

# **VARIED DIMENSIONS IMPACTING STRATEGIC DECISION MAKING PROCESS IN OIL AND GAS INDUSTRIES OF UAE-A STUDY**

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## **ABSTRACT**

*Nowadays, businesses have shifted their focus from product orientation to strategic orientation as they understood to recognize the importance of strategic approach and management in order to penetrate international markets. This is because entering foreign markets require strategic planning and proactive market analysis of both internal and external business environments for successful penetration and long-term sustainability. This becomes more apparent in the case of Oil and Gas companies as the industry is highly volatile with fewer products and more areas to gain a competitive edge. Thus, the focus of this study is to identify the varied Dimensions which Impacts Strategic Decision making process in Oil and Gas Industries of UAE*

*In order to understand and examine the research problem of the study, both primary and secondary data collections were undertaken. The primary data for the study was collected from 85 senior managers of 15 major Oil/Gas companies operating in UAE, (EPCs, FEED Contractors and End users) . The samples had been analysed with the ANOVA to test the hypothesis of the study. The ANOVA analysis between the responses of participants were calculated to understand the varied Dimensions Impacting Strategic Decision making process in Oil and Gas industries of UAE.*

*Globalization and Technological advancement have made imperative the need for a strategic approach in businesses, in order to remain competitive and sustainable in the long run. Thus, organisations need to pay attention to the importance of evaluation, implementation, and advancement of strategies while implementing decisions for business profitability and sustainability. International business poses new challenges everytime especially in the verticals of Oil/Gas industries, which in turn initiated managers and necessitated them to analyse, evaluate, implement their strategies in a proactive manner to gain a competitive edge over rival firms*

**Key words:** UAE, OIL, GAS, STRATEGY, ANOVA

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## 1. INTRODUCTION

Decision-making is the most intricate, important and fundamental aspects of an organisation. It refers to choose a strategy for the achievement of goals or designing an alternative or appropriate plan according to the demands of the situations being faced. The decision-making plays a very efficient role in every company, industry, and organisation. The managers face a lot of pressure from the organisation in terms of formulating the optimum strategies considering the internal and external pressures, obligations and trends.

According to Bell (2014), the decision-making is carried out by constructing a clear picture of the decision to be taken, compiling and jotting the requirements which must be met, collecting the information about the alternatives that will be able to meet the requirements, comparing the alternatives with the currently existing system about finding out their ability of meeting the requirements and considering all sorts of ifs and buts relevant to the alternative plan or strategy. The strategic decision-making can be carried out by the organisation top management alone or it can seek for the help, guidance, and opinion of other members, colleagues and delegates as well. The strategic decisions play a very vital and prominent role in the business sector.

Pettigrew (2014) stated that the factors affecting the strategic decision-making process are mainly clustered into internal and external factors. The internal factors refer to the factors within an organisation that have an effect on the decision-making power of the managers. However, the external factors refer to the factors relevant to the matters of the governmental and legislature level. Strategic decision-making plays as one of the key roles in an organisation to solve and manage all the issues and situations that are necessary to compete in the market at a national and an international level in the era of such extensive competitive market.

Bromber, Karawiets, and Maguire (2013) mentioned in their study the United Arab Emirates has now been renowned as a hub for business and jobs. The country holds its state of being the point of attention of every second person is due to its financial and political stability. The major role has been played by the oil and gas industry. Today, the UAE is ranked among the top most oil and gas producing region of the world. The country generates a huge amount of revenue from the industry.

### 1.1. Aims and Objectives of the Study

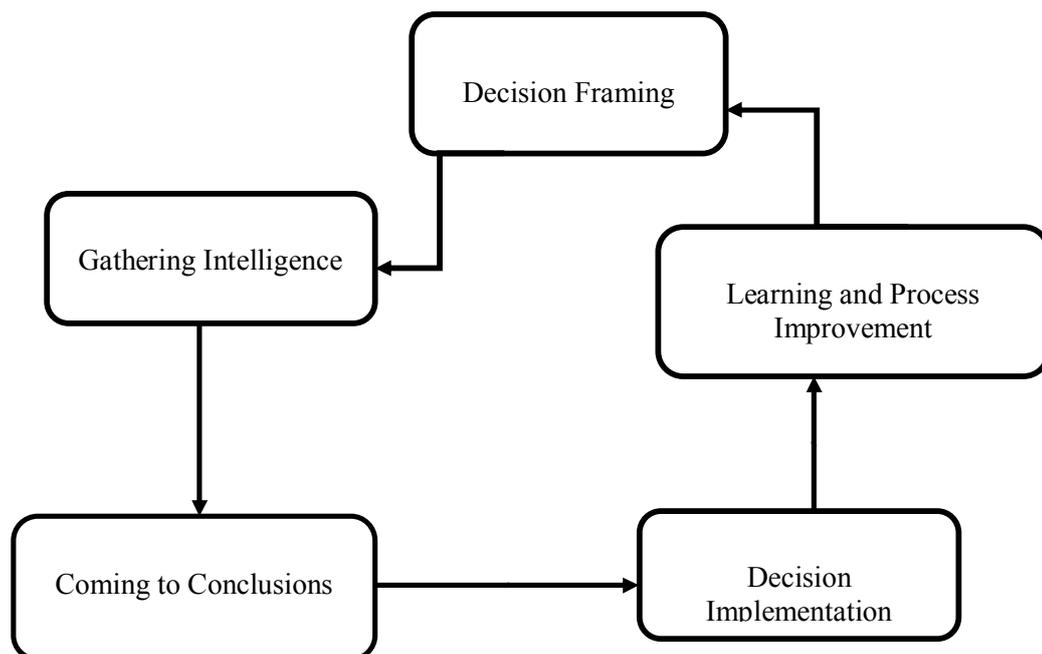
The aims of the study are to highlight the factors that have been influencing the managers of the UAE Oil/Gas industry for their strategic decision-making process which are formulated in the favour of the industry. The research objectives are

