

Strategic analysis of masdar commerce essay



**ASSIGN
BUSTER**

Strategic Management pertains to the alignment of the strategies with the mission and vision of the organization by means of which the managerial approach adopted by the organization may be made highly effective. The inception of strategic management ensures that the environmental factors are duly accounted for while preparing the various strategies for the organization. A strategic analysis would not only reveal the factors which is currently affecting an organization but would also highlight the competitive advantage attained by the company with respect to the competition in the market. Moreover the effect of the organizational structure prevalent in the organization also determines the strategic decisions of the company. It is therefore necessary to evaluate all the aspects of a company in order to effectively analyze the company's strategic leverage in the market. The need for strategic management is felt most nowadays due to the fact that organizations aim at entering the global market and being an active contributor to the development of the global economic integration. (What is Strategic Management?)

The following is a description of the strategic analysis of Masdar and the possible impact of its organizational structure on its strategic management. This would be inclusive of the analysis of the various external as well as internal factors affecting the operational environment of the company. Moreover the recent strategic move by the company for expanding the scope of their operations to international regions has generated a dire need for a strategic analysis to be conducted for the company by means of which the strategies may be enhanced. (What is Strategic Management?)

Industry Situation:

The UAE economy is booming and flourishing unprecedented infrastructural development and this era has been marked as the “ era of economic transition” that is characterized by strategic partnerships, incoming of foreign investments in infrastructure development prior held by the government of UAE. The entire economy is undergoing massive development in the areas of education and health sector, tourism, hospitality, power and transport, and other commercial developments eventually giving a new shape to the urban development in the country (UN I T E D A R A B E M I R A T E S Y E A R B O O K , 2007).

In terms of urban development, Abu Dhabi is planning to invest about merely AED 55 billion over next couple of years on infrastructure projects. The major investments will include developments of airports, world class ports and industrial zones in Mussafah, the 11000 unit Showayba City in Mussafah, Mohammad bin Zayed City and Khalifa City (UN I T E D A R A B E M I R A T E S Y E A R B O O K , 2007).

The country has already embarked with the remodeling and renovation of buildings at roads in the city center, along with the redefining and redevelopment of Central Market, incurring a substantial cost of DH 2. 6 billion. The transportation element in the development plan is constantly updating to meet the imperative challenge of spiraling traffic on the roads of the region. The traffic has been increased from over a quarter of a million with an increase to 237, 891 vehicles registered in the last assessment year. The opening of the Emirates Palace in Abu Dhabi in the white sandy beach spearheaded the zeal within Abu Dhabi in terms of tourism related

infrastructure development (UN I T E D A R A B E M I R A T E S Y E A R B O O K , 2007).

The spectacular urban development and infrastructural growth has resulted in the escalating demand for power and electricity with a continuous increase in the demand over the years. The government has formulated several plans to meet the continuous rise in the demand and is implementing the plans in order to increase the capacity to about 60% than present. It has been estimated that major production of electricity is fueled with the natural gas and the remaining is met by the production through diesel generation (UN I T E D A R A B E M I R A T E S Y E A R B O O K , 2007).

On examining the major indicators, it has been articulated that Abu Dhabi is currently enjoying an enviable position and the economy is accelerating by registering its per capita income as one of the highest figures across the world. In a drive for diversification of the economy and achievement of sustainability, the Emirate is stimulating its non oil sectors, and especially entering into export oriented businesses. On the assumption that the hydrocarbon sector will likely to grow on the past historic trend, the Emirate aims to clinch for around 65% contribution by the non oil sectors in the economy by the end of 2030, reversing the current picture of sectoral contribution to overall GDP and economy (The Abu Dhabi Economic Vision 2030).

The new and contemporary knowledge based industries are bringing new values and opportunities in the industry and encouraging foreign capital from global world. The principles that underpin and strengthen business

strategies making investments commercially viable and generating long term profits over the long term and delivering social returns to the entire United Arab Emirates (The Abu Dhabi Economic Vision 2030).

