

Strategic audit of a corporate management essay



**ASSIGN
BUSTER**

Current Situation

Current performance

An audit is the starting point of each strategy discussion which examines the current situation of a corporate systematically. Company's experience and international network of experts is trusted by large number of clients from almost every industry sector, when the current strategy is planned by them.

The main aim of strategy audit is the evaluation of current strategy and to show how the company can position itself in the market. The status quo with reference to business model and business plan is also shown by strategy audit. While making the audit some steps are to be taken. First is to analyze the current strategy that is the analysis of company, market, customers, products, marketing and sales approach, etc. Another step is matching the current position and profile of the company including brand. The ways should be identified about how to raise the brand profile and how to achieve the greater market exploitation. The other step is establishment of controlling ratios. This is to ensure sustained output in marketing and sales along with strategic planning implementation to improve international decision making.

Work done by the people involved in a corporate and general improvement of the understanding of work should also be taken into account. The main issues of concern are return of investments. It is a performance measure which is used in evaluation of an investment or to make a comparison of efficiency of different investments. Return of Investment is calculated on dividing the benefit of an investment by the cost of the investment. Market Share is the other main issue of strategic audit. Its analysis is an important part and it indicates the performance of a firm in the marketplace as compared to its competitors. The factors which help in estimating the value

of market are capital sales, user base, market definition, scope of other brands included, time frame length and product definition. Next issue to be considered is profitability analysis. It is done by firstly estimating the expenses and breakeven points. Next is the analysis of several scenarios with different price levels and factors which can find that how they can affect the breakeven point and net profit.

Strategic Posture

The main aim of any organization is to set goals for the organization. This goal must be specific and realistic. The goals are set through strategic planning and afterwards are converted into activities which show the way of how to reach the goal through operational planning. Objective of the organization is to reach its goal ultimately. It is a continuous process of search and decision making to set the objectives for an organization. One must have a thorough knowledge of self and organization to set the goals. While setting objectives the operational planning managers must keep things in mind. These include the final result. The objective should focus on result and not on activity. Other points to keep in mind are to be specific, to be measurable and lastly to be attainable. Along with this time plays most important role.

Current Mission and aim at Bank of Sharjah are focused on sustainable performance to be delivered to its shareholders. Ethics and transparency perform major role in defining and displaying their mission objectives.

Clearly statement of the Objectives, Mission, Strategies, Policies

The Mission, objectives are clearly stated while the policies and strategies keep changing with the time. As the banking scenario gets tighter, maintaining the grip on the customer base requires bends and changes in the policies.

Mission

The Corporation indulges in core banking services. As the core banking scenario gets tighter banking nowadays indulge in services which revolve around banking. The Mission remains the same as stated above.

Objectives

As stated above, Objective of the organization is to reach its goal ultimately. It is a continuous process of search and decision making to set the objectives for an organization. One must have a thorough knowledge of self and organization to set the goals. While setting objectives the operational planning managers must keep things in mind.

Strategies

Strategies of the Bank of Sharjah involve many strategies to name a few Liquidity Risk Management, Market Risk Management. Since 2008-09 was an year of crisis which the world economy witnessed painfully. Banks and corporate sectors were the major losers in this fiasco. At this stage, still managing to provide world class banking services definitely displays the strategic planning according to the need and necessities caused by time.

Operations

The current Mission and Objectives of the Bank of Sharjah reflect the working on an international scale with an approach such as to cater its services

globally. The Bank of Sharjah competes with all other banks on an international level to attract shareholder from all over the world. This reflects its extension in an international picture.

CORPORATE GOVERNANCE

A. Board of Directors

Who is on the board? Are they internal or external members?

Honorary Chairman: – His Highness Dr. Sheikh Sultan Bin Mohammed Al Qassimi

Chairman: – Mr. Ahamad Abdalla ALNOMAN

Vice Chairman: – Sheikh Mohammed Al Sultan S. ALQASIMI

Directors: – Shaikh Saif Mohammed Bin Butti Al Humed

His Excellency Hummed Nusser Alowais

Mr. Abdulrahaman Mohd Bukhatir

Mr. Abdelaziz Hassan Abdulrahaman Almidfa

Mr. Abdulaziz M. A. S. Alhasawi

Mr. Saud A. Kh. Albesharah

H. E. Claude de Kemoularia

Mr. Francois Dauge

The Company have both kind of members in the governing Council. Some of these members are internal and some of members are external members.

Do they own significant shares of stock?

