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### Introduction

There are various factors that exist in the external business environment. These factors are in most cases considered uncontrollable or beyond the firm`s ability to change. Factors such as the policies implemented by the government impact businesses directly or indirectly; yet the business has little or no ability to change any of the set policies. However, the businesses in reaction and in the pursuit of adapting to the changes in the external environment alter their operations and strategies so as to remain functional and profitable. This implies that a firm`s strategies cannot be rigid lest the changes in the external factors lead to losses and even closure of business. Finance is an important function and resource in the firm. Most of the changes especially in the governance policies impact the financial structure of the firm and this calls for change in the financial strategies to align them with the changes in the operating environment. (Akbulut, Ramazan and Metin 6).

### Royal Dutch Shell

Shell is one of the industry leaders in the oil and gas industry; with global operations and has been in existence for more than a century. The company has its headquarters at The Hague, Netherlands and operates in more than 70 countries globally. As an industry leader that has stood the test of time, Shell has been observed to be highly dynamic in business approaches; adopting new strategies to cope and adapt to the changes in the operating environment. Shell`s executive management undertakes thorough analysis of the various forces especially on the external environment and subsequently makes the appropriate

adjustments to the internal structures. Shell's net worth in assets was estimated at \$379.27 billion in 2020 with a revenue of \$180.5 billion in the same year. (Shell, n.p.).



A review of the company's financial performance in the last 5 years reveals that the company had a rising income and revenue which reached the peak in 2018 after which they took a downward dive to 2020. The observed negative performance in 2020 is largely attributed to the impact of the Covid-19 pandemic that has affected nearly all firms globally. There are however several changes in the financial strategies that were in place during Trump's rule based on the implemented policies at the time and their impact on the business. Similarly, Biden's policies since the assumption of power in January 2021 have also led to further changes in the financial strategies at Shell. (Royal Dutch Shell PLC, n.p.).

### Financial Strategies under Trump's Administration

There are various policies; active or passive under Trump's administration that impacted businesses. This was especially so for the businesses that had operations within the United States. Shell was not an exception; there various ways that the various policies under Trump's leadership impacted the firm especially in the financial sphere. Trump's administrative was largely on an anti-globalization move. The

administration's approach was making American great again by harnessing independence over co-dependence; which thus went against the globalization concept which requires countries to work together towards achieving their desired growth levels. With reduced interdependence between the US and other states implied that previous policies that enhanced this collaboration were abolished. Policies such as favorable terms of trade among others that harnessed inter-state trade were replaced with limiting policies that discouraged the interdependence. Shell in this case suffered from harsh trade terms in inter-state business operations. This caused a reduction in the across border operations especially to and from the US which would possibly explain the reduced revenues for Shell in the last few years of Trump's administration.

Trump's administration depreciated the currency to encourage exports which also meant that it was more challenging to import products to the US market. For a company like Shell that has its sources outside the US, this implied a lower income from the currency exchange owing to the lower exchange rate. This is especially significant for the company because the sales volumes are huge. In order to counter this challenge, Shell maintained most of its global transactions in USD in order to avoid the need for currency exchange. However, this also meant a loss on the company especially considering that other currencies such as the Euro and the British Pound were doing relatively better than the US dollar. In terms of public finance, Trump's administration floated more bonds in order to raise more funds to service the major government spending without increasing the country's debt burden. Low income taxes were part of the public finance adjustments that were enacted but this had a positive impact on businesses as the corporate tax also went down. Shell was able to record improved net income from 2016 to a peak in 2018; part of which may be attributed to the lower corporate tax. Trump's administration also raised the US-China tariffs which caused imports from China to the US to experience a higher cost. In reaction to this, Shell temporarily sought alternative sources for their inputs as China was already too expensive and the impact was already reflecting on the company's income statement.