Company Situation:

History & Growth:

Masdar was found and established in the year 2006 as an independent wholly owned subsidiary of the government of Abu Dhabi and Mubadala Development Company. The Masdar initiative is an enterprise that works with five integrated units in order to spread its hands to the world of renewable energy and sustainable technology industry. The establishment of Masdar City in the year 2006 had brought a common platform for businesses and companies to thrive and flourish at the same time provided high quality living environment with the lowest trace of ecology (Masdar: The Reality of Future Strategy).

With the foundation of Masdar Clean Technology Fund in 2006, Masdar Capital was established to provide capital management expertise to the companies operating under renewable energy and clean technology. Later, after a couple of years Masdar Institute of Science & Technology was established in the year 2009 as a graduate level University, with special emphasis on sustainable and clean technologies. Also, an addition was made to the Masdar Capital as a DB Masdar Clean Tech Fund in the year 2009. Masdar Carbon was also established during this period for the management of projects pertaining to reduce the carbon emissions with the aid of energy efficiency and carbon dioxide recovery and reducing waste of heat.

Additionally, in order to build a large portfolio of large scale renewable power <https://assignbuster.com/strategic-analysis-of-masdar-commerce-essay/>

energy plants globally, Masdar Power was established (Masdar: The Reality of Future Strategy).

Developments:

Thousands of visitors to the UAE are enjoying hunt out organic and eco-friendly gifts and food products available at the Friday Market at Masdar City.

Masdar installs the First Rapid Charger in Middle East in order to serve as a test bed for green technologies in collaboration with Mitsubishi Heavy Industries Ltd.

Masdar will be served as a Lead Sponsor in the World Energy Forum 2012 that is to be held in at Dubai International Convention and Exhibition Center.

Masdar played a key role in the international gathering of the Sustainability week held in the Emirate of Abu Dhabi.

Masdar was awarded as the “ Energy Company of the Year” during the stint of first ceremony of Gulf Business Industry Awards.

Masdar as a key pillar of Abu Dhabi addressed the International Peace Institute that was kept to stress upon the significance of diversification of energy for achieving security and peace in the community (Press Releases).

Strategic Posture:

Vision and Mission Statement

“ Establish the Emirate of Abu Dhabi as one of the most excellent avenue of renewable energy development and clean technologies to attain a global benchmark for sustainable development and to make advancement in

sustainable technology and renewable energy with the aid of education, R&D, commercialization and adaptation” (About us).

Goals & Objectives:

Expansion in Export Base.

Encouragement of Public-Private Partnerships

Substantial investment in education and research.

To provide training and educate workers in knowledge based sectors.

To persuade investment in areas of intellectual infrastructural gains.

To contribute towards the growth of non oil sector share of the Emirate’s economy (About us).

Strategies:

In order to achieve a competitive edge in the renewable energy and technologies industry, Masdar has designed a framework that stresses upon implementation of key strategies those are outlined below -

Corporate Level Strategy:

Masdar is heavily dependent on vertical integration for achievement of long term profitability. Masdar has adopted the exploitation of the network structure that is allowing the echelons to replace the non-performing alliance partners with those of new partners who fails to meet the expectations and standards of Masdar. Also, the giant works closely with the supplier partners with an aim to reduce costs and increase product quality. Masdar has decisively begun the realignment of promotion to address the challenges of

<https://assignbuster.com/strategic-analysis-of-masdar-commerce-essay/>

market and the management firmly believes that this will result in the presentation and profitability of the Masdar brand in the UAE (Masdar: The Reality of Future Strategy).

Business Level Strategy:

Masdar places a significant emphasis on the product differentiation and innovation and this is the key reason in popularizing of its units across the Emirate of Abu Dhabi. In an effort to achieve 100% zero waste and working with renewable technologies, Masdar has adopted several business related strategies. The Wind tower above the buildings helps in unswerving the cooler upper level winds into the open-air. The designing of buildings underlies reduction in water consumption through the use of efficient appliances, low-flow showers, smart water meters, real time monitoring for tracking water consumption of consumer and also for water harvesting and recycling (Masdar: The Reality of Future Strategy).