- To study the impact of the internal factors on the strategic decision-making process in the oil and gas industries of the United Arab Emirates
- To study the impact of the external factors on the strategic decision-making process in the oil and gas industries of the United Arab Emirates
- The significance of strategic decision-making on the Oil/Gas Industries of UAE

## 2. DISCUSSION

### 2.1. Strategic Decision-Making

Traditionally, the research on the strategy has mainly focused on the perspectives of the firm or the macro setups which included the structure, diversification, the institutional theory and the resource-based view. In the recent era, a new perspective has been evolved within the field of strategy which has brought the micro-level activities to the centre of consideration of the strategy practitioners (Johnson *et al.*, 2003). The field focuses on strategy as practice (S-as-P) and has the aim of understanding the detailed processes and practices which formulates the day-to-day activities of organisational life and which relate to strategic outcomes (Johnson *et al.*, 2003, p. 14). The effectiveness of a firm's strategic decisions is critically depended on the well-developed internal decision-making capabilities of an organisation (Elbanna & Child, 2007). It has been evident that the higher quality decisions are the resultant of the incorporation of a broad range of information into the decision-making process (Dalton *et al.*, 1998 and Miller *et al.*, 1998). The firms which are operating in complex competitive environments, it is recommended to opt for the decision processes which are based on a diversity of frames of reference for the identification of the important factors such as customer needs, availability of new market opportunities, operational best practices and competitive interactions. The competitive advantage can be created and sustained by knowing the knowledge diversity and by understanding the key role which knowledge-based resources can play. (Anand *et al.*, 2002 and Hambrick, 2007).



**Figure 1** Strategic Decision Making Process Representation

In accordance with the study of Nishimura (2016), strategic decision-making is the fundamental basis of any organisation. It is considered the utmost responsibility of the manager to carry out strategic decision-making whenever such situation arises. Strategic decision-making is about knowing and understanding the problems, thinking of the possible alternatives, then implementing it and then finally waiting for the outcomes it renders. It is quite necessary that a company should have an alternative decision that is designed strategically. It has been said that among the many decisions that a manager have to make for

the benefit of an organisation, strategic decision-making receives the top most importance. Lund (2014) emphasised that a manager should have the alternatives for fighting and facing against any of the odd or unusual situation. Many models are designed for the strategic decision-making policies. However, depending on the situations, circumstances also the type of organisation and the type of work an organisation does prove to be the major factors in deciding the appropriate strategic decision-making plan.

## 2.2. Oil and Gas Industries in the United Arab Emirates

The oil and gas industry is considered distinctive in a way that it has been associated with the financial community. Further, it has its impact on the economy of the country as in the case of United Arab Emirates, the oil and gas industry is considered the topmost source of earning foreign exchange. Concerning the importance that it holds, there needs to be a strict and regular scrutiny of the working and processing of the industry. There is an immense source of literature discussing the factors influencing the strategic decision-making in this regards. All sorts of factors that can influence the strategic decision-making should be considered with a keen vision (Shahbaz et al, 2014).

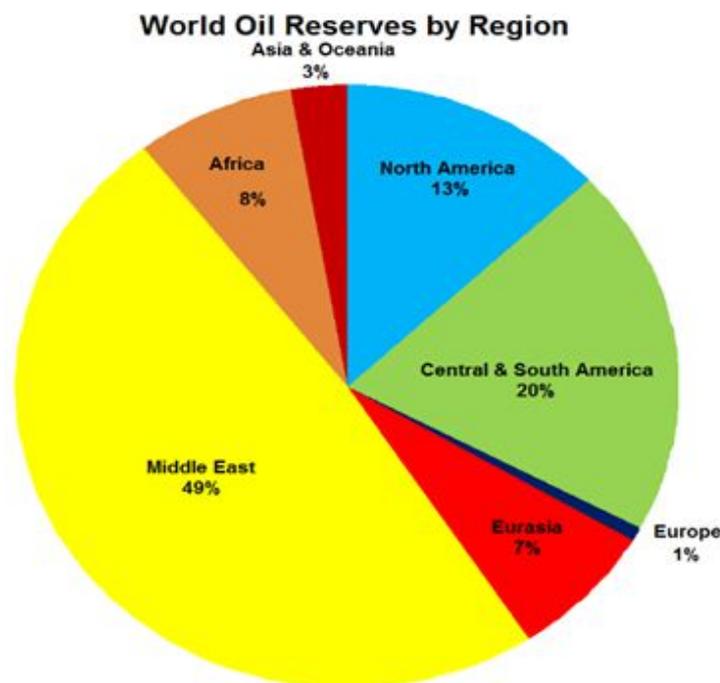


Figure 2 World Oil Revenues by Region

The UAE has been a ground of political stability and is one of the most reliable producers and exporters of crude oil in the world. The oil and gas industry significantly impact on the gross domestic product of the UAE. The production shale oil has been observed in the US and other parts of the world but the UAE and the Middle East will maintain its position of being the centre of the global oil supply. It is because of the expertise of UAE in offering low cost of the productions in the region and its expansion to the Asian economies.

Among the oil and natural gas reserves of the world, the UAE stands world's seventh largest proved reserves which are estimated as 215 trillion cubic feet which make up 97.8 million barrels. This makes 3.5 percent of the proven gas reserves and 4 percent of the world's oil reserves. There is a huge investment programme in Abu Dhabi which amounts more than 70 billion US dollars is continued as emirate's Supreme Petroleum Council (SPC).

