

Analysis of the corporate strategy of the Tangerang Med Special Agency (TMSA)

“Keeping score of existing advantages is not the same as building new advantages. The essence of strategy lies in creating tomorrow’s competitive advantages faster than competitors mimic the ones you possess today.” (Hamel and Prahalad, 1989)

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I. Executive summary

This paper looks at the development strategy adopted by the country of Morocco as implemented by the TMSA specifically to create foreign trade zones and platforms as a way for the country to develop and to gain competitive. This is has been a long term strategy that is about to be completed. The foreign trade zones have recently been in the news as a way a vehicle Britain may adopt after Brexit. In of integrated global economy and the platform economy and networks is one way a country to can gain competitive advantage, the paper looks at the implementation of the strategy and how difficult is it to build plat forms.

II. Background

When King Mohamed VI ascended to the throne in 1999, one of his key priorities was the redevelopment of the greater Tanger area (Troin, J. et al, 2006). The king started the Tanger

Med project in 2002. It was decided at the time to form a public private partnership company to redevelop the area. The company was to be called the Tanger Med Special agency (TMSA), it would be a private limited company (FT, 2016) that had powers of eminent domain, modelled on Lebanese joint stock public private partnership company in charge of regenerating Beirut after the war, Solidere s.a.l.

The TMSA's core competency is the management of the port of Tanger. This was small port for ferries from Tarifa in Spain and local shipping traffic.

As shown in figure 1 and figure 2 the structure of the company is complex, it has many stakeholders and it has the many subside rites.

In 16 years, the TMSA has transformed the whole region and it has taken charge of the Tanger-Tetouan-Al Hoceima region with almost all planning and land use geared around this company's plans. The Tanger port has gone from being a small port to become the 51st largest port in the world and is projected become into the top 20 ports in the world in 2019 (Lloyd's List, 2018). It has attracted 800 companies to Free Trade Zones that it had created and runs. The TMSA attracted the car maker Renault to make cars in the automotive industrial Zone among many other European companies. These companies have a turn over of £8 billion, this is a significant part of the economy of the area.

This paper aims to analyse and evaluate the success of the TMSA, its strategy, how it overcame difficulties in the strategic implantation, the issues that it encountered and how it over came those. What the company is aiming to do and how successful it has been. It provides recommendations to further enhance its success.

The Tanger Med project is one of the biggest developments in North Africa and it is the integral to the Moroccan government's plan for the development of the northern region of Morocco.

Port 1 and the partially completed the Port 2 now handle 8 Million TEUs (twenty-foot Equivalent units) growing by 7% a year. Renault cars exported by the Renault's terminal in the 1st half of 2018 was 252 194 cars and is growing at 18% a year. 4 million passengers now use the ports a year (TMSA, 2018).

Services and products provided by TMSA

Figure 2 shows the services provided by TMSA and these fall into three categories, namely:

- Port management
- Management of free trade zones and industrial zones
- Services such as packaging the

In addition to these services the TMSA also has a foundation that his engaged in charitable and public good works.