Use of air conditioned electric powered Personal Rapid Transit Vehicles within the premises and campuses of the Masdar units. The Photovoltaic roof of the buildings, connected with the solar plant contributes about 30% of the electric load of the buildings. The structure of the units has been inspired by the theme of the regional landscape and thereby a series of courtyard and street spaces have been building within the city and the campus. These strategies encompass the overall positioning and popularity of the Masdar in the market (Masdar: The Reality of Future Strategy).

Functional Level Strategies:

The integrated supply chain and sustainable procurement is well supported through a stringent process of assessment along with a brief description about supplier contact information. The assessment takes place across 15 criteria established to achieve sustainability that includes energy and water saving, minimization of waste use of bio-based materials and recycled packaging. The operations are well carried out with an aim to reduce carbon footprint eventually result in lower operational costs. The approach of Sandbag building is used for logistics, staff accommodation and office structures for achieving thermal efficiency (Masdar: The Reality of Future Strategy).

Policy:

Masdar aims at achieving the following objectives through its policies –

Expansion of the export base and in turn generating increased revenue for the emirate.

Boosting and encouraging entrepreneurship in the private -sector as regards the existing industrial setup.

Making investments in the academic growth so as to stimulate the sense of innovation among the future generations as well as developing and shaping the minds of the people working in this sector presently.

Focusing on the importance of workers in the knowledge based sectors by exercising employee retention, on job training, and providing attractive incentives for the workers in this sector.

Highlighting the importance of Intellectual Property in the emirate by encouraging substantial investment for achieving gains in this particular field.

Providing growth and development opportunities in the non-oil sector of the emirate's economy and also removing the effect of fluctuations in oil prices on the economy. The decoupling of this factor is of paramount importance as it would allow for achieving economic stability. (About us)

Current Problems:

No Availability of Bank Finance for Property in UAE.

No access of Abu Dhabi's Metro to Masdar.

Corporate Governance:

Board of Directors:

Masdar is chaired by Al Sayegh who has put in exceptional efforts towards the development of Abu Dhabi Future Energy Company and that is Masdar. All through his career, he was worked towards several environmental initiatives. Sultan Al Jaber is the CEO and Managing Director of the company and with whose efforts Abu Dhabi's pioneering renewable energy initiative launched in the year 2006. Other board members of the company are – HE Abdulla Nasser Al Suwaidi who is the chief executive officer of ADNOC, Carlos Obeid, the chief financial officer of the Mubadala Development Company and Waleed Al Muhairi, the chief operating officer of Mubadala Development Company (Board Members).

Capture. PNG

(Masdar: The Reality of Future Strategy)

External Environment Analysis:

PEST Analysis

Politico-Legal Factors (Moderate Rating)

The Middle East has witnessed significant growth and development over the past years which have mainly been brought about by the tremendous contribution of the oil sector in the respective regions. This has resulted in the development of an industrially fertile hub which has attracted various multinational corporations, diplomatic relations and investments made by the government in the various initiatives. (O). One of the most significant challenges facing this region is the existence of political revolution in the Middle Eastern countries which poses a threat to the economic prosperity and future prospects of this region. There is a significant possibility that these changes can affect the outcomes of the countries in a negative manner, thereby affecting the entire business scenario in these regions.

The impact of the Emiratization policy may be seen in the Labor law which requires private sector organizations to employ 20% of their work force from the domestic population compulsorily. This means that any private sector organization which fails to adhere to the recruitment regulations would be banned from undertaking any further recruitment of additional foreign employees in their organization (T).