By 2017, the target of 3.5 million barrels per day would be achieved by the Abu Dhabi National Oil Company (ADNOC). The largest estimated reserves of 50 billion barrels are operated by ADNOC and ExxonMobil and Jadco in partnership. It has been planned that the 14 billion US\$ will be invested for the increment of the production from the current production of 585,000 bpd to 750,000 bpd. After that, the investment will be made to increase the production to 1 million bpd by 2024. To meet the production target of 1.8 million bpd till the end of 2017, the Abu Dhabi Company for Onshore Oil Operations (ADCO) has planned to invest 5 billion US\$ more. For the ADCO onshore fields, ADNOC and Total have signed a 40 years concession agreement. The future of the Abu Dhabi major onshore can be determined by the SPC's decisions on the ADCO concession. It will also set the path for the reconstruction and the renewal of the offshore concession which is held by ADNOC's Adma-Opcos operating subsidiary. Adma-Opcos is, however, a joint venture signed between the ADNOC, Total, BP, and Jadco. A number of new entrants are also exploring the new fields for the oil and gas production like the Korean company KNOC. In 2012, the Abu Dhabi Crude Oil Pipeline was inaugurated which has the capacity of 1.5 million bpd. It was expected that this would be later expanded to 1.8 bpd. However, this is the first time that the crude is exported from a terminal which is outside the gulf. The gas production of Abu Dhabi has increased remarkably in recent years because of the major onshore and offshore projects.

### **2.3. Environmental Issues**

A substantial challenge to the global oil and gas industry is faced because of the environmental mitigation over the global warming. The industries are under pressure to find the solutions for cutting down the carbon emissions. The UAE is currently progressing for the solution by taking a number of initiatives. ADNOC is a partner of the UAE in a long-term plan which is based on developing a storage network and carbon capture in the UAE. It is based on the capturing of carbon dioxide emission from the industrial installations. It also includes the piping of gas to oil fields for its use in projects for the enhancement of the oil recovery. As a result, the carbon dioxide can be stored underground in the reservoirs. Carbon capture, usage and storage (CCUS) is a joint venture by ADNOC and MASDAR whose focus is on the exploration and the development of the commercial scale project for carbon capture. For the first CCUS project of the joint venture, the carbon dioxide will be captured onsite at the Emirates steel. It will then be compressed, following the transportation and injection into the fields which are operated by ADNOC. 800,000 tonnes of carbon dioxide is expected to be sequestered annually.

### **2.4. Downstream**

IPIC and ADNOC's oil refining company called as Takreer had been working for several years in the downstream petroleum sector. In the existing refinery, Takreer has been able to add 417,000 bpd of new processing capacity. It has been estimated that the chemical products of worth 11 billion US\$ chemical products which include the fertilisers and plastic. As a result of the Shah project, Abu Dhabi will be among the leading regional exporter of Sulphur. The sulphur would be transported by a major federal infrastructure railway project which is under development. The sulphur holds its importance in the making of fertilisers, sulphuric acid, and sulphur.

### **2.5. Dubai**

Dubai Supreme Council of Energy is the body which holds the position of being the highest planning authority and energy policy. It deals with the effective planning for the stability of the energy sector of Dubai whose primary focus has been the sustainability of the energy. The oil reserves of Dubai are 4 billion barrels which have dramatically fallen in the recent years.

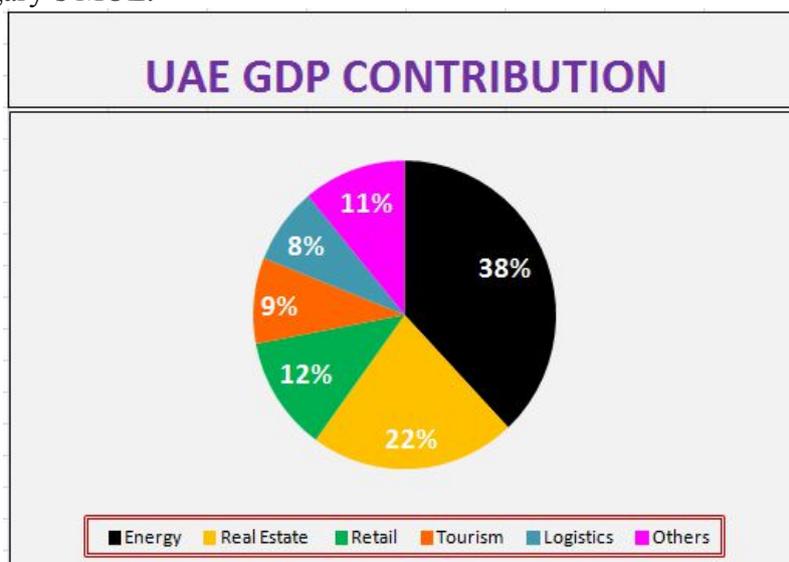
Ultimately, the oil exporting state has to import the petroleum requirements, which was actually a setback. Nonetheless, 'Al-Jalila' is new offshore oil field which has initiated its production in 2016. This project will increase the production of crude oil in Dubai notably. The consumption of gas in Dubai is more than the production of gas in the state. It has to import gas to fulfil the needs of the citizens. It has been importing the gas from the Dolphin Energy and LNG under a contract with Qatar Petroleum and Shell. Nevertheless, Dubai has always been associated with the petroleum sector with the position of being a hub for the oil trading purposes and energy services. A large part of the UAE's trade in the refined petroleum products is being handled by the port of Jebel Ali. Emirate National Oil Company (ENOC) is a government-owned unit is constructing a new 142 million US\$ oil storage terminal at Jebel Ali. This project is based on a pipeline of 60 kilometre which is associated with the supply of the jet fuel to the new Al Maktoum International Airport of Dubai. The terminal will be receiving the supplies of the 120,000 bpd Jebel Ali condensate refinery by ENOC which will be processing the feedstock which has been imported from Abu Dhabi and Qatar. Also, the marine tankers which have been called at the jetties of the new facilities are processed.

