Factors Influencing Strategic Decision Making Processes in the Oil & Gas Development Sector of UAE

By Regilal Gopalan
ACKNOWLEDGEMENT

At the outset, I express my deep sense of gratitude to the almighty God, without whose grace this Thesis would not have been completed. I take this opportunity to convey my heartiest thanks and gratitude to Dr. Rajesh Mehrotra, my guide, for his wisdom, discernment, good temperament and invaluable guidance and professionalism from the beginning till the end of my research.

Dr. J. K. Tandon has been an excellent mentor and has provided unfailing support throughout my Ph.D. course. I am indebted to the Jaipur National University for the opportunity given to me in pursuing this doctorate programme.

It should be recognized that the success of this thesis is possible due to cooperation and support of ADNOC group of companies, major EPC and FEED Contractos operating in UAE who had participated in the survey. I would like to extend my heartiest thanks to them for their patience and kind involvement in this study. I would also like to thank Dr. Agarwal Professor, Rajstan university Management Studies, for guiding me throughout with research papers and Dr. B. Lal Gupta for helping me in quantitative aspects.
Abstract:

The oil and gas sector plays a significant role and has highly contributed for the current excellent economic position and for the exceptional economic and social development of the United Arab Emirates. The strategic decision making process is inferred to be the most important and complex of all the processes or functions followed in the oil and gas development sector of UAE. The study was exclusively focused to analyze the factors that influence the strategic decision making process in the industry. In order to analyze the problem of the study both the primary as well as secondary data were collected. The primary data for the study was collected from managers of some of the oil and gas development sector in the UAE. A number of internal as well as external factors were observed to influence the oil and gas development sector of UAE. The study identified these factors and has suggested certain strategies as well, to achieve an effective decision making in the oil and gas industries.

Chapter 1

Introduction

1.1 Background of the research:

The strategic decisions of a company are long term, complex, inherently risky and highly unstructured and have a huge impact on the organization’s future. The Strategic decisions also require greater amount of organizational resources and should additionally consider the firm’s environment. According to Astley et al., (1982), the top management of an organization usually plays the central role in the process of strategic decisions making. The decisions made influence the direction, structure and administration of the organization. The process of strategic decision making in an organization is a highly complex task. The decisions taken by the top management or the managers have the tendency to affect the organization, the stakeholders and the employees as a whole. The strategic decisions taken by the oil and gas sectors can adversely affect the industry with increase in prices or things, affecting the environment. Thus, the process of strategic decision making is influenced by many elements. However, the most influential factor in the decision
making is the systematic or strategic process that is to be followed. The strategic decision making process also includes selection of appropriate person to make decisions. The person responsible for making decisions strategically encounters a task of extreme ambiguity and complexity. According to Dutton and Duncan, (1987), the decisions made by an organization in order to attain development and to stay ahead of the trends and events are the strategic issues that need to be taken care by the organization. The strategic decisions made impact the organizational strategies and these issues influencing the organization can represent the opportunities or problems to the decision makers. It is also claimed that, the process of strategic decision making plays a significant role in an origination, as it affects the ability of the organization to attain its goals or objectives. Thus, it can be stated that, the decisions made on strategic issues is regarded as the strategic decisions and hence deserves the consideration of strategic management.

The typical characteristics of strategic issues as stated by Pearce and Robinson (1994) are that, the strategic issues need large amount of resources from the firm; they most often impact the long term prosperity of the firms; the strategic issues are oriented towards the future and have multifunctional consequences; they also need to consider the external environment of the firm and demand decisions from the top management. According to the United Arab Emirates Country Report (2014), the United Arab Emirates is stated to have many positive attributes in overall development and state building, and the oil revenues especially are claimed to have contributed for its current excellent economic position and for the exceptional economic and social development. The UAE controls about 85 per cent of the oil output capacity of UAE and about 90 per cent of the entire reserves. It also possesses almost 10 per cent of the total reserves in the world and undoubtedly oil and gas sector provides the major part of income for the expansion of social services and for the economic growth in the UAE. Hence, it is significant that, the industry stays stable and prevents possible risks by proposing strategic measures in every phase of the organization. The current study emphasizes on analyzing the strategic decision making process of the industry and about the factors influencing it.

1.2 Problem Statement of the Study:

One of the significant functions of the managerial job is the decision making, thus, the decision making is considered as the primary duty of the top managers in an organization. It is important that, the decisions made by the managers need to be strategically beneficial for the organization.
But, the knowledge about the strategic decision making process is limited. The impacts of the factors related to the process of strategic decision making are quite unclear. Extensive work has been conducted in the past, focusing up on the factors affecting the process of strategic decision making. However, many more studies are extensively required in the field of strategic decision making with reference to the oil and gas industries of UAE, in order to derive definitive conclusions. The current study explores the factors affecting strategic decision making process with specific reference to the oil and gas sector of the United Arab Emirates. The nature and significance of the factors have made the study significant in its own way.

