

Applying select Strategic Management concepts on a Saudi Arabian start-up restaurant: A case

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Abstract: Strategic Management Concepts and models are widely being used by organizations to achieve a sustainable competitive edge in the industry. Applying the principles and theories on large corporations is common. In our research, we have selected a start-up restaurant of Saudi Arabia initiated by a group of enthusiastic young Saudis. Though the business is still at an early stage of development, we had analyzed the enterprise by applying different strategic management perspectives. The research discussed the business venture using SWOT analysis, value chain analysis, and external & internal scanning analysis. Future research directions are also given.

Keywords: Saudi Arabia, scanning, strategy, SWOT, Value Chain

INTRODUCTION AND BACKGROUND

In recent years entrepreneurial ventures have been flourishing in the Kingdom of Saudi Arabia [1]. In the developing business environments, an entrepreneurial orientation facilitates the reduction of unemployment and provides positive direction to the economy. According to Nunes & Balsa [2], some countries like United Arab Emirates, Jordan, and Oman are supportive towards entrepreneurs whereas Saudi Arabia does not possess the relevant entrepreneurial context. Ironically, the entrepreneurship-related activities in the country are still in the primary stages despite the country having a high level of unemployment among local citizens. Additionally, some small and medium enterprises in the country lack the resources or abilities to collect information from external sources and apply practically. We have conducted our study on a small and relatively new restaurant outlet located in Jeddah and examined them in the context of strategic management approaches on the enterprise's operations.

REVIEW OF LITERATURE

Strategic Management as a discipline emerged around the early 1960s and focused on the ways by which organizations develop and enhance competitive advantage [3]. Today Strategic Management broadly encompasses a collection of different activities, namely, planning, implementation, decision-making. Environmental scanning is a vital part of Strategic Management that enables a thorough knowledge of the external forces [4]. Muhammad [5] has aptly described scanning as the internal communication of external flow of information about key strategic aspects of the

organization. Along with the scanning process, there is a simultaneous incorporation of competencies, new insights and technical acumen [6]. Research demonstrates a significant relationship between environmental scanning and the productivity of the firm [7-9] and the more performing companies conduct a meticulous scanning process [10]. Scanning consists of three distinct steps: examining, connotation and the action plan [11]. On the other hand, a value chain is a sequence of activities and services that presents the idea of the product or service, to the production activities and then to the end-users [12, 13]. It is, in fact, an examination of the different attributes of value chain outcomes [14]. It has been proved to be an effective tool in evaluating results in various systems [15]. Evaluation of the organization's strengths, weaknesses, opportunities, and threats referred to as SWOT analysis, is a vital element of strategic planning [2]. There has been an intricate relationship between SWOT analysis & strategic planning and was considered as the manner in which the firm's internal features and external approaches have an impact on strategic policy [16].

The case of Section B: A Saudi Burger restaurant-

Their passion for eating burgers, and the continued disappointments from burgers and meat restaurants in the Kingdom, has led six young Saudis to create their burger recipe and sell burgers online. Section-B's home-made burgers became a hit, and the group now sell burgers from a physical store. At first, the group sold burgers at a one-off event, and they got positive feedback and so started to make samples of different burger recipes which they gave to friends and family to try and were slowly able to perfect their

burgers. Mansour Qadi, the managing partner, usually spent most of his time in their restaurant, checking on the work. He said he believes that in any businesses, some, or at least one partner, should be there so the customers can enjoy their food and leave the place satisfied [17]. This indeed is a positive view of the management representatives of the start-up and ensures customized services. The restaurant was the brainchild of six friends and their Chef Mansour.

The venture had taken somewhat longer time to start as there was a long, tedious process of trying out and providing honest feedback on the chef's recipes. There was a narrowing down of the menu meals, and the preferred recipes were shortlisted. The restaurant had begun its operations as an online restaurant whereby orders were accepted by phone and delivered to the consumer within Jeddah region, Saudi Arabia. As the scale of operations increased, the owners jointly decided to open the restaurant for efficient services and delivery. The interesting aspect was that the owners were young Saudi men who were already working in different organizations. There was an intriguing proposition to open the outlet once a week to make it more appealing and valuable.

