

QUESTION

What future challenges do you see for your current organization?

What actions would you recommend now so that you are future ready?

My Employer - Engineers India Limited, is a construction design and engineering consultancy, specializing in Oil and Gas Production and Processing, LNG Terminals, Petrochemicals, Ports and Infrastructure Projects. Company desires to grow in these core business areas remain a high profit business.

EIL's current portfolio includes: (1) Refinery up gradation and expansion projects (2) Pipelines, Terminals and Storages (3) Infrastructure Sector Projects. EIL is working on Government Projects on National Highways, Air Ports, Special Economic Zones, Bharat Nirman Yojna, Metro Rail, etc

The company has made remarkable progress in past 44 years. It has transformed itself from a domestic player to a growing international player that is determined to take on the world. There is no doubt in my mind that this Indian corporate is up for any challenge!

EIL enjoys branding as a company of national significance with high credibility/comfort particularly with other PSU clients. It has a balanced portfolio and is keen to exploit Research and Development Advantages. **Key strengths of EIL are:** (1) Good National Reputation (2) Diversified Skill and experience engineering work force (3) Overseas Presence - Middle East, Africa and Asia and (4) Strong Internal Processes and time tested high standard work system.

According to the Energy Information Agency, energy demand in emerging economies of developing Asia is projected to more than double over the next quarter century. **Hence, I see opportunities, not challenges for my employer, Engineers India Limited.**

It is important to understand (a) World Oil Scene (b) PSU Scene (c) Political & Bureaucratic Restraints and (d) Business Risks **before** envisioning future preparedness of EIL.

(1) THE WORLD OIL SCENE

The rising oil prices in the international markets continue to remain a cause for concern. Although there were signs during last few years that the prices may ease, it was not long before they resumed their upward movement. Geopolitical factors have been a major reason for the continuing volatility in the international markets. Further, High levels of crude oil prices in the international markets and inability of the oil companies to pass on the burden of rising prices remain key risks for the oil sector.

With India getting integrated with the global economy, developments around the world are bound to have an impact on the country. Given the high prices of crude oil, greater attention is being paid to non-conventional sources of energy.

(2) THE “GOVERNMENT OF INDIA FACTOR” AS A PSU

Of course, there are things that PSUs are not allowed to think such as business practices of “Mergers and Acquisitions”, Decentralization, hierarchical structure of sahibs and Sarkari Babus and of course the Great Indian Bureaucratic restraints, Indian Political System and Politicians.

(3) INDIAN BUEAUCRATIC AND POLITICAL RESTRAINTS

The bureaucratic machinery of India, as reflected in its 10-million- strong civil service army, equalling the population of countries such as Belgium and the Czech Republic, is corroded with apathy and corruption.

Protests, such as those against the Tata plant to build the Nano car in West Bengal, find substantial support among the deprived segments of society. The government is supposed to play the role of being the last and only protector of the common man. It is a losing proposition for politicians to defend free trade, multinational corporations, or business people in a democracy where the large majority of citizens are still poor.

Cozying up to politicians and bureaucrats in India has always been part of the skill set of any businessman for survival and success.

(4) NEW TYPES OF BUSINESS RISKS FOR EIL

There are new series of risks that will threaten EIL ability to operate in future effectively. Ten years ago, business risks of the company were operational and legal risks but today, there are greater risks - political and 'other' risks. Other risks means: climate change, global warming, Increasing Demand for Alternate Energy Sources, Free Market, Political Risks etc.

Today's demand of 200+ million barrels of oil equivalent per day is predicted to double by 2050. To feed the world's increasing demand for affordable and reliable access energy sources requires greater capital, larger workforces, better technology, and effective risk management.

OVERVIEW OF **FUTURE BUSINESS CHALLENGES OF EIL**

(1) OIL SUPPLY AND DEMAND CHALLENGE

- Dwindling oil supplies
- Soaring prices of petroleum products
- Tricky balance of supply and demand

(2) ENVIRONMENT AND POLLUTION ISSUES

- Pollution concerns
- Environmental Issues
- Stricter Complying with regulatory & reporting requirements

(3) CHALLENGING TRENDS IN ENERGY SECTOR

- Rising world-wide interest in cleaner and more efficient energy
- Increasing trend in technological innovation in energy industry.
- Initiatives to develop new sources of energy.
- Huge investments are being made in alternative energy projects.
- Industry transactions, Mergers, Acquisitions & Consolidation

(4) TECHNICAL CHALLENGES

- The cost of finding and tapping new oil and gas reserves is on the rise
- Securing the Oil supply, Pipeline and Distribution Network.

(5) INTER COMPANY CHALLENGES

- Business Sustainability
- Improving Company's Performance
- Operational effectiveness
- Continuous Organizational Improvement
- Financial Risk Management
- Recruiting and retaining a skilled workforce
- Integrated Information and Communication Technology should be made as Backbone of entire communication, project management and company operations.

(6) GOVERNMENT LEVEL CHALLENGES

- Ambitious Trade Targets with India's Neighbouring Countries
- Geopolitical Risk Management
- Funds for more Research and Development
- Synergize with Global Energy Market and not just India specific needs.

(7) SUSTAINABILITY CHALLENGE

Air, water and soil quality are at risk in many countries. It is a challenge for all oil and energy companies and energy consultants to develop business strategies and implementation plans to enhance economic performance, while demonstrating the highest standards of environmental and pollution standards for a socially responsible performance.

(8) REGULATORY CHALLENGES

The regulatory landscape is particularly complex for all oil and gas companies. Not only do they have to conduct operations in a variety of regulatory and tax regimes but they also have big upfront investment needs, which often go hand in hand with great uncertainty about long-term outcomes. The geopolitical, environmental, energy and natural resource supply and trading environment, combined with often complex stakeholder and business relationships only adds to the complexities.

For Future Preparedness of EIL, Following Measures are Recommended:

(1) SECURING THE OIL SUPPLY AND DISTRIBUTION: Energy Consultants and must find ways to provide reliable and affordable supply of energy needed to grow the global economy, and to do so without harming the environment. Pipeline integrity in areas with political instability, either as source or destination or intermediately pipeline such as Pakistan, Algeria, Egypt, is an ongoing concern. Aging infrastructure, sabotage, and environmental conditions all can threaten the supply of oil or gas pouring through miles of pipeline.

(2) SUGGESTIONS FOR OUR GOVERNMENT: Government must allow More PSU to make more Private Partnership. Decentralisation of power and decision making - unbundle responsibilities across. Decentralization also means Greater information. The use of greater transparency and information can allow more accountability and increased citizen voice in ensuring good governance.

(3) CORPORATE PERFORMANCE IMPROVEMENT: EIL must attain increased performance by improved efficiency and effectiveness of key business processes areas, such as: finance, information technology and governance, and risk management etc.

(4) MANAGING GEOPOLITICAL RISK: Political risk relates to the preferences of political leaders, parties, as well as their capacity to execute their stated policies when confronted with internal and external challenges. Effectively managing geopolitical risk is a strategic imperative. Cross border expansion for not only oil exploration but also for transportation, marketing and refining operations. In some cases, oil and gas reserves are located in troubled or developing markets where political and social risks need to be mitigated by Government.

(5) OPERATIONAL AND FINANCIAL EFFECTIVENESS: Operational Effectiveness meaning identifying areas of cost reduction, possible out-sourcing and IT effectiveness, for world class performance. Also, EIL must improve the effectiveness and efficiency of their companies finance operations in a way that supports management decision-making and corporate strategy.

(6) RECRUITING AND RETAINING A SKILLED WORKFORCE: The rapidly aging workforce of EIL, combined with the downturn of students in the energy fields such as petroleum engineering, chemical engineering and geology, is generating new concern for all oil and natural gas related companies. Developing human resource strategies that help attract new recruits, as well as retain the experienced workforce and their knowledge and skills is imperative to the future of the company and industry in general.

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