## 2.6. Other Emirates

The other four emirates of the UAE have also got a little amount of the oil and gas production. The interest in the hydrocarbons on the commercial basis has been operated by the government-owned Sharjah National Oil Company. It also believes in investing in the firms and facilitation in the oil and gas sector. The Crescent Petroleum is a private company located in Sharjah which helps in the production of oil served till 2009 when it estimated that the field which used to be productive has now been useless. Dana and Emarat is a Dubai marketer of the petroleum products. It has signed a joint venture of a common-user gas pipeline between Sharjah and Ajman for the purpose of serving the customers of Sharjah. The Sharjah-based Dana Gas and Crescent Petroleum has developed the offshore Zorah gas field which is located in waters and shared between Ajman and Sharjah. Its production is almost 50 million to 60 million scf/d. The onshore area of the emirate is covered by the Crescent and the Russian state-controlled Rosneft. They intend to explore Sharjah for gas and the company exclaims that there is an indication of the significant potential recoverable volumes according to the exploratory work done till date. RAK Petroleum, a private-sector Ra's al-Khaimah company holds the international operations. The company shows its interests in the oil and gas concessions located in its home emirate and Sharjah. It produces almost 35 million scf/d of gas from two fields in the Oman's territorial water and this is the place from where the gas for the UAE emirate is sourced. Fujairah is considered to be boosting one of the largest bunkering ports of the world which are the port of Fujairah. It doesn't produce oil and gas but has been handling millions of marine transportation fuels and the oil products. Fujairah is undergoing a rapid expansion along with the completion of the development of the strategic crude oil pipeline which starts from Abu Dhabi. Fujairah is also associated with the development of the UAE's second largest refinery and the storage and building facilities are also developed by the company. Another Sharjah-based company, Gulf Petrochem is a private company which has commissioned a storage terminal for oil products at Fujairah which has the capacity of the 412,000 cubic metres. Fujairah oil storage facility has been expanded by 600,000 cubic metres to 2.1 million cubic metres by the Vopak Horizon Fujairah. Among many of the plans at Fujairah, a plan is for one of the largest LNG regasification plants. Not only this, the power and water development in the emirate region and the existing local industry has been facilitated by the gas imports through the Dolphin Energy pipeline which links Qatar and the UAE.

## 2.7. International Development

A number of public and private sector companies who intend to pursue their energy development internationally have been raised just as the oil and gas sector of the UAE has developed sophistication. The government controlled entities, namely, Mubadala Development, IPIC, and the National Energy Company or TAQA are the main bodies in Abu Dhabi. The enhanced oil recovery projects in Oman and Bahrain is controlled by the Mubadala. It has also been associated with the gas production in Thailand and Indonesia. The Mubadala is a controlling stakeholder of the Dolphin Energy. It has announced that their Manora field in Thailand has initiated the oil production. The Mubadala also deals with the production and condensation of gas in Qatar and sends up to 2 billion cubic feet per day to the UAE and Oman. TAQA has been operating across four continents and covers 11 countries. Most of the oil production of TAQA is from the UK North Sea however, the gas production is mostly associated with the Dutch North Sea and Western Canada. The TAQA has also been associated with the production platforms, pipelines, and gas storage facilities. It has also got the power generation assets internationally and domestically. IPIC is functioning in North America, Europe, and Asia with a wide portfolio of oil and petrochemicals. It has been running its projects across the globe and is involved in 18 companies. The Dubai Government's ENOC has got its interest in the Dragon Oil. Al-Thani is associated for the exploration with the oil and gas which is a private-sector Dubai Company. A gas joint venture has been signed between Crescent Petroleum and Dana in Iraqi Kurdistan with junior partners OMV and Hungary's MOL.



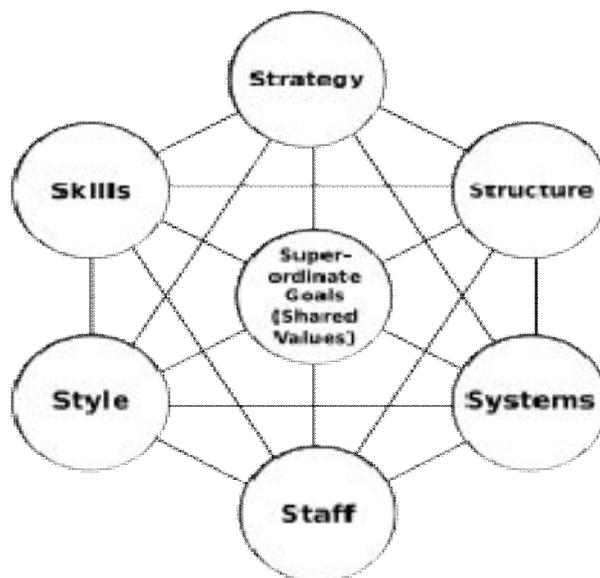
**Figure 3** The UAE GDP Composition

The oil and gas industry in the United Arab Emirates forms the backbone of the economy and the policy in this area on the optimal utilization of sustainable oil and gas in order to preserve its share of the successive generations. A devoted group, Abu Dhabi National Oil would be having around AED 260 billion investment in oil, gas and petrochemical sectors over the next ten years to carry out a range of development projects for the increment of oil production to 5.3 million barrels per day by 2017 from 5.2 million bpd. It is also expected to increase its production of natural gas to 5.7 billion cubic feet of 6 billion currently. It let the UAE stand third in oil reserves in the world, and up to 98 billion barrels, as is the fifth state in the natural gas production and reserves about 6 trillion cubic feet oil. It is fully committed to the UAE for the production levels specified by the Organisation of Petroleum Exporting Countries (OPEC) to the Member States to maintain an adequate supply of oil markets and

price stability. The Abu Dhabi National Oil Company, which was founded with the Union in 1971, is among the top ten firms producing oil and gas in the world.

