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Abstract from a research:

SHELL'S ADAPTATION STRATEGY IN A CHANGING ENVIRONMENT

The analysis of Shell's resources and capabilities shows that three major interrelated capabilities can be identified: decentralized international management, experience in a variety of national environments and a personalized approach to different markets.

Although some of them are not in a great scarcity in the industry, they will become more valuable with the environmental changes. Inability of key competitors to match Shell's international track record and unique market approaches in medium-term is the most valuable competitive advantage to leverage. The other positive and rather unexpected outcome of the analysis shows that high autonomy (delegation of key functions to the regional management) is a useful tool in motivating personnel. A great potential can be uncovered if higher motivation level of the key personnel helps to maximize gains from local knowledge by lowering the top staff turnover rate. This, in turn, is likely to decrease costs, associated with attracting and training new people.

So the three core competences together with motivated and loyal personnel can be reliable pillars of Shell's competitive advantage. For example, an expertise in a remote control of operations will be helpful in managing new oilfields that are likely to become more remote than ever. The Shell's strategy however should ensure full and wise exploitation of its core competencies as well as a constant development of new ones.

Creating an adaptive company structure

While designing a new strategy we should keep in mind the adaptive strategy theoretical framework developed by McKinsey & Co.

Strategic recommendations are made based on the analysis of the core competences and external competitive environment influencing the company (presented in the full version of the research). In order to avoid challenges caused by the complexity of Shell's business and

✓ 'conservative' leadership style Shell should keep replacing the functional organization with a number of business units in different countries that have more autonomy and accountability for their better performance. Such structure is already common for Shell, thus shouldn't take a long time and efforts to master and capitalize on. In Shell's case however, a traditional business unit's structure should be merged with central planning of strategic functions such as Strategic Marketing, Finance and Trading and Risk Management. This is essential for maximizing the group's coordination and efficiency. *good argument.*

✓ Such a hybrid model helps to respond quicker to changing market conditions worldwide, while paying a major attention to relations with the governments and a broader set of stakeholder groups on the local market level. Such structure also gives local departments more freedom in decision making, empowering local business unit managers to leverage their relations with and knowledge of the local stakeholder groups. It also promotes the development of talented young leaders with local market knowledge and understanding, as they have more opportunities to stand out. Ultimately it will help Shell to meet diversified demands of its customers around the globe with high speed and efficiency. ✓

✓ On the other hand, determination of the optimal assets allocation, promoting the main goal of the company and managing the brand are the biggest long-run decisions, and should be governed centrally to maximize the coordination and efficiency. In terms of brand management, for instance, such a policy will ensure consistency i.e. that the brand name stands for the same qualities and values everywhere in the world.

People

✓ The main driving force of the new strategy should be leaders – employees that can generate breakthrough performance. As research shows joint ventures with state companies (to secure supply and improve the relationship) will be of crucial importance. Eastern Siberia's gas reserves, for example, will remain underdeveloped until somebody can agree on price and *→ excellent!*

delivery terms with local government. These types of cooperation and cross boarder deals require talented leaders, who know the specifics of the national government and bureaucrats to negotiate successfully.

Resources

→ good example

✓ In the 1980s, Shell bet on deep-water exploration in the Gulf of Mexico and became an early leader there by developing the necessary techniques and equipment for extraction . Shell needs to increase spending on research and development to the levels well above the industry average (about 1 percent of revenues) in order to gain the competitive edge. Industrial-equipment companies, for example, spend 4.5 percent of revenues on R&D. More important, it must manage technology investments more effectively.

Constant adjustment of resource base both in terms of tangible assets and intangible knowledge and relationships with governments is the key strategy to follow. This should go in line with changing objectives in order to provide sufficient resource base and capabilities to achieve the objectives. ✓ ✓

Works Cited

Robert M. Grant, "Contemporary Strategy Analysis: Concepts, Techniques, Applications, 6th Edition" (2007) 496 pages ISBN: 978-1-4051-6309-5

McKinsey Quarterly "The Adaptable Corporation", accessed Month, Date, 2009 from:

[http://www.mckinseyquarterly.com/The Adaptable Corporation 2422/](http://www.mckinseyquarterly.com/The_Adaptable_Corporation_2422/)

✓ Good choice of sources!