

Examining the Shortage of Petrol Hazards in Nigeria: Strategic Management Assessment and SWOT Analysis

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Abstract:- One of Nigeria's most pressing economic issues is the country's chronic petrol shortage. The intractable macroeconomic monster that is petrol scarcity in Nigeria has resisted the political achievements made by successive administrations. Petrol is essential, and its accessibility and price are critical issues, particularly given the unsavoury nature of the hazards and their consequences. Therefore, the methods of strategic management that aim to reduce its incidence are the primary subject of this study. The investigation revealed that fuel shortages are caused by things like excessive corruption and mismanagement of the government treasury and that the hazards associated with them include things like social and economic turmoil, increases in transportation costs, and slowdowns in economic growth. Government efforts to alleviate the petrol shortage, such as forming task forces and reforming the downstream industry, were also determined to be ineffective. As a result, effective strategic ways to control and prevent petrol shortage in Nigeria were suggested, such as the use of balanced scorecards and SWOT assessments.

Keywords:- *Economic Performance, Gas Oil Industry, Governance, Petrol Scarcity, Risk Management, Strategic Management.*

I. INTRODUCTION

For all its complexity, the question of how to ensure a constant supply of petrol for domestic use remains unanswered in Nigeria. Past experience has taught the country that finding a long-term solution to its chronic and frequent petrol shortages has not been an easy feat. Note that the problem has been addressed and is currently being addressed through many attempts and permutations, but the answer is far away. No effective strategy, spanning from military regimes to the current democratic system, has been implemented, including annual turnaround maintenance of the refineries and the importation of refined petrol to augment local production. This issue has emerged as a persistent challenge for the country's economy. In light of the nation's present security concerns, the situation is getting increasingly complicated and dramatic. Independent fuel marketers in Nigeria now set the pump prices, rather than the Nigerian government (where petrol is always available

at the pump). It would appear that the government's resolve to resolve the petrol shortage is becoming increasingly weak as the situation becomes more precarious.

Does the fault lie with our leaders' lack of vision and political will, or with the fact that our refineries have outlived their usefulness? Is it a matter of not knowing how to put the plan into action? Does the government's sincere attempt to address this problem face a significant obstacle in the form of pervasive corruption? Whoever or whoever is to blame for Nigeria's problems in the petroleum industry, it's crucial to remember that fuel is still a key component in the country's economic growth and development.

One cannot understate the significance of petrol as a material good and service. Because of how crucial it is, the national economy would collapse at the first sign of product shortage or unavailability. Petrol is an essential resource for locomotive operations as well as for heating and lighting in any building or home. Everything would grind to a standstill and people's lives would become more difficult as a result of the inability to move about freely without petrol. According to Rasheed (2010), our world would ground to a standstill if we did not have petrol. Cars, factories, planes and tractors on farms would all come to a grinding halt and rust if we did not have petrol to heat them. In winter, homes and offices would also freeze if not heated by petrol. What happens to petrol impacts every corner of the globe because of how crucial this commodity is.

Previous administrations in Nigeria have done all in their power to ensure that petrol is readily available and affordable due to the fuel's critical importance. Onifade & Ojukwu (2010) noted that there was impressive performance prior to February 1999, when the fuel supply was consistent and widely available. The authors state that prior to the President's budget announcement in January 1999, the country's gasoline supply was operating smoothly. Petrol shortages and the catastrophic consequences they had on individuals, governments and economies worldwide began in February 1999.

Petrol shortages have been around for a while in Nigeria. It has reached a critical point and is now commonplace. Specifically, the petrol issue, which began as a little joke in December 2009, is now an integral element of

the country's socioeconomic scene. People in Nigeria wait in endless lines at gas stations because the gas is out of stock. As a result, transportation costs and food prices have increased, leading to a higher cost of living and a decrease in available man-hours. Whenever petrol shortages occur, they tend to get worse as the year winds down. There were six separate cases of petrol shortage in 2009 (AFRICNEWS, 2009).

A lack of petrol might hinder the government's ability to implement its budgetary plans. Thus, it is essential to manage this commodity in a way that ensures its availability and affordability as part of ongoing efforts to restructure the Nigerian economy and enhance the lives of the inhabitants. There is a constant petrol shortage in Nigeria, which begs the question: why? The country has massive oil deposits and reserves. To reiterate: how have these entities been handling the product and themselves in a way that prevents them from fixing the problem they caused?