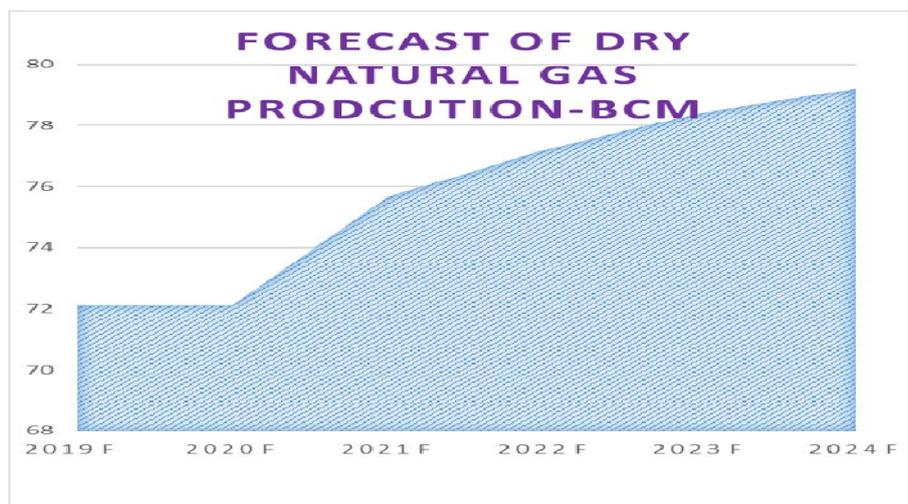
The discovery of oil in UAE was considered advantageous to its citizens in the early 1970s. With this discovery, a number of projects draw their attention towards the UAE as one of the most developed nations in the world. The economic growth of the United Arab Emirates has met the skies after the UAE has got the potential in the increment of the oil and gas production and the attraction of millions of investments. The increase in the oil and gas production not only was enough to meet the local demands but also there was an export of higher values which ultimately rose the economic growth of almost all sectors of the UAE (Gerald Butt). The federation of emirates had proven oil reserves estimated at 97.8 billion barrels in 2012, equals to nearly 10% of the world total as reported in Energy Information administration. In 2012, the UAE possessed the world's sixth largest natural gas reserves as per the report, "International Energy Agency". *Iea.org*. N.p., 2016. Web.

The economic success of UAE has been framed for the past many years and its experience through these years enabled the country to restore the condition of the stable investment climate in midst of the reduction in global oil price. Many countries have turned to be self-sustainable in oil production which has said to be the major cause for a large amount of spare supply of oil in UAE. Moreover, the invention of renewable sources of energy and its effective replacement with that of oil altogether has made the price to fall according to latest news reports. Strategic decisions which are based on the proper study of the organisation help the organisation in problem-solving and to meet all the challenges. It helps in observing the obstacles which facilitates in finding solutions enabling the organisation to face the difficult challenging situations.



**Figure 4** Organisational Goals

Under some conditions, the decreased revenue proves to be a driving force for UAE oil market. In the future success of the UAE's oil and gas industry will be earning greater revenue from the non-hydrocarbon resources like shale gas. This will assist in the production, refining enhancements, and transportation in oil and gas sector.



**Figure 5** Industry Research & Data | Emerging Markets Analysis | BMI Research (*miresearch.com*. N.p-2016 Web)

It is not anticipated for any drastic change of natural gas reserves in a short term, however, the longer-term trends had been forecasted which is represented in the above graph. ADNOC is developing the Shah sour gas field with the help of US independent Occidental Petroleum.

## 2.8. Types of Strategic Decision-Making

Strategic decision making (SDM) can be explained as the “processes involved in choosing a firm’s strategy”. It has been the focus of the management researchers and the practitioners. There are two perspectives of the decision-making process. One is called as the normative perspective and the other one is called as the prescriptive perspective. These both perspectives have been found successful in the decision making, nonetheless, the decisions made under the influence of any of the perspective is entirely different. From these perspectives, the SDM is referred to as a linearly sequential and an orderly process which holds the position of being universal. In accordance with these, the company’s goals are kept at the top. The strategic decisions are made for the accomplishment of these goals by considering the threats and opportunities offered by the environment, by the generation and evaluation of the alternatives of the strategy and by choosing the goals which can maximise the alternative goals of the organisations. Along with that, there have been a number of analysis techniques and the management accounting techniques which aids the managers in the activities which are obliged to be performed by them. However, these perspectives hold the theoretical approach. It has been effective in explaining the decision-making process but it lacks in providing the explanation of the reasons of decision-making and the causes of them being successful.

Both of the SDM theories fails to explain the reasons behind the effectiveness of the decision making which are essential for the managers and the owners who want to improve and modify the managerial work and performance of their company under the specific situations and their peculiar and distinguishing decision-making practices. The four considerations are needed to be followed for the better understanding of the SDM. At first, there is comprehensive decision-making which includes the consideration of all the factors which are relevant to the decisions, the identification of all the alternative actions, and the keen evaluation of the formulated alternatives to be effective against a specific criterion. It has been evident that the comprehensive examination of the decision issue and its proper and keen development and the estimation of the formulated strategic alternatives before choosing it for the implementation improvise the effective decision-making process.

The organisational and individual activities are the second consideration in the decision-making process. The activities like information collection, analysis and evaluation form a process dimension which helps in the accomplishment of the comprehensive decision-making process. The political behaviour refers to one of the process dimensions which effects on the social process of the organisational participants to follow their personal interest first. The intuitive synthesis is also considered among the process dimensions of the decision-making practices. The third factor in the decision-making process is the environmental factors. The companies interact with the environment in two ways. At one end, the strategic decision-making processes are resultant of the environmental changes and are formulated for the compensation which includes the change in the targeted markets, products or the performance of the entrepreneurial actions. However, at the other end, the environmental factors have been considered to be influencing the decision-making process and its effectiveness. These include the environmental turbulence, environmental hostility and the environmental uncertainty.

The fourth factor needs to be considered during the decision-making is the combination of the organisational level processes and the individual level processes. The individual decision-makers are more likely to receive a tremendous amount of information from multiple sources which include the internal organisational information and the external environmental information. Nonetheless, they cannot use each and every bit of that information and have to skip some part of it during the decision-making process. The individual decision-making is affected by the idiosyncrasies and therefore the organisational strategic decision-making should have its influence on these individual and peculiar practices.