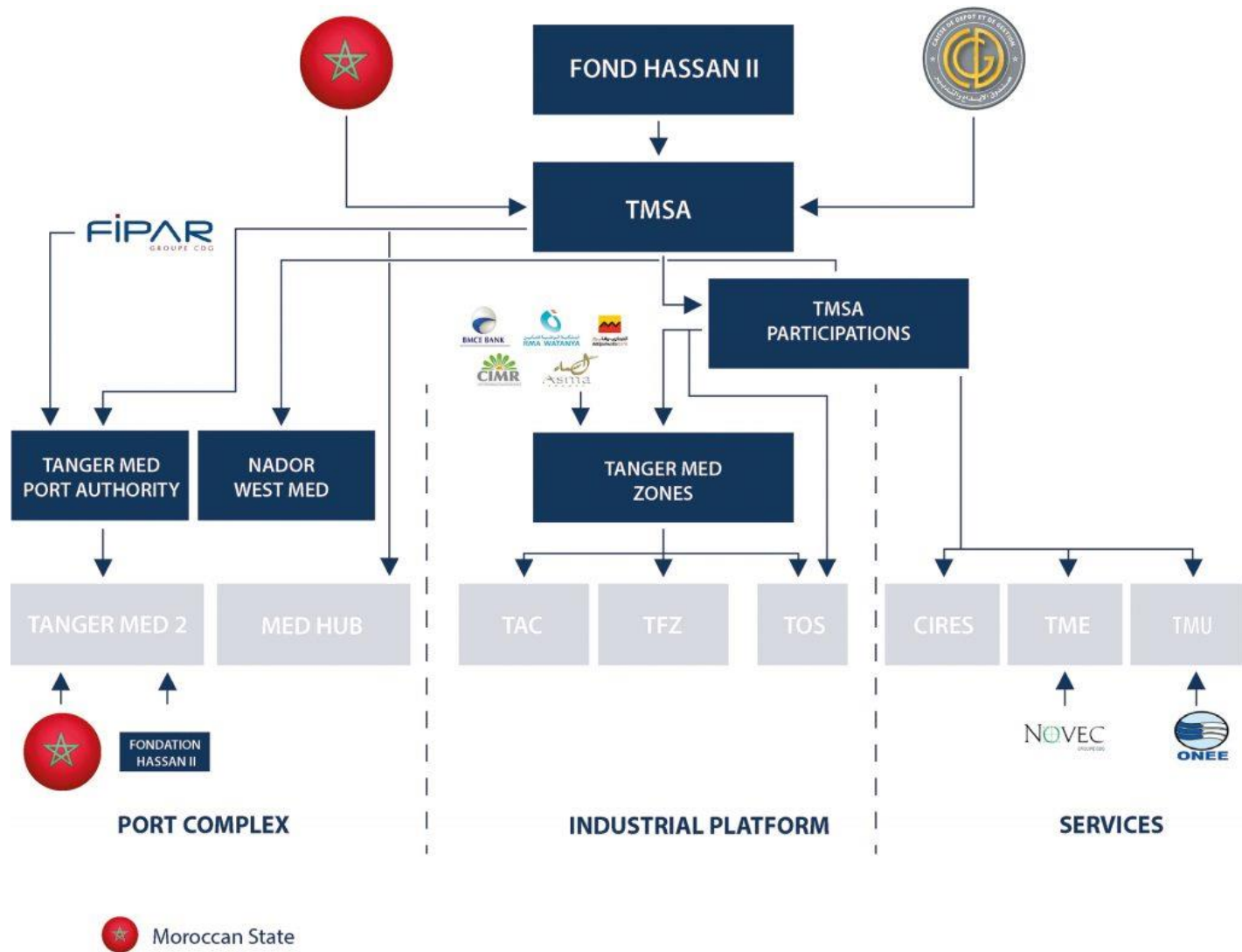


Figure 1: Structure of the TMSA (TMSA, 2018)



Figure 2: Parts of the TMSA (TMSA, 2018)

III. Strategy

Strategy, as explained by Johnson et al. (2011), is the long-term plan of how an organisation will gain and maintain competitive advantage, how the organisation will continue exist and successfully achieve its aims. According to Mintzberg (1998), a strategy is a plan¹, a ploy², a pattern³, a position⁴, a perspective⁵. Mintzberg also discusses the need to consider different types of strategies and different levels of strategies in the definition of strategy as the definition maybe different for different levels of management and different types of organisations.

¹ A plan for exploiting an opportunity made in advance and developed consciously.

² A game plan for winning against competitors.

³ Organisational behaviour developed over time.

⁴ Takin a position in the market place to as to achieve best fit between the organisation and the environments.

⁵ The company's corporate personality, what is done and how it is done in a given organisation.

Although there are many different definitions of what a strategy is, these definitions are not contradictory but complementary. Ultimately, a strategy must answer the question of what the organisation is about, what it aims to achieve, what it aims to become and how it aims to marshal its resources to do that⁶. A strategy is about what actions to take now to secure the future of the organisation on uncertain, incomplete and non-existent information (Tampoe, M. and Macmillan, H. 2000). And according to Ansoff, H.I. (1987), the strategy should create a framework for decision making within the organisation.