The entrepreneurs started their venture with burgers every Friday, and soon the demand became popular and customers contacted through the social media. The strategy of the management had been cautious and calculative from the beginning because only when there was a group of fixed loyal and repeat customers that they established a burger outlet.

The Mission of the enterprise was also precise and focused and stated that they aimed to make Section B an effective chain of restaurants in Kingdom of Saudi Arabia and the entire Middle East.

We have conducted a Strength-Weakness-Opportunity-Threat (SWOT) analysis of the restaurant venture which has been presented below;

Strengths

- There are special and unique burger meals and sauces with different toppings, namely, mushrooms, grilled or caramel onions, fried eggs, jalapeno pepper and grilled pineapple slice.
- Since the entrepreneurs are close friends, so there is a high level of coordination, support and atmosphere of warmth between them to ensure a mutually satisfying fruitful professional association.
- Being Saudi chefs, the owners understand the palate preferences and taste of people of the Saudi customers as well as to a large degree of the Arab world.
- The outlet depends on the local produce which

is freshly collected to support local farmers. Also, freshly baked bread is offered to the customers daily.

- Since the start-up was initiated by a group of young experimenting men, the management dimensions widely applied are of self-management with self-directed and reliant teams and a flat, lean organizational form.

Weaknesses

- The owners have limited time as they have been employed in different organizations that make them available only four days a week to the store.
- The cost of rentals is fixed and throughout the month despite the restaurant opening for limited days in a week.
- There is limited manpower as they operate on limited days, manage the restaurant themselves.

Opportunities

- The location of the store is prime and draws footfalls as it is behind the Jeddah Hilton, a popular and travelled street in Jeddah.
- The outlet has a positive image because of the hygiene, service and taste factors.
- The Saudi elite and intellectual figures of the society have appreciated time and again and have showered appreciable messages and encouraging comments.
- The management has installed the latest technology and infrastructure to deliver products and cater to a wide segment of people.

Threats

- There are the other local and foreign competitor chain restaurants (Al Baik, Jan Burgers, MacDonald's and Burger King) that have greater market share and customer base in the Middle East as well as globally.
- There is the fear of future legal bottleneck as the Saudi Law prohibits the Saudi public employee from owning a business. Though at present the proper legal guidelines are followed there can always be issues and challenges in future.
- The competitors have superior access to channels of distribution while Section B has only one outlet with limited opportunities.

External environment

The average spending of the Saudi consumer's spending is high, especially in fast food. Moreover, the abundant supply of the burger restaurants implies low prices; as a result, Section B had lowered its prices.