Hill, Jones, and Schilling (2014) mentioned that from the literature, it has been found out that the strategic decision-making is generally categorised into two categories. The first one is programmed and the second one is non-programmed. The programmed decisions are the on-going decisions that are taken by the managers to run the operations in the same flow to obtain the same level of performance and the same amount of the product yield. It also refers to maintaining the same relations among the employees. However, the non-programmed decisions are those that are taken under the unusual, difficult or unforeseen situations by the manager. They then try their best to take out the possible outcomes to get out of the problematic situations so that the industry or company stays at the same position.

## **2.9. Factors Affecting Strategic Decision-Making**

Somsuk and Laosirihongthong (2014) observed that there are many factors which effects on the strategic decision-making processes. It has been found out, with the help of literature review, that the aspects, which can be having their influence on the decision-making process, are the decision-specific making characteristics, the characteristics of the management team, internal organisational characteristics, and external environmental characteristics. Among them, the most studied factors are considered the internal organisational characteristics and external environmental characteristics. However, Smith (2014) pointed out that the decision-specific characteristics and the characteristics of the environment are significant too. It has been concluded by the studies that the strategic decision-making performs a distinctive role in the oil and gas industries. The manager's decision nonetheless depends on his experience and knowledge too.

### **2.9.1. The Decision-Specific Characteristics**

According to Dunning (2014), the characteristic of nature of the decision that has to be made is referred as the decision-specific characteristics. The decisions to be made are sometimes the very risky and sometimes, they are the rare ones. The managers then face a challenge in planning the strategy for it. It has also been found out that few of the decisions are considered

as a threat and few of them are considered as an opportunity. The familiarity or knowingness of the decision also has effects the decision-making. The complexity of the decision and the impact it would be having on the organisation are also the points that are to be noticed in affecting the strategic decision-making processes.

### ***2.9.2. The Management Team's Characteristics***

Colbert, Barrick, and Bradley (2014) claimed that the characteristics of the top management team include many factors that have been observed in influencing the strategic decision-making. Few of them are discussed in the context. The age of the managers has been observed shaping the strategic decision-making practices. It has been concluded that the aged managers and officials are less likely to take risky decisions and prefer to go with the flow. However, Tallon (2014) states the young managers take risks and adopt innovative new methods for the situation. It has also been stated that the aged managers based on their experience decide more promptly. Another factor enlisted is the risk propensity of the managers. There has been a mixed review about the measures of risk propensity of the managers.

The estimations of the risk can be useful in the strategic decision planning whereas, the propensity of the risk can be a completely wrong practice. Same is the case with the consensus, in the view of some researchers, the consensus proves to be positively impacting its role on the manager's efficacy and performance while on the other hand, it has been observed that the consensus effects negatively on the performance of the team which ultimately results in a company to face loss. The experience of the managers has been seemed to positively transforming the programmed strategic decision-making and is considered more reliable. Nevertheless, it has also been argued that the innovative and non-programmed strategic decision-making is highly influenced by the experience of the managers as they are not more likely to try any of the new technique or tactics for the decision-making process.

### ***2.9.3. The Internal Organisational Characteristics***

Besharove and Smith (2014) asserted that the managers are the right person to be asked for the strategic decision-making and therefore, they have a huge responsibility at their end to opt for a right and productive decision-making which would result in favour of the industry. Under such conditions, a manager has to seek for the internal capacities, capabilities, and abilities. Only then can a decision be implemented into the action. It has been observed that the internal characteristics of the organisation have a higher influence on shaping the strategic decisions. The size of the organisation has an impression on decision-making and it cannot be denied. Shepherd and Rudd (2014) found that the small firms cannot stand with the plans and formulations that are relevant to the larger firms. The strategic decision planning needs to be relevant to the size of the firms considering the manpower, resources, and revenue. The strategic decision-making is influenced by the structure of the organisation, industry or company. The motives and objectives of an organisation are followed in a way to accomplish the goals and targets of the industry. This practice refers to the structure of an organisation. The decision-making by the managers is dependent on the structure of the organisation and the matter cannot be overlooked.

According to Drucker (2014), as the objective of an industry is the foremost thing to be catered, therefore, the strategic decision-making is to be in accordance with the structure. The optimum performance of the organisation is a source of earning revenues and foreign exchange. The evaluation of the performance has been preferred in every organisation in order to meet the buyers' demand. The strategic decision planning also ought to be in accordance with the performance of the organisation. It has been studied that the decision makers sought for the decisions that can be catered and handled by the workers without

harming their performance. The manpower of an organisation is considered the foundation of an organisation. Cornelissen (2014) claims a firm can be nothing without the manpower.

Even the best organisation can be a big flop if there are not enough employees and workers for the work to be performed. The decision makers have responsibility; therefore, take care of the fact while formulating a decision. Kerzner (2014) points out in his study that the decisions should be formed according to the availability of the manpower in the industry. The availability of the resources is of the major influencing internal factors of an organisation. The plans and decisions can only be implemented when there are enough resources in an organisation. Even, the performance rates and the product yield are also dependent on the availability of the resources. According to the Habjan, Andriopoulos, and Gotsi (2014), the resources play a vital role based on which the managers can formulate decisions. Similarly, the availability of the revenues plays a pivotal role in the decision-making of the managers.

Rice (2013) argues that the revenues are a source of encouragement to the organisations and can provide an ease in the decision-making of the organisations. The human resource department has been studied in leaving an impression in the strategic decision-making. As the human resource management department play its part in the formulation of the organisational decisions, simultaneously it has been noticed imparting its role in the strategic decision-making process as well. Knowles, Holton, and Swanson (2014) discussed in their study that the strategic decision-making is the area of focus of the managers in an industry and the managers are the decision makers of an organisation. Their effectiveness and leadership styles hold a great deal of importance, as they are the backbone of the decision-making. The decision-makers should have an insight of the industry and they need to be efficient enough to formulate the decisions and plans in accordance and with relevance to the industry and organisation. Also, there should be an appropriate leadership style for entertaining the employees in the best possible way.