1.3 Objectives of the Study:

The objectives of the study are as follows:

- To identify the significance of strategic decision making in an organization
- To analyze the factors that influence the process of strategic decision making, with specific reference to the oil and gas development in the UAE

1.4 Research Questions:

The research questions of the study are as follows:

- What is the significance of strategic decision making in an organization?
- What are the factors that influence the process of strategic decision making in the oil and gas development of the UAE?

Chapter 2

Literature Review

It is claimed by Nooraie (2012) that, the process of strategic decision making is the most important and complex of all the processes or functions of the managers in any kind of organization. It is also emphasized that, the managers require having a complete understanding on the process of decision making in order to practice it effectively. The study identified the factors that affect the process of strategic decision making and were classified into four major categories, depending up on the different stages and processes in an organization. Nooraie characterized the factors as,
decision specific characteristics; external environmental characteristics; internal organizational characteristics and management team's characteristics and in addition, each of these factors was also divided further. The major dimensions of the factor, ‘Decision specific characteristics’ that impact the process of strategic decision making were stated to be, decision’s familiarity; Decision’s Magnitude of Impact; Threat or crisis or Opportunity; Risky Decisions; Decision’s Complexity and Type of Decisions. The major dimensions of the factor, ‘Internal Organizational Characteristics’ that influence the process of strategic decision making were, Organizational Structure and Power; Organizational Size; Organizational performance and Organizational Slack. Similarly, the dimensions of the External Environmental Characteristics were stated to be Environmental Dynamism; Environmental Opportunity or Threat; Environmental Hostility; Environmental Heterogeneity and Uncertainty. The Top Management Team Characteristics were stated to have dimensions such as, Risk Propensity; Education and Experience; Consensus; Age; Cognitive Diversity; Cognitive Complexity; Cognitive Conflict and Affective Conflict and Need for Achievement.

The study by Bigliani (2013), explored the operational risks encountered by the oil and gas companies in today's regulatory environment and business environment. The operational risks encountered at the corporate level, their impacts and efficient means to mitigate those risks were also analyzed. It was inferred that, the oil and gas companies operate in highly remote locations and function at harsher environmental conditions to extract hydrocarbons. Adoption of integrated operations or digital oilfield is observed to be one of the vital strategies to optimize production, improve the reservoir recoverability and reduce environment, health, economic and safety risks. In addition, strategic decision making about the projects that should be developed first is claimed to be highly necessary in order to make sure the company performs best. Further, the decisions on equipment resources such as, the best time for rig reservation; the best rate at certain exact moment; existence of threat like higher rental rates and the impacts of the threats on the planned revenues are stated to be mandatory for an efficient processing of the industry.

Stevens (2008) conducted a study on the Kuwait Petroleum Corporation (KPC) in order to propose a better business processing strategy. It is emphasized to have emphasized that, the process of decision making is unpredictable, complex, cumbersome and horribly bureaucratic. The diverse problems such as, growing political interference and encroachment of bureaucracy; growing
management competence problems; severe lack of technical skills; slow decision making compounded a number of other factors impacting the company. Being faced with a number of problems, the senior management are stated to have focused on the decision making process in addition to several other efforts. Thus, in order to make the situation better, the processes of decision making and especially financial decisions were shown significance. But, the political interference is claimed to have been a major constraint for the industry in strategic decision making process.

According to Bryan (2012), the oil and gas industry is distinctive and is subject to regulation from multiple angles and constant scrutiny. Further, it is also claimed to vary from the other industries, in the way they are appreciated by the financial community. The valuation of the oil and gas industry is considered to be similar to that of the non oil field related industries and the significant difference is observed to be the inherent commodity risk, reducing the value of the company, natural resources and future earnings. Thus, during the process of decision making, such cost and resource related factors are stated to be taken into consideration. Further, in addition to the external factors, the commodity prices, highly competitive landscape and contract disputes also impact the oil and gas industries. Thus, the strategic decision making processes of the oil and gas sector has to include all the external and internal factors influencing the industry.

Chapter 3

Research Methodology

The brief outline on the methods and approaches followed in the study to collect data is briefly described in the chapter research methodology. Adopting appropriate methodologies forms the significant part in conducting a research successfully. Following are the methods, techniques, designs and procedures of research adopted for the current study.

The Research Paradigm forms the basic view of the research depending up on the beliefs and perceptions of researcher. It is of 2 types in general, (1) Positivism and 2) Interpretivism. The interpretivism or hermeneutics research paradigm is adapted in the current study as it enables conducting an extensive research. The Research Approach can be stated basically as the method using which the research is conducted. It is of 2 types in general, (1) Qualitative and 2) Quantitative. The qualitative research approach is adapted in the current study as it demands a
wider analysis of the problem identified in the study. The **Research Design** can be stated as the strategy, plan or roadmap to conduct a research. It is of 4 different types, (1) experimental research design, (2) case study research design (3) exploratory research design and (4) descriptive research design. The descriptive research design is adapted in the current study as it enables a detailed analysis of the problem statement.