According to the Saudi Labor Law, at least 30

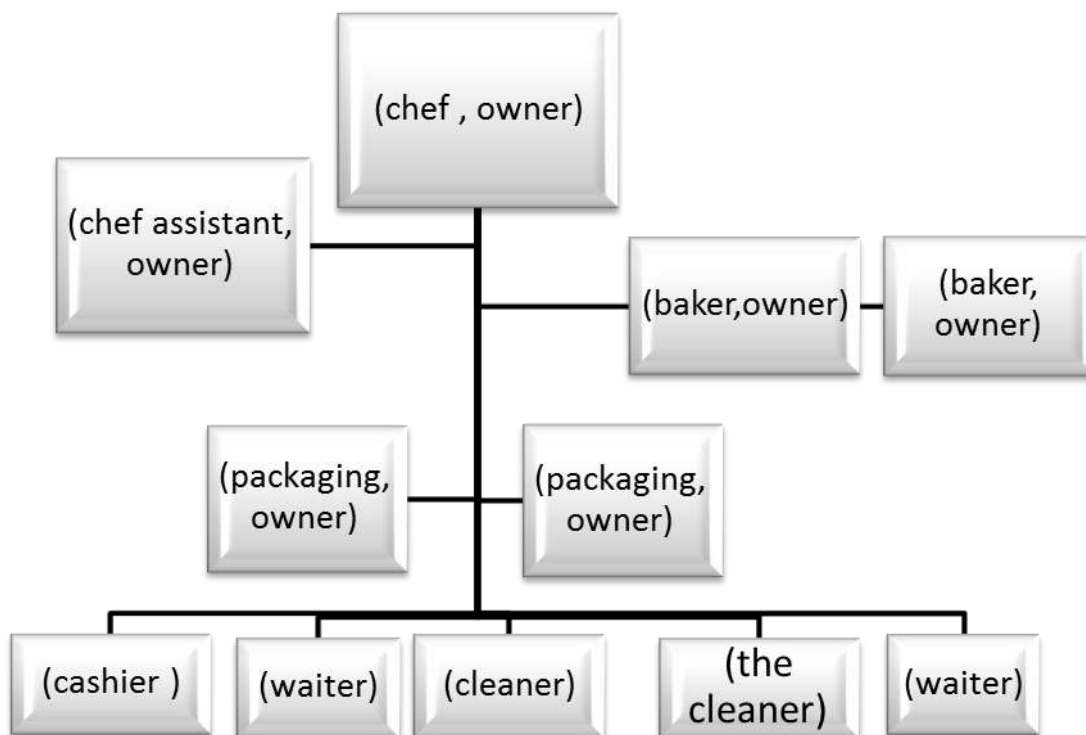
percent of the employees must be Saudis (with a minimum salary of SAR 4000), and this law was followed by Section B. Even though the management preferred to bring cheap foreign labor, but the complex procedures was a challenge the owners faced. As discussed before, according to the Saudi Commercial Law, a public employee cannot own private business. Hence the management had to register the business under the name of a private employee commercially. Unfortunately, the government tries to promote a successful entrepreneurial framework, but there are current bureaucratic bottlenecks that create hurdles on the small business owners [18].

Jeddah is one of the major cities in Saudi Arabia and has a metropolitan population of Saudis and expatriates from different nations. So, there is immense market potential to attract customers and increase the market share. Besides, the majority of the Saudi population is young, with a penchant for fast food and new jaunts. Even though Section B has one outlet but still it realized the need to be tech-savvy. The restaurant has a good telecommunication infrastructure, a properly developed website, and credit transaction facilities.

Instagram and Twitter accounts provide the relevant information the customer may want to surf before visiting or ordering (the different menu meals, images of the meals, the process of ordering, pictures of products, and location map of the restaurant. A brief account of the customer profile usually includes teenagers, students, and the office-going crowd. There is always the uncertainty of some new outlet being turning up at the corner, or the changing tastes of the customers. Nevertheless, there is a continuous effort on the part of the management to enhance the quality of the products and services like adding more menu variety, connecting closely with the customer through social media, offering services with politeness and friendliness.

Internal Scanning

A close analysis of the structure reveals an almost flat form. There is Mansour, the Chef and one of the owners who possess strong administrative skills. There are other owners exhibited in the organizational chart below:



Source: Compiled by the authors

An in-depth scanning of the internal dimensions reflects the outlet’s affinity for retaining the cultural characteristics of the Saudi society. As seventy percent of the employees are Saudis so there is a high level of cultural integration. Two distinct areas are emphasized: the quality of the food and the experience of exceptional taste. The ambiance of the outlet is cozy, comfortable.

Under the tangible resources fall the physical space, the related machinery, and resources (barbecue tools, cooking utensils as well as the food ingredients). There are around 11 employees. It has patented the special burger recipes and regularly uses social media channels to communicate with customers and receive updated information. There is undoubtedly a niche

customer segment and short, efficient distribution systems.

Among the intangible resources, there is the local brand name of the restaurant, the goodwill of the

local Saudis high in the social ladder, a distinctive trademark (A Burger's Point of View!)