#### ***2.9.4. The External Environmental Characteristics***

According to the study of Huizingh (2011), the external environment has an influence on the formulation strategic decision of the managers in an organisation. The external environmental factors include the governmental obligation, the market in which the business is prevailing and the customers. The decision-making is majorly influenced by the environment. The strategic decisions must have the ability to cope with the unstable environment and market and to excel in the stable market as well. The external environment is dynamic and the plans and the decision previously going on can sometimes prove to be ineffective. Therefore, the decision-makers should keep the extent of the dynamic market and environment in mind while formulating the plans and strategies that can bless the organisation with a same run and effectiveness round the clock. Robert, Shepherd, and Sharfman (2011) claimed that the environmental threat or opportunity is one of the major issues to be concerned about.

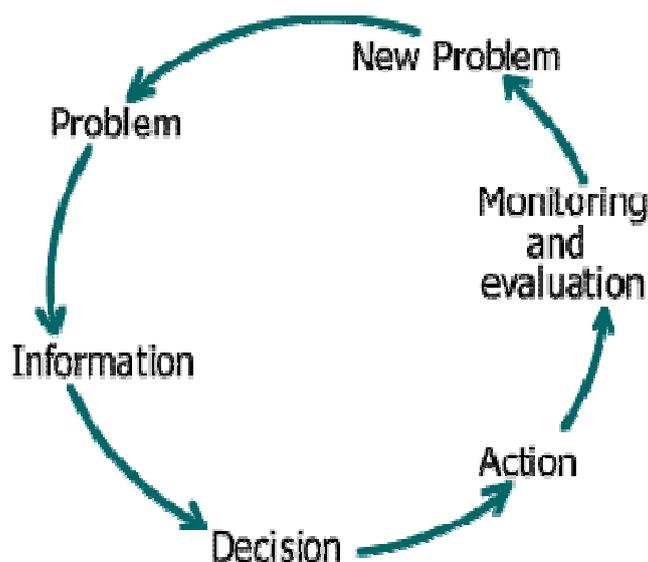
The strategic decision-making is greatly impacted by the feel of threat or opportunity from the environment. It has been observed that the managers seem excited or frightened by observing the environment, which leaves the footprints on the decision-making. Nonetheless, in this scenario, the best policy is being neutral. The environmental heterogeneity is seemed to be imparting the effects on the strategic formulation of decision. The difference of the productions and processes from the markets in an organisation can lead to a burden and even a loss.

The strategic decision-making is therefore influenced by the heterogeneity in the environment and is focused to be made in filling fill the gaps. The environmental factors influencing the strategic decision-making include the bureaucracy. There has been a great interference of the bureaucratic system in the financial world of the recent times. Similarly,

Kor and Mesko (2013) stated that the practice lies in the oil and gas industry too. This factor influences the strategic decision-making and the managers have to harness their belts in accordance with the system. The most proficient factor affecting in the strategic decision formulation of the managers is the governmental interference. An industry and organisation have to follow all of the governmental legislations and obligations and there is no escape from it. Sometimes, it has also been noticed that the industry or a company has to make changes at a large scale within an organisation or industry to cater the criteria of the government. The criteria are of much importance for the industries, companies, and organisations that enjoy an international business. The governmental actions in regards to the oil and gas company have to be strictly followed and obeyed.

### 2.9.5. The Strategic Decision-Making Models

Few of the proposed strategic decision-making models can be used according to the strategies and current scenarios of the company. The strategic decision-making models present are the rational or classical model, the political model, and the organisational model. The managers are seemed to be using these models in terms of making strategic decisions for the oil and gas industry (Stegmueller, 2013). In the case of oil and gas industry in the United Arab Emirates, the above-mentioned factors are observed to be the influencing factors. The managers have been focusing their attention and directions towards the improvisation and revisions of these dimensions in order to make their industries sustainable and earn foreign exchange.



**Figure 6** Strategic Decision-Making Cycle

Cooper (1979) has discussed the necessity of the authentic and complete information which is essential for the decision-making practices. The relevant and true information can be related to each stage of the formulation of the strategic decisions. The relevant information leads towards the next step and hence, there needs to be an understanding to be prevailed about the steps, activities, and the knowledge needed for the analytical strength which is required for the business model of the strategic decision-making (Knott, 2006).

The linguistic legitimacy of various business model frameworks which have been proposed by management scholars for the identification of the framework which is most preferred by organisational members should be further investigated. Further attention of the management practitioners is required for the observation of the effectiveness of various representational modes of the business models. (Worren et al., 2002). The investigation of the relevance and effectiveness of the business model framework is also needed for procedural

## Varied Dimensions Impacting Strategic Decision Making Process in Oil and Gas Industries of UAE-A Study

strategizing practices. This can be done by a close cooperation and healthy relationship between the management practitioners and the scholars. The decision-making process which exists in the sample organisations can be observed as 'strategic decision-making models'. These models are:

(i) Adaptive Planning Model (APM) (ii) Systemic Bureaucracy Model (SBM) (iii) Managerial Autocracy Model (MAM) (iv) Political Expediency Model (PEM).

The models have their own individuality and differ in terms of the number, level, and the roles of the decision makers, the role of the organisational learning systems, the solution development activity, and the influences of the environment. The agent for the primary decision-making is supposed to be a key manager in the Managerial Autocracy Model. The actions and preferences of the managers are the factors around which the decision process revolves.

Very few p-s sets could be generated because there was a critical adoption of the manager's problem perceptions were by fellow members. A few people participated in solution development by providing financial and technical information solicited by the key manager. To improve the organisational efficiency through computerisation was the main motivation of the decision maker. They used judgmental evaluation procedures, personal intuitive, and very few management systems were used for the evaluation of the alternatives. The key manager has to make the choice of final solutions who is equally responsible for its implementation. The needs of the key decision maker were catered by the organisational learning systems. The MAM's and the SBM model had many contrasting characteristics and were different.

