MANAGING CHANGE IN NIGERIA NATIONAL PETROLEUM COMPANY: STAKEHOLDERS' CONCERNS, CHALLENGES AND THE WAY FORWARD

https://doi.org/10.47743/jopafl-2023-28-10

Ejiro EJOH
Department of Business Administration
Novena University Ogume, Delta State, Nigeria
ejohejiro15@gmail.com

Patrick A. OMOILE
Department of Business Administration
Novena University Ogume, Delta State, Nigeria

Abstract: The enactment of the Petroleum Industry Act (PIA) 2021 by the Federal Government of Nigeria marks the culmination of a 20-year effort to reform the oil and gas sector, creating a conducive environment for growth and addressing community grievances. This study utilizes a change management approach, employing a portfolio management framework to assess the preparedness of the Nigeria National Petroleum Company (NNPC) and industry stakeholders for implementing the Act's stringent timeline. Drawing on chaos theory and complex systems theory, the research examines the challenges of change management in the oil and gas industry, considering cultural differences, miscommunications, and coordination issues among multinational players. The study emphasizes the importance of cultural, historical, and leadership factors, along with policies, processes, accountability hierarchy, change agenda, human resources, and technological integration in assessing change readiness and preparedness. The findings reveal that stakeholders and other predictors hinder favorable change execution, emphasizing the significance of change management in assessing readiness. Additionally, the study highlights the need for deep reform in the NNPC and the potential benefits of privatization, with a commerce-oriented board and direct public ownership. Recognizing the interdependencies within the petroleum industry, the research underscores the importance of identifying and integrating systems in the change plan. By contributing to the understanding of how PIA implementation affects industry players' willingness to change, this study offers implications for oil and gas firm managers and policymakers to enhance change management preparedness. This study recommends transparency, accountability, and a business model that benefits the country, thereby repositioning the new NNPC into a new style and philosophy, akin to successful entities like Saudi Arabia's Aramco and Brazil's Petrobras.

Introduction

This paper focuses on the study of Managing Change in the Newly Incorporated NNPC Limited: Stakeholders' Concerns, Challenges, and Moving Ahead to enhance effective knowledge management processes. The research addresses several key research questions, including stakeholders' fears, concerns, challenges, and apprehensions regarding the way forward for the newly incorporated NNPC. It also explores how these changes can improve the operational efficiency of NNPC and examines the initiation of knowledge management processes within the organization. Furthermore, the study aims to bridge the gap in knowledge management practices in Nigeria through research in this field. The Nigerian Government signed the Petroleum Industry Act (PIA) into law on August 16,
2021, marking the end of a 20-year effort to reform the oil and gas sector. The reform aims to create a conducive environment for growth and address the grievances faced by communities impacted by extractive industries. Over the past two decades, the petroleum industry has undergone significant changes both domestically and globally, with the emergence of more indigenous players in Nigeria. While militancy has declined since the amnesty program, climate change concerns have increased, leading to divestment by major industry players such as Royal Dutch Shell. The PIA reflects Nigeria's recognition of the changing environment. The oil and gas sector has been the country's primary foreign exchange earner, accounting for approximately 95% of foreign exchange earnings and 80% of budget revenues. The PIA provides a legal, governance, regulatory, and fiscal framework for the Nigerian petroleum industry, including the development of host communities.

This study also examines the change that was brought about by the legislation in the industry and how the newly incorporated Nigerian National Petroleum Corporation (NNPC) Limited will manage the transition from a government-controlled company to a private company registered under the Company and Allied Matter Act of 2020. It explores the extent to which the PIA will meet Nigeria's aspirations and the measures put in place to manage the change. Assessing the legacy organization's readiness to change within the petroleum industry has received little attention. Therefore, this two-part study series adopts change management concepts and principles to evaluate and understand NNPC's preparedness for change from a projectized organization perspective. Additionally, this study investigates the history, current strategies, and future prospects of the Nigerian National Petroleum Corporation (NNPC). The corporation's role has included managing Nigeria's interests in the oil and gas industry, influencing industry policy, performing regulatory functions, and driving the country's economic, technological, and industrial development through the development of endogenous capacities and self-reliance in upstream and downstream operations. The mission of NNPC is to drive Nigeria's economic and technical advancement by leveraging the country's valuable petroleum resources.