Managers at refineries and agencies like the Nigerian National Petroleum Company (NNPC) need to come up with a long-term plan to end the threat of petrol shortage in Nigeria's economy. So, to solve the problem, the researchers look into and think about using a strategic management method. The study aim to accomplish the following:

- Find out the factors contributing to the shortage of petrol in Nigeria.
- Evaluate the impact of petrol scarcity on the livelihoods of Nigerians.
- Determine the consequences of petrol scarcity on the Nigerian economy.
- Analyse the measures implemented by the government to address the persistent issue of petrol scarcity in Nigeria.
- Determine the optimal strategic management technique for overseeing the production and distribution of petroleum by NNPC and its subsidiaries in Nigeria.

II. LITERATURE REVIEW

Several researchers have proposed theories about commodity scarcity, each of which attempts to answer questions like "what causes scarcity?" and "why do people react to scarcity?" with respect to certain commodities. Among these theories are the Hubbert Peak Theory, the Frustration-Aggression Theory, and the Demand and Supply Theory.

According to the Frustration Aggression Theory, scarcity can happen in two situations: first, when individuals do not have enough to survive, like when gas becomes scarce, and second, when people do have enough to survive but not as much as those around them.

One more pertinent hypothesis is the Hubbert Peak hypothesis, which states that oil output will inevitably decrease and scarcity will start to set in once oil reaches its peak. Assuming this theory is correct, oil production will naturally fall after it reaches its peak, leading to a scarcity of petrol. Since there are other factors contributing to the petrol

shortage, this theory does not present a strong case for the study since it focuses just on natural scarcity and not on the artificial scarcity of petrol. Considered both fundamental and widely used, the Theory of Demand and Supply is an important part of economic theory. The theory states that scarcity is an inevitable consequence of any situation in which demand exceeds supply. An item's scarcity cannot be felt when there is no desire for it, according to this idea, which explains why petrol shortages occur.

III. A TRACEBACK OF NIGERIAN PETROLEUM HISTORY, SHORTFALLS, AND THEIR CAUSES

Petroleum, or crude oil, is the source of the chemical known as petrol, which is more commonly known as petrol. In the 16th century, the French word *pétrole*—which had been borrowed from Latin—was brought into English from its Latin counterpart, *petroleum*. To call it "rock-oil" would be a fair description. It was the German wholesaler Carless Capel that registered the trade name "petrol" in 1892. *Benzin* is the German name for this product, which is a derivative of benzene (Energy Bulletin, 2011). Additionally, there are petroleum byproducts such as kerosene, diesel, liquid petroleum gas (LPG), and others. Each of these fuels has a lot of energy. Initially, petrol was used as a cleaning agent to remove strain. It was available in cans. White petrol, a purified form of fuel, is also used as a light source. When oil replaced coal as the principal fuel in the 1950s, petrol stations as we know them today were born. The requirement for fuel has been the primary driver of engine developments in automobiles over the past hundred years. The fuel type that was available at the period usually determines the engine's design.

As a result of high demand and low supply, scarcity is the outcome. People tend to shell out more cash for goods when this happens. When our commodities and resources are depleted, inflation becomes a real possibility. An ugly and biased oil crisis has hit Nigeria. All around the nation, people are suffering as a result of the present crisis, which has halted economic and other operations. Almost every industry, government agency, and nonprofit in Nigeria is right now seeing some impact.

Within official circles, the limits of the distribution system were primarily held responsible for the petrol crisis in Nigeria. The Departments of Petroleum Resources (2012) and Furtado and Suslick (1993) both found evidence that lent credence to this theory. The results indicate that the petrol shortage or crisis is due to dishonest marketers in Nigeria who, despite DPR's best efforts, continue to promote and sell counterfeit goods. The situation is deteriorating rapidly since some fuel stations sell their dirty petrol to underground markets, where the price exceeds what is officially allowed by a wide margin, depending on the level of adulteration. Several factors contribute to petrol shortages. These include but are not limited to the following: product hoarding, diversion, smuggling, under-delivery of products at retail outlets, diverted funds from other government agencies, insufficient personnel, legal constraints,

inadequate funding, and safety of personnel. The petrol shortage is a sign of incompetent leadership, says Vincent (2013).

Theoretically, it may be more prudent to say that incompetent government is either the source of petrol shortages or they do not occur as a consequence. Onwuka claims that the primary concern here is the vandalization of pipelines (2010). The frustration-aggression hypothesis provides a useful framework for investigating oil pipeline vandalism, one of the main causes of the fuel crisis. For proponents of this view, frustration leads to aggressive behaviour, like the cutting of oil pipelines.

Gurr (1970) claims that when people's expectations are not satisfied, they tend to hold other individuals responsible for their disappointment. "The greater the discrepancy, however marginal, between what is sought and what seem attainable, the greater the chances that anger and violence will result.". A crisis or conflict may break out when the governed are unhappy with their government, especially when it comes to the denial of basic requirements. This explains why terrorists in the Niger Delta area and around the nation have damaged or blown up a lot of oil installations. The most tragic aspect is that many Nigerians do not have the national pride to come forth and denounce these vandals.