The biggest shareholder of the Bank of Sharjah is The Government of Sharjah. It owns 15.02% of share of the Company. It owns 300,459,884 shares of the company.

The other big shareholder of the company is Al Saqar united Group which owns 10.93% of the total share which is 218,605,024 shares. In this row the next is Abdulaziz Mubarak Al Hassawi who owns 6.80% shares and the next is Ahman Abdalla Ali Al Noman Shamsi who owns 5.06% of shares.

These four are the major shareholder of the company these for shareholders holds total of 37.815 shares of the total shares.

Is the stock privately held or publicly traded? Are there different classes of stocks with different voting rights?

The Bank of Sharjah trades the stocks in both manners. In this Company as we can see that the biggest company share holder is the government. The remaining balance of the stocks is traded with the individuals and the private companies.

We can classify these stocks into two different classes according to the voting rights. First is Common Stocks, most of the stocks of shares comes in the category of Common stock. If anybody buys the common stock then he becomes the partial owner of the company and he is also given the voting rights in the company regarding the company matters. The other class is the Preferred Stocks, in which you also share some share of ownership of the company but you don't have the voting rights. So these are the two classes in Bank of Sharjah of Stock according to the Voting rights.

What do the board members contribute to the corporation in terms of knowledge, skills, background, and connections? If the corporation has international operations, do the board members have international experience?

The governing Council Member of the Bank Of Sharjah are very experienced persons of their fields. The company has the international exposure and these members were able make it possible. They have all the authorities to approve all the strategies and the plans proposed by the management and the auditors.

What is their level of involvement in strategic management? Do they merely rubberstamp top management's proposals, or do they actively participate and suggest future direction?

The board members are not just to rubberstamp on the proposals which come to them. Their job is that the all aspects must be taken to represent the proposal and make it to be executable. If some proposals have any kind of error then they can order to make that correct and give their suggestions to make it more profitable.

B. Top Management

What person or group constitutes top management?

Executive director and General manager Secretary to the board & the

Executive Committee: – Mr. Varoujan Nerguizian

External Auditors: – Deloitte & Touche (M. E.)

Internal Auditors:- Messrs. Talal Abu-Ghazaleh & Co.

What are top managements chief characteristics in terms of knowledge, skills, background and style? If the corporation has international operations does top management have international experience? Are executives from acquired companies considered part of the top management team?

General Manager of the bank is Mr. Varoujan Nerguizian. He is the founding member and the chairman of the Lebanese educational Fund. In the annual report Ahmed Al Noman, Chairman of the Board of Directors said that the general manager of the company has performed very well in the previous year. Due to his performance the Bank of Sharjah has managed to increase its profitability and it has made the balance sheet in very strong manner.

The general manger is very responsible person for the company's performance. He has all kind of responsibilities to manage the revenue and the cost element of the of the company income statement. In the Bank of Sharjah the general manager is appointed internally or externally according to the performance of the individuals. It is not necessary that he must be the internal person.

Has top management been responsible for the corporation's performance over the past few years? What is the top management's level of involvement in the strategic management process?

The management has the responsibility for preparation and the presentation of these consolidated financial statements on the scale of the international financial reporting standards. These responsibilities also include the designing, implementing and maintaining the internal control which is relevant to the preparation and the presentations.

Similarly the Auditors responsibilities are to give the views about these consolidated statements based on the international standards of the audits to increase the performance of the company.

How well does top management interact with lower-level managers and with the board of directors?

The general manager is the person who is the link between the lower level management and the board of directors. The General Manager himself is one of the members of board of director council because of this reason he only can put the proposals prepared by the lower level management to the board.

Are strategic decisions made ethically, in a socially responsible manner?

The decisions made by the top managements are given to the board to review these decisions. And as we discussed that the company is public oriented because the public buys the shares of the company the decisions are made in socially responsible manner.

Is top management sufficiently skilled to cope with likely future challenges?

The management has started to work on the future challenge that can be very inconvenient for the company perspectives. The current report of a news says that Varouj Nerguizian , Executive Director & General Manager of Bank of Sharjah, and Chairman & General Manager of Emirates Lebanon Bank s. a. l, have tied up for the future. They reveled in their reports that 30% of the capital of the Lebanon bank will be offered to the Bank of Sharjah in future so that they can choose a group of Gulf and Lebanon investors to minimize the risk for both the banks. Bank of Sharjah has already declared that they are going to build a new franchise in the Middle East region. This

operation we can say is the one step closer to the future expansion of the Bank of Sharjah for the benefit from the Gulf based Clients.

