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**STRATEGIC MANAGEMENT
IN THE WEARING APPAREL
INDUSTRY**

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

Strategic management is a continuous, evolving process. It is defined as those aspects of the management process that are concerned with ensuring that an organization is viable and that its resources are adapted to its environment in a way that permits the organizations' goals to be achieved in an efficient manner using appropriate courses of action. It allows managers to systematically determine the direction they would like their organization to take in the future. It allows them to be proactive while simultaneously being accurate.

Organizations need to engage in the strategic management process to set direction, focus effort and to match the environmental conditions with internal distinctive competences.

Many organizations have become large and profitable due to the practice of strategic management; while others have failed because of the ineffective applicability of strategic management. In fact and very unfortunately, most public and private enterprises in Lebanon lack

effective strategic planning. This study will investigate the assessment of strategic management process in the wearing apparel industry .

1.2 The Clothing Industry

The clothing industry in Lebanon is an old industry which has presented an excellent contribution to its country in terms of the number of factories, the workforce, the quantity produced, the quantity exported and the added value. It is a well advanced sector maintaining style fashions and designs.

Almost 3185 industrial units are listed in the clothing field, that is to say 13.5% of the total Lebanese industrial enterprises. The factories are distributed as follows according to the number of employees¹:

Region	Total
Beirut	699
Mount Lebanon	1397
North Lebanon	504
South Lebanon	203
Bekaa	305
Nabatieh	77

Table 1.1 Factories' Distribution

The industrial units in the clothing industry were established as follows²:

Year of Creation	Number of Factories
Before 1950	34
Between 1950-1959	113
Between 1960-1969	266
Between 1970-1979	601
Between 1980-1989	931
1990	158
1991	143
1992	178
1993	153
1994	209
Non respondents	399

Table 1.2 Clothing Firms' Year of Creation

As for the foreign participation, the participation of foreign capital remains very slight according to the following³:

Foreign participation	Total
Entirely Lebanese	2548
Non Lebanese majority	9
Lebanese majority	280
Equal Sharing	3
Nonrespondents	345

Table 1.3 Foreign Participation

In spite of the tragic events in Lebanon during 1991 and 1992 (stagnation of the economic situation), clothing industry exportations to the

total number of other industrial exportations were as follows: In 1991, the clothing industry exportations reached 19.1% and in 1992, 20.6% and these percentages present important contributions in terms of Lebanese industrial exportations⁴.

The clothing sector offers a wide range of diversified products in comparison with other Lebanese industries. These products could be grouped under many headings:

- 1- Wearing apparel (women-men)
- 2- Children wears
- 3- Underwears
- 4- Textile
- 5- Carpets
- 6- Bags and hats
- 7- Sportswear
- 8- Blankets

This research project will concentrate on the wearing apparel for women. The number of industrial units for women wearing apparel as listed in the association of Lebanese industrialists is 61 industrial units in the district of Beirut.

1.3 Statement of the Problem

The actual underestimation of the importance of strategic management process being applied in the Lebanese industry in general and the local clothing industry in particular is the major problem lying behind conducting this research project.

1.4 Purpose of the Study

Strategic management is becoming one of the most crucial tools available for management teams in all organizations around the world. In Lebanon, this available tool is not given the required attention. Thus, the main purpose of this research is to determine whether the key issues in formulating a competitive strategy are applied in the Lebanese clothing industry.

1.5 Methodology

The sources of information for this study include both primary and secondary data. The primary data consist of structured interviews with the firms' managers. The questions addressed are highly standardized to make people's responses easily comparable. The primary data will contribute to extract the results of the study.

The secondary data include library materials about strategic management and will help in building the literature for this study.

It is worth mentioning that the research will follow the following outline:

- CHAPTER TWO will be concerned with reviewing the literature that deal with the issue of strategic management.
- CHAPTER THREE will present the practice used to collect data.
- CHAPTER FOUR will include the interviews and uncover the research findings.
- CHAPTER FIVE will conclude this research and will include recommendations according to the researcher's evaluation.

It is worth mentioning too that in spite of the researcher's effort to obtain accurate and objective information, and to reduce biases, control is not fully exercised due to the fact that not all the manufacturers in the wearing apparel firms for women have been covered in this project (50% not covered).

Notes to Chapter One

1- Data on the estimated labor force was extracted from the industrial census of 1994 conducted by the “Association of Lebanese Industrialists” and “The Ministry of Industry and Oil”, p. 14.

2- Data on the year of establishment of the industrial clothing units was provided by the industrial census of 1994 conducted by the “Association of Lebanese Industrialists” and “The Ministry of Industry and Oil”, p. 21.

3- Data on the estimated foreign participation in the industrial clothing units was obtained from the industrial census of 1994 conducted by the “Association of Lebanese Industrialists” and “The Ministry of Industry and Oil”, p. 20.

4- The estimated percentages of the clothing industry exportations to the total number of other industrial exportations were extracted from a study on the Lebanese wearing apparel industry conducted by the “Lebanese Chamber of Commerce and Industry”, p. 4.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition

Strategic management is a continuous, iterative process aimed at keeping an organization as a whole appropriately matched to its environment. The process itself involves performing an environmental analysis, establishing organizational direction, formulating organizational strategy, implementing organizational strategy and exercising strategic control. See Figure 2.1

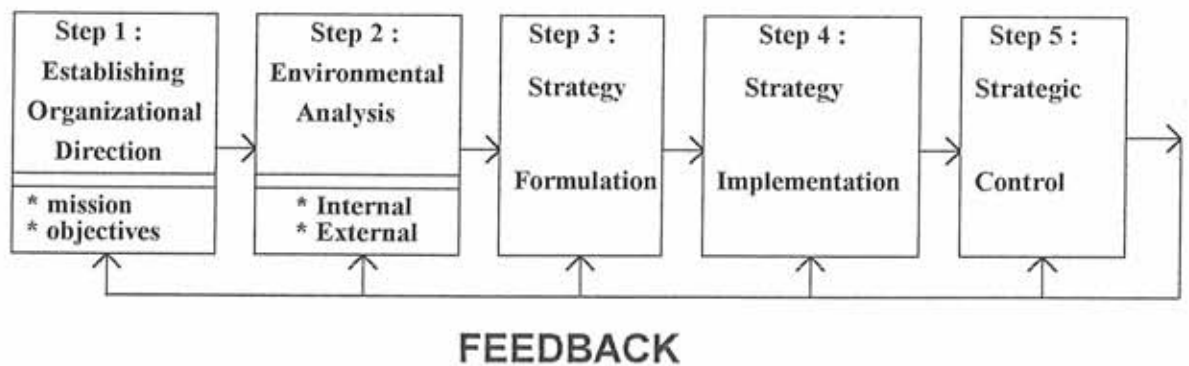


Figure 2.1 : Major steps of the Strategic Management Process⁵

The definition also suggests that the strategic management process is continuous, it never really stops within the organization. The term "iterative" indicates that the process of strategic management starts with the first step, ends with the last step and then begins again with the first step. Strategic management then consists of a series of steps that are repeated in cyclical fashion. The last part of the definition of strategic management states that the purpose of strategic management is to ensure that an organization as a whole is appropriately matched to its environment, that is, to its operational surroundings. Organizational environments are constantly changing, and organizations must be modified accordingly to ensure that organizational goals can be attained. Legislation affecting the organization, changes in the labor supply available to it, and actions taken by its competition are examples of changes within the organization's environment.

2.2 Operation of the Strategic Management Process

The strategic management process tends to be dominated by the chief executive officer (CEO) of the company. The CEO is considered primarily responsible for the success of the process. This does not mean, however, that the CEO carries out the strategic management process independently. Instead, the CEO who is successful in this area generally designs a strategic management process that involves members from many different areas and levels. According to George Grune⁶, chairman of the board and CEO of Reader's Digest Association, allowing others to participate in the strategic management process, even to the extent of

involving lower level line managers, generally results in more realistic goals, objectives and strategies. Grune also maintains that such involvement builds organizational commitment to achieving established goals and to implementing those strategies that have been selected.

2.3 Benefits of Strategic Management

Organizations can reap several benefits from appropriately practicing strategic management. Perhaps the most important benefit is the tendency of such organizations to increase their levels of profit. An efficient and effective strategic management system can increase profitability. In addition to benefiting financially, organizations can gain other distinct advantages by implementing a strategic management system. For example, strategic management can boost the commitment of organizational members to the attainment of long-term organizational goals. Moreover, strategic management's emphasis on assessing the organization's environment makes the organization less likely to be surprised by movement within the market place or by actions of competitors that could put the organization at a sudden disadvantage. Of course, these benefits are obtained only if the organization uses a strategic management system in an effective and efficient manner. Employment of an ineffective and inefficient strategic management process could easily lead to such

problems as decreasing profitability, lower motivation of members to achieve organizational goals and surprises within the organization⁷.

2.4 Environmental Analysis (Internal & External)

Environmental analysis is the process of monitoring the organizational environment to identify both present and future threats and opportunities that may influence the firm's ability to reach its goals. The organizational environment is the set of all factors both inside and outside the organization that can affect its progress towards attaining those goals. Accordingly, management should constantly gather and consider the implications of data to important environmental factors.

Modern organizations are open, rather than closed systems. That is, modern organizations are influenced by and are constantly interacting with the environments. Because organizations are open systems, environmental factors inevitably influence them, and it is up to managers to ensure that this influence is channeled in a positive direction and contributes to organizational success. That is why managers should perform organizational analysis.