Other elements that contribute to Nigeria's petrol crisis include corruption and the casual attitude of some authorities. Corruption at the highest levels is a huge issue for Nigeria's oil industry and the main reason why the country's petrol crisis persists. According to historical data, the First Republic in Nigeria (1960–1965) was ended by military intervention as a result of corrupt politicians' excesses (Ademoyega, 1981). Faulty or inefficient refineries and an inadequate number of refineries are further issues (AFRICAN NEWS, 2013).

➤ *Dangers and Consequences of Petrol Crisis on Nigerians and the Economy*

Long lines of cars at gas stations around the nation, fluctuating pump prices, and racketeering are all results of the persistent fuel crisis. The cost of life has skyrocketed due to gasoline shortage, which has also made it nearly impossible for millions of Nigerians to transport their goods for trade. Also, as a result of the oppressive shortage, many drivers have piled extra petrol into their cars and kept it in their homes, which has led to numerous preventable accidents, some of which have been fatal.

A number of rhetorical issues were asked in response to the severe impact of the fuel shortage in Nigeria. "What kind of government is this that does nothing while its citizens suffer unimaginable hardship?" was one such question. What a shame that the Nigerian government, which had failed to deliver on its promise to provide 6,000 MW of power by year's end, is now making things worse by failing to even ensure a sufficient supply of petrol. How much longer must the endless suffering of the Nigerian people be endured? According to Business World, published

on February 8th, 2010. The country's electricity supply has been so unpredictable due to the energy crisis that many businesses and households have turned to petrol and diesel as a means of evading the problem. But many households and businesses are having a hard time because diesel and fuel are suddenly as rare as gold. As a result, many industries are running at levels well below their installed capacity. Naturally, this leads to decreased production and eventually, downsizing.

In such a scenario, some dishonest marketers may take advantage of the circumstance to stockpile the product in preparation for a government announcement of a pump price increase. It is an understatement to claim that Nigeria, Africa's biggest oil producer, has become an international laughingstock due to the petroleum crisis. Today, everyone knows that the fuel shortage would make inflation worse and Nigeria's poverty situation more worse. Because businesses cannot handle it, a lot of people will lose their employment.

A few of the potential outcomes of a petrol shortage that have been evaluated in this study are as follows: a halt to social and economic activity; social and economic unrest; higher transportation fares; food and material market price spikes; high inflation rates; wasteful spending on petrol imports; fires; accidents on the road; and petroleum diversion, among other potential outcomes.

➤ *Approaches to Strategic Management for the Management of Petrol Scarcity*

According to Nag, Hambrick and Chen (2007), strategic management assesses the major decisions taken by upper management on behalf of owners in relation to the company's resources and performance in both the internal and external settings. Where strategic management truly comes into its own is when dealing with external concerns, such as determining customer wants and staying ahead of the competition. For the purpose of making sense of the infinitely complex macroeconomic circumstances and aiding managers in making strategic decisions, numerous models and frameworks have been developed by both academics and practical managers (e.g., Strang, 2012). The following is an explanation of some of the qualitative strategy methods used in this investigation.

➤ *SWOT Analysis and Management of Petrol Scarcity*

Strengths, weaknesses, opportunities, and threats is the acronym SWOT. It is a common method for analysing the opportunities and dangers facing a company as well as its own internal operations, and it is among the most fundamental approaches to strategic management. Whereas opportunities and threats are more commonly associated with the outside world, your company's strengths and weaknesses are more likely to be located within. It is for this reason that the SWOT analysis is also known as the Internal-External (IE) analysis.

The SWOT analysis is a great tool for figuring out what you're good at and where you may need improvement, as well as for seeing potential possibilities and dangers. Reducing the perpetual petrol shortage could be possible with the help of a SWOT analysis. This is due to the fact that instead of engaging in immoral petroleum marketing tactics like hoarding, smuggling, and product adulteration—all of which lead to fuel shortage—the internal and external analyses may find other smart ways to earn gains. The purpose of this research is to determine whether or not SWOT analysis may help provide Nigerians with more options when it comes to strategic management and the national petrol crisis.

➤ *PEST Analysis and Management of Petrol Scarcity*

Politics, economy, society, and technology—the abbreviation PEST stands for all of these variables. This kind of strategic management takes a broader look at the economy, society, politics, and government regulation as examples of macroeconomic environmental factors. The acronyms STEEP, PESTLE, PESTEL, and PEST are all known to be derived from PEST. As a foundation for external analysis, the PEST acronym is famous and utilised globally. According to Strang (2012), corruption, bad governance, and access roads on the part of the government and the environment were contributing factors to the petrol shortage. Dealers and managers of petroleum resources in Nigeria may benefit from applying PEST analysis to determine which political, economic, social, and technological elements were causing disruptions in the free and seamless supply of petroleum products.