The organisational systems and official rules and regulations are largely determined by the information flows, activities, and interactions which constituted the strategic decision-making practices is termed as the Systemic Bureaucracy Model. There were multiple p-s sets which were obtained and these were documented officially during the phase of problem familiarization. These were

**Table 1** Summary of Strategic Decision-Making Models

<b>Model Characteristics</b>	<b>Managerial Autocracy Model (MAM)</b>	<b>Systemic Bureaucracy Model (SBM)</b>	<b>Adaptive Planning Model (APM)</b>	<b>Political Expediency Model (PEM)</b>
Decision Making Process	Problem Solution sets are generated but in restricted number	Proliferation of problem solution sets which were generated in different parts of the organisation	Not much effective	Not much effective
Problem familiarization	From the beginning, apparent dominance of one problem solution set	Procedures for disseminating and communicating problem solutions et are well developed	Almost non-existent	Multiple problem solutions set are generated
Development of solution	The participation in problem solving and solution development was limited	Problem solving procedure is pre-defined.	Modification of plans in order to keep in pace with the change in conditions.	Solution development is influenced by management
Aim of decision-making	Improvisation of the efficiency of the organisation	Satisfaction of the procedural rationality	To fulfil the organisational plans	Mainly to satisfy vested interest
Roles of Management	Highly personalized decision making procedure	Activities are strictly guided by bureaucratic system of learning	Strategic planning systems are used	Personal knowledge of members are extensively used
Environmental influences on decision making	Restricted communication with environmental agencies	Place very active role in the solution development	Negotiation with environmental agencies	Environmental agents are co-opted to join coalitions

### **3. METHODOLOGY**

This study research is based on the collection of primary and secondary data. This include collection of required information from Senior managers of UAE Oil/Gas industries and qualified secondary sources such as e-books, peer-reviewed journals, government reports, case studies and newspaper and magazine articles.

### **4. FINDINGS**

According to Almahmoud (2015), the oil and gas industries of the UAE have been proven the core element of the economy of the UAE. The state earns a huge amount of foreign exchange from the import of the oil and gas. The strategic decision-making is one of the basic areas to be focused on for the organisations. However, there are certain factors that have their influence on the strategic decision-making in an organisation. It has been extracted from the researches carried out that influencing factors of the organisation are the decision-specific characteristics, the characteristics of a management team, internal characteristics of the organisations and the external environment. A manager formulates a plan or decision by keeping all these factors in concern.

It is necessary to have an insight on the factors, which have an influence on the strategic decision-making. It has been observed that the nature, complexity, risk and familiarity of the decisions are counted among the decision-specific characteristics. The age, risk propensity and the experience of the managers are considered among the characteristics of the management. The internal factors of an organisation are found to be having a great influence on the strategic decision-making practices. Bromber, Karawiets, and Maguire (2013) observed that the performance, size, slack, power and structure of the industry, the availability of the resources, the availability of the revenues and the manpower are the factors that have their impact on the strategic decision-making in an organisation. The internal characteristics are not the only one rather the external environment also have an impression on the formulation of strategic decisions of the managers. The external environment includes the dynamics of the environment, the chances of the environment to be a threat or opportunity to the industry, the interference of the bureaucracy and the obligations of the governmental orders and laws. It has been studied that there is a great deal of impact and influence of these factors on the strategy decision-making practices and intentions of the managers for an organisation. An enormous amount of work has been focused towards these varied dimensions for the betterment and stability of the industry and for the ease in the strategic decision-making practices. It has also been studied that the efficient and appropriate strategic decision-making models are adopted by the managers for the formulation and finalising of the decisions. Some of the managers have also been noticed to carry out the financial analysis and resource-based analysis of the organisation before formulating the final decision.

### **5. CONCLUSION**

The strategic decision-making is the most vital and important duties of the managers working in UAE Oil/Gas related industries. They have to take decisions based on the current position of the company and the on-going scenarios of the market. A number of factors effect on the decision-making practices including the decision-specific characteristics, the management team's characteristics, the internal organisational characteristics and the external environmental characteristics. The oil and gas industry of the UAE is highly contributing towards the stable economy of the country and it earns a handsome amount of foreign exchange too. Therefore, the managers need to improvise and revise the varied dimensions that have their effects on the strategic decision-making. It has been concluded that by selecting the appropriate strategic decision-making model and knowing the internal and

external factors which have impression on the strategic decision-making process, the operational efficiency can be further enhanced.

## 6. RECOMMENDATIONS

It is recommended to consider the varied dimensions of the strategy which impact the decision making process including the internal and external factors, decision-specific characteristics and the management characteristics while adopting strategies to improve the business performance of the organization. The efficient strategic decision-making models should be adopted before finalising the strategic decision-making. These factors are needed to be considered as they have their effects on the organisation both positively and negatively. Nonetheless, in such competitive commercial market, the industry cannot flourish until all these factors are catered and handled. It is quite necessary to first identify the factors and then make optimum decisions for the improvement and betterment of the industry with respect to the national and international level. Therefore, an insight should be made on the management, internal factors, and external environments before the decision-making by the managers. It is a very heavy and a huge responsibility of the managers. They should first attain the information, then brainstorm it for the possible solutions, formulate a strategic plan and then predict its outcomes after the implementation. Considering the effective decision-making strategy and having knowledge of all the factors, which have their influence on the decision-making will render a company in avoiding the adverse effects, the economic loss and the risk of being defamed in the market. The company, industry, and organisation can then make the programmed and non-programmed strategies as well. As the oil and gas industry in the United Arab Emirates is one of the fundamental areas which have huge impacts on the economy of the country, therefore, this area cannot be neglected.

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