The main purpose of environmental analysis is to assess organizational environment so that management can react to it appropriately and thereby enhance organizational success⁸. For instance, at the Connecticut General Insurance Company, the overriding purpose of environmental analysis is to provide management with the ability to respond to critical issues in the environment. Connecticut General stipulates that decision makers in the organization must take external considerations into account. Similarly, The Sun Exploration and Production Company has stated that the purpose of its environmental analysis is to explore future conditions of the organizational environment and to incorporate what it learns into organizational decision making.

In order to perform environmental analysis efficiently and effectively, managers must understand how organizational environments are structured. The environment of an organization is divided into three distinct levels⁹:

- a- The general environment.
- b- The operating environment.
- c- The internal environment.

- a. The first level is the general environment. It is that level of an organization's external environment made up of components that are normally broad in scope and have little immediate application for managing an organization. These are economic, social, political, legal and technological segments.

i. Economic Forces

The management of a firm must identify the key economic forces which indicate how resources are distributed and used within the environment. Examples include gross national product, companies' profits, inflation rate, employment rates, interest rates, tax rates, debt and spending and consumer income.

ii. Social Forces

They describe the characteristics of the society in which the organization operates. Examples are literacy rates, educational levels, customs, beliefs, values, lifestyle, age and geographic distribution. The social component of the environmental analysis is an important one in the choice of a strategy.

iii. Political Forces

They include those elements related to governmental affairs. Examples include the type of government in existence and government attitude towards various industries.

iv. Legal Forces

They consist of legislation that has been passed. This component prescribes rules and laws that all members of society have to follow.

v. Technological Forces

They consist of new approaches to producing goods and services, new procedures as well as new equipment.

These five environmental forces affect all types of products, services, and all types of companies and therefore should be accounted for.

- b. The second level is the operating environment which is that level of the organization's external environment made up of components that normally have relatively specific and more immediate implications for managing the organization such as customers, labor, suppliers and competition.

i. The Customer Component

The customer component of the operating environment reflects the characteristics and behavior of those who buy goods and services offered by the organization. Taking this profile into consideration helps management in generating ideas about how to improve customer acceptance and satisfaction of organizational goods and services.

ii. The Labor Component

The labor component of the operating environment is made up of factors that influence the supply of workers available to perform needed organizational tasks. Skill levels, trainability, desired wage rates and average age of potential workers are important issues to the operation of the organization.

iii. The Supplier Component

The supplier component of the operating environment includes all variables related to those who provide resources for the organization. The relative quality of materials by vendors, the reliability of vendor deliveries and the credit terms offered by vendors are examples of important issues to consider in

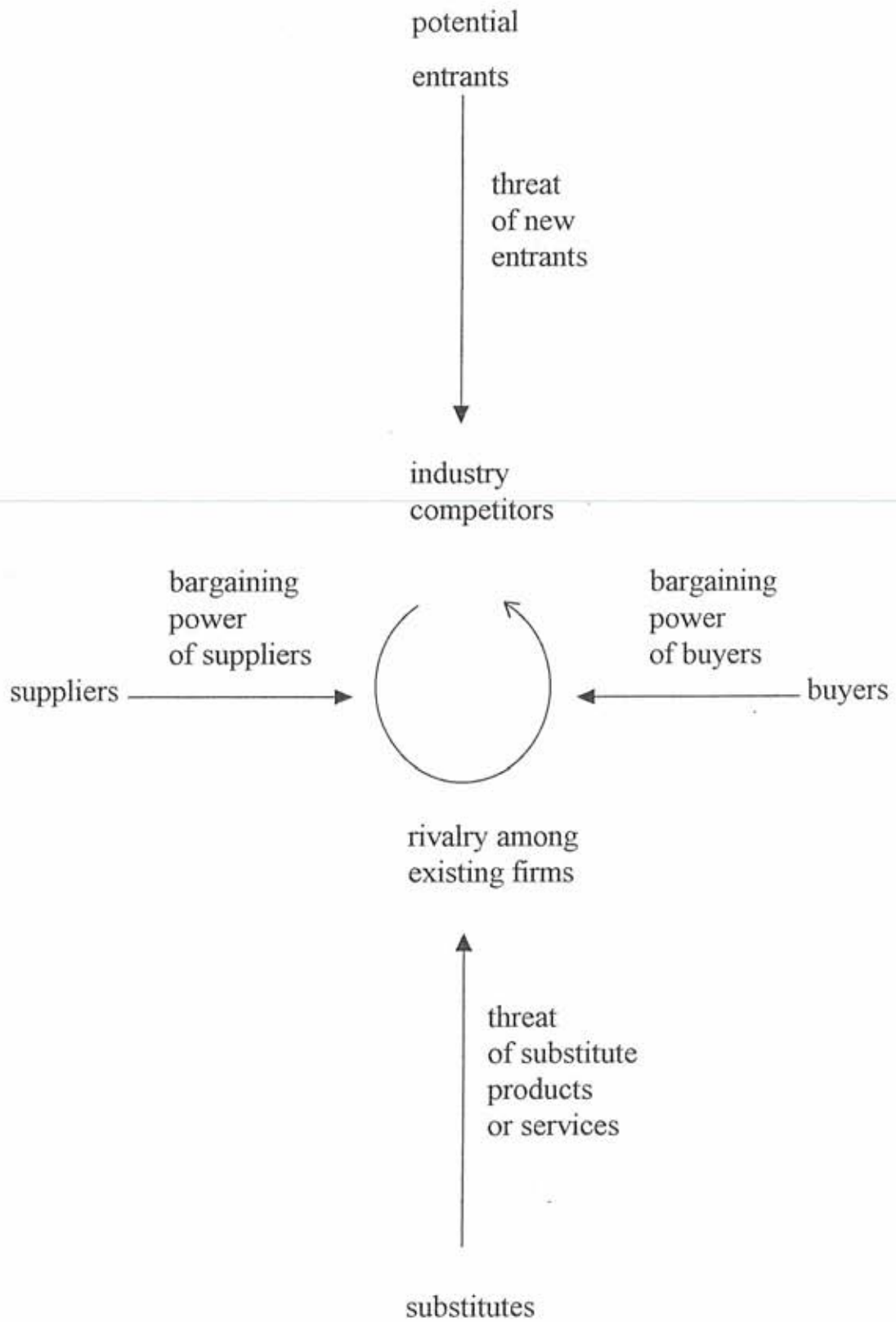


Figure 2.2 Forces Driving Industry Competition

“Once the forces affecting competition in an industry and their underlying causes have been diagnosed, the firm is in a position to identify its strengths and weaknesses relative to the industry”¹¹ . If all the above mentioned forces are strong, then the industry profitability will be low. Thus, companies can influence the five forces through the strategies they formulate and apply.

- c. The third level of the organizational environment is the internal environment which is that level of an organizational environment which exists inside the organization and normally has immediate and specific implications for managing the organization. Its components exist within the organization such as organizational aspects, personnel aspects, marketing aspects, production aspects, and financial aspects.

As mentioned earlier, the environmental analysis activities are performed in organizations to help them achieve their goals effectively and efficiently by identifying future opportunities and defending the company against future threats.

2.5 Organizational Direction (Mission & Objectives)

Only after pondering the results of a thorough environmental analysis are managers able to formulate an appropriate organizational direction consistent with it. There are two main organizational ingredients of the direction in which the organization is moving : The organizational mission and organizational objectives¹².

Organizational mission is the purpose for which, or reason why an organization exists. In general, a firm's organizational mission contains such information as what types of products or services the organization produces, who its customers tend to be, and what important values it holds.

To develop an appropriate organizational mission, management should thoroughly analyze and consider information generated during the environmental analysis. An organizational mission is usually summarized and documented in a mission statement.

Establishing an organizational mission is an important task of management's job because it helps focus human effort in a common direction, ensures that the organization will not pursue conflicting purposes, serves as a general rationale for allocating organizational resources, establishes broad areas of job responsibilities within the organization and it acts as a basis for the development of organizational objectives¹³.

After the organizational mission has been developed, appropriate organizational objectives, objectives that are consistent with an appropriate organizational mission, must be formulated. Organizational objectives are targets toward which the organization is directed. Objectives provide the foundation for planning, organizing, motivating and controlling. Without objectives and their effective communication, behavior in organizations stray in any direction as such "fixing your objective is like identifying the North Star"¹⁴.

Consequently, managers should use organizational objectives as decision making aids and as guides for increasing organizational efficiency. Usually, organizations have two different types of objectives: Short-run which are targets that the organization is attempting to reach within about one or two years. Long-run objectives which are targets that the organization is trying to reach within about three to five years.

It is a fact that the areas in which organizational objectives were set have changed. Since the early history of business, most organizations have focused on one primary objective : Making a profit. However, today companies do not put maximum profit before all else due to the increasing competitive economic environmental changes.

According to Peter Drucker¹⁵, the most influential business writer of modern times, organizations should aim at achieving several objectives instead of one. Enough objectives should be set so that all areas important to the operation of the firm are covered such as market standing, innovation, productivity, resource levels, profitability, manager performance and development, work performance and attitude and social responsibility¹⁶.

Organizational objectives should have the following characteristics: They should be specific, require a desirable level of effort, reachable, flexible, measurable and consistent in the long-run and the short-run.

While the organizational mission establishes the general direction of the firm, organizational objectives narrow the focus to more specific targets, but both the organizational mission and the organizational objectives should reflect the environment in which the organization operates. Organizational objectives should change as organizational environments change. Managers must continually assess the organizational environment to discover when changes in organizational objectives should be made.