EXTERNAL ENVIRONMENT: OPPORTUNITIES AND THREATS

Societal Environment

What general environmental forces are currently affecting both the corporation and the industries in which it competes? Which present current or future threats? Opportunities?

Economical factors: Recent slowdown in global economics has slowed down the pace of growth of these banks. Apart from this economies shifting to renewable sources may create problem in future for the bank as it mainly concerned with OPEC nations.

Technological factors: Introduction of online banking has added ease of banking for its customers as well as reduced work load of employees. Online banking has also added to globalization of bank and its basic motive of customer satisfaction. But along with many advantages it has created a security alarm among banking firms.

Task Environment

What forces drive industry competition? Are these forces the same globally or do they vary from country to another? Rate each force as high, medium, or low.

- Threat of new entrants (medium)
- Bargaining power of buyers (High)
- Threat of substitute products or services (medium)
- Bargaining power of suppliers (Low)
- Rivalry among competing firms (Medium)
- Relative power of unions, governments, special interest groups, etc (high).

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They almost remain same but depend on economy of the country.

What key factors in the immediate environment (that is customers, competitors, suppliers, creditors, labor unions, governments, trade associations, interest groups, local communities, and shareholders) are currently affecting the corporation? Which are current or future threats? Opportunities?

These all are affecting the immediate environment. Not much but little bit of threat can be possessed by interest groups, competitors who are at present also and will remain in future also.

Summary of External Factors

Which of these factors are the most important to the corporation and to the industries in which it competes at the present time? Which will be important in the future?

Economy of the country, purchasing power of customers, entering of competitors suppliers is some factors which affect the growth of industry. Proper use of technology, globalization, and media will help in growth of industry, so it is essential that they make judicious use of it.

INTERNAL ENVIRONMENT: STRENGTHS AND WEAKNESSE

Corporate Structure

How is the corporation structured at present? Is the decision making authority centralized around one group or decentralized to many units? Is the corporation organized in the basis of functions, projects, geography or some combination of these?

Corporate structure is a hierarchal one with Board of Directors forming the primary body. Board of directors constitute:-

- Chairman
- Vice chairman

- Directors
- Executive director and General Manager who also holds Secretary of board & Executive Committee

After the Board of Directors the Working body consists of

- Deputy general manager
- Managers
 - Commercial Manager
 - Senior Operations Manager
 - Senior Risk Manager
 - Manager Audit & Controls
 - Investment Manager
 - Finance Manager
 - IT Manager
 - HR Manager
- Assistant Managers
- Head Of Departments
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At Branch level there is

- Senior Manager
- Credit Manager
- Officer
- Credit Officer
- Head Of Departments

It's very clear from the hierarchy that decisions are not confined to a single centralized body but are rather decentralized. Every Branch Head (Senior Manager) has his own power to make decisions up to certain a limit after which he too has to consult his concerned head at Head office.

There is division of departments on the basis of functions at central level.

Is the structure clearly understood by everyone in the corporation?

A company having mission statement containing transparency, ethics will always value the structure and respect role of other people.

Is the present structure consistent with the current corporate objectives, strategies, policies, and programs as well as with the firms international operations?

The company's profit, quality of customers clearly displays that present structure is not only consistent but also forming a strong competitive body to rest of the international firms.

In what way does this structure compare with those of similar corporation?

The structure is much better than that of similar corporations and was awarded with " Best Board Award" for excellent board work done by board.

Corporate Culture

Is there a well defined or emerging culture composed of shared beliefs, expectations, and values?

Yes, Having Ethical values as its core value depicts that it has shared beliefs, expectations and values.

Is culture compatible with the employees' diversity of backgrounds?

Company is more concerned with performance, commitment and quality of its employees and so losing a single one will affect their working, therefore it

becomes essential for company to provide with healthy work environment inspire of diversified backgrounds.

Summary of Internal Factors

Internal factors include structure of company, healthy work environment, and cultural compatibility among employees, respect and value of role of each and every employee. They provide consistency in company's growth.

Analysis of Strategic factors in bank of Sharjah

Strategic factor analysis deals with the evaluating the strength and weaknesses of a company's position. In case of Bank of Sharjah, it is done over the 5 aspects of business to judge their own position and what measures to be taken in order to improve its position. These aspects include services & product, level of competition in banking sector, current market scenario, growth potential and overall market scenario.