The strategic challenge

Strategy is not formulated in vacuum. Any strategy is a response to some challenge. The TMSA' strategy was formulated as a response to the following challenges:

- Poor infrastructure from and to the port of Tanger which TMSA's predecessor was managing.
- A need for the Tanger area to develop and grow
- A need to attract foreign direct investment
- Low human resources development in Northern Morocco leading lack of suitably qualified available labour force.
- High unemployment amongst the youth of the area.
- The country job creation and promote it self

Effective Strategy formulation

The strategy formulation process has a number of steps. A strategy has hierarchy, in this case not only is there are a national, regional hierarchy but there is also the corporate, business and functional strategies to consider. This needs to be considered to ensure that the strategy fit in with not only the corporate strategy of the Tanger Med regional authority.

To formulate an effective strategy organisation must understand its stakeholders and their want s and needs, it must understand its own competencies. To ensure the coherence of the plans within the country the strategic plans of the TMSA needs to be in line with the plans the High Commissioner for Planning. The governments plans are developed here and it's the source for the creation of the company and the input for the need for such a company comes from the lead of the (Hcp.ma, 2018). A strategy should answer several questions and they are the following:

1. What do we want to become?
2. What do we want to achieve?

Tanger Med can meet the needs of the shipping companies better – either by differentiation but also by low cost leader. This fits in well with porters five forces. This is more efficient there is 0 deviation from the road. There is also the low cost of the local work force.

The three basic elements of strategic formulation process are:

⁶ From this angle a strategy is a statement of outcomes, purposes, end intent.

- Strategic intent⁷
- Strategic assessment⁸
- Strategic choice⁹

There result of the two questions of where we are now where do went to should generate options of getting there. This is where strategic choice comes in. and leadership must make a best guess scenario of how to get to the desired destination.

According to Bolisani, E., and Bratianu, C. (2018) the process of strategic formulation is a complex, imprecise process and one must bring learn to look at the issue from many different angles utilising different types of thinking modes.

In the case of the TMSA, the leadership of the TMSA has engaged in through process of assessment, using external agencies, government and mobilising and entire population for the achieve of its strategic intentions.

⁷ This aspects answers the question of where does the organisation want to go?

⁸ This answers the question of where are we now? In order to find this out data is needed. This data was provided by the HCP, (Hcp.ma, 2018)

⁹ How do we get from where we are now to where we want to be?

Stakeholders analysis

There are several distinct stakeholders in the TMSA. These stakeholders are shown in the power interest grid below. The company keeps these stakeholders on a stakeholder register, it publishes a newsletter aimed at each one of the main groups, published in four languages. This has helped the company to keep most of the stakeholders satisfied. In addition, the company also makes videos about its work in several languages which are broadcast on TV and published online. The TMSA enjoys a broad support from the

The strategies that the TMSA has been following have kept most of the stakeholders, with the exception of foreign governments- who can be seen as competitors, satisfied and their needs met. Investors are making money, companies located in the industrial zones have significantly cut their costs by relocating into the industrial zones¹⁰ and the TMSA has created 600000 jobs.

Power and influence	high	<u>Keep satisfied</u> The Monarchy	<u>Manage closely</u> The government Management Workers Customers Local investors Foreign investors Local companies
	low	<u>Monitor</u> Citizens in the rest of the country Foreign governments. Regulators (<i>The TMSA has greater influence than most regulators and acts as its own regulator to some extent.</i>)	<u>Keep informed</u> Local population Foreign companies Trade unions (<i>weak in Morocco and most of them are on board of the project for nationalist reasons</i>)
	low	Interest	

Table 1: Power / interest grid

Generic strategies and strategic clock

The TMSA is in a diversified industry some its products and services are highly personalised and sometimes it is a monopoly. Depending on the product or service being considered, it sometimes sits at 7,

¹⁰ Renault pays an average of £200 a month for worker in its car factory in Tanger. This represents a significant saving on labour cost in France.

3 or 4 on the strategy clock. In the main it is a low- cost leader for its main services.