➤ *Balanced Scorecard and Management of Petrol Scarcity*

Using a variety of stakeholder viewpoints, the Balanced Scorecard seeks to evaluate an organization's performance. When it comes to strategic management, the balanced scorecard is useful for defining and keeping a competitive edge. Using the scorecard, they were able to implement four new management processes that help connect strategic goals for the long term with tactical goals for the near term.

In order to have everyone on the same page with the organization's goals and objectives, managers should start by implementing the first new process: translating the vision. Communicating and linking is the second procedure, and it allows managers to share their strategy with everyone in the company and connect it to specific goals at the department and individual levels. Business planning, the third step, allows organisations to combine their financial and business plans, while feedback and learning, the fourth process, allows them to engage in strategic learning. This method of strategic management would help petrol station owners and operators accept the present truth that making a profit is not an immediate priority.

Organisational profit cannot be guaranteed in the long run by the use of short-term techniques that cannot be sustained. They might use this information to implement a more strategic and environmentally friendly management strategy, which would help the organisation make money in the short and long term.

➤ *An Analysis of the Porter Five Forces*

How desirable a market is depends on the level of competition, which may be estimated using this strategic management method. Michael E. Porter developed this model (Porter, 1996) to assist identify the strengths and weaknesses of industries by analysing five competitive forces that impact all industries. There are five dynamics at work in any given market: supplier power, buyer power, competitive rivalry, substitution threat, and new entrant threat.

One may argue that the government is the sixth force at work in many industries due to its policies on trade, taxes, and regulation. Use the results of a five forces analysis to inform your business decisions about entering a new market, expanding your current operations, or coming up with a winning strategy in an existing one.

To better understand the petrol distribution chain, this method is useful for describing the supplier-buyer connection. If the provider is unable to keep up with demand, a petrol shortage will occur, so the supplier plays a crucial part in this type of situation. In the case of a strained relationship between the supplier and the buyer, this strategic approach would involve a thorough evaluation of the relationship, the identification of potential inefficiencies, and their mitigation as part of the larger management decision-making process pertaining to diesel affordability and availability.

IV. CONCLUSION AND RECOMMENDATIONS

This paper has thoroughly investigated the idea of petrol shortage and the risks it poses to the lives of Nigerians and the economy of Nigeria. Efforts centred on finding out how agencies and organisations responsible for petrol production and supply could implement modern strategic management techniques to run their operations without experiencing avoidable petrol shortages and shortages.

For modern economists, the burning question is how to meet the universal demand for petroleum products without driving up prices unnecessarily and creating a scarcity situation that stifles economic activity on all scales. The necessary data were also located, collected, and analysed using suitable statistical tools, and a large body of literature were also examined.

Conclusions drawn from the research and related debates indicate that the oil crisis has had a negative impact on Nigeria and the economy, and that several variables contribute to the problem to varying degrees. There is a real danger of petrol shortage in Nigeria, and the government's current initiatives have not done much to alleviate this problem. Since petrol shortages and scarcity are so common in Nigeria, a new strategic approach is required to manage the fuel supply. The following suggestions are being put forth by the researchers in light of this finding:

- Using suitable strategic management, the NNPC and related agencies' upper echelons should combat the identified causes of the petrol shortage. A method called the Balanced Scorecard is recommended for their application. This method will assist organisations in viewing their operations through the eyes of their stakeholders, balancing competing interests in a way that discourages unscrupulous practices, mismanagement, and horrific acts.
- Managers in the petroleum business should use STEEP analysis or PEST analysis. In this way, we may examine the macro-economic elements influencing the economy, politics, society, and government regulations; then, we can address the issues that the people are concerned about.
- Since the impact of shortage on the economy is more external than internal, the most effective strategic management approach would be to employ Porter's Five Forces Analysis to prevent or minimise the impact of petrol scarcity on economic performance. For both domestic and international investors, this method or framework is useful for gauging the level of competition in a given market.
- Petrol would be more affordable once this occurs since more businesses would be offering it.
- After determining that administrative bottlenecks and legal limits were to blame for the petroleum scarcity, it is recommended that the petroleum industry bill (PIB) be enacted into law in order to clarify matters and grant authority to the appropriate agencies to function within the law. Another way the bill will help regulate the industry is by discouraging practices that are detrimental to the availability of high-quality, reasonably priced petroleum products.

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