**Objectives of the study**

To identify barriers and facilitators that impact the successful implementation of change in NNPC Limited.

To assess the current change management practices and strategies implemented in NNPC Limited.

To identify stakeholders' perceptions and concerns related to change management in the newly incorporated NNPC Limited.

To explore the Apprehensions Surrounding the Newly Incorporated NNPC Limited, challenges and relevance.

To propose recommendations for effective change management in NNPC Limited.

**Conceptual Review**

The following concepts will be examined as they relate to this study:

*Change Management*

Change management involves aligning portfolio activities (programs and projects) with the organization's strategy and transitioning portfolio results into operations to achieve
strategic business benefits. A project requires a well-defined start date and boundaries, including a statement of work that describes the project's deliverables and their relationship to the business need. The scope of a project extends beyond typical boundaries and includes initiation activities before project chartering and transition activities to successfully deliver and sustain the change. These activities encompass change formulation, planning, product support, service management, change management, user engagement, and customer support, extending beyond traditional project scope. The objectives range from dynamically evaluating the initiative's benefits to realigning project activities and integrating them into the business to add value and sustain competitive advantage. The change process spans all levels of a business, from strategic objectives aligned with organizational strategy to evaluating actual performance. Portfolios begin with formulating and planning the change, and change implementation produces tangible business deliverables (products, services, and results) that are transitioned into the organization's operations to generate benefits and add value to the business.

Change Transition Process

The process of change is measurable and quantifiable. Olson, & Simerson, (2015), Leading with strategic thinking: It is essential for organizations to adopt tested strategies for managing corporate change effectively. Stakeholder involvement at different stages of the change life cycle is crucial for making informed project decisions, Hill, (2007). During implementation, activities mainly focus on component oversight and integration. At the end of the complete cycle, when the program concludes, activities cease. However, a continuous activity level may be maintained to ensure the transition to business-as-usual and the successful integration of the change. The implementation timeline for transitioning from government-owned entities to private-driven companies in the petroleum industry was initially set at one.

Changes in the New NNPC Limited

In the cause of this study, the following changes were observed; NNPC Limited has transformed into a fully-fledged limited liability (commercial) company. While the Federal Government initially subscribed to the entire share capital of 200 billion Naira, there are plans to divest a significant portion of the government's interest through an IPO soon. Within 18 months from the incorporation of NNPC Limited, the Ministers of Petroleum and Finance will determine which assets, interests, and liabilities of NNPC will be transferred to NNPC Limited or its subsidiaries. NNPC Limited will establish a board that will fulfill its responsibilities by the provisions of the PIA (Petroleum Industry Act), the Companies and Allied Matters Act, and the articles of association of NNPC Limited. The board of NNPC Limited will be appointed by the President and will consist of:

A non-executive chairman
The Chief Executive of NNPC Limited
The Chief Financial Officer of NNPC Limited
A representative from the Ministry of Petroleum, holding the rank of director or higher
A representative from the Ministry of Finance, holding the rank of director or higher
Six non-executive members, one from each geopolitical zone, with a minimum of 15 years of post-qualification experience in the petroleum sector or other relevant sectors of the economy.

As a commercial entity, NNPC Limited will publish annual reports and audited accounts, distribute dividends to its shareholders, and pay taxes to relevant government agencies. NNPC Limited will raise funds independently through various corporate strategies, including partnerships and joint venture arrangements, to support its operations.

Unlike in the past, the new NNPC Limited, as a commercial entity, will no longer remit funds to the Federation Account but will fulfill its tax obligations like any other commercial business entity.

