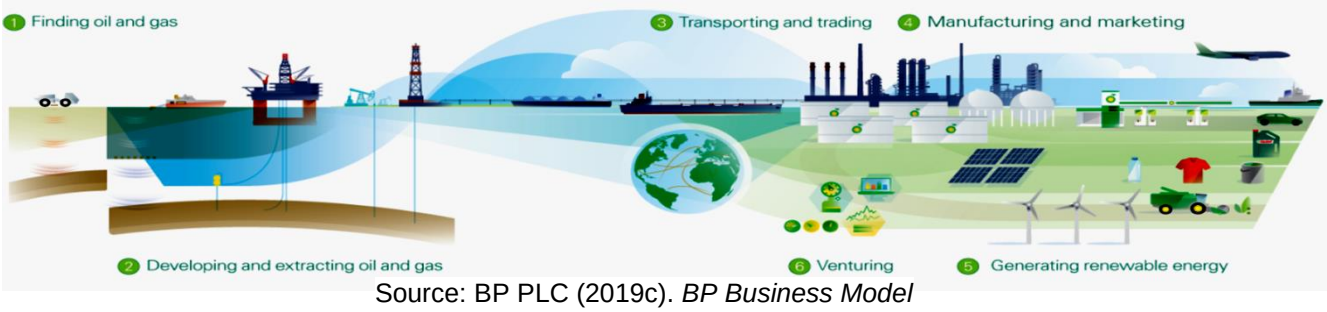
BP's organisational culture is based on the five values and code of conduct which present a fixed point of reference for the way it functions and behave. The values of BP includes safety, respect, excellence, courage and one team. BP's values, behaviors and clear ethical codes of conduct facilitate to make decisions in a reliable manner around the world. (BP PLC, 2019h)

3.3.3 BP's Value Chain Analysis

Value chain analysis is an association of vertical collaborating activities to achieve a competitiveness. Michael Porter introduced the value chain in his book "Competitive Advantage" in 1985. (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 that the global network of BP is exceptionally diverse and requires the different activities at different stages which are as follow;

The Upstream division is accountable for activities such as extracting, field developing and production of oil and natural gas and is divided into two divisions such as exploration activates and reservoir development activities. The exploration activates are responsible for finding new resources through accessing, extracting and evaluating. (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 and interrogate data from reservoirs, wells and facilities to increase the production process. BP is also using machine which are learning and automation to facilitate and entrench data driven business decisions such as automating manual processes and automating 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. Technology facilitate refineries to process hundreds of crude oil blends a year with safely, consistently and efficiently. BP is concentrating on finding and extracting oil and gas along with extending its business down the value chain to refining oil, marketing and distributing its products. (BP PLC, 2019f) BP is investing in renewable energy and focusing on biofuels, biopower, wind energy and solar energy. BP is operating a biofuels business in Brazil, using one of the world's most sustainable and advantaged technology to produce renewable ethanol and power. BP is also providing renewable power through our significant interests in onshore wind energy in the US, and developing and deploying technology to drive efficiency. (BP PLC, 2019g)

3.4 BP SWOT Analysis

BP's strategic competence is evaluated by demonstrating SWOT analysis in order to find out the strengths, weaknesses, opportunities and threats.

The strategic environmental scanning shows that BP is having following strengths, weaknesses, opportunities and threats.

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 level, Corporate level 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 which are cost leadership, differentiation and focus. (David and David, 2015)

Figure 5: Michael Porter's Five generic Strategies

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

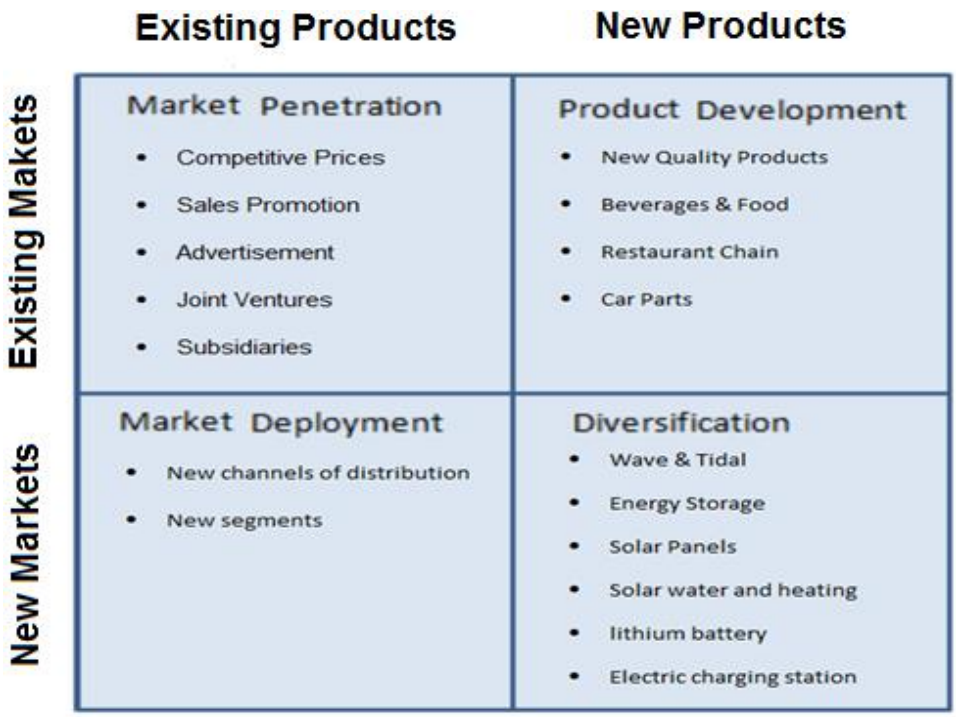
Source: David, F. and David, F. (2015). *Strategic Management*. 15th ed., p.149