The Marketing Strategy



Compiled by: Authors

Marketing Mix framework

For any company, a proper combination of the marketing mix is essential. All the four components; place, price, product, and promotion play a vital role in the success of any business venture. The chosen outlet has judiciously worked on the given parameters so the differentiation from the existing players could be established. It is located at a prime location which is the hub of the young generation. Prices are strategically decided based on the current pricing of the competitors to match whereas product differentiation has been created by offering new flavors and combination to catch the imagination of the target segment. The promotional aspect was also very crucial to convey the right message and attract the prospective customers -it was also planned nicely using social media platform and catchy outdoor advertisements.

Value Chain Analysis

Primary Activities

Inbound Logistics: This refers to the activities of the sourcing all of the ingredients (wheat, eggs, water, meat, cheese, potato, onions, etc.) and materials (Cooking utensils, Barbecue tools, etc.). The procurement is from the local suppliers providing convenience and accessibility.

Operations: Here, there is a direct store where the manufacturing of the food materials take place.

Outbound logistics: Section B is selling its burgers in its store without any intermediaries.

Marketing and Sales: the economies of scale is still of the low level with no heavy investments and nominal investment. There is a huge focus on online marketing to drive additional sales and compete with the other fast food restaurants.

Service: this is a unique quality the restaurant has been

demonstrating over a period. The management has been delivering superior services and offering affordable, delicious burger meals to the customers.

Support Activities: Infrastructure: the infrastructure has been modestly set up. The entrepreneurs had a cautious and austere approach as initially; they did not spread the investment. Only when the burger shop was widely accepted after once –a –week opening, the men opened and ran a state-of –the –art burger outlet with a dining section successfully too.

The emphasis on well-trained staff was a significant factor for the management, and that was exactly the reason the official opening of the outlet was postponed as the staff was not adequately trained. Additionally, the extensive use of communication technology (Instagram and WhatsApp) was supported to reduce the time taken in written orders.

Differentiation Strategy

The young entrepreneurs were innovative enough to differentiate their eatery outlet based on new flavor from time to time. Even the interiors had a distinctive American wooden style which attracts the young crowd and the professional gatherings. There is an element of transparency and honesty in the interiors and the décor. The owners have made a sleek, frills-free industrial design where there is an open kitchen and hanging pictures of positive quotes. Another special aspect is that Section B communicates with the customer through social media accounts and a number has been assigned to receive complaints. There is an element of the latitude of social media connecting tools, and business can reach target segments, enhance customer services, and in short improve the streamline the Ps of marketing. Erdogmus & Cicek [19] highlights the immense opportunities offered by the social media, especially in the domain of viral marketing and new product promotion.

DISCUSSION AND IMPLICATIONS

In our paper, we had tried to apply the basic strategic management concepts and models on a start-up restaurant in Jeddah, Saudi Arabia. We have described each strategy in association with the strategic activities of the restaurant elaborately. We found that the outlet has become popular but had nevertheless faced continuing problems from the inception. Wijaya & Budiman [20] had pointed out that there was an immediate need for reform in the legal guidelines to foster entrepreneurship activities, especially, the start of the venture. It is true that Saudis prefer setting up businesses as compared to normal employment. Research shows that the kingdom has an extremely low-level of initial early-stage entrepreneurial movement (only 4.7 percent of the adult population) [21]. Varshney [22] found that there is a paradigm change in the mind-set of the Saudi youth today, in their perception to jobs and employment and occupations. The previous blind preference for the public sector jobs is wearing away. Today the Saudi youth wants to experiment, is more professional in orientation and keen to develop his career and participate in the nation building process. There are some suggestions, namely, expanding the business by increasing the number of outlets, increasing the product line (stretching from burgers to other related food items). Besides, the management has to take a final decision in taking the plunge (quit jobs) by getting completely involved with the start-up and grow it. Future research studies should aim to conduct empirical research on the young Saudi entrepreneurs and study the financial and strategic support of the Saudi government organizations in this matter.

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