2.6 Strategy Formulation

Strategy formulation involves determining appropriate courses of action for achieving organizational objectives. It is then the process of designing and selecting strategies that increase the chances that an organization's objectives will be achieved.

Once the environment has been analyzed and organizational direction has been set, management is able to chart alternative courses of action in order to ensure organizational success. To do so, managers must thoroughly understand such various approaches to strategy formulation, such as "The Critical Question Analysis", "Strength / Weakness / Opportunity / Threat (SWOT analysis)", "The Boston Consulting Group Growth Share Matrix (BCG)".

2.6.1 The Critical Question Analysis

Critical Question Analysis provides a general framework for analyzing an organization's current situation and formulating appropriate strategies. It involves answering the following four basic questions .

- 1- What are the purpose(s) and objective(s) of the organization? The answer to this question tells managers where the organization wants to go. Managers who consider this question during strategy formulation are more likely than others to avoid inconsistencies among mission, objectives and strategies.

- 2- Where is the organization presently going? The answer to it reveals whether an organization is achieving its goals or at least making satisfactory progress.
- 3- What critical environmental factors does the organization currently face? This question addresses both internal and external environmental factors both inside and outside the environment.
-
- 4- What can be done to achieve organizational objectives more effectively in the future? The answer to this question actually results in the formulation of a strategy for the organization. Thus, managers can formulate appropriate organizational strategies only when they have a clear understanding of where the organization wants to go, where the organization is going and what the environment in which the organization operates is and is likely to be.

Similarly, SWOT Analysis provides a means of balancing an organization's strengths and weaknesses with the opportunities and threats anticipated or known to exist in the external environment. This approach suggests that the major issues facing an organization can be isolated through careful analysis of each of these four elements.

Devised by top management, organizational strategies are designed to ensure that the firm achieves its overall objectives. Managers can choose and adopt from a wide variety of strategies. *CONCENTRATION STRATEGY* is one in which an organization focuses on a single line of business. For example, McDonald's concentrates on the fast-food industry. This strategy is used by firms seeking to gain a competitive advantage through specialized knowledge and efficiency and to avoid problems involved in managing too many businesses. *STABILITY STRATEGY* is one in which an organization focuses on its existing line or lines of business and attempts to maintain them. For example, an organization that is large and dominates its market(s) may choose a stability strategy. *GROWTH STRATEGIES* may be pursued by means of vertical integration, horizontal integration, diversification, mergers and joint ventures. In vertical integration, growth is achieved through acquisition of other organizations whether suppliers (backward integration) or wholesalers and retailers (forward integration). In horizontal integration, growth is achieved through acquisition of competing firms in the same line of business. Diversification involves growth through the acquisition of firms in other industries or lines of business. The strategy is called related or concentric diversification when the acquired firm has production technology, products, channels of

distribution, and/or markets similar to those of the firm purchasing it. The strategy is called unrelated or conglomerate diversification when the acquired firm is in a completely different line of business. Moreover, in a merger, a company joins with another company to form a new organization, and in a joint venture an organization works with another company on a project too large to work by itself such as some elements of the space program. *RETRENCHMENT STRATEGIES* are used when an organization's survival is threatened and it is not competing effectively. There are three basic types of retrenchment strategies: Turnaround, divestment, and liquidation strategies. Turnaround strategy is used when an organization is performing poorly, but it has not yet reached a critical stage. It usually involves getting rid of unprofitable products, pruning the work force, trimming distribution outlets and seeking other methods of making the organization more efficient. Divestment strategy involves selling the business or setting it up as a separate corporation. Liquidation strategy is when a business is terminated and its assets are sold off.

Finally and most importantly, most organizations commonly use the above strategies in combination depending on the situations encountered in the organizational environment.

2.6.2 THE BCG's Growth Share Matrix

The Boston Consulting Group, a leading management firm, developed a strategy formulation approach known as the growth share matrix shown in Figure 2.3

Vertical axis (Y axis): Market growth rate.

Horizontal axis (X axis): Relative market share.

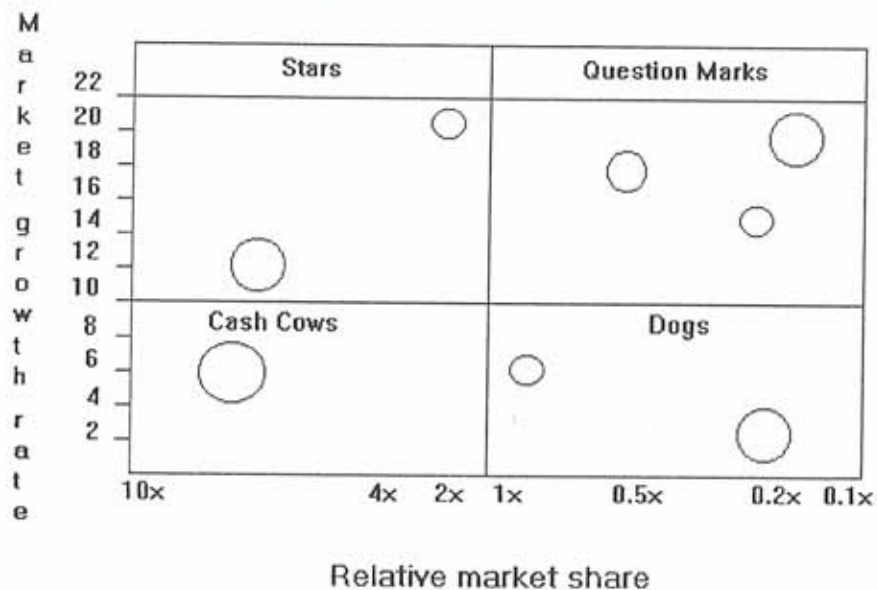


Figure 2.3 : BCG's Growth-Share matrix¹⁷

The growth share matrix is divided into four cells, each indicating a different type of business. The cells are labeled as follows:

1- Question Marks: they are company businesses that operate in high growth markets, but they have low relative market shares. Most businesses start off as a question mark in that the company tries to enter a high-growth market in which there is a market leader. A question mark requires a lot of cash, since the company has to keep adding plants, equipment and personnel to increase its market share thereby overtaking the leader.

2- Stars: If the question mark business is successful, it becomes a star. A star is the leader in high-growth market, but it is often cash using rather than cash generating because the company must spend substantial funds to keep with the high market growth and fight off competitors' attacks.

3- Cash Cows: When the market's annual growth rate fell to less than 10%, the star becomes a cash cow if it still has the largest relative market share. A cash cow produces a lot of cash for the company and it is the market leader, so it enjoys economies of scale and high profit margins.

- 4- Dogs: They are company businesses that have weak market shares in low growth markets. They generate low profits or losses. Such businesses consume more management time than they are worth and need to be phased out.

2.6.3 Strategic Alternatives

An unbalanced portfolio would have too many dogs or question marks and/or very few stars and cash cows. Depending on the position of each business, the company can formulate four strategic alternatives¹⁸:

- 1- Build market share: This strategy is appropriate for question marks whose shares are to grow if they are to become stars. Short-term earnings may have to be forgone to gain market share and future long-term profits.
- 2- Hold market share: This objective is appropriate to strong cash cows if they are to continue to yield a large positive cash flow.
- 3- Harvest: This strategy is appropriate for weak cash cows whose future is dim and from whom more cash flow is needed. Harvesting can also be used with question marks and dogs.

4- Divest: It involves selling or liquidating the business because resources can be better used elsewhere. This strategy is appropriate for dogs and question marks that are acting as a drag on the companies' profits.

Strategy formulation cannot begin until the managers responsible for shaping strategies understand the context in which their strategies will unfold. Thus, they rely on environmental analysis to supply the information they need. The manager who has reliable answers to the four questions posed in critical question analysis can be more confident that she or he knows where the organization is, where it is going and what conditions it is likely to encounter along the way. Similarly, SWOT analysis provides a means of balancing an organization's strengths and weaknesses with the opportunities and threats anticipated in the external environments. Finally, the growth share matrix, explored earlier, enables managers to classify every business as a question mark, a star, a cash cow or a dog, to ascertain whether the firm's roster of businesses is well balanced among the four and to determine what strategy is appropriate for each.

2.7 Strategy Implementation

In order for an organization to achieve its objectives, it must not only formulate, but also it must implement its strategies effectively. This step involves putting into action the developed strategies that emerge from the previous steps of the strategic management process. Without the effective implementation of strategy, organizations are unable to reap the benefits of performing organizational analysis, establishing direction and formulating organizational strategy. In order to determine an appropriate approach to implementing a given strategy, David Brodwin and L.J Bourgeois¹⁹ suggested five fundamental approaches. First, there is *THE COMMANDER APPROACH* in which the manager formulates a strategy and simply instructs subordinates to implement it. Second, *THE ORGANIZATIONAL CHANGE APPROACH* works by assuming that the strategy is good and behavioral approaches to changing organizational structure must be marshaled to implement it. Third, *THE COLLABORATIVE APPROACH* where a management team is invited to participate in both the formulation and implementation of strategy. Fourth, *THE CULTURAL APPROACH*, which democratizes the collaborative approach to include lower levels of the organization, can also be employed. Finally, in *THE CRESCIVE APPROACH*, subordinates are encouraged to develop, propose and implement strategies of their devising.

In short, strategy implementation is an important step of the strategic management process in that success of organizations depends on the effective implementation of strategies. In order to implement successfully the organization strategy, managers must have a clear idea on how much change is necessary within an organization whenever it implements a new strategy.