**Theoretical Review**

The following theories were reviewed in the cause of this study;

*Stakeholder Theory:* Freeman (1984) established the foundational principles of the theory. In one of his more recent explanations, Freeman (2004) defines stakeholders as crucial groups essential to the survival and prosperity of a corporation. Stakeholder theory serves as a tool to identify vital stakeholders within the realm of change management practices, enabling the formulation of strategic developments. Additionally, stakeholder analysis has been utilized in the context of business ethics and corporate social responsibility to identify significant areas of concern Alavi, & Leidner, (2001). By employing various influencing mechanisms, public sector organizations can leverage their saliency as stakeholders to exert influence on corporate managers and investment funds. This process allows them to acquire power, urgency, and legitimacy. The stakeholder theory addresses both economic and ethical considerations, compelling companies to embrace social responsibilities and fairness towards all business participants. As a result, directors are driven to manage corporations in a manner that benefits all stakeholders. Consequently, the theory represents a valuable amalgamation of economic and ethical perspectives, facilitating corporate growth and the promotion of service. Despite facing criticism on theoretical and empirical grounds, stakeholder theory offers valuable insights into the interactions between firms, their managers, governments, and other entities, shedding light on their complex dynamics.

*Resources Based Theory:* The resource-based theory emerged as a complement to the industrial organization (IO) view, with Gibbert (2006) and Mwachiro (2013) being notable proponents of this theory. While the IO view focuses on the structure conduct-performance paradigm and attributes an organization's performance to external factors within its industry's structure, the resource-based theory takes a different stance. It explicitly seeks internal sources of sustained competitive advantage (SCA) and aims to explain performance differences among firms in the same industry. Therefore, the resource-based view (RBV) does not replace the IO view; instead, it complements it (Barney, 2002; Peteraf, 2003). According to the resource-based theory, strategic management's key sources and drivers of competitive advantage and superior performance are primarily associated with the attributes of a firm's resources and capabilities, which should be valuable and difficult to imitate (Mullins, 1999). Barney (1992) investigates the link between firm resources and sustained competitive advantage, assuming that strategic resources are distributed heterogeneously among firms and that these differences remain stable over time. By leveraging unique resources and capabilities to their maximum...
The resource-based theory has faced criticism for lacking substantial managerial implications or operational validity (Priem & Butler, 2001). While it advises managers to develop and acquire valuable, rare, inimitable, and non-substitutable (VRIN) resources and establish an appropriate organizational structure, it falls short in providing guidance on how this should be accomplished (Connor, 2002; Miller, 2003). Gibbert (2006) argues that the concept of resource uniqueness, which combines heterogeneity and immobility, hinders the RBV's potential for generalization since uniqueness cannot be generalized.

**Research Methods**

The primary method employed in this study was a literature review. The review focused on assessing the preparedness and readiness of the petroleum industry in Nigeria to implement the Petroleum Industry Act (PIA) of 2021, considering contextual factors and technology. The study also emphasized change management theory utilizing chaos theory and complex system theory due to the nature of the industry.

**Literature Review**

**NNPC (Historical Perspective):** The Nigerian National Petroleum Corporation (NNPC) was established on April 1, 1977, to manage Nigeria's crude oil, gas, and petrochemical resources. It operates as a joint venture between Nigeria and oil multinationals and is involved in petroleum exploration and production through the country's four refineries. On July 19, a significant milestone was achieved in Nigeria's economic history as the NNPC was officially unveiled as a commercial venture by the incumbent President, following the provisions of the (Nwuke, 2021) Petroleum Industry Act (PIA). This transition marked the transformation of NNPC from a corporation to a limited liability company known as NNPC Limited. Crude oil constitutes over 80% of Nigeria's foreign exchange earnings, making it a vital resource for the country. However, Nigeria's experience with oil has been mixed and problematic, leading to calls for reforms and a change of regime. The NNPC has been at the center of the challenges faced by the country's oil and gas sector, which has been marred by politics, ethnicity, greed, and corruption. The introduction of the Petroleum Industry Bill and the subsequent transformation of NNPC into a profit-making, independent, commercial venture are significant steps towards addressing these issues. The reform aims to improve governance, regulatory frameworks, community relations, and management in the sector.