Situation analysis

In case of Bank of Sharjah, it is twofold analysis internal analysis and external analysis. Internal analysis consists of improving internal operations before worrying about the external market scenario. Analyzing services & products consists of customer satisfaction, clarity, optimizing operational time, decreasing faults and increasing efficiency . Bank mainly concentrates on the increase in total assets, liabilities, equities, customer deposits and advances and decreasing the liquidity of money through their smooth internal operations. While in case of external analysis, it deals with a glance over the competitive rivalries in banking and their staying power, trend in the market , demand of type of services and majorly the prevailing global financial conditions as it is a tough period for the global economy as there

have been crashes of many of the global banks. It is mainly responsible for model of business strategy for Bank of Sharjah. It is also concerned with selecting and applying appropriate reasonable accounting policies in the external circumstances.

Review of missions and Objectives

Customers are of highest priority for Bank of Sharjah. Their mission clearly states that they want to achieve a strong and sustainable performance for their shareholders. They have an equal commitment for their personnel and clientele for helping them in realization of their aspirations and objectives. Moreover their mode of operations should be ethical, transparent and should have equality in order that they can contribute to environment and society.

Strategic alternatives and recommended strategies

Strategic alternatives

Banks have an alternative for any kind of unexpected critical situation in pre-analysis. They always have backup investment strategies for deal in with such situations. As the alternative Bank of Sharjah believes in increasing investors interest in gold and ultimately Bank is targeting to upgrade the gold share in its international reserve mix. And there are several other initiatives taken by the bank in order to deal with the unstable global economy in these years of global economic crisis.

Recommended strategies

As the recommended strategies there should be entirely new structure for the project and operation cycle. There could be three option available in such case. First involves adopting the entire system all at once at the country level or a central level. Second involves adopting the system incrementally in

the sector and regional strategies. Third option and the most recommended one advocates incremental implementations through sectors and regions but the addition of overall system introduced at the national level.

Implementation

Programs developed to implement the recommended strategy

Bank of Sharjah is focused on its core businesses which include retail, investment and corporate banking. Bank of Sharjah has all made a solid contribution to performance in all the fields. It has increased the size of its operations in the fields of corporate financing, retail businesses and international syndication, all this has led to tie up the bank with other international bank figures. This strategy is named as “ Re-Branding Growth” strategy of the bank.

Financial feasibility of the programs

According to the Annual report, of the year 2008-09, submitted to the board of Bank of Sharjah, the whole of UAE was affected by the financial crisis. The oil prices were affected the worst. They plummeted from \$147 in July to \$40 per barrel in October. Monitoring all the resources, the bank still generated Net Consolidated Profits of 410Million again 404 Million in 2007. This reflects the bank’s strong stability against the crash of stock market which was a catastrophe in the history of world economy. This all shows that the programs under the Bank of Sharjah are financially feasible and are running up to their mark.

Need to develop new Operating procedures

Talking of recent times, although the world economy has stabilized it still suffers from jolts from the past. As we say the Bank of Sharjah still managed

to generate almost the same Net Consolidated profits equal to the last year's, we should also keep in mind that the net economy worth is growing day by day. Due to this new operation need to be implemented these effectively cut down the risk factors and give stability to the market position of the bank.

Evaluation

A. Is the current information system capable of providing sufficient feedback on implementation activities and performance? Can it measure strategic factors?

Executive information system is used to make the decisions to meet the strategic requirements of the organizations. And it directly affects the company's performance.

Ahmed Al Noman, Chairman of the Board of Directors, said in the company's annual report that the bank has performed extremely well in the 2009 and achieved the excellent profitability and had achieved the high growth in various items and activities in the local and regional market on the basis of the executive information system. He has mentioned in the report that the company have recorded the 16% of annual growth in the ending year with the help of the information of the financial market and the change in the fair values of the available resources for investments.

He also added that the total revenue of the bank had reached to the AED1169 million. According to him the increase is due to the increase of 50% of net interest income by which the decline of the commission and the trading income had compensated.

The Loan to Deposit ratio had been reduced up to 0.95 from 1.02 which was at the end of year 2008. Due to increment in the performance, the earning per share had increased by 8%. These all figure we are because of the executive information system. Because it analyzes all the data and tell the appropriate strategies to improve the performance.

B. Are adequate control measures in place to ensure conformance with the recommended strategic plan?

The recommended strategic plan are made by the company in such a way that they must be made on the standard of the control measures. That executable plans must be legal and follow all the rule and regulations and before launching these plans in the market these plans must be approved by the board and the government. So as we know that in the company Bank of Sharjah there is a big hand of the Government of UAE, so their plans are followed by all the procedures and are cleared on the control measures standards.

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