Influence of Threat of New Entrants on Performance of Oil Industry in South Sudan.

Benjamin Mel Bol
DBA Student, ID No. 609231
EAMARC presentation.
Supervisors: Dr. Juliana Namada and Prof. Paul Katuse
Content

a. Introduction
b. Background of study
c. Purpose and hypothesis
d. Methodology
e. Variables
f. Findings; Perception, performance and recommendation.
g. Recommendation
a. Introduction

This paper is based on one of my five DBA dissertation objectives.

 Topic of dissertation ‘THE INFLUENCE OF PORTERS FIVE FORCES ON THE PERFORMANCE OF OIL INDUSTRY IN SOUTH SUDAN.

 The Porters five forces are; Rivalry between firms, Threat of entry into an industry, Substitute products, Bargaining power of buyers and Bargaining power of sellers
b. Background on Threat of new entrants.

- **Globally**, the number of industries differs with oil production. In 25 EU members states in 2013; 839 firms involved in oil and gas services.
- 322 companies were involved in direct extraction.
- 517 provided incidental services to exploration of oil and gas; - 286 in UK, 60 in Netherlands, 25 in France and 25 in Germany.
- Global multinationals involved in extraction, transport, refinement to wholesalers and retail trade are ExxonMobil, Royal Dutch Shell or BP, Total, and TexacoChevron or TotalFinaElf. (Brown, 2013; Grünig and Best, 2007).
b. Background on Threat of new entrants.

- **Africa** is under utilized;
- six of the top 10 global discoveries by size of oil were made in Africa in 2013 (PWC, 2014).
- Reports shows capacity of oil-rich African countries have not been fully exploited and
- more international companies are increasingly investing in oil industry in Africa with Sonangol (Angola), Sonatrach (Algeria), Statoil (Norway), ONGC (India), PetroSA (Ghana), CNPC and Sinopec (China), Statoil, Gazprom (Russia) and CNOOC (China) eyeing Tanzanian (African Development Bank and Africa Union, 2009; PWC, 2014).
b. Background on Threat of new entrants

South Sudan sits on the third-largest oil reserves in Africa, with 98% of the government’s revenue and GDP from oil production (According to Africa Business initiative, 2011; PWC, 2014).

With lack of resources, South Sudan remains dependent on the north for processing, refinement, and export (Africa Business Initiative, 2011; Brown, 2013; IMF, 2013; PWC, 2014).

Further, South Sudan has continuously been affected with decline in production; in 2011, production was 425,000 bpd, a significant decline from 470,000 in January 2011, mainly due to imported skilled labor shortages and war. In 2012, there was little production due to pipes short down in Sudan from January 23rd 2012 to early 2013 (Africa Business Initiative, 2011; Brown, 2013).
c. Purpose and hypothesis

- **Purpose** of this paper is to determine the level of influence threat of new entrants have on performance of oil industry in South Sudan.

- South Sudan needs to expound the oil production. Does new entrants in the industry affect performance of existing industries in South Sudan?

- **H0₁**: Threat of new entrant has no significant influence on performance of oil industry in South Sudan.
d. Methodology

- I surveyed all 21 oil firms headquartered in Juba, which were involved in the study.
- A total of 72 questionnaires were distributed to the middle and top management of the 21 oil firms.
- 66 were filled and returned representing 92% response rate.
- Only top managers were targeted in each company.
The five independent variables based on threat of new entrants are:
- economies of scale determines market share of a firm;
- market share is determined by time of entry
- the cost of entry determines the profit of a firm;
- the economy of scale determines the profit of a firm; and
- Operational technology

The Dependent variables; Performance measured by Growth in market share, customer satisfaction, and efficiency level.
f. Findings: General perception of respondents

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Skewedness</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Economies of scale determine market share</td>
<td>6.10%</td>
<td>7.60%</td>
<td>86.40%</td>
<td>-1.031</td>
</tr>
<tr>
<td>b. Time entry/duration of operation</td>
<td>6.10%</td>
<td>16.70%</td>
<td>77.20%</td>
<td>-0.627</td>
</tr>
<tr>
<td>c. Cost of entry determines the profit of a firm</td>
<td>9.10%</td>
<td>9.10%</td>
<td>81.80%</td>
<td>-1.291</td>
</tr>
<tr>
<td>d. Economies of scale determine profit</td>
<td>4.50%</td>
<td>7.60%</td>
<td>87.90%</td>
<td>-1.428</td>
</tr>
<tr>
<td>f. Operation technology required can prevent a firm from operation</td>
<td>4.60%</td>
<td>10.90%</td>
<td>84.40%</td>
<td>-1.461</td>
</tr>
</tbody>
</table>
R² of 46.1% with a fit model (p=0.0001) where R² is how dependent variables affect independent variables.

For independent variables:
- Time of entry is significant (p = 0.044)
- Cost of entry is significant (p=0.001).
- Operational technology is significant (p=0.001)
- Economies of scale determines market share (p=0.056)
- Economies of scale determines profit level (p=0.56)

Therefore economies of scales are not significant because p is above 0.05.

y = 0.028 + 0.183 (time) + 0.262 (cost) + 0.306 (technology)

This means, time of entry, cost of entry and technology used in oil industry affects oil performance.

- R squared of 43.1% with a fit model (p=.0001).

  - Entrants is significant (p=.0001)

- \[ y = 1.103 + 763 \text{ (entrants)} \]

- This means, threat of entrants determined oil performance hence the study rejects the null hypothesis:
  - \( H_0 \): Threat of new entrance has no significant influence on performance of oil industry in South Sudan.
g. Recommendation

- The study recommends new entrants to focus on; Time of entry, Cost of entry and Operational technology before venturing into oil industry in South Sudan.

- Thank you.