**Funding The New NNPC**

NNPC Limited has undergone a restructuring process that allows it to secure private funding from sources other than Federal Government interventions. This transition has transformed NNPC Limited into a profit-oriented commercial entity. As a recent example, NNPC Limited has secured a $5 billion corporate finance commitment from the African Export-Import Bank (Afreximbank) to facilitate substantial investments in Nigeria's upstream sector. This commitment is just one of the many fundraising initiatives currently being pursued by NNPC Limited. Consequently, the company is now obligated to distribute dividends to its...
shareholders on an annual basis. Additionally, it plans to allocate 20 percent of its profits as retained earnings to support the expansion of its business operations. These actions align with the practices of other commercial entities that have been incorporated under the Companies and Allied Matters Act (CAMA, 2020).

**Stakeholders' Fears and Concerns**

In the course of the study, the following stakeholder's fears and concerns were identified;

*Uncertainty about Future Plans*: Stakeholders, including employees, investors, and business partners, may have concerns about the future plans and strategic direction of NNPC Limited. They may seek clarity on how the incorporation will impact the company's goals, projects, and long-term sustainability.

*Transparency and Accountability*: Stakeholders may fear a lack of transparency and accountability in the newly incorporated NNPC Limited. They may express concerns about the governance structure, decision-making processes, and mechanisms in place to prevent corruption or mismanagement.

*Impact on Local Communities*: Communities located near NNPC's operations may have fears and concerns about the incorporation's impact on their livelihoods, environment, and social well-being. They may worry about potential changes in community engagement, corporate social responsibility initiatives, and the overall relationship with NNPC Limited.

*Job Losses and Employee Welfare*: Employees and labor unions may express fears about job losses, changes in employment terms, and the overall welfare of the workforce. They may seek assurances regarding job security, fair treatment during the transition, and the preservation of their rights and benefits.

*Equity and Inclusivity*: Stakeholders may express concerns regarding the incorporation's impact on equity, fairness, and inclusivity within NNPC Limited. They may worry about potential inequalities in opportunities, promotions, and representation across various demographic groups.

*Compliance and Regulation*: Regulatory bodies and government stakeholders may have concerns about NNPC Limited's compliance with relevant laws, regulations, and industry standards. They may seek reassurances that the incorporation process adheres to legal requirements and promotes good corporate governance.

*Financial Performance and Stability*: Shareholders and financial stakeholders may fear a negative impact on NNPC Limited's financial performance and stability. They may seek clarity on the company's financial projections, debt obligations, dividend policies, and risk management strategies.

**Apprehensions Surrounding the Newly Incorporated NNPC Limited**

*Job Security*: Employees within NNPC might be apprehensive about their job security following the incorporation. They may worry about potential restructuring, downsizing, or changes in roles and responsibilities.

*Leadership and Management Changes*: There could be changes in leadership and management structures. Stakeholders, particularly employees and middle managers, may have concerns about the impact of new leadership on decision-making processes, work culture, and organizational direction.
Cultural Shift: Change in organizational structure often brings about a cultural shift. Employees may be apprehensive about adapting to a new work culture, values, and norms. The fear of losing familiar practices or resistance to change may hinder the smooth transition and integration of NNPC Limited.

Communication and Transparency: Stakeholders may express apprehensions about the level of communication and transparency during the transition process. Lack of clear and timely communication can create rumors, misinformation, and uncertainty among employees and external stakeholders.

Employee Benefits and Compensation: Changes in the incorporation process may raise concerns regarding employee benefits, compensation packages, and pension plans. Employees may worry about the continuity and adequacy of their existing benefits under the new structure.

Stakeholder Engagement: External stakeholders, such as local communities, government bodies, and industry partners, may have concerns about how the incorporation will impact their relationships with NNPC. They may seek assurances regarding continued collaboration, social responsibility initiatives, and the overall impact on the local economy and environment.

Performance and Operational Efficiency: Apprehensions might revolve around the ability of NNPC Limited to maintain or improve its performance and operational efficiency during the transition. Stakeholders may be concerned about potential disruptions, delays, or inefficiencies resulting from the change process.