Economic Factors (Moderate Rating)

The economies of the Middle East have witnessed a significant rise in the past decades wherein they have been characterized with adequate economic stability and viable growth rates which are inclusive of their increased GDP and Fiscal Balance. The UAE and other Middle Eastern regions have benefited from the rising oil prices which have led to increased revenue generation for these economies, especially foreign exchange revenue and this has been the key reason behind its immense development as witnessed up till now. Another factor which may be attributed to the sustained growth of the Middle Eastern countries have been the outsourcing of business from regions such as China and India which offer services at relatively less costs.

Due to high dependency on the oil industry, the Middle Eastern Economies have been subjected to vulnerability owing to the frequent fluctuations being witnessed in the prices of oil and gas commodities (T). One of the most relevant examples of this condition may be witnessed in the economic growth statistics of Abu Dhabi which was reported to be 2.9% owing to the impact of depreciated oil prices evident on a global scale. This rating was significantly lower in comparison with the ratings of the past years. However the year 2010-2011 witnessed the recovery of the economy from the effects of the price depreciations with the new conditions characterized by price stabilizations of oil commodities. In light of this stabilization,, the primary driving force behind the regional GDP was the expenditure and investment made by the government for enhancing its existing sectors.

UAE had started focusing its efforts towards the development of its non-oil sectors in order to reduce the excessive dependency from its oil sector. The

outcome of these efforts was the booming of the real estate sector and the constructions industry which received significant projects such as Abu Dhabi Ferrari Theme Park, Burj-al-Arab, Emirates Palace and the highly renowned Palm Jumeriah Islands. This led to the growth and development of the Ecological infrastructure development companies in the UAE due to the positive outcomes provided by the constructions industry in the region (O).

The Middle Eastern governments have given due emphasis on the infrastructural developments in their respective regions. Various global events that have occurred in the region have been witnessed with the advent of investments for the development of the infrastructure in order to ensure its compliance with the global standards in terms of infrastructural capabilities. An example of this may be seen in the hosting of the Asian Games and the forthcoming Football World Cup in 2022 which would be hosted in Qatar. In response to the incidence of these events, the Qatari government has made investments of values up to billions of dollars for initiating the structural developments. In keeping with the need to adhere to green initiatives as promoted by the Middle Eastern countries, Masdar has shifted its efforts towards the development of such resources that aim at conserving energy and ensuring maximum utilization of resource while reducing negative effects on the environment. With its initiatives such as Masdar Power and Masdar city, the public organization is trying to establish a sustainable infrastructure in the UAE (O).

Socio-cultural (Low Rating)

UAE is a predominant Muslim Nation and has not been significantly affected by the existence of various foreign nationals in the country. The

development of the nation is the most significant aspect being given importance by the government currently and in light of the need to maximize the optimal utilization of the resources, the people are being encouraged to use recyclable and environmental friendly products by means of which the excessive exploitation of resources may be avoided (O).

The adherence to green initiatives and practices also relieves significant dependency from the traditional fuel sources for the accomplishment of various tasks. In terms of the costs saved from the energy conserved by the adoption of green practices, the value of considerable amount which can be invested in other highly prospective and viable areas (O).

The adherence of green practices also provides significant benefits to the health of the people wherein the use of environment friendly products eliminates the possibility of the release of contaminants into the atmosphere or the release of pollutants into the water or ground which could eventually affect the fertility of the resources and in turn affecting the lives of the people. Hence the efforts of Masdar towards the development of sustainable and green technologies are not only in accordance with the interests of the people but are also satisfying a social cause. Such conditions also showcase a commercially viable opportunity for Masdar (O).

Technological (Moderate Rating)

The UAE is known for its advanced technological infrastructure and the presence of high level technical support structures by means of which it has been able to maintain the highest efficiency levels on a global scale. It is also credited with having one of the most advanced ICT network and

infrastructure in the UAE which has made the sustenance of various organizations in its economy. The presence of such facilities has enabled the research and development of renewable and sustainable sources which is highly effective in ensuring that the activities of Masdar are achieved as per the expectations. (O)

The presence of the internet has enabled a larger population to avail the information about the various services and products offered by Masdar and the people can also stay updated with the recent developments being done by the organization. In terms of the provision of electricity, the people can track their consumption on a periodic basis and can see the extent to which the energy has been conserved by them. Such possibilities hold tremendous opportunities for Masdar (O).