2.8 Strategic Control

The last major step in the strategic management process is exerting strategic control, which focuses on monitoring and evaluating the strategic management process to ensure that what is supposed to happen as a result of the process actually does happen. In essence, strategic control is undertaken to ensure that all outcomes planned during the strategic management process do indeed materialize. It provides feedback that is critical for determining whether all steps of the strategic management process are appropriate, compatible and are functioning properly. The purpose of strategic control is to help managers achieve organizational goals via control of the strategic management process.

To successfully perform the strategic control task, managers must understand the process of strategic control, the process of management information systems and how such systems can complement the strategic control process.

In fact, the aim of this research project in chapter II is to give an overview of strategic management process; as such, it was necessary to elaborate thoroughly on each element of the strategic management process in order to have a clear idea about the " ideal " or theoretical description of strategic management process and to use it further as a basis for comparison with the possible clothing industry strategic planning.

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CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Business research can take many forms, but systematic inquiry is a common thread. Systematic inquiry requires careful planning in an orderly investigation. Business research is a sequence of highly interrelated activities so the research process proceeds in six different interrelated phases. The first is problem definition. Once the problem is defined, the researcher selects a research design. After the design has been selected, a sampling plan is chosen. The design is put into action in the data collection phase. In the analysis stage the data are edited and coded, then processed usually by computer. The results are then interpreted by the researcher and finally the analysis is presented (Refer to Figure 3.1)

In this search the approach used to collect data is highly structured in order to make people's responses comparable. Thus, this search is a descriptive one. It is conducted because there is a previous understanding of the nature of the problem to be treated. It is used to provide an accurate description of the problem.

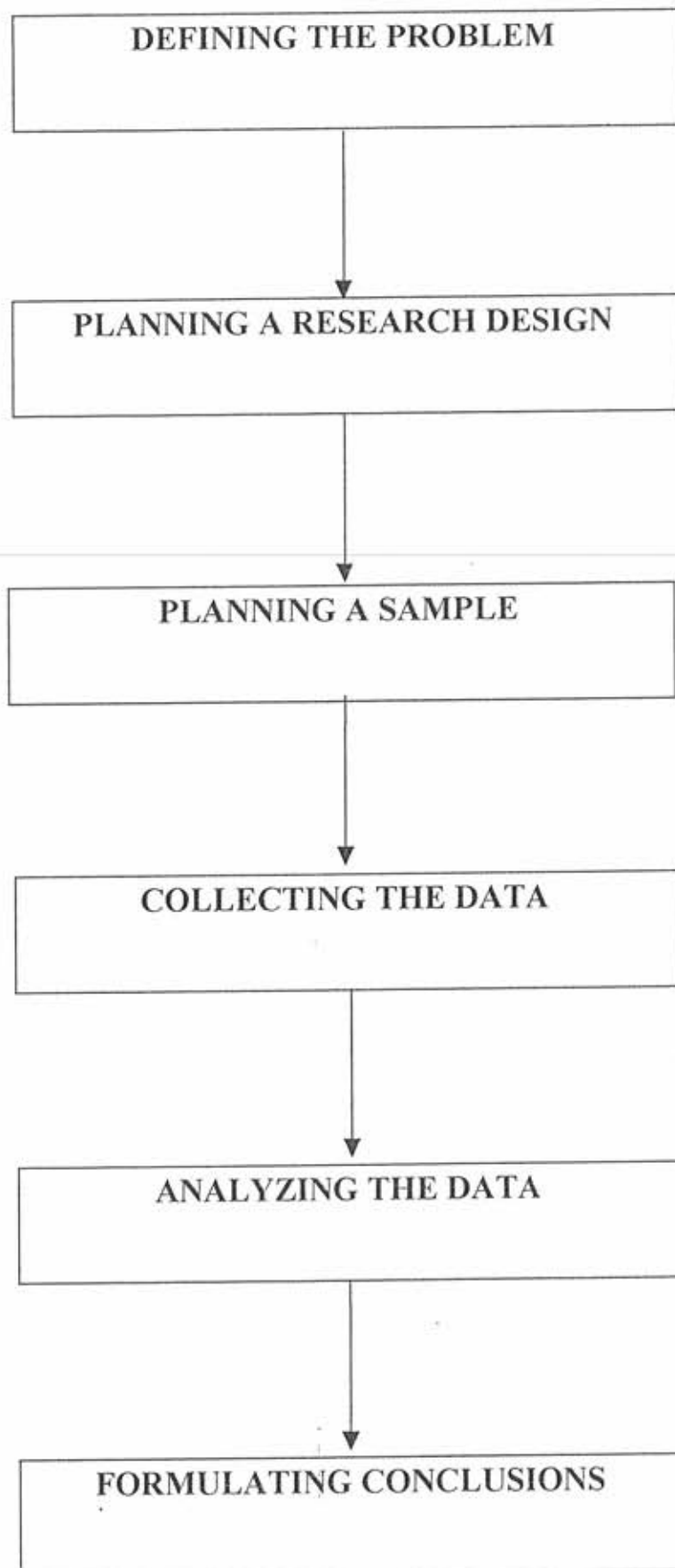


Figure 3.1 Stages in the Research Process²⁰

3.2 Measures Used to Collect Data

After the problem has been defined and formulated, and the objectives of the study determined in chapter I, the gathering of information is conducted based on two resources: primary and secondary.

3.2.1 Secondary Data

Secondary data are data gathered and recorded by someone else prior to the current needs of the researcher. Secondary data are usually historical, already assembled and do not require access to respondents or subjects. Several books from the library were used to accomplish this research: first to provide the proper guidelines for conducting this research and second to collect relevant information for this study.

In addition government sources were used such as studies from the Association of Lebanese Industrialists and the chamber of commerce and industry and the ministry of industry and oil. These government agencies are prolific in producing data and most of their published data can be counted on for accuracy and high quality of investigation.

3.2.2 Primary Data

The most common method of generating primary data is through surveys. A survey is a research technique in which information is gathered from a sample of people by use of a questionnaire, so the main source of information for this research were the interviews conducted with the firm's managers. Questions addressed were standardized, so that the differences in people's responses can be attributed to genuine variations and not to divergences in the manner or order of asking questions. Moreover, the investigator has supplemented the interview with personal observations in

order to find the most appropriate way to collect the information that is needed.

These direct communications in face to face situations took place in the general manager's offices.

Why do personal interviews constitute a flexible method in collecting data? They do for the following reasons:

i- Opportunity for feedback:

Personal interviews provide the opportunity for feedback to the respondent. The interviewer may also provide feedback in clarifying any questions the respondent has about the instructions or questions asked.

ii- Probing complex answers:

Personal interviews provide the opportunity to probe. If a respondent's answer is brief and unclear, the researcher may probe for clearer and more comprehensive explanation. Probing refers to interviewers asking for clarification or expansion of answers to standardized questions.

iii- Length of interview:

If the research objective requires an extremely lengthy questionnaire, as the case of this research, personal interviews may be the only alternative.

iv- Complete questionnaires:

Social interaction between the interviewer and the respondent in a personal interview increases the likelihood that a response is given to all items on the questionnaire.

v- High participation:

Respondents are not required to do any reading or writing, all they have to do is talk. People usually enjoy sharing information and insights.

In summary, the source of information for this study includes both primary and secondary data. A copy of the questionnaire developed is presented in the appendix.

3.3 Data Analysis

The goal of most research is to provide information. There is a difference between raw data and information. Information refers to a body of facts that are in a format suitable for decision making, whereas data are simply recorded measures of certain phenomena. The raw data collected in the field must be transformed into information that will answer the researcher's questions. So the process of analysis begins after the data has been collected.

The nature of analysis used in this research is a descriptive one. Descriptive analysis refers to the transformation of the raw data into a form that will make them easy to understand and interpret. Descriptive analysis refers to the transformation of the raw data into an understandable form so that their interpretation will not be difficult. Descriptive information is obtained by summarizing, categorizing and rearranging²¹.

It is important to remember that data were analyzed through tabulation and percentages. Tabulation refers to the orderly arrangement of data in a table or other summary format. Counting the number of responses to a question and putting them in a frequency distribution (frequency table) was accomplished. This sort of tabulation of the responses or observations on a question-by-question or item-by-item provides the most basic form of information for the researcher and it tells him how frequently each response occurs. Of course, after the data are tabulated, the results are put into percentage form.

The next step is to explain the meaning of the data by making inferences about the real world and drawing conclusions about the data's managerial implications and by formulating conclusions. This will lead, from a managerial perspective, to quantitative and qualitative meanings of the data and their managerial implications, and will open up the way to the next two chapters.

Notes to Chapter Three

20. William G. Zikmund, "Business Research Methods", 1991, p. 36.

21. Ibid, p. 460.

CHAPTER FOUR

RESEARCH FINDINGS

4.1 Introduction

This chapter has one main crucial purpose. This purpose is to examine the assessment and the application of the strategy formulation process by a sample of thirty firms operating in the wearing apparel industry for women.

In the first part of this chapter, I propose that I give general information on the status position of the interviewed managers. This information will include the following: sex, age, degree of education, years of experience and title including their responsibilities. Moreover, in this first part, I suggest that I appraise the descriptive elements of the industrial units in question by gathering facts concerning: the year of creation, the juridical form, the number of machines and of salaried employees, the functional departments, the markets served, the customers satisfied and the concepts of quality, fashion, promotion and price.

The second part of this chapter will elaborate the internal analysis of the firms by putting into light their mission statements, their long and short run objectives, the type of strategy pursued and their strategic plans and decisions formulated, implemented and controlled.