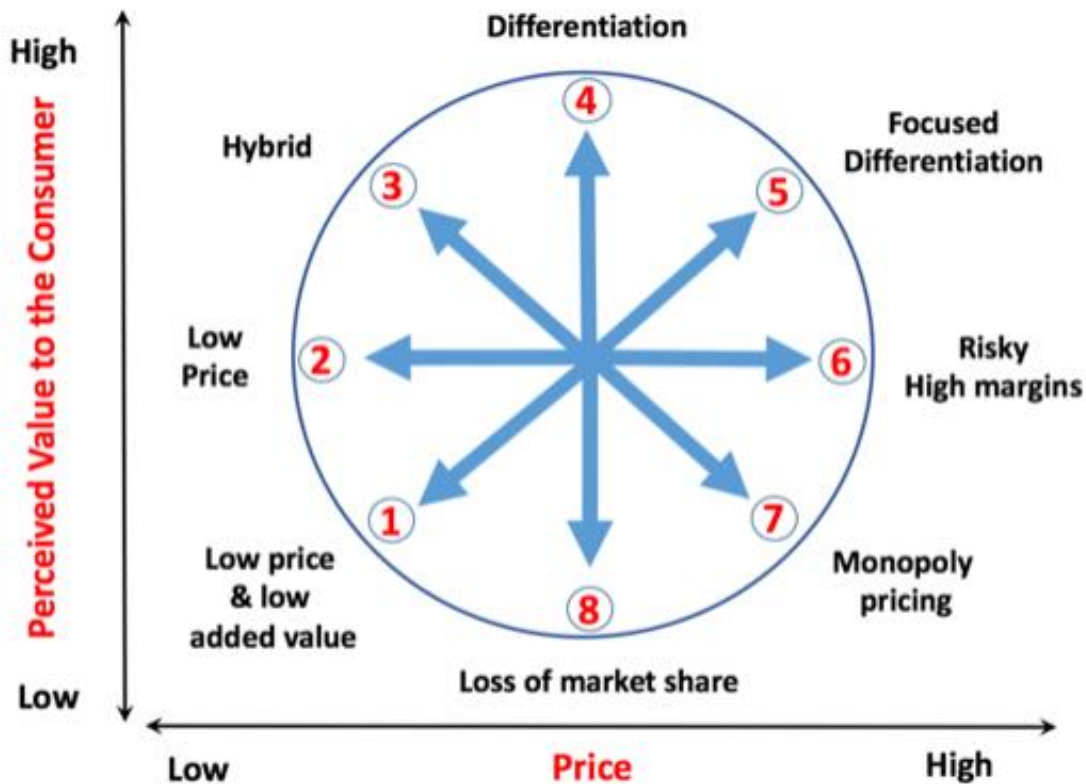


Figure 3: Bowman's Strategic Clock (tutor2u, 2018)

The issues are chain linked

In a developing country like Morocco many of the barriers to achieving competitive advantage in the country are chain linked. As an example, many are unable to get foreign direct investment because the infrastructure is bad and the infrastructure is bad because there is no investment coming into the country it is therefore necessary to improve several elements of the economy at the same time. This can be achieved through coordination.

Strategic involvement of stakeholders and the role of the government

The TMSA has from the beginning aimed to involve and mobilise stake holders around its strategy. There are certain projects that any private company would expect the government to undertake. These are the public good infrastructure of road and schools. The company cannot hire well trained work force if the training facilities do not exist. If the roads to get to the port are poor or don't exist then promoting the use of the port to importers will become more challenging. For these reasons the TMSA made its strategy coherent with the five-year plan produced by the HCP. The TMSA runs training schools build by the government to train workers to work in and run the free trade zones and the industrial areas. TMSA's strategy came under the national strategy and formed part of it.

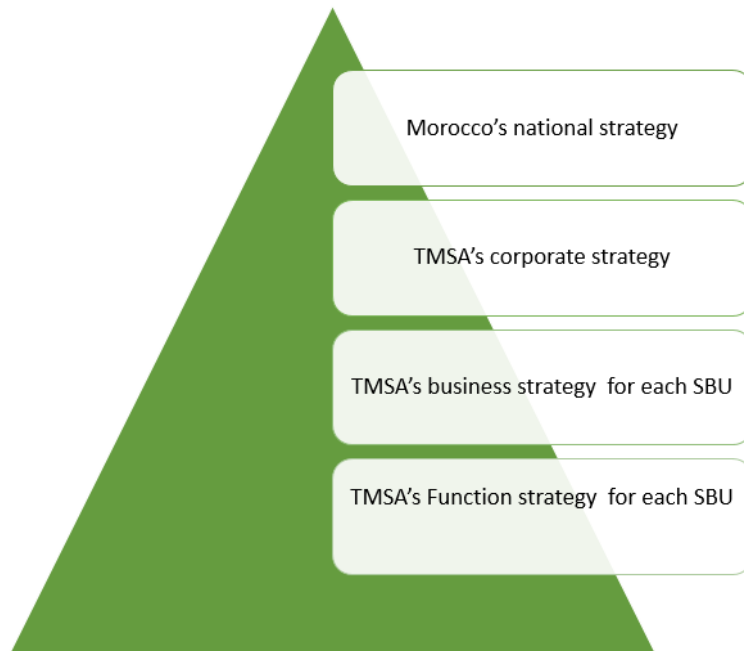


Figure 4: Levels of Strategy and hierarchy

Ansoff's matrix

The Ansoff matrix is used for deciding on a growth strategy. This matrix although having its own short comings, as detailed by (Moussetis, 2011), nevertheless provides a useful model for looking at a company's options for increasing profits. One of the decisions that is needed in the development of a corporate strategy is to answer what business to enter and the market in which to compete. The Ansoff matrix helps a business to decide on that. Whilst the TMSA did not have much of choice because the determination came from the government and the organisation was setup to in order to enter a predetermined business. This determination was originally made by the independent national planning agency, HCP, using all the strategy assessment tools available.

The four elements of the Ansoff matrix. Ansoff suggested there are four possible strategies a company could adopt in order to expand, each with an associated level of risk.

- The company could offer its existing products to new market
- Sell new products to existing markets
- Sell new products to new markets
- The company could sell more of its existing products to existing markets

The TMSA has pursued a mixture of all four strategies. The TMSA has continued to provide port services to its customers coming from Spain, Portugal and Gibraltar. It has adopted new incentives to attract customers new customer. It has begun to offer the new products and services to new customers. This strategy has proven to be a successful strategy.

SWOT analysis

SWOT analysis is used to create a view of the current state of the organisation in order to build on strengths, strengthen weaknesses, take advantage of opportunities and monitor threats. The business that the TMSA is in is a relatively slow changing market. Ports are not built overnight; geographical locations don't change and it takes time to build a free trade zones and industrial areas. It is therefore relatively easy to monitor threats in the TMSA's businesses.

Strengths¹¹	Opportunities¹²
• Strategic location of the ports it manages. • Strong government support of its initiatives. • Strong support of stakeholders. • Excellent relationship with stakeholders. • Low cost of labour in comparison to the EU which is 8 miles away. • A skilled management. • A clear strategic aim. • Economies of scale with building of Tanger II two deep sea port.	• A stable country in a region that is otherwise unstable. • Upselling to companies by offering them multimodal transportation services. • A forecast increase in the skills of the available workforce. • An increase in the young people entering the workforce • A stable, controlled currency and lower exchange rate.

¹¹ This is the competitive advantage the company has. These are internal to the company. This is what the company is doing well. The company aims to build on its strengths. These are mainly internal characteristics that the company has some control over.

¹² Likely changes to the external environment that the company can take advantage of.

Weaknesses¹³	Threats¹⁴
• Shortage of skilled labour force • Complex organisational structure. • Slow decision-making process.	• Weak institutions in the country. • Port development in Algiers. • Damage to the environment due to construction. • Complicated legal system and heavy regulation, with weak law-making structures (The World Bank, 2018, pp.5). • Prevalence of corruption in the country

Based on the items identified in the SWOT analysis, company has developed a short, medium and long term strategies and has come up with a initiatives and plans that will lead it to become a market leader in this industry. The company wants to also settle companies in the local area by offering them incentives. The goods of these companies can then be shipped by the TMSA. The TMSA also provides these companies with legal and administrative support so that they never have to come into direct contact with the local administration. What TMSA is attempting to do is to generate demand for its core service which is shipping. Offering related services such as assembling areas in the free trade zone, warehousing, packaging, repackaging.