The frequent advancements being witnessed in the field of technological developments have resulted in the risk being generated for the business organizations as it is difficult to adapt to these changes. If frequent adaptation to these changes would be done then the effectiveness of the system would be compromised which would eventually have an impact on the performance of the organization (T).

Five Forces Model Diagram

Threat of New Entrants (Rating: Low)

There is minimal threat from new entrants as Masdar being a UAE government initiative, it has been provided with all the required resources for ensuring the research and development of sustainable technologies and the possibility of new entrants in this field are highly unlikely (O).

Bargaining Power of Buyers (Rating: low)

In light of the recent recession and economic inflation, the presence of sustainable technologies would not only provide the benefits of reduced costs of operations but would also help to maximize the utilization of the resources, thereby reducing investments made in the acquisition of additional resources. This is a preferred outcome for the people and hence the bargaining power of buyers is low. Even in the case of Masdar University, the institution provides exclusive courses aimed at the conduction of research in the field of renewable energy development. This also results in the lowering of the buyer's bargaining power (O).

Threat of Substitute Products or Services (Rating: High)

Other countries are also working towards the achievement of renewable and sustainable technologies in keeping with the need to conserve the environment. This has led to the existence of the threat of substitutes which are not only cheap in comparison to the products or services being provided by Masdar but also affect the overall market share held by the organization (T).

Bargaining power of Suppliers (Rating: Moderate)

The supply chain for Masdar is inclusive of credible suppliers that have a strong base for providing the technical as well as non technical resources for the development and completion of the various initiatives undertaken by the government (O). However the field of sustainable business technologies requires specialized resources to be provided for the physical development of the technologies and tools and this aspect provides a greater bargaining power to the suppliers (T).

Rivalry among competing firms (Rating: Moderately High)

In terms of the presence of competitors for energy related services, Masdar is faced with various domestic firms. This competition is also evident in the field of education where institutes like Zayed University, ADU, etc offer professional courses (T). Foreign academic institutions also offer significant opportunities for students to partake their courses and this poses as a significant threat for the organization (T). However the presence of highly specialized courses aimed at sustainable technologies could prove as an incentive to students who wish to undertake training in an upcoming field of research and development (O).

Five Forces Analysis:

Five Force Analysis – Industry Environment

Rating

Comments

Extent of Influence from Rivals

Low

Government Subsidy

Bargaining Power of Customers

Low

Owing to the presence of single entity providing highest quality of life.

Bargaining Power of Suppliers

Moderate

As there is a switching cost associated.

Threat from Substitutes

High

Oil, gas and nuclear

Summary of External Factors – EFAS Matrix

PEST Opportunities

Weight

Rating

Weighted Score

Comments

Scope for Expansion in Abu Dhabi (High)

0.5

4

.20

Increasing Profile of Abu Dhabi and 2010 – 2020 is considered as Abu Dhabi's decade.

Openings to exploit new technologies (Moderate)

0.15

3. 5

0. 525

UAE takes a seat on International Atomic Energy Agency and climatic change

Pulling of market share from rivals (Low)

0. 07

3. 8

0. 266

Based on clean and green technology

PEST Threats

Weight

Rating

Weighted Score

Comments

Environmental Dependency (High)

0. 18

4. 2

0. 756

Highly depend upon solar energy and climate change.

Market Growth (Moderate)

0. 02

2. 5

0. 05

Abu Dhabi has invested a great deal in reinventing itself, with its plans to grow its GDP to \$416 billion.

Decline of Demand (Low)

0. 03

2. 3

0. 069

Increasing awareness of public action and understanding towards green initiatives.

Threat from Substitutes (High)

0. 5

4

2. 0

Huge investment in infrastructure projects.