The third part of this chapter will deal with analyzing the external environmental forces and components, the companies' strengths and weaknesses, the factories' threats and opportunities and the competitive forces.

4.2 The State of the Managers Interviewed

Generally, a manager's responsibility involves planning and budgeting, i.e. setting targets or goals for the future, establishing detailed steps for achieving those targets, allocating resources and creating networks of people and relationships for accomplishing plan requirements, controlling and problem solving by monitoring results versus the plans prepared.

As mentioned earlier, the sample consists of thirty firms, four of which refused to answer and are considered as nonrespondents, therefore, they will be excluded from any statistical considerations.

The twenty-six industrial units sampled allow us to make the following observations as seen in Table 4.1.

Sex	Frequency	Percentage
Male	24	92%
Female	2	8%
Age	Frequency	Percentage
Between 20 & 30	2	8%
Between 31 & 40	10	38%
Between 41 & 50	12	46%
Above 50	2	8%
Education	Frequency	Percentage
Illiterate	6	23%
4th intermediate degree	4	15%
High school degree	8	31%
University degree	8	31%
Years of experience	Frequency	Percentage
Between 5 & 10	6	23%
Between 11 & 20	10	38%
Above 20	10	39%

Table 4.1 Demographic Variables of the Managers

It is concluded that it is a male dominated industry. Most of its managers rely heavily on their long years of experience in conducting their businesses and not on their academic status assuming they have one. In addition to that, each manager is the general manager who is responsible for approving all decisions and plans.

4.3 The State of the Wearing Apparel Industry

The wearing apparel industry in Lebanon is an old industry which has presented an excellent contribution to its country and to many other countries and has been one of the most important sectors of the Lebanese industry in terms of returns to the national economy.

Year of Creation	Frequency	Percentage
Before 1980	12	46%
Between 1981 and 1989	4	16%
Between 1990 and 1995	10	38%
Number of Employees	Frequency	Percentage
Less than 30	15	57%
Between 31 and 50	8	31%
Above 50	3	12%
Number of Machines	Frequency	Percentage
Less than 30	19	73%
Between 31 and 50	3	12%
Above 50	4	15%

Table 4.2 Firms' Year of Creation, Number of Employees and of Machines Used.

46% of the studied companies were established before 1980. It is noticed too that an important expansion in the creation of industrial enterprises took place during these last five years, since about 38% of the

listed companies have been set up between 1990 and 1995. It would be appropriate to link this new aspect of the industrial settings up to the smallness of the enterprises' size.

The revival of the economic activities since the end of 1992 gives an answer to this speed up in the creation rhythm. Moreover, the smallness of the wages as viewed by the workers has also pushed the trend in this direction: the skilled workers who consider that they are badly paid, have preferred to set up their own business by creating new enterprises with little capital and small sizes. The obsolescence of machines and equipment has also incited to the creation of small production units of what manufacturers call "SPARE PARTS".

So the results of the studied enterprises confirm the smallness of these industrial enterprises size since it is retained that the number of units employing less than thirty workers is 15 units (57%), 8 units employ between 31 and 50 workers, and three units (12%) employs more than fifty workers.

As for the number of the machines used, it is noticed that 73% of the studied units (19 units) use less than thirty machines, 12% (3 units) of the firms use between 31 and 50 machines, only 15% (4 units) use more than fifty machines.

Concerning the computerized machines, only 50% of the sample possess them to match new technological trends.

One of the elements confirming the smallness of the size is that these industrial units have a simplified juridical form with 100% of them operating as personal enterprises, i.e. these companies are proprietorship, the proprietor is the general manager who is responsible for making decisions and plans. So, the individual character prevails on the industrial units studied. This juridical form considered to be too individualistic is

mainly related to the smallness of the industrial enterprises size as mentioned above and to the individualistic character of the Lebanese contractor, who can unfortunately hardly put up with collective decisions and management. It is also induced by the present financing of this industrial sector, as far as the Lebanese banks feel more at ease by the personal commitment of the manufacturers. It is also worth mentioning that the importance of the real estate immobilization strengthens this individualistic character. For lack of public industrial zones, the Lebanese manufacturer builds up its production unit on its own piece of land in the district of Beirut. It becomes very difficult for him to share the landed properties with other partners.

It is obvious that this juridical form won't facilitate the modernization of the industrial structures and does not give the opportunity for an acceleration of the capital accumulation and the foreign participation which remains very slight. It is clear that measures must be taken to encourage the setting up of associations of capital and the grouping together of the existing units.

4.3.1 The Customers and the Markets Served

Under the double pressure of the political upheavals and the economic crisis (stagnation of the economy), the social classes making up the Lebanese society can be narrowed to two : the upper class and the lower class. The middle class does no longer exist. In each class (i.e. the upper and the lower), we encounter three levels: the upper, the middle and the lower.

100% of the spotted companies specialize in women wearing apparel varying between twenty and fifty years old. Only 11% of these

firms serve the lower and middle levels of the upper class and the remaining 89% serve the middle and upper levels of the lower class.

All the interviewed managers emphasize on the central importance of dedicating the business to selling customers and satisfying them taking into consideration the internal market needs and the external one along with fashion and within the particularities of each served market. The same percentages show for the local as well as for the foreign markets served. In Lebanon, managers are facing two problems: first a liquidity problem (cash doesn't flow easily these days between people because of the stagnation in the economy). Industrialists find themselves unable to collect their rights from their customers and thus pay their supplier and their financial commitments on time such as governmental expenses, employees' wages.

These managers have turned to outside markets especially the Gulf Area. There, they find themselves facing a tough competition from the United States and the Far East that benefit from major competitive advantages over the "made in Lebanon". These competitive advantages will be explored later on in the competitive forces section. The second problem is the hard competition from Syria invading the Lebanese market and that benefit too from major competitive advantages in comparison with the Lebanese companies.

4.3.2 The Functional Departments

The major functional departments in the companies are: the production department, the sales department and the accounting department. Marketing departments are not yet well developed in these companies and thereby do not have marketing specialists and do not design marketing strategies. Managers rely more on selling and not on

marketing. They pursue profits first and customer satisfaction second. From here rises the utter necessity of turning from a product and selling mentality to one of strategic marketing.

4.3.3 The Concept of Quality, Fashion, Promotion and Price

Because the wearing apparel industry depends mainly on the seasonal fashion, all the studied companies emphasize on this value within of course the particularities of the served market.

These companies work within the framework of a good quality product and at a reasonable affordable price. As it was mentioned earlier, 89% of these companies have the middle and upper levels of the lower class as their target markets. Quality along with price are given considerable attention.

The companies will always cherish these values no matter who its customers are, how far they could be and how specific they could get. However, the promotional component is not valued and cherished. From here emerges the utter necessity of recognizing that industrial advertising is a potent promotional tool. Managers must know how to use this promotional tool to communicate persuasive information about the product's existence and value to the target market, about a brand recognition or about the organization itself and its services.

4.4 Importance of the Wearing Apparel Industry

Before attacking the second and third part of the analysis, it is necessary to evaluate the wealth that could be generated by this sector and to stress on the role it could play in the revival and prosperity of the Lebanese economy.

Over seventeen years, the wearing apparel industry has operated with a wide gap between the actual quantity produced and its real production capacity. This industry has functioned with less than half its real production capacity (used capacity versus lost capacity).²²

4.4.1 Estimating the Internal Demand

The United Nations for industrial development organization (UNIDO) has estimated the individual need of wearing apparel of around 2.5Kg per year.

It becomes possible to calculate the Lebanese market demand as shown below:

$$3,500,000 \text{ persons} * 2.5\text{Kg} / \text{wearing apparel} = 8,750,000\text{Kg}$$

The weighted average of one piece as estimated by the organization is around 250gr. So dividing 8,750,000Kg by 0.25Kg, we will get 35,000,000 pieces as total market demand. We come up to three equations of main importance:

- . The estimated quantity produced = 20,471,000 pieces.
- . The estimated production capacity = 39,577,000 pieces.
- . The estimated market demand = 35,000,000 pieces.²³

It is concluded that if the wearing apparel industry is protected and supported by the government and if it operates with its full production capacity, it could easily supply the Lebanese market (39,577,000 - 35,000,000 = 4,557,000 pieces) and still can export the surplus.

4.4.2 Concept of the Added Value

The added value in this industry is high compared to the added

value in other countries as in the Far East where the manufacturers produce in big quantities one kind of product (mass production).

The Lebanese manufacturer works upon emerging needs of its diverse clients. The Lebanese wearing apparel industry depends too upon the seasonal fashion and the expertise in designing. Consequently, the price becomes higher because of the cost mostly acquired in Lebanon leading to an increase in the added value of the product.

How to calculate the added value ?

Added value = Production value of quantity sold - Raw materials used and other expenses.

$$\text{Added value percentage} = \frac{\text{Added value} \times 100}{\text{Production value of quantity sold}}$$

These calculations should allow to clarify the importance this industry could have for the economy.

4.5 Developing Strategic Plans and Decisions

Strategic management involves decisions of what an organization is to be and how it will become what it is to be. It is concerned with examining carefully the environment in terms of threats and opportunities and with examining the organization itself in terms of strengths, weaknesses and “fit” with the environment.

Strategic management process involves performing an environmental analysis (internal and external), establishing organizational direction (mission and objectives), strategy formulation based on goals and environmental analysis, strategic implementation and strategic control.

By definition, a mission is a statement that reveals the self-concept of the firm, the principle products or services it produces, the customers it

tends to satisfy. Long and short range organizational objectives are targets toward which the organization is directed. Essentially, organizational mission establishes the general direction of the firm and organizational objectives narrow the focus to more specific targets.