Challenges to the Newly Incorporated NNPC Limited

The study revealed the following challenges -

Organizational Restructuring: Incorporating NNPC Limited involves restructuring the organization's internal systems, processes, and roles, Alolabi., Ayupp, & Dwaikat, (2021). This challenge includes streamlining departments, realigning reporting structures, and redefining job responsibilities. Managing this transition while ensuring minimal disruption to daily operations can be a complex task.

Cultural Integration: The process may lead to a clash of cultures between different entities coming together under NNPC Limited. Harmonizing diverse work cultures, values, and practices requires effective change management strategies and open communication to foster a cohesive organizational culture.

Change Resistance: “Dutton, (2020). Psychological Flexibility and Readiness for Organizational Change” Change, especially at such a significant level, can often be met with resistance from employees and other stakeholders. Resistance may stem from fear of the unknown, concerns about job security, or a reluctance to embrace new ways of working.

Communication and Stakeholder Engagement: Maintaining effective communication with all stakeholders is crucial during the incorporation process. Lack of clear and timely communication can lead to rumors, misinformation, and heightened anxiety among employees, communities, and other stakeholders.

Legal and Regulatory Compliance: Incorporating NNPC Limited requires adherence to legal and regulatory requirements, including corporate governance, labor laws, and industry regulations. Ensuring compliance throughout the incorporation process and beyond is vital to avoid legal issues and maintain the company's reputation.
Technology and Systems Integration: Integrating different technological systems, data management processes, and IT infrastructure from various entities can pose technical challenges. Ensuring smooth integration, data migration, and system interoperability are critical for maintaining operational efficiency.

Talent Retention and Acquisition: The incorporation process may lead to talent attrition as employees may seek opportunities elsewhere due to uncertainty or change-related concerns. Retaining key talent and acquiring new talent with the right skill sets are challenges that NNPC Limited will need to address to maintain continuity and drive future success.

Stakeholder Expectations and Relations: Different stakeholders, such as employees, investors, communities, and government agencies, may have varying expectations from the newly incorporated NNPC Limited. Managing these expectations, fostering positive stakeholder relationships, and aligning interests will be essential for building trust and maintaining support.

Importance of Effective Change Management In NNPC

Energy Transition: The global energy landscape is shifting towards renewable and sustainable sources. NNPC, as a major player in the oil and gas industry, needs to adapt its business model to incorporate renewable energy technologies, diversify its portfolio, and reduce reliance on fossil fuels. Effective change management will ensure a smooth transition, helping NNPC explore opportunities in renewable energy while minimizing disruption to its existing operations.

Technological Advancements: Rapid technological advancements, such as digitalization, artificial intelligence, and automation, are transforming the oil and gas industry. NNPC needs to embrace these technologies to enhance operational efficiency, optimize resource allocation, and improve decision-making processes. Effective change management will facilitate the integration of new technologies, ensure workforce readiness, and foster a culture of innovation within NNPC.

Regulatory Changes: Governments worldwide are implementing stricter environmental regulations and policies to mitigate climate change and reduce carbon emissions. NNPC must comply with these evolving regulations, which may require significant changes in its operations, such as adopting cleaner technologies, reducing flaring, and implementing sustainable practices. Effective change management will enable NNPC to navigate the regulatory landscape, ensure compliance, and position itself as a responsible and environmentally conscious organization.

Market Volatility: The oil and gas industry is prone to market fluctuations, including price volatility and geopolitical uncertainties. NNPC needs to be agile and adaptable to survive and thrive in such a dynamic environment. Effective change management will enable NNPC to respond quickly to market changes, adjust its strategies, optimize costs, and seize new opportunities, ensuring its long-term sustainability.

