

## SM302 Principles of Management

### Assignment 1

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#### Problem Statement :-

Take India's most valuable company. Use strategic analysis to give recommendation for companies' chances to sustain in the 'workplace of the future'. On the basis of your analysis, give two suggestions to improve the strategy.

#### Company chosen :-

Oil and Natural Gas Corporation Limited (ONGC)

#### Strategy chosen :-

Red Queen Effect

#### Abstract :-

A business without a strategy is subject to failure in the future. Strategy acts as a driving force to achieve the goals of an organisation. Red Queen effect is one of the strategies that helps in building a better business model. Its core idea is to stay ahead of

the competition to succeed. The world with its technological advancements, has become difficult to sustain without innovation. The challenging environment demands not just hard work. It also requires 'smart' work. Every rival has their own disruptive innovation. The role of a manager is to estimate these innovations and disruptions that continuously take place. consequently, respond to the situation. However, most companies are unable to "make sense" of and suitably respond to disruptions. They either render the disruption to be insignificant or are unable to break free from their established way of doing business. This is the major difference between established companies and the rest.

Oil and Natural Gas Corporation (ONGC) has applied the Red Queen effect strategy to expand its business. ONGC is an Indian public sector multinational crude oil and gas company. The corporation envisions itself as a future ready organisation. ONGC believes that it is important to invest in development and innovations of products, content and services. These smart practices have made it the second largest oil and gas producing company in India. It focuses on holding a good market share internationally. It has adopted various projects to expand its business globally.

## Depth of Understanding of strategy

The red queen effect primarily means to constantly evolve and adapt to sustain and survive in the world. It also means if we become complacent, we will fall behind. It was coined by Van Valen based on the red queen's advice. It describes the amount of efforts required to get ahead in the competition. A good company differs from the rest in its ability to develop on the existing talent. Companies typically research or study the competition and then implement, and develop strategies to help boost their company sales and profits. Continually thinking outside the box and constantly considering how you can improve your business model results in outperforming your competition. In order to sustain in the competition, along with efforts more and more investments are required. Innovation often becomes an essential need to sustain in the competition.

Red Queen Effect also plays a role in startups. The competitive strategy adopted by a startup is the most important strategy in its early stages. A comprehended and executed strategy is essential to a startup's competitive advantage. Lack of capital is one

of the fundamental reason that businesses flounder. Startups mostly rely on investors to thrive. Investors chip in their fund, experience and management advisory. This creates an competitive advantage for the startups. Therefore, startups can launch in a clustered or new market.

The Red Queen strategy also gives an illusion that organisation has won over the test. The reality is continuous competition that has no end. A good idea is measured by the likely investment a competitor will make to undermine your advantage.

To get ahead of the Red Queen following are required:

1. Great managers who are well supported.
2. A strong succession planning approach
3. Training and development opportunities provided to the best candidates
4. A fantastic performance matrix

A company that never seizes to amaze the customers is likely to grow.

Alongside building on products, it is necessary to discard the outcomes that do not hold value. Developing continuously is expensive, however, standing still is more

expensive. If we fail to keep getting better, we won't exist. Red Queen thinking is a learned behaviour. Red Queen organisations use history as their guide for action. This tradition seems to be invalid in the modern world. The Red Queen hypothesis not only tells that evolution is necessary for survival but also provides insight into how to succeed.

#### Oil and Natural Gas Corporation (ONGC)

Oil and Natural Gas Corporation (ONGC) is an Indian public sector multinational crude oil and gas company. It is owned by the Government of India, under the administrative control of the Ministry of Petroleum and Natural Gas. Through seven decades, ONGC has become the largest domestic oil and natural gas producer. The company ranks 11th among global energy majors.

This company is dedicated to excellence. It leverages competitive advantages in R&D and technology. It assimilates high standards of business ethics and organisational values. To enrich quality of community life, the company is committed to safety, health and environment. It strives for customer delight through quality

products and services.