The **Sampling Design** can be stated as the method adopted to collect primary data from an open population. It is of 2 types in general, 1) Probability sampling and 2) Non-probability sampling. The non-probability sampling technique is adapted in the current study as qualitative data analysis is to be performed. The **Sampling Unit** of the study is the managers of the oil and gas companies in the UAE. The **Sample Size** for the qualitative analysis is 15 managers of few Oil and Gas companies in the UAE. The **Sampling Plan** for the study is to collect data from the target respondents by conducting interviews, by distributing qualitative open ended questionnaires at their work places. The data collected for the study will be ensured for its validity and reliability and the ethical concerns of the research will be strictly adopted throughout the process of research.

**Chapter 4**

**Discussion**

4.1 **Introduction:**

This chapter of the study presents a detailed discussion on the analyzed primary data. The primary data for the analysis was collected from 15 managers of few Oil and Gas companies in the UAE by conducting interviews and the responses were obtained by distributing a qualitative questionnaire. The questionnaire focused on collecting the demographic profile of the respondents, and analyzing the factors influencing strategic decision making processes in their organization.

4.2 **Opinion of managers about the strategic decision making processes in their organization.**

From the analysis of the primary data gathered during the interviews, it can be observed that all the managers agreed that, the strategic decision making process proves highly significant for the enhanced functioning of the oil and gas development sector. When asked about, how the strategic decision making process plays significant role in the Oil and Gas development sector in UAE, most of the respondents initially stated that, it is a highly complex task and then claimed that, it is
the strategic decision making process followed in their company that gives direction, structure and administration of the organization. They also emphasized that; the strategic decisions taken by the industry should be done with more concern, considering all the factors influencing it, in order to prevent the adverse effects up on the industry.

Next, the respondents were asked about, if the strategic decision making process in the organization is affected from both internal and external factors. All the respondents agreed that, both the internal as well as external factors affect the strategic decision making process in the organization. They added that, if not the internal issues, some external factors changed the outcome of the decision and vice versa. Hence, it is ensured that, both internal as well as external factors influence the decisions taken by the organization.

The managers were then asked to state a few internal and external factors that affect organization’s strategic decision making process. A number of different answers were obtained from the respondents and most of them stated the factors like, availability of resources, available of manpower, best time for new operations, availability of revenues, effectiveness of the managers, Threat or crisis or Opportunities, Organizational Structure, size, performance, slack and power, Education, Experience and the age of the top managers, growing political interference, encroachment of bureaucracy, management competence problems, lack of technical skills, inherent commodity risks and contract disputes.

The managers were finally asked to state the strategies adopted by their organization in order to overcome the issues caused by internal and external factors. The commonly adopted strategies by the industries which were stated by most of the managers was that, their organization adopts effective decision making models before deciding up on issues. In addition, some also stated that, the available options are analyzed and the best of them is chosen and that, before proceeding with something, it is assured if it is fine to go ahead or not. The financial and resource based analysis, before proceeding to decision making were also observed to be stated by some of the respondents.

Chapter 5

Conclusion
This chapter presents the major findings inferred from the study. The focus of the study was to analyze the internal and external factors that influence the oil and gas development sector with specific reference to the United Arab Emirates. The can be inferred from the study that, the oil and gas sector plays a significant role and has highly contributed for its current excellent economic position and for the exceptional economic and social development. The study has thus inferred that, the process of strategic decision making is the most important and complex of all the processes or functions of the managers in an organization, especially the oil and gas development sector. The study also emphasized that; the top management and the managers who decide up on issues need to have a complete understanding on the process of decision making in order to practice it effectively. Further, the strategic decisions of a company are inferred to be long term, complex, inherently risky and highly unstructured and have a huge impact on the organization’s future. In order to make better decisions, the organizational resources and the environment are considered to be significant. In addition, the strategic decisions made have the tendency to affect the organization, the stakeholders, the employees and the industry as a whole. Thus, it can be concluded that, the process of strategic decision making is influenced by many internal as well as external factors. The common factors that were observed to influence the strategic decision making process in the oil and gas development sector were observed to be availability of resources, available of man power, best time for new operations, availability of revenues, effectiveness of the managers, Threat or crisis or Opportunities, Organizational Structure, size, performance, slack and power, Education, Experience and the age of the top managers, growing political interference, encroachment of bureaucracy, management competence problems, lack of technical skills, inherent commodity risks and contract disputes. In order to overcome these problems, the organizations are observed to follow strategies like, adopting effective decision making models, analyzing and choosing appropriate options from the available ones and being conscious about the cost and resource factor. Thus, it can be concluded that, following such an effective strategic decision making process, considering all the internal and external factors and by adopting effective strategies are highly significant for the enhanced functioning of the oil and gas development sector and to prevent the adverse effects up on the industry.

References:


