

CHAPTER II

DYNAMIC OF ROYAL DUTCH SHELL AS TNC

In this section, the author gives an explanation about all background of one Transnational Oil Company (TNC) which is Royal Dutch Shell consists of the history, company operation, and brand logo. Furthermore, after explaining the background continue with focus description of the history Royal Dutch Shell in Nigeria incorporating about Royal Dutch Shell enters in Nigeria, mission, strategy, and value of the company.

A. History of Royal Dutch Shell

Royal Dutch Shell was one of the best-known oil companies in the world. Here, it focuses on the exploration of oil and gas across countries. The corporation is own a large number of around 44000 oil stations that are scattered and will continue to grow in coming futures (Gosden, 2018). Within this fact, this company is one of the giant oil corporations in the world. In the past, the corporation was each different corporation which was also a different business area, namely "Shell" Transport and Trading Company based in the United Kingdom and the Royal Dutch Petroleum Company based in the Netherlands. The formation of this company was the result of the merger of the two companies that occurred around 1907. The merger produced a name that we now know as The Royal Dutch Shell Group.

In the past, the Royal Dutch company was found in 1890 after obtaining permissions supported by Dutch aristocratic which is King William III to extract oil from the island of Sumatra and then making it an oil field, for this reason, the company was named after Royal Dutch. At that time the company was handled by J.B. August Kessler who worked at Pangkalan Brandan to build a channel and oil processing site. So, two years later in 1892, he was the first to send the results of his oil abroad. Four years after that Henri Deterding joined Kessler working as chief of marketing with his intelligence in 1901 he was appointed the chief executive. Thus, he had the ambition to make the Shell of a company equivalent to the Standard Oil Company of the United States by John D. Rockefeller. For the success of his dreams cooperates and agreements. One of the ways he founded a company focused on marking the name Asiatic Petroleum Company as part of the company Royal Dutch, Shell, and the Paris branch of the Rothschild In 1903.

In early 1833, Marcus Samuel, a London seller, made plans to grow his old businesses to sell Shells as decorations from the Far East, known as Russia. This movement was the basis of the business export imports in the years ahead and became one of the most famous companies in the energy industry. This company developed rapidly over the years until 1870, Marcus Samuel died and passed on the business to Marcus Samuel Jr, which was the transportation and trading company (Gerretson, 1953).

He then made a collaboration with his brother named Samuel by establishing a company called Marcus Samuel & Co which expanded the choice of goods. The companies located in two countries, namely Japan and London. In Japan alone, the company focus on exporting furniture, local equipment from England and for London they focus on trading in local goods made by everyday people such as wheat, flour, and sugar. At that time, it could be said that this company was very successful in the field of transportation and trade. Not

long after that, in 1880, Samuel began to enter the oil industry originating from Russia. He sees business potential regarding oil transportation from one country to another. He had the idea of transporting oil to the destination country using a large ship to transport oil with a large quota with a medium tank. Costs for oil can be cheaper and also cooperating with one of the oil suppliers who used to work with Rothschilds to save Russia oil to facilitate future stock stability and to increase market opportunities. Of course (Jones, 1981). From this, it was also the reason the company joined them called The Tank Syndicate, but the name changed to the name we knew as Shell Transport and Trading Company in 1897.

As time went on, in 1902 Marcus Samuel he became one of the top entrepreneurs at that time and was elected as mayor. At this time there was a business in the oil sector with Texas oil that was stagnant oil fields. Furthermore, he went to Sumatra and found oil fields controlled by oil companies which are Royal Dutch. Previously the Dutch royal Shell only engaged in oil area and had the ambition to compete with Standard Oil US oil company, and Shells needed new oil field to do work of transportation in the sector of export. So, because of motive from before, the two companies decided to join the umbrella association of the Asiatic Petroleum Company in 1903.

Later on, the company merged into one as Royal Dutch Shell Group in 1907 by divided the profit into two which 60% for Royal Dutch and the rest of 40% for Shell Transport and Trading. The person who responded in managing the corporation is Henri Deterding under the hand him of the company progressively grown than before (Jones, Geoffrey, 1984). Royal Dutch Shell is spread throughout the world like marketing offices throughout Europe and Asia, while in the field of oil production in Russia, Romania, Venezuela, Mexico.

During the era of World War I, it became a double edge sword for the company because Shell became the primary fuel provider for the British Expeditionary Forces in the Allied war. From there the Shell name becomes extraordinary and increases profits from other parts of the company that are not involved in the war. However, on the other hand, during the war, the Shell companies in Romania were destroyed, and those in Russia were also seized by the revolution that took place in 1917. Moreover, also the inhibition of oil production in Venezuela due to complications of sending the equipment there.

In the early 1920s, the years of the company's Shell prosperity began with being part of the transatlantic flight of Alcock and Brown as a fuel supplier. At that time the Shell discovered a large oil field in Mexico, Venezuela, California, which was undoubtedly profitable. Not long after that in 1929, Shell discovered a way to extract chemicals from oil in the name Shell Chemicals. At the end of that year, Shell reached the peak of the oil business level by becoming the leading company that produces 11% as a source of crude oil in the world and has the most massive tank to transport oil.

Throughout the 1930s the year of Depression, the Shell faced several problems such as overloaded oil but it was not comparable to the price of the product, so it carried out employee dismissals and unnecessary cuts that burdened finance. Then, the effect of war the company felt through The Mexico branch Shell company is on blockade and the European Shell branch is also in the danger zone with the rise of Nazi's because when the Germans came to invade there. The company's control center was moved to Curacao, a small island in the Southern Caribbean Sea but it does not avoid several offices were destroyed especially in Germany.

After the war happened, the year of 1950-1960 was the glory for the development of the company. The condition

of the Shell need for restoration and the increase of oil to adjust market needs increasing. Then in 1947 oil drilling offshore was done and 1949 official first offshore oil field and increasing by around 300 oil fields off the coast such as Gulf, Borneo also in Niger Delta which provoked oil production in 1958 in the Nigerian country. With the condition that has been said to be calm, the demand for oil for petrol is also increasing so that Shell starts works in conjunction with the Middle East to meet the needs.

In 1960 Shell began to strengthen the influence of companies in the Middle East especially in Oman with the discovery of oil fields there. Then in Netherland discovered Groningen gas, on the North Sea also founded the same thing. This further makes the company more broaden the experience of chemical of Shell.

Shell in 1967 had invested in supertankers which made it easier for companies to deliver goods whether it was oil or gas to another country, especially to the Middle East. Colonel Gaddafi's power raised oil prices and reduced production quotas even though at that time Libya was one of the leading oil companies in Europe. It was also added in 1973 because the Yom Kippur Arab-Israeli War brought a crisis because it was not long after the OPEC producing countries increased oil prices four times more than the initial decline in supply which influenced the higher oil prices. For overcoming the problem, Shell switched business to coal and metal in 1974 and was officially open Shell Coal International. Then in 1979 during the revolution in Iran, the price increase occurred again which made the oil-producing country stop the oil supply, so the Shell then looked for other sources not in the OPEC organization to cut the expense.

That year, Shell also started a new business using solar energy as renewable energy by getting a company with Solarhart, construction and biofuel fuel. However, the economic condition that was classified as poor made the end

of 1970 until the beginning of 1980 the Shell company experienced a decline which caused severe problems such as excessive production in Shell Chemicals so that it had to be overcome by reducing production and rearranging it. After stabilizing the situation, the group maintains a chemical business and also branches into agrochemicals.

In 1985 the same time, Shell bought the remaining shares in Shell Oil to facilitate their work in America (Beaton, 1957). Then, things happened that were not good by dropping price oil drastically so that OPEC would no longer reserve power for the oil market Even though Shell had to do a new drilling project oil to increase stock supply in Norway and Mexico. Two years later in 1989, the Shell could also be used to sell goods to Europe at the same time as the source there, then the company began to develop in a better direction after various types of natural obstacles, in the 1990s Shell and also known as liquefied natural gas. (LNG) business continues to grow in new areas of the Asian continent.

Finally, in 2005 the merger of Royal Dutch Petroleum and Shell Transport and Trading took place to become Royal Dutch Shell plc, with the new organizational structure that the old partnership ended and turned into a corporate structure. Royal Dutch Shell plc located in The Hague and the fifth. July 2007 became the historical date as a sign of cooperation and establishment of the company.

B. Company Operations

Shell is a global company that has expertise in energy in the world that meets the energy needs in society at large with consideration in social, economy and environment.

There are many operations of the Shell Company in doing business which are Upstream, Integrated Gas and New Energies, Downstream. The Projects & Technology organization handle the distribution of essential tasks and give push research in making innovation.

In Shell, Upstream operation is responsible for discovering and abstracting natural resources in the form of oil and gas that is available. The other things are to sell the goods and handle the arrangement of them to arrive in the market.

In the Integrated Gas is responsible for handling liquefied natural gas (LNG) action and the manufacture of gas-liquids (GTL) fuels and others. It includes discover and abstraction of the pure gas and also definitely relates to LNG creation and shipping to until use for sales as fuel for heavy transportation equipment and naval ships.

In New Energies, the company focuses on developing existing resources so that it can be made to become one of the fuels that can use for transportation by donating capitalize that companies have. The examples are such as hydrogen, advanced biofuels, and power that are low in pollution like diesel and wind.

In Downstream handles distribute and sell the oil product that is ready to be marketed with many varieties throughout the world for use by industry, local and also vehicles. Besides, it also handles the tar sand.

Our Projects & Technology deals with the distribution of significant projects and pushing the latest improvements in finding the latest technology solutions. It also involved the contribution of our Integrated Gas, Upstream and Downstream activities in the form of technical services and technology capability. Then, is obliged to arrange the leadership that is useful in the realm of environment and security.

C. Symbol Brand of Shell

Since a long time ago, the symbol of the scallop with unique colors red and yellow already become the branding of Shell Corporation and became apart of products and services Shell in worldwide (Curtis, 2000).



Picture 2. 1 The Shell Symbol from 1900 to 1992 (Shell, 2015)

Since 1891, the term Shell emerged from the transportation and trade company Marcus Samuel, located in London, which used to sell antiques and sea Shells used for decoration which later became popular in the field of import and export trade.

In the past, the term was used for the company name, namely to the Shell Transport and Trading Company in 1897. The logo of the company kept changing from time to time; it began to be used first as a logo when 1901 in the form of

mussel Shell images then it changed to the symbol of scallop Shell as the corporation trademark brand.

Later on in 1907, the company has done merger between the Royal Dutch Petroleum and Shell Transport & Trading symbol which was later modified to become the name of the company and the scallop became one that was used as a new symbol by the newly established company named as Royal Dutch Shell Group. This symbol is continued to be used until now.

Over the years, along with the development and following the progress of the era of the design of the Shell symbol, it has also become more modern. This symbol is now one of the most famous symbols in the whole world because of the ease of recognizing it.

D. History of Royal Dutch Shell in Nigeria

History of the existence of Shells in Nigeria is quite long, lasting around 80 years. The company holds a significant role in oil discovery and manufacture in Nigeria, which makes this company one of the most influential companies for oil activities in the country. The entry of this company in Nigeria began at 1936 when the Royal Dutch Shell Group began the first Nigeria oil company under the name of Shell D'Arcy (Adaoyiche, 2018). About 22 years in the early 1956 oil fields in Nigeria, Shell finally found oil field at Oloibiri in the Niger Delta southern part of Nigeria. In April of the same year, the name changed into Shell-BP Petroleum Development Company of Nigeria Limited.

In 1958 the Shell started export of Nigerian oil from the first shipment of oil from Nigeria and made a company-specific terminal at Bonny Terminal in 1961 and 1971 Tahin Forcados Terminal to facilitate oil delivery. Subsequent changes took place at the end of the year when the Company

changed its name under Royal Dutch Shell's Nigerian operations, which were mostly controlled by a subsidiary called Shell Petroleum Development Company of Nigeria (SPDC). During the business there in 1989, the Nigerian National Petroleum Corporation (NNPC) took control of the company by 5% (NNPC, 2000). So, the Shell became the second largest holder of power. After that, with number 30% which means Shell is still one of the largest foreign oil companies in Nigeria because other companies have less power. also become the reason to control the access of exploration and the production. From that moment the company continues to grow the operation by expanding the area of operations. The Company was the most significant oil corporation, the oldest in Nigeria and still have a strong influence in Nigeria until today.

In carrying out operations in Nigeria, the Shell is divided into five subsidiaries under one corporation companies. Each of these subsidiaries has a different and specific work area to give the opportunities in their specialty discovery :

1. Shell Petroleum Development Company (SPDC) has a work section to produce an abstraction of crude oil.
2. Shell Nigeria Exploration and Production Company (SNEPCO) founded in 993 this company runs the offshore units.
3. Shell Nigeria Gas (SNG) launched in 1998 is used to regulate raw gas of Nigeria actions
4. Shell Nigeria on Oil Products (SNOP) works in the marketing area and shipping oil products that are ready to use.
5. Nigeria Liquefied Natural Gas (NLNG) works in the area of manufacturing the liquefied natural gas.

1. The Vision of Company

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As the central mission of Shell in Nigeria is to be the leading company in the eyes of the people and become their choice by continuing to be dedicated to doing an operation to produce economic advancement and fulfill sustainable development for the welfare of society

2. The Mission of the company

Running a business by using Shell's general business principles, in preference with a sincere attitude, and respect for all parties related to the company, especially customers.

They are making safety a top priority for all work operations using the system Health, Safety, Security and Environment (HSSE) as the driving force behind Shell's commitment to improving its sustainability and environmental awareness.

3. The Strategy of Company

In running the company, Royal Dutch Shell had a strategy to position them in the world as the leader of the oil and energy in the term of offer gas and oil also low carbon energy. The company style in conducting business by prioritizing safety and social responsibility.

To implement the strategy the corporation prioritizes the customer first and straightforward in doing the corporate operation by dedicating in making a high profit within the way to participate in a big major project, cutting the expense of the production, and try to venture in the different approach in the nonprimary trading commodity of a corporation.

The corporation had power in giving a chance for landing the massive project in development and control of integrated value chains through the help of improvement and usage of technology also able to handle a project.

4. Values of Company

Shell Corporation highly regards the value that exists mainly for real attitude and admiration that exists in the individual body of society. There are various kinds of values that corporations have to run their operations in a country so that they continue to run as they should and in line with the local rules and guidelines. Among them are the Shell General Business Principles, the Code of Conduct, and the Code of Ethics, and also attempts in upholding diversity and culture.

4.1 Shell General Business Principles

In the practice of running a business and the attitude of the Shell as a company has a level that must be following the requirements. When doing something the Shell uses values that are upheld for them as a priority. Therefore, these Business Principles are created with the same value for managing their business by encouraging the professional attitude, faith, teamwork and pride with achievements that have been achieved.

Shell took pride as the initiator of the company in 1976 which was where they broadcasting the General Business Principles which contained their attitude as a company. Most of the contents of this principle Shell contain a company pledge to give contribution in sustainable development, consideration of interest in the period and contemplation in making decisions to keep thinking about aspects of social, economic and environmental of the country.

All parts of Royal Dutch Shell such as shareholders, customers, employees, and business partners required work

under existing Business Principles and also apply it in real practical terms.

4.2 Shell Code of Conduct

The Code of Conduct is used to direct and teach employees to apply the Business Principles as a guide in conducting activities in companies that are in line with regulations in association with society.

The Code of Conduct used as essential criteria for an action done by employees in the company. It also includes parts such as handle duties of a person as obligation, way to communicate and information between dealing in international areas.

4.3 Diversity and Inclusion

As part of the value of Shell company, the Shell prioritizes tolerance between the culture in aiming for justice so that all parts of the company, especially for customers and partners feeling appreciation. The Shell also expects that this diversity can generate opinions that will help companies understand relations and strengthen them to carry out company activities.

In nurturing the diversity of Shells through programs such as audition talent programs to attract talent talents who are talented in their fields without discrimination, self-development programs for employees and providing counselor, and making rules for more accessible work and networking for employees for smooth communication.