It is obvious from the above business environment analysis that BP is world's largest British oil and gas company with a strong brand position in the market. The differentiation strategy (type 3) is required to gain market positioning and to get competitive advantage as compare to competitors. 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 analyse 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



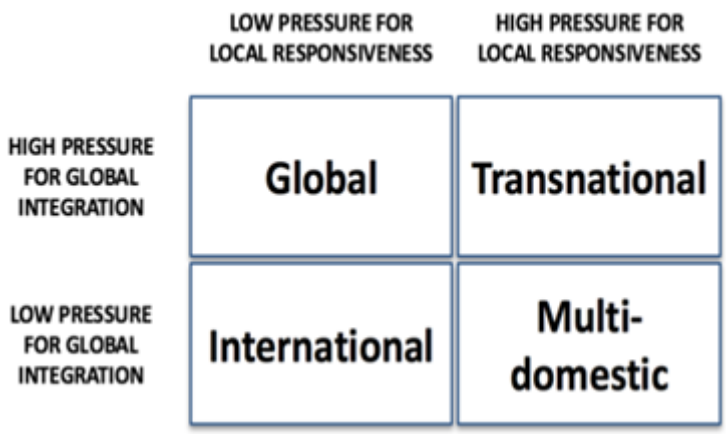
- Market penetration focuses on selling existing products into the existing customers. Analysis shows that BP has great customer loyalty and applying market penetration strategy to increasing the sales as it is more practical and convenient strategy to target the customers. BP can increase market penetration 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 wale & tidal, solar panels, solar water and heating, lithium batteries and electric charging stations.

4.3 International Level Strategic Choices

BP PLC is one of the world's largest British oil and gas company and successfully operating in 78 countries worldwide. (BP PLC, 2019) Analysis illustrates that environmental, economical and value chain factors such as government policies, technology changes, transportation costs, economies of scale in operation or distribution, significant differences in country costs, rising product development costs, global customers and international distribution channels force 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 pressure for local responsiveness and has low pressure for global integration. 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

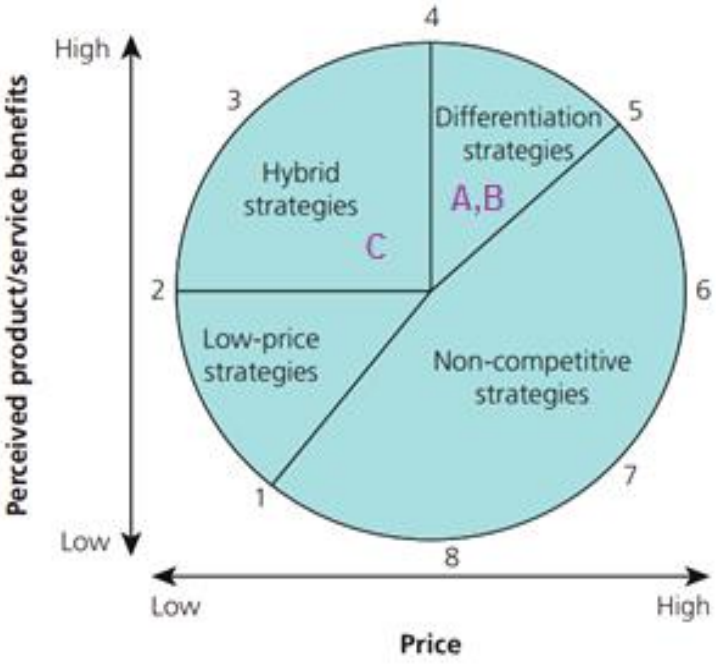
renewable energy industry as oil and gas are going to be vanished in the future. BP can customised their products to the local domestic environment by considering different food preferences, religious customs and other features that relate to locality of the country where it operates.

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

The oil and gas industry has opportunities particularly in Asia for growth. 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. In a new markets as China, Singapore and India as the demand for Oil is very high. Opening new BP fuel stations in the Asian markets has the 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, research and development (R&D) and management information system (MIS). 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 market segmentation and product positioning are two central important variables to strategy implementation. Market segmentation can be characterised as the subdividing of a market 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. Market segmentation can be characterised as the subdividing of a market into particular needs and wants of customers.

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 combination of debt and equity which is the best option for raising capital to implement the new strategies. (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 (cash and cash equivalents) at the end of 2018. (BP PLC, 2018)

The financial statement shows that BP is in a strong financial 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 ogranisation. MIS helps to collect, retrieval and storage information which can be used to create competitiveness such as cross-selling, buying behavior, observing suppliers, keeping management and employees informed, divisions synchronization and managing finance. (David and David, 2015e) BP is using multi-enterprise communication system such as EDI and XML within a vertical industry which will assist BP to implement new strategies. The design of the system is based on a business process management system called Maximo. That is applied to illustrate the systems design aspect of the complete information system in the broader contexts of business strategy and information technology infrastructure. (Holland, Shaw and Kawalek, 2005)

6. Conclusion

BP is one of the largest British oil and gas company and is operating in 78 countries across the world. 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 alternative energy portfolios such as wale & 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 such as wale & tidal, solar panels, solar water and 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.

8. References

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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	Note	2018	$ million 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