

Title: Procurement Management in Oil and Gas Industries

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1.1 Background

Business trends at the global level have led the industry of oil and gas to look for better approaches to surmount the rising challenging and critical problems. However, procurement (also known as supply chain) in this sector, for quite some time was not considered as seriously by market players where advancement in technology was the main values aiming just for fast investigation and higher level of oil and gas production.

Procurement management in the past few decades has enhanced its worth, because mainly to the expansion of globalisation in business as well as the strong competition in the sector. Firms have concentrated on their endeavours on making their procurement well-organised and effective to reduce costs, maintain productivity and profitability and develop a competitive edge as well.

(Yusuf et al. 2012)

Moreover, in the Oil and Gas industries procurement management is distinguished for being very multifarious and difficult to handle, according to Esteves & Barclay (2011). Further, the rising demand of hydrocarbons, the industrial globalisation as well as the discoveries of rich resources in distant areas has made the management of the organisational procurement even more demanding and complex (Yusuf et al. 2012). The significant problematic issues in the procurement of oil and gas cope with logistics (Chopra & Sodhi, 2012). Between oilfields and refineries, longer distances have also enhanced lead times and higher level of variability in times of transportation. Companies in this sector are forced to retain a sound safety preserve to preclude a fold up of operational activities due to disturbance in the supply chain domain. Higher and sound safety and in-transit inventories in company with the rise in expenditure related to transportation have increased costs related to logistics (Chopra & Sodhi, 2012).

Some companies in oil and gas industries have recurred to contract out all or some of their activities regarding logistics to a third party. The hypothesis is the companies of third party logistics have a chance to demonstrate their proficiency in logistics to incorporate and ameliorate the procurement in this industry. Making partnership with a third party companies to deal with

the activities of logistics can assist oil and gas firms share some risks and also cut expenses by having a well-organised and consistent supply chain. (Chopra & Sodhi, 2012)

Thus, it was not astonishing that not numerous articles were published on procurement management in the journals of oil and gas. New technical discoveries and issues of economy were placed to the centre-stage of journal publications leaving market actors to manage the issues of procurement themselves. Most of these articles determined on procurement in journals or other articles, only touch on the major problems related to procurement which was on the concerns of appropriateness and reliability under specific situations throughout the entire process of procurement.

Innovative and new approaches to strategies of procurement are also required to fulfil the contextual requirements found in different global countries. Moreover, these approaches need to serve particular project needs and diverse values either in the philosophy or culture of business within the organisation of oil and gas themselves or in the local practices. Exploration and production of oil and gas is an extremely risky business in this complex industry. It connects government, the natural resources' owners with operators, private capital investors, technology and equipment essential for resource development, in a sole industry where the stakes and risks, and also the potential margins in profit, can be inflated. (Ruqaiishi & Bashir, 2013)

1.2 Research Aims and Objectives

The basic aim of the current study is to enhance the comprehending of procurement strategies at the global level that need to be followed and implemented by the oil and gas industry. Among the core objectives of this study is to investigate present practices and trends in the procurement management domain, address the diverse values acquired by players, discussing the potential impact of multi cultural ramifications on the process and strategies of global procurement and developing a comprehensive guideline of procurement strategy on selection process.

1.3 Research Questions

The current study on procurement management in the oil and gas industry will follow and respond to the following research questions.

- What are the global procurement strategies in the oil and gas industries?
What are diverse values acquired by players in the global oil and gas industry?
- What are the potential impact of multi cultural ramifications on the process and strategies of global procurement within the oil and gas industry?

- What are the procurement strategies on selection process within the oil and gas industry?

1.4 Research Main Motivations

The motivation of this study is that the study will be conducted to look at present procurement practices and trends in the global oil and gas sector; to address the diverse values implemented by the oil and gas companies; and to evaluate the potential impact of multi cultural complication on process and strategies of global procurement in this industry.

This study will be based on a comprehensive analysis on the abovementioned challenges and these issues through gathering data and information from past studies and collective responses from the industry's decision makers and players.

An in-depth guideline of procurement strategy on selection processes to be applied by industry's policy makers will also be established in which more significant issues and other related factors will be addressed in this study. So, the main motivation of this research will that it will optimistically help decision makers of the industry to make better analysis and evaluation on the suitable procurement strategy to be implemented in future projects related to oil and gas around the globe.

1.5 Research Feasibility and Justification

Numerous articles have been there published on the emerging issues of oil and gas exploration as well on high operational expenditure in the United Kingdom. On this issue, technical and economics reviews have been discoursed and considered quite lengthy by players and clients alike in publications as well as at the time of seminars and conferences.

The feasibility and justification of this research will be that the need is there to retain the business in the region running in spite of the drop in production of oil, deliberating the considerable numbers of well-organised businesses that have already been in place with the passage of time in the region. The most favourable way to surmount these limitations is to employ the "managed decline" way of management, despite promoting the best value, partnership and trend of fair rivalry. Another approach to surmount issues met is by declining wastage materials and developing and implementing cost effective technology on existing assets.

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