Focus is maintained on domestic and international oil and gas exploration and production business opportunities. Also, it creates growth opportunities and maximizes shareholder value. Along with extending to the foreign market, it retains its dominance in the Indian market.

The organisation has an objective of corporate sustainability. To achieve it ONGC is progressively working towards reducing their carbon footprint. ONGC plans to make organisation wide GHG inventory. It aims to reduce both direct and indirect energy over the next two to three years. This would provide the overall carbon footprint of the organization and help identify mitigation opportunities.

According to ONGC official website, "Integrated Shared Service centre and Beyond" is a project with the objective of creating a "Future Ready Organisation". The project envisages shared and integrated services across HR, Finance, Accounts, Materials Management and infocom functions. It will be subsequently extended to field services like drilling, well services, logging, workover etc.

ONGC is also working on a company-wide "Sustainable Water Management Strategy" aimed at reduction in specific fresh water consumption. It also reports on the water footprint based on internationally registered standards and practices.

ONGC recognises that innovation can bring a quantum leap in reinforcing ONGC towards sustainable and cost efficient energy inputs to national economy:

ONGC has mastered some of the core competencies:

- Management of large and complex projects
- Relationships with local communities and governments
- Geological interpretation and modeling
- Dynamic portfolio management
- Joint venturing
- Creating international brands with geographic reach
- Management of complex supply chains and global traditional trading systems

The ONGC innovation challenge aims these primary considerations:

1. Enable higher productivity from oil and gas wells.

2. Enhance trouble free producing life of the oil and gas producing wells.
3. Improve operational efficiency of surface infrastructure such as pipelines.
4. Improve higher recovery from oil and gas reservoirs.
5. Deeper and collated insights to the knowledge and information gathered on reservoirs.

ONGC has identified 4 main Innovation challenges; Innovation In :

1. "Artificial Lifting Equipment" for horizontal wells.
2. "Flow improvement" in crude oil pipelines.
3. "Data Computation and Analytics"
4. "Sand Influx Control" during production of oil & gas.

The short term plans are to maintain stability in the decision making process, resolve conflicts with all the stakeholders, keeping up the morale and motivation of the employees, and to provide leadership to the company.

Competition is a welcome change in the Indian oil and gas sector. Experienced and professionally competent manpower is another huge advantage with ONGC. India has a good potential for future growth.

Recommendation to sustain in the future

Multiple factors affect an oil based organisation like political, environmental, technological etc. Governmental and political policies to protect the environment can slow down ONGC's production. Technologies like electric cars can reduce the demand for oil.

Though oil prices might hit a downfall, the demand for natural gas will continue to rise. Gaining governmental body's trust can benefit to get past the policies. The organisation can demonstrate the necessity of these resources to consumers. Moreover, shareholders can be encouraged by setting good standards and a trusted future.

Innovation is the key to sustain in the future.

Greater environmental awareness can demand for cleaner alternatives. Some oil companies have adopted biofuels, carbon capture & storage (CCS) and batteries. Specialised niches can be a striking way to leave behind other competitors. Partnerships with other big energy companies will enable larger amounts of energy per day. With a greater number of regional integrated companies producing oil based energy, the gas prone trend can continue. Having a stronger technological knowledge and implementing it in the organisation will improve performance measures.

The journey towards the "oil company for the future" requires companies to constantly rethink their business models. They need to balance efficiency and agility, maintaining high productivity and capital return in traditional business segments, while exploring diverse options for potential future growth in non-traditional areas. They will need to be smarter, more innovative, more digitally adept, more agile and radically different relationships with clients, suppliers and society as a whole. The challenges are huge. Therefore, not all oil-companies are likely to be successful.

#### Suggestions to improve Red Queen effect strategy

Red Queen effect focuses only on the importance of staying ahead in the competition. It doesn't mention about its implementation. A systemic sense-testing tool can give an estimation of newer business models and their effects. This tool will help managers in discerning if the industry is ripe for dramatic change. It will state the possibility of reinventing its business model.

Another addition can be technological tests. This test will indicate the relative strength, direction and impact of technology on new

customer value propositions and the business network. This will answer the question whether the available technology is still efficient in communicating and delivering new customer propositions. Consequently, a new market can be adopted to match the market. The technological infrastructure used in a business model should enable quick organisational reconfiguration.

### Discussion

According to statistics from the Ministry of Statistics and Programme Implementation, Government of India, the largest consumers of natural gas are the fertiliser industry (27.78%), power generation (22.77%) and transportation (16.25%). Natural gas is consumed for both energy (60.68%) and non-energy (39.32%) related uses. In November 2020, home-grown commercial vehicle and auto parts manufacturer JBM signed an MoU with the Ministry of Petroleum and Natural Gas, Govt. of India, for the development of compressed Biogas (CBG) projects.

As of now ONGC has reduced approx 10.54 MMSCM from the atmosphere since joining the partnership in 2007. They have an elaborate plan to map all our production installations for fugitive hydrocarbon emission and make installations leak free in the coming few years.

According to the research paper on Issues impacting sustainable development, the oil and gas sector, as of yet, lacks transparency. Revenues don't get published and payments made to governments to exploit resources remain secret. Without any published information and the evidence of hidden royalties and taxes, it becomes very difficult to hold the government accountable. The latest Transparency International report 'Transparency in Corporate Reporting: Assessing the World's Largest Companies' lists ONGC at 26th position among world's 124 largest publicly listed companies.

Energy research, development and deployment (R&D) can be a strong enabler to India's energy policy goals while also contributing to the "Make in India" manufacturing initiative. Through the initiative, the government is working to attract global companies to produce solar PV, lithium, batteries, solar charging infrastructure and other advanced technologies in India.

Government has fixed a target of 10% blending of fuel grade ethanol with petrol by 2022, 15% blending by 2026 and 20% blending by 2030. To increase production of fuel grade ethanol, the Govt. is also encouraging

distilleries to produce ethanol from maize; & rice available with FCI. With the help of these government policies, ONGC can adopt the products.

Crude oil consumption is expected to grow at a CAGR of 3.60% to 500 million tonnes by 2040. Natural gas consumption is forecast to increase at a CAGR of 4.18% to 1+3.08 million by 2040. Diesel demand in India is expected to double to 163 million tonnes (MT) by 2029-30.

### Conclusion

Oil and gas industry provides quality and features that no other supplement has power to. It's a traditional method going on for years. It's likely to last a few years to decades without facing a fall. With newer alternatives, oil and gas consumption might slowly decline in the market. This is far-fetched. A lot of industries run on oil and gas like transportation, machinery industries, metal production, power generation etc. Energy demand of India is anticipated to grow faster than energy demand of all major economies on the back of continuous robust economic growth. The demand for the resource is going to see an increase in the upcoming years. ONGC has

achieved a great place in the Indian market but is yet to completely expand to the foreign market. Red Queen effect can be a useful strategy to improve company's market share. However, this strategy alone is not going to help in the future. It needs to adopt newer strategies like digitalisation according to changing market conditions with innovation in technology and cleaner resources, the company can achieve its vision. A company sets a vision but this needs to change over time. Red Queen effect teaches continuous improvement and evolution. This will effectively lead to success. The organisation needs to maintain and then improve the quality of its products and services. A way to leave behind competitors is to invest in the strengths of the company (ONGC) and extend elimination of weaknesses. The company needs to be conscious of its surroundings to harness opportunities and detect threats. Strategies that can help in development need to be adopted. Also, real options need to be considered to make right decisions using financial resources. With a good strategy and awareness, ONGC can achieve great success in its field.

## Novelty

Various sites have been referred to form an understanding of the strategy Red Queen effect and its significance in the company, Oil and Natural Gas Corporation. Other strategies used by ONGC have also been analysed. Based on different articles and official websites, some new strategy suggestions have been attempted. In the end, a discussion on the importance of oil and natural gas and its growth over the years has been made.

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