Total

1. 0

3. 681

Internal Environment Analysis

Corporate Structure

Masdar is a public sector corporate entity established in Abu Dhabi, UAE for working towards the development in renewable and alternative energy sources and initiating innovations in sustainable technology. Since its inception in 2006, Masdar has diversified into 5 integrated and functional units which are inclusive of a nonprofit research institute encouraging the conduction of research on alternative energy and sustainable technology. It is a wholly owned subsidiary of Mubadala Development Company, formed by the Government of Abu Dhabi. Masdar is one of the excellent global centers in terms of renewable energy and clean technology. The organization aims to extend into the future of UAE's current leadership in the energy sector by integrating the following key factors:

Research

Development

Innovation with investment

Sustainable production

Deployment

Export

Masdar operates under the flagship of Mubadala Development Company with Ahmed Al Sayegh as the Chairman of the organization. This company is a direct reflection of the vision of UAE's founding father, Sheikh Zayed bin Sultan Al Nahyan and has carried on his dedication towards conservation and sustainable development of the region. The Emirati government has committed a sum of USD 15 Billion to the Masdar Project wherein it would fund its initiatives. This has proven to be one of the most significant strengths of the company as it has a steady supply of funds for its ventures (S).

Another strength of the company may be attributed to the presence of a stable management which may be attributed to the stable Emirati government and due to this the governing body and the key members are not replaced frequently (S).

The strategic model for this business is fundamentally entrepreneurial in nature wherein the leadership of its chairman and board of directors are crucial for providing the required directives to the 5 diversified units of the organization (W). Since its inception, it has shown significant adherence to the vision of the founding father as well as to the fundamental objectives of UAE (S).

However for each independent entity of the organization, there is a separate managerial body present to oversee the activities of the unit and ensuring that they are in compliance with the strategic aims of the parent organization (S)

Corporate Culture:

. Finding a roadmap to sustainability is the core value of the long term vision of Masdar and the sustainability framework is designed to integrate economic and social and environmental considerations into Masdar's corporate culture and strategy. All of the initiatives and efforts of the organization are dedicated to the achievement of sustainability in the UAE by means of which the vision of the founding father of the nation may be fulfilled in an effective manner (S). The diversified units enable the organization to effectively focus its efforts and resources in the development of specific aspects which is highly beneficial in implementing and devising innovative measures to adopt sustainable practices and tools (S).

Corporate Resources:

Marketing:

Masdar is the premier organization in the UAE which is completely dedicated towards the development, research and implementation of sustainable technologies (S). By promoting itself as a provider of sustainable technology, it has appealed to the people of the UAE who have begun focusing on the implementation and adoption of green practices so as to contribute towards ecological sustenance and environmental protection (S). In the process of developing such sustainable tools, the organization has ensured the maintenance of high quality levels which has resulted in the achievement of effective and timely results (S).

Masdar does not have a specific product offering in the market it does offer educational programs, green infrastructures and project developments in

accordance with sustainable technologies. In this regard, the following marketing mix may be applicable for the organization:

Product / Service (High Rating):

Masdar has been involved in various sustainable developments such as the development of Masdar city which is one of the first cities to be made with an aim of achieving 0% carbon emission. Another service of Masdar is the provision of education in the field of sustainable research at a no-profit basis. It is also involved in the generation of investment in the various sectors associated with sustainable development.

Price (Rating High):

The main aim of Masdar is to provide sustainable technologies and support structures by eliminating the presence of excessive costs associated with the services (S). The example of Masdar institute clearly highlights the aim of the company as it is providing the services to the people at no profits. Masdar being a government initiative of the Mubadala Development Company does not have a dire need for generating profits as the economy possesses adequate financial resources due to the efficiency of its oil sectors. Hence the pricing of the services / products of Masdar are highly convenient to the consumers (S).

Place (Moderate Rating):

The headquarters of Masdar is in Abu Dhabi with other units of the organization located in Abu Dhabi as well. Masdar has entered into various collaborations and strategic alliances with global entities and this has

enabled it to extend its reach to global consumers. People on a global scale are now being made aware of the efforts of M