Talent Management: With changing technologies and business requirements, NNPC needs a skilled and adaptable workforce. Effective change management will involve identifying skill gaps, reskilling and upskilling employees, attracting and retaining top talent, and fostering a culture of continuous learning and development. This will ensure that NNPC has the right talent pool to drive its adaptation to the evolving business environment.
Strategies as a Way Forward:

The following strategies are recommended as a way forward -

**Communication Strategy:** Establish a clear and consistent communication plan to keep stakeholders informed about the incorporation process, its objectives, and benefits “Armenakis, Harris, & Mossholder, (1993/99)

**Stakeholder Engagement:** Actively engage stakeholders throughout the incorporation process by seeking their input, addressing concerns, and involving them in decision-making whenever possible. This approach builds trust, manages expectations, and fosters a sense of ownership, “Bevan, (2011)

**Change Management and Training:** Implement a comprehensive change management plan that includes training programs to help employees adapt to the new organizational structure and culture. This facilitates a smoother transition, reduces resistance to change, and enhances employee engagement.

**Employee Welfare and Job Security:** Assure employees of their job security, welfare, and benefits during and after the incorporation. Provide clarity on changes in employment terms and ensure fair treatment.

**Integration of Systems and Processes:** Focus on effectively integrating technological systems, processes, and data management practices from different entities within NNPC Limited. Establish robust project management methodologies to ensure seamless integration, minimize disruptions, and enhance operational efficiency.

**Compliance and Governance:** Prioritize compliance with relevant laws, regulations, and corporate governance standards. Establish strong internal controls, risk management frameworks, and ethical practices to build confidence among stakeholders and ensure accountability.

**Sustainable Community Engagement:** Develop a comprehensive strategy for engaging local communities that addresses their concerns and promotes sustainable development. Ensure transparency in decision-making processes, involve communities in social responsibility initiatives, and prioritize environmental protection.

**Performance Monitoring and Evaluation:** Continuously monitor and evaluate the progress of the incorporation process and its impact on stakeholders, “’Noruzy, Dalfard, Azhdari, Nazari-Shirkouhi, & Rezazadeh (2013)’’. Set key performance indicators (KPIs) and regularly assess the effectiveness of implemented strategies. Use feedback and data-driven insights to make necessary adjustments and improvements.

**Long-term Strategic Planning:** Develop a strategic plan that aligns the objectives of NNPC Limited with the changing dynamics of the oil and gas industry. Identify emerging trends, assess market opportunities, and prioritize innovation, diversification, and sustainability to ensure future growth and competitiveness, ‘’Quintas, Lefrere, & Jones, (1997)’’.

**Conclusion and Recommendations:**

Firstly, it is crucial to acknowledge that the success of NNPC as a commercial entity is highly dependent on the commitment of the Federal Government. To ensure its long-term success, the NNPC needs to operate under a government that understands the importance of profit and loss ‘Anderson, & Anderson (2010)’. Deep reforms are necessary, and future governments should consider taking up this responsibility. Privatization could be a potential solution, allowing the NNPC to operate free from political influence and
enabling commerce-oriented experts to carry out their responsibilities. It is important for organizations to effectively utilize their change management capabilities “Argote, (2011). Organizational learning research”. In today's uncertain and volatile business environment, change initiatives often face challenges in realizing expected benefits. Organizations should view their systems holistically, recognizing the interdependencies and integrating them into the change plan, “Lengnick-Hall, & Beck, (2016)”. The petroleum industry, with its various interdependent systems, should identify and incorporate these systems into the change management process. This will enhance change readiness and improve the overall success of change initiatives. Furthermore, the unresolved issue of refineries is a significant concern. While having a national oil company is acceptable, it is crucial to address the underlying issues that have plagued the NNPC. Nigeria's inability to meet its OPEC quota and the non-functional or loss-making state of the country's refineries are pressing issues.

In conclusion, the incorporation of NNPC Limited represents a commendable step toward change, but it should be viewed as an initial phase in a broader and more comprehensive process. The efforts under the leadership of Mele Kyari, including the publication of audited accounts after 43 years, are positive developments. Moving forward, the new NNPC should aim to differentiate itself by attracting investment, fostering innovation, eradicating corruption and inefficiency, and ensuring transparency, “Desouza, & Awazu, (2005)”. It should aspire to be on par with renowned national oil companies like Saudi Arabia's Aramco and Brazil's Petrobras. The business model of the new NNPC must serve the best interests of the country and signify a genuine transition in terms of style and philosophy.

References