Trump's administration limited labor mobility and this made it very difficult for companies to source labor from other countries. Shell experienced a higher payroll burden as it could no longer import cheaper labor. In combating this move, Shell moved most of its core functions to cheaper countries which enabled the company to maintain a lower payroll structure. This however limited the company's ability to acquire highly skilled resources and had a cost attached. One of the most significant change in policies during Trump's reign that affected Shell's operations directly was the campaigns towards traditional energy resources. This implied that Shell's new innovations around energy suffered a huge blow which also reflected in the company's revenues. In addressing this, Shell made more efforts at pursuing other markets outside the US which still embraced the modern energy sources that the company offered. Trump's administration did not avail much in environmental protection pursuits which implied that Shell's CSR projects; most of which were aligned with high regard for sustainable environment had little relevance. The company however had to adopt new strategies in CSR that were relevant to the US market at the time. This had a financial impact on the company's budget; which was more of a retaliatory plan rather than strategic.

### Financial Strategies under Biden's Administration

Biden's administration exhibits varying approach towards various policies as compared to what Trump's administration had. This also implies that firms are adjusting their strategies accordingly in order to be well-positioned to reap the maximum benefit in the current administration. Shell as a company with operations in the US market is affected by any changes in policies in the administration. One of the major policies that Biden's administration has embraced is being pro-globalization. This implies that the US shall be seeking more collaboration and interdependence opportunities with other states. The impact of this shall be enhanced bilateral trade terms which shall avail firms with better trading terms. Shell has already made adjustments especially in logistics and acquisition of new suppliers. (Stanley, Slater, and Thomas. 258). This should see the company post positive and improving results in net income as well as the revenues.

Biden`s administration is also focused on making US a financial center. This implies that all financial instruments that businesses and investors require shall be readily available. Shell has been working on strategies of raising even more capital for its investment projects for expansion as well as innovation. This would essentially be acquired from within the financial institutions in the US; availing better rates for debt capital to the company. Biden`s administration plans to raise the income taxes and this shall have the impact of reducing the businesses` net income. Shell hopes to absorb the raise in income tax by increasing its revenues by the same magnitude. This should effectively cancel the increased tax for the company. By enhancing the China-US relationship through lower trade tariffs, Biden`s administration hopes to enhance the bilateral trade between China and the US; a move that would greatly impact the business that rely heavily on imports from China or seeking to sell their products in the Chinese market. Shell is slowly reworking its logistics and distribution network to enable the company reap the benefits of the enhanced trade relationship between the US and China. Lower inputs from China would reduce costs for Shell and subsequently higher profit margins.

With the current regime encouraging more immigrants into the US, Shell plans to acquire even cheaper and more skilled labor in its core roles. This should enable the firm reduce its operational costs significantly. Shell has been working on a green and sustainable energy strategy in its production. Biden`s administration has green energy at the core of its core policies and this relates directly to Shell`s operations. By adopting even more green and sustainable energy strategies, Shell hopes to align itself even better with the administrative policies as well as enhancing the company`s competitive advantage. The impact of this should also reflect in the revenue and net income levels of the company that have been on a downward trend in the last two years. Shell is also keen to incorporate additional environmental protection measures in line with the new policies in governance that require companies to dedicate efforts and reach a certain threshold in protecting the environment. This has moved Shell to make additional provisions in the main budget towards environmental protection. (Kosinova, et al. 21).

## Conclusion

There are various forces that determine the nature of strategies adopted within a business and part of those forces emanate from the external business environment. A business needs to retain a fair level of flexibility in the strategies so as to easily alter the strategies according to the changes in the operating environment. The external forces such as policies adopted in a country present uncontrollable factors which the business cannot change. The only viable option for a progressive business in that case would only be altering the strategies accordingly. The change in leadership in the US has resulted in various changes in policies. Trump`s administration differs greatly from Biden`s in terms of the policies adopted. Businesses have also adopted varying strategies especially in their financial aspect in order to adjust accordingly with the changes in policies as a result of leadership change. Shell has altered several strategies in its operations as a way to align the company with the changes in the external governance forces. The strategies adopted by Shell are likely to help the company achieve a positive performance in the future much as the company had recorded a downward trend in performance in the last two years.

## Works Cited

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