Taking these definitions into account, all the managers of the companies in the sample couldn't differentiate between what mission and objectives really mean, in that a mission is a basis for the development of organizational objectives and serves as the point of departure for the more specific organizational objectives. For this reason, there had been inconsistency between the answers concerning these two ingredients of the organizational direction.

All the companies in the sample lack the existence of a formally expressed and documented organizational mission in a mission statement.

Mission	Frequency	Percentage
Customer service	19	73%
Community service	7	27%

Table 4.3 Companies' Mission

73% of the studied companies are dedicated to providing a good quality product to customers at a reasonable and affordable price. The remaining 27% are dedicated to promote economic growth. Customer service and community service are the two areas of focus and of concern of the spotted industrial units.

Each area of focus provides categories for which organizational objectives (whether short or long range organizational objectives) are established.

Objectives	Frequency	Percentage
Maintaining Market Share	21	81%
Increasing Market Share	3	11%
Increasing Profits	1	4%
Adapting to the Most up-to-date Technology	1	4%

Table 4.4 Companies' Objectives.

Because of the turbulent environment and the prevailing situation in the country, most of the chosen companies (81%) have focused on one primary short-run objective: maintaining market share. Three of the interviewed managers (11%) have emphasized on increasing their market share. Another company (4%) put maximum profit before all else. The trend in one company (4%) is toward an adaptation to the most up-to-date technology. These were the different short run objectives.

As for the long run objectives that organizations try to reach within about three to five years, most of the companies seek to grow internally and externally by retaining all existing customers and seeking new customers through system expansion where feasible by entering new markets and providing a quality of product and service equal to the highest standards in the industry on one condition and that is by obtaining a strong governmental back up and support.

Formulating strategies involves determining appropriate courses of action for achieving objectives. It includes such activities as analysis, planning and selecting strategies that increase the chances that an organization's objectives will be achieved. Organizations can choose from a wide variety of general strategies.

Type(s) of Pursued Strategy	Frequency	Percentage
Diversification	13	50%
Diversification along with Geographical Expansion	8	30%
Diversification along with Horizontal Integration	1	4%
Geographical Expansion	1	4%
Geographical Expansion along with Concentration	1	4%
Concentration	2	8%

Table 4.5 Firms' Mixes of Strategies

50% of the spotted units in the sample pursue a diversification type of strategy in which there is no focus on a single line of products but there is variety and differentiation in the lines of production. 30% of the companies follow along with diversification a geographical expansion strategy, one in which organizations seek to enter new markets and try to dominate them. 4% of the companies in parallel to the diversification strategy, pursue a horizontal integration strategy that involves growth through acquisition of competing firms in the same line of business. Another 4% of the companies adopt a geographical expansion strategy alone. Also another 4% of the firms pursue a geographical expansion and a concentration strategy one in which they focus on a single line of business. The remaining 8% of the industrial units follow a concentration strategy alone.

In pursuing the present strategy, all the companies exert strategic control and evaluate the implementation process as it unfolds.

While the manager is planning for a new strategy, he does give consideration for past strategies and experiences and he develops strategic plans based on the emerging needs, on the seasonal fashion and on his long years of experience in this industry.

In fact, managers of these companies do not develop formal strategic plans, they formulate informal plans or short-term changing plans.

Informal procedures are practiced in any formulation process. The formulation of these short-term changing plans is the responsibility of the general manager who is no one but the owner of the industrial unit. Lower line employees do not participate in such an informal process.

Managers should remember that many subordinates may have expertise and should be willing to respect such expertise, therefore should enhance participation from the lower line employees, to merely informing them of an already made decision, discussing the decision with them and perhaps modifying it. Effective decision making must encourage the involvement and interaction of subordinates within an organization.

Furthermore, managers claim that the market is fluctuating and changing, for this reason they do not follow a formal process, but rather they formulate informal plans depending on the shifting needs and trends. The top manager doesn't spend time planning for the long-term, allowing for unforeseen events of various kinds, does not forecast for preparing a logic long-term agenda, and does not develop contingency plans for a number of different future environments or alternative futures called scenarios. But because environmental conditions, change as these managers are stating, they shouldn't depend on a single informal plan to serve satisfactorily over the years. Rather, contingency plans or scenarios, forecasting and long-term planning are necessary to allow for different future conditions and to predict future changes in a turbulent environment.

4.6 Analyzing the Environment

Environmental analysis is the process of monitoring the organizational environment to identify both present and future threats and

opportunities that may influence the firm's ability to reach its goals.

The environment is divided into three main levels: the general, the operating and the internal.

The general environment consists of the economic, political, technological, legal and social components. When managers of the spotted firms were asked what external forces or key components of the general environment affect mostly their firm?

General Environment's Forces	Frequency	Percentage
Economic	19	73%
Technological	4	15%
Political	3	12%

Table 4.6 Importance of the General Environmental Forces

73% stated that the economic factors have the major influence on their organization in terms of inflation rate, tax rates, interest rates, consumer income and companies' productivity and profitability. Three companies (i.e. 12%) argued that the political factors play the most important role in terms of impact on their firms concerning the type of government in existence and the government's attitude towards their industry. Four companies (i.e. 15%) replied that the technological aspects affect mostly their business in terms of new procedures and approaches to producing as well as purchasing new equipment.

Steps Undergone by Managers	Frequency	Percentage
Uncontrollable	9	35%
Cutting Production	8	31%
Cutting Costs	4	15%
Presenting a Top Quality Product	3	12%
Lowering Profit Margins	2	7%

Table 4.7 Anticipating the External Forces

Regarding the steps managers undergo to anticipate these forces, 35% of them revealed that these aspects of the general environment are uncontrollable and no action whatsoever is undertaken. Another 31% claimed that they can react against these external forces by cutting production and producing only according to the emerging market demand.

Four companies (i.e. 15%) try to anticipate these external forces by cutting costs as much as possible. Another three companies (i.e. 12%) manipulate the situation by presenting a top quality product believing that quality is the key to success. Two companies (i.e. 7%) try to manage skillfully the situation by lowering their profit margins. In reality, even the 65% of the spotted units who think that they are manipulating the situation, are not anticipating or pre-acting, they are rather reacting to an urging situation.

The operating environment is made up of the supplier, customer, labor and competitive components that have specific and more immediate implications for managing the organization.

Components of the O.E.	Frequency	Percentage
Competitive	9	35%
Labor	8	31%
Customer	7	27%
Supplier	2	7%

Table 4.8 Importance of the Operating Environmental Forces.

35% of the interviewed managers give the competitive component the priority in terms of effect on their firms. Managers are facing a fundamental challenge and a tough rivalry from diverse competitors whether internally (Lebanon) or externally (foreign markets). Analyzing the competitive environment is a fundamental challenge to Managers and

help them appreciate the strengths, weaknesses and capabilities of existing and potential competitors.

31% in the sample admitted that the labor component has the main impact on their business in terms of skill levels, expertise and especially the desired wages rate which poses a problem compared to the wages paid to Syrian workers. 27% of the companies state that the customer component affects mostly their firm in terms of impact on quality performance and on price and in terms of buyer loyalty and how to improve his acceptance believing that in staying close to him, the customer will ensure survival and growth. Two companies (i.e. 7%) in the sample consider that the supplier component is the most important one in managing their business effectively and efficiently in terms of the reliability of vendor deliveries, the credit terms offered by vendors, the expenses rates on the imported tissues and because the supplier's product is an important input to the industrialist's business.

Unlike components of the general and operating environments which exist outside the organization, components of the internal environment exist within it. These components are personnel, marketing, production and financial.

When managers were asked what emphasis do they place on the above mentioned aspects of the internal environment, here again answers vary.

Aspects of the I.E.	Frequency	Percentage
Personnel	8	31%
Marketing	7	27%
Financial	6	23%
Production	5	19%

Table 4.9 Importance of the Internal Environmental Forces

23% of the spotted units stressed on the financial aspects because as it was analyzed earlier in this chapter, there exists a liquidity problem in Lebanon (scarcity of financial resources). 27% of the interviewed managers emphasized on the marketing aspects of the internal environment. Despite the production level based on emerging needs, there exists a gap between demand and supply (supply exceeds by far demand) because of the threat caused by the numerous and diverse competitors benefiting from major competitive advantages and the non-usage of advertising means for promotion..

19% of the companies in sample rank the production aspects as the most influential component in terms of improving the level of technology, they have to introduce up-to-date machines, and to purchase the required raw materials with the relative costs acquired (transportation costs and the imposed customs on imported textile range between 15% and 20%; and between 15% and 20% on accessories).

The remaining 31% of the sample give importance to the personnel aspects of the internal environment, these companies face problems such as employee turnover and absenteeism, wages' rates, skill and expertise development, procedures of recruitment and training programs.

In conclusion, and after reviewing the different problems encountered by managers, it has been detected that in developing a new strategy, all managers do not end up with several strategic alternatives from which they select the appropriate one. For the identified problems, alternative solutions are not formulated, evaluating the relative worth of alternatives from which the best solution is selected is not conducted. Continuous monitoring and forecasting whereby managers can predict the future characteristics of the organizational environment and hence make

decisions today that will help the firm deal with the environment tomorrow is not applied. These techniques are crucial to help management develop a worthwhile environmental analysis and to face the challenges in dealing with the constantly changing environment.

4.6.1 Companies' Strengths, Weaknesses, Opportunities and Threats

Managers rely on environmental analysis (internal and external) to provide the information they need to begin the strategy formulation process. One of the approaches that focus environmental analysis on strategy formulation is SWOT analysis.

SWOT analysis is a useful tool for analyzing an organization's overall situation. This approach attempts to balance the internal strengths and weaknesses of an organization with the opportunities and threats that the external environment presents.

Strengths	Frequency	Percentage
Good product quality	21	81%
Pricing advantage	10	38%
Good reputation	3	12%
Product innovation	1	4%
Talented general manager	1	4%

Table 4.10 Companies' Strengths

81% of the companies consider their main strength in the quality of their product and in their fashion abilities. 38% of them specify their strengths in their pricing advantages by presenting reasonable prices. 12% of the firms are well thought of by buyers (good reputation and company image).

One company (i.e. 4%) values itself in its product innovation abilities. One company's distinctive competence is in its talented and skilled general manager.

Weaknesses	Frequency	Percentage
Missing any key skills	9	35%
Vulnerable to competitive Pressures	6	23%
Liquidity Problem	6	23%
Cost Disadvantages	5	19%

Table 4.11 Companies' Weaknesses

As for the weaknesses, 35% of the companies in question miss a skilled and experienced labor force, in addition to turnover and absenteeism, high wages' rates.

23% of the companies find themselves unable to sell their products because of the tough competition invading the country from Syria (Vulnerable to competitive pressures). Another 23% of the companies face a liquidity problem (financial problems caused by scarcity of financial resources). The remaining factories encounter cost disadvantages problems (companies' costs relative to competitors' costs). Missing key skills and competencies, competitive disadvantages and cost disadvantages are the weaknesses of the sampled companies. The lack of skilled labor and of resources would not allow the firms to move into desirable strategic groups.

It has been noticed that these companies relate their weaknesses to external forces and no one admitted that these weaknesses and the different problems mentioned may be the result of unclear strategic direction.

Threats exceed by far the opportunities in the market. All the interviewed managers are quite aware of the threats that may be caused by

a likely entry of more new competitors exposing them to more growing competitive pressures especially if the peace process with Israel is finalized.

Managers find themselves vulnerable to the economic situation (stagnant economy), with a decreasing disposable income of customers, a growing bargaining power of suppliers and plagued with adverse government policies (no facilities, no cutting costs on imported raw materials), ending up with a slower market growth for the industry.

On the other hand, the opportunities detected are strengthening the position of the existing target group, entry into new markets (foreign markets), supportive governmental policies and a favorable economic climate.

These are the trends (threats and opportunities) that the external environment presents and that have potential impact on strategy formulation. After conducting an internal analysis through identification of the organizations' strengths and weaknesses which are controllable activities within an organization and after assessing the external environment through determination of the threats and opportunities, managers must match environmental conditions and internal capabilities.

Herbiniak and Joyce state that strategic options result from the match of environmental conditions and internal distinctive competence.

This research gives support to this in that 73% of the interviewed managers always try to develop a proper balance between external opportunities and threats to their companies' internal strengths and weaknesses.

All firms are able to adapt to external changes to a far end, they are operating in a very tormented business environment and are able to cope

with any occurring change by reacting rather than pro-acting (imitation versus innovation).

4.6.2 The Competitive Forces

Companies face a tough competition characterized by low barriers to entry, by strong competitors in terms of their diversity their cost advantages, by strong buyers in terms of their decreasing disposable income and their impact on quality and fashion performance, by strong suppliers in terms of suppliers concentration and the relative transportation costs and by the existing governmental policies regarding protection and support of this industrial sector.

The imposed customs on imported wearing apparel are 30% and are not subject to any limited quantity. If compared with other neighbor countries, these imposed customs on imported wearing apparel are considered as a below average protection from the Lebanese government.

<u>Country</u>	<u>Customs and taxes imposed on imports.</u>
Egypt	150% + import permission
Jordan	65%

To elaborate more, the production expenses in Lebanon differ by far from the production expenses in Egypt for the same product:

Explanation	Expenses in Egypt (Egyptian pound)	Expenses in Lebanon (American dollar)
labor force	2.5	2.5
production costs	2.5	2.75
other expenses	1.5	1.5
(\$1 = 3.32 e.p)	6.5 e.p = \$2	\$6.75
Raw materials	\$6	\$6
TOTAL	\$8	\$12.75

Table 4.12 Production Expenses²⁴

It is obvious that the difference is wide between the price of the same product in the two countries (a difference of \$4.75). For this reason, the government must take measures against imports to help in the development of the industrial sector.

If the maximum imposed custom is applied (30%), the price of the Egyptian piece will rise to \$10.4 calculated as follows:

$$\$8 \times 30\% = \$2.4$$

$$\$8 + \$2.4 = \$10.4$$

There will still be a difference of \$2.35 ($12.75 - 10.4 = \2.35) between the Egyptian and the Lebanese products to the interest of the Egyptian piece of clothing.

Measures should be taken to ensure protection for the Lebanese product.

Managers are challenging competition from Turkey, from Syria that pay lower wagers' rates compared to Lebanese wagers' rates and 2 cents/Kilowatt compared to the Lebanese industrialist who pays 8 cents/Kilowatt as electric power cost, and purchases textile from Aleppo therefore has lower transportation costs compared to the Lebanese industrialist buying textile from France and Italy, thus having higher transportation costs.

In addition to that, managers are encountering a competition from what they call "spare parts" or small manufacturers who have no financial commitments or duties (customs, taxes, electricity, salaries...).

The Lebanese market is "swallowed up" by unfortunately "Made in Turkey" or "Made in Syria"...(sinking products).

It becomes crucial to impose a quota system, a proportional share assigned to any imported industrial product and to pursue those who are working illegally (not listed in the ministry of industry and oil) or what manufacturers call "spare parts".

Notes to Chapter Four

22. Data on the production capacity of the wearing apparel industry was provided by a study on the Lebanese wearing apparel industry conducted by the “Lebanese Chamber of Commerce and Industry”, p.6.

23. Ibid, p.8.

24. Data on production expenses in Lebanon and Egypt was extracted from a study on the Lebanese wearing apparel industry conducted by the “Lebanese Chamber of Commerce and Industry”, p.19.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

After a detailed analysis of the findings by the researcher in the precedent chapter, recommendations will be presented in this chapter allowing for corrective action.

The revival of the Lebanese industry could not be obtained by means of simple punctual measures of encouragement. It must go through a global strategic process concerning investments, production, financing and promotion as well. Necessary corrections to the industrial policy of the State and to the way manufacturers set strategic plans must be reoriented into the right path. The government with the industrialists must work in parallel to direct the industrial policy and to define a strategy of industrial policy.

5.1 Status-Quo

To start up with the State, it's true that the Lebanese government took measures to help the industrial sector, but the authorities' interest has never given rise to any well considered and continuous action and these measures remain insufficient.

The measures which have been taken are summarized as follows:

- i) The creation of special credit institutions which are supposed to grant credit to the industrialists.

ii) A promotion of the industrial exports through trading agreements signed with the Arab countries (Saudi Arabia, Syria...) and with the European community.

In addition to that, other projects are in the process of study and approval.

If these modest measures by the State have helped the industrial sector to start off are noted, one can hardly believe in an integrated industrial policy.

Actually it is noticed that there were practically no well considered connections and no defined objectives between the different measures taken in order to help this sector.

5.2 What Should the Government Do?

i) A coupling between tax exemption, customs protections to which must be added customs exemptions on raw materials, equipment, low interest credit, the possible subsidies (subsidies for the resource prices especially electricity) and the prospecting of foreign markets.

ii) The intensity of the workforce defined aiming at encouraging the employment of Lebanese workforce and freeing from the employment of foreign workforce.

iii) The modernization of the technical training as well as the strengthening of professional and technical training centers. These centers would have the objective of permanent training of the workforce (organization of training courses, retraining), but also the setting up of training programs adapted to the requirements of the observed technological transformations. In this way, the problems encountered as lack of experts and of skilled

workers will be solved and the usage of out-dated equipment will be terminated.

iv) To elaborate programs of support to small and medium sized enterprises.

v) The reactivating of industrial financing banks for the long-term investments. The needs for a long-term financing of the industry equipment are not ensured by the Lebanese banking system. Even the medium term credits for some operations are not available. Hence, the necessity of reactivating these specialized institutions. Such organisms exist in the industrialized countries as well as in the developing nations. Lebanon cannot pretend to be endowed with modern industrial structures when such institutions are lacking.

vi) Besides the reactivating of the financing organisms, the government must work for the setting up of the exports guarantee reinforcement (creating a pool of exports).

vii) The decrease of the industry production costs with the creation of industrial cities (enterprises grouping for a more profitable production) and the carrying out of land improvements, the decrease of electric power costs and the aid granted for machines and raw material importation.

viii) Operational capacities must be encouraged and strengthened, for instance, co-financing with the public sector, tasks distribution between the factories of one branch, general restructuring putting an end to the "spare parts" wave and to this misorganization in the creation rhythm of industrial enterprises.

ix) The encouraging of the foreign industrial investments (foreign participation) by the reactivating of the industrial free zones, the decrease of the tax rates.

x) It's true that the government has promoted the Lebanese industrial exports through trading agreements, but emphasis should be placed more on the promotion strategy of the industrial products through economic representations carried out in foreign countries, through the organization and participation to trade fairs, by signing more industrial agreements if possible with Lebanon main commercial partners and through connecting to the "World Trade Center", which is a centralizing organism of information concerning the markets and products all over the world, the information being fundamental and the data exchange being part of the international penetration tool. It is urgent to realize this which is vital to the industry.

If these measures by the government are to be applied, the problems (financial-personnel-marketing and production) stated by the interviewed managers will be solved. Although these companies in the sample have easily blamed outside events and forces such as bad government decisions, unfair foreign competition, their failures too are largely failures in management.

5.3 What Should the Managers of the Spotted Industrial Units Do?

- i) The dominant individualistic character of the Lebanese manager must change. The general manager must encourage the participation and involvement of his employees and must put up with collective decisions and management because effective decision making must enhance interaction within an organization.
- ii) Marketing departments directed by marketing specialists must be developed and marketing strategies must be designed. It is necessary to

turn from a product, selling and quick profit making mentality to one of customer satisfying and strategic marketing.

iii) Managers must recognize that industrial advertising which has been neglected is a potent promotional tool to communicate persuasive information about a brand recognition or about the organization itself and its services.

iv) Managers must establish a formally expressed organizational mission documented in a mission statement because having a clearly stated and represented organizational mission defines the organization, sets direction, focuses effort in this common direction and acts as a basis for the development of objectives. Managers then can properly formulate organizational objectives consistent with the mission. Any objectives that are inconsistent with an accurate statement of organizational mission have been improperly formulated and should be revised or given up.

v) Managers must use the organizational objectives as a guide for developing formal strategic plans. Informal short term plans based on emerging needs and trends should be abandoned.

vi) Managers must do environmental scanning and analysis as to any factors that might affect positively or negatively the plans. In fact, the planning should allow for unforeseen events of various kinds.

vii) And because environmental conditions change, managers shouldn't depend on a single formal strategic plan. Contingency plans for a number of different future environments or futures called scenarios must be developed. A plan must be formulated for each scenario. These scenarios include the technological, social, economic and political factors. The scenarios must be expressed in quantitative and qualitative terms to prevent the blind spots that might occur only when numerical

5.4 Limitations of the Study

In spite of the researcher's effort to obtain accurate and objective information and to reduce biases, control is not fully exercised due to the fact that not all the women wearing apparel firms in the district of Beirut have been covered in this research project (50 % not covered)

It is worth mentioning too that the main source of information for this study were the surveys based on asking the firm's managers for answers. Refusals occurred because four managers in the sample were unwilling to participate in the research in spite of the researcher's effort to recontact them to reduce this nonresponse error, therefore they were excluded from any statistical considerations.

5.5 Future Research

As it was mentioned earlier, the sample consists of women wearing apparel companies operating in the district of Beirut.

The researcher suggests that future researches will be conducted covering the following topics: men wearing apparel, childrenwears, underwears, sportswear, in order to have a complete understanding of the clothing industry in Lebanon.

APPENDIX QUESTIONNAIRE

General information:

1) Please state when your firm was created .

الرجاء ذكر متى تم تأسيس هذا المصنع

2) Could you please state how your firm was expanded since its year of creation ?

هل من الممكن شرح كيفية نمو الشركة منذ سنة التأسيس ؟

3) How many years have you been working for this firm?

منذ كم سنة تعمل لصالح هذه الشركة؟

4) What is your title & responsibility ?

ما هي وظيفتك ، الرجاء تحديد مسؤولياتك؟

5) Could you please state the number of wages in your firm ? and the number of machines used ?

الرجاء تحديد عدد العمال وعدد الآلات المستخدمة في مصنعكم

wages:

machines:

6) What is the juridical form of your firm ?

- a) Proprietorship. مؤسسة فردية
b) Partnership. شركة محدودة
c) Corporation. شركة مساهمة

7) Please specify the firm's functional areas?

الرجاء تحديد أقسام المصنع.

8) Please specify the different titles and positions you have in your firm?

الرجاء تحديد المراكز الإدارية في المصنع.

9) What are the markets your firm serves?

ما هي مناطق تسويق بضائعكم؟

- a) Local. محلي %
b) Foreign. خارجي %

10) What emphasis do you place on the followings ?

حدد أهمية النقاط التالية:

- a) Fashion. موضة
b) Quality. جودة
c) Promotion. دعائية
d) Price. سعر

The Internal Analysis Of The Firm

11) By definition, a mission is a statement that reveals the self-concept of the firm, the principle products or services it produces, the customers it tends to satisfy.

What is your mission statement ?

ما هي مهمة مصنعكم ؟

12) By definition, organizational objectives are targets toward which the organization is directed.

What are your long and short range organizational objectives?

ما هي أهدافكم على المدى القريب؟

ما هي أهدافكم على المدى البعيد؟

13) What type of strategy do you pursue?

ما هي إستراتيجيتكم في العمل؟

a) Concentration Strategy.

التخصص في الإنتاج.

b) Vertical Integration.

التوسع العمودي:

c) Acquisition Of Competitors(Horizontal Integration).

توسع أفقي: السيطرة على المنافسين.

d) Diversification.

التعدد في الإنتاج.

e) Geographical Expansion.

التوسع الجغرافي

14) How do you develop your strategic plans?

كيف تعدون خططكم الإستراتيجية ؟

15) In pursuing your present strategy, how do you expect your firm's position to improve?

كيف تتصورون تقدمكم في السوق عند تطبيق إستراتيجيتكم الحالية ؟

16) While you are planning for a new strategy, do you give any consideration for past strategies and experiences?

عند التخطيط لإستراتيجية جديدة هل تأخذون بعين الإعتبار الإستراتيجيات والتجارب السابقة ؟

YES

NO

17) who is responsible for formulating strategic plans?

من المسؤول عن وضع الخطط الإستراتيجية؟

18) Can lower line employees participate in such a process?

هل يشارك العمال في وضع الخطط الإستراتيجية ؟

YES

NO

19) Does top management spend time forecasting, planning for the long-term?

هل تعتمد الإدارة على دراسات علمية للتخطيط لمدى البعيد ؟

YES

NO

Dealing With Changes And External Environment:

20) What external forces in the general environment affect your firm?

صنف أهمية العوامل الخارجية التالية حسب تأثيرها على مصنعكم :

a) Economic.

اقتصادية

b) Social.

اجتماعية

c) Political.

سياسية

d) Legal.

قانونية

e) Technological.

فنية

21) What steps you undergo to anticipate these external forces?

ما هي الخطوات التي تتبعونها لسبق العوامل الخارجية المذكورة أعلاه ؟

22) What components of the operating environment affect your firm?

صنف أهمية العوامل التالية حسب تأثيرها على مصنعكم :

a) Competitive Component.

المنافسة

b) Customer Component.

الزبائن

c) Supplier Component.

المزود بالمواد الأولية

d) Labor Component.

اليد العاملة

23) What emphasis do you place on the following aspects of the internal environment ?

صنف أهمية العوامل التالية في مصنعكم :

a) Personnel Aspects.

عامل التوظيف

b) Marketing Aspects.

عامل التسويق

c) Production Aspects.

عامل الإنتاج

d) Financial Aspects.

عامل التمويل

24) Could you please specify the main strengths in your firm?

ما هي عوامل القوة في مصنعكم ؟

25) Do these strengths fit with tomorrow's opportunities ?

هل هذه العوامل تتفق مع فرص الغد؟

YES

NO

26) Could you please specify the firm's weaknesses?

هل يمكنك تحديد نقاط الضعف في مصنعكم ؟

27) How do you anticipate future opportunities?

كيف تتباون فرص المستقبل؟

28) How do you protect your firm against future threats?

ما هي الخطوات التي تتبعونها لحماية مصنعكم من مخاطر الغد؟

29) Please specify your major opportunities and threats?

الرجاء ذكر أهم فرص نجاح المصنع، ومخاوفه.

30) Do you develop a proper balance between external opportunities and threats to the firm's internal strengths and weaknesses?

هل توازنون بين الفرص والمخاوف الخارجية وبين نقاط القوة والضعف الداخلية لمصنعكم؟

31) To what extent is your firm able to adapt to external changes?

لأي مدى لديكم إستعداد للتأقلم مع التغيرات الخارجية؟

%

32) Do you react or proact to external changes?

هل تتفاعلون مع التغيرات الخارجية.

33) If you proact, do you make changes happen?

إذا تفاعلت ، فهل أنتم المسببون لتلك التغيرات؟

34) What are the major forces affecting competition in the clothing industry?

ما هي أهم القوى المؤثرة على عامل المنافسة في صناعة الملابس؟

35) Who are your major competitors?

من هم منافسوكم في السوق؟
مثلاً: المستوردون - صغار/ كبار المصنعين إلخ...

36) What are in your opinion the major competitive advantages that differentiate your firm from its competitors?

ما الذي يميزكم عن منافسيكم؟

Implementing And Controlling The Strategy:

37) In developing a new strategy, do you end up with several strategic alternatives from which you select the appropriate one?

هل تعدون خطط إستراتيجية بديلة ؟

YES

NO

38) Do you get any feedback about the steps of strategic formulation and implementation process? (i.e do you do any kind of control)

هل تتابعون سير الخطة المطبقة؟

YES

NO

39) How do you describe the clothing industry in general?

كيف تصفون صناعة الألبسة في لبنان؟

40) How do you foresee its future?

ما هي نظرتكم المستقبلية لهذه الصناعة؟

41) Do you have computerized machines.If not, do you plan to?

هل لديكم أجهزة كمبيوتر ، إذا لا هل لديكم نية بشرائها عن قريب؟

YES

NO

YES

NO

42) Please feel free to add any further information.

هل لديك أية إقتراحات أو معلومات أخرى تزودنا بها ؟

Thank You.

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