TOWS matrix

Although the SWOT analysis is useful in identifying the company's weaknesses, strengths, threats and opportunities, it has a narrow focus and does go beyond identifying and provide framework for solutions.

The TOWS matrix can be used to develop strategies to compact weakness and threats through the use of the company's strengths and opportunities.

S-O: strategies – using the company's strengths to take advantage of opportunities:	S-T: strategies – using the company's strengths to avoid or reduce external threats:
W-T strategies: –Strategies to minimize internal weaknesses reduce external threats.	W-O strategies: – using the company's opportunities to overcome internal weaknesses.

The TMSA has consistently employs the above strategies.

¹³ Internal characteristics of the company that put the company at a disadvantage in relation to its competition.

¹⁴ changes to the external environment that can cause harm to the company if they are not addressed.

Five forces model

Porter's five forces can give us a model for looking at the market attractiveness. This model can be used to see what the organisation options are and how attractive the market it wants to enter is.

Applying one can see that the TMSA has a competitive advantage in this market. The TMSA is a large company, government backing. The competition from surrounding countries have a higher fixed cost than the TMSA in terms of labour and energy. The TMSA has local demand for its services. The bargaining power of its suppliers are low because of its size and domination of its market in the local area. There is almost no threat of new entrants into the Market the TMSA operates in. This is an industry dominated by large companies and the TMSA is one of the largest in the world. The bargaining power of the buyers is also low because there is no substitute to the services TMSA provides in that geographical location. This is an attractive market with much potential for growth.

BCG Matrix

The BCG model aims to answer the question of where a company should put its resources for the best return

Market growth	high	Start ¹⁵	Question mark ¹⁶
	low	Cash cow ¹⁷	Dog ¹⁸
		high	low
		Market share	

Given the above, there are several options for each of these products or services:

- Build market share – question mark
- Hold strategy – starts
- Divest – eliminate the dogs.
- Harvest – cash cow

¹⁵ This product or service has a lot of revenue and it is in a growing sector.

¹⁶ This product or service, the company has a low market share but this is a growing market. The question here is the product going to generate revenue if this continues.

¹⁷ This product or service is a product or service that there we have a large market share and but is coming towards the end of the product life cycle. There is no growth in this market.

¹⁸ Generates low revenue. The market is very competitive, low growth and low market share. This is a low growing market with low market share. This means that the resources required in order to develop this market may not be worth it. This tends to be in new markets. There is uncertainty surrounding this product or service and the management has to make a decision about whether to commit resources to provide this product or service.

The TMSA provides many services and has pursued all these strategies.

PESTLE analysis

PESTLE analysis is a framework used to analyse the external factor affecting a business. The TMSA is unique in that it has some control over its external environment. This is because the company has one of its shareholders as the government of Morocco and its projects are part of the five year plan for development of the country. The company also has eminent domain powers which give it control over large parts of the region it operates in.

IV. Comparative advantage

The sources of competitive advantage for this company are many. This goes against the conventional wisdom of comparative advantage. Morocco is not a particularly good place to manufacture cars. It has no natural advantage in the manufacture of cars. But it has become that the biggest producer of cars in Africa by following a strategic choice.

The advantage that Morocco is trying to create is the development of a platform which will eventually give Morocco the competitive advantage that platforms create. The country is providing subsidies for companies to relocate to its industrial zones and Free trade zones.

This is likely to provide Morocco with further competitive advantage in the future as more companies provide products and services through the internet. Given that there is a limited barrier of exporting and importing is lower. There are people can be located anywhere and can sell their products and services elsewhere. The TMSA is at the forefront of this strategy.

V. Risk factors

Corruption and weak institutions and laws are major risk factors that could derail the TMSA strategy. A recent report by Transparency International found that the laws governing declaration of income and expenditure by public officials was such as to facilitate corruption. For example, a civil servant did not have to declare income from outside his or her salary until it was three times his or her salary. This means that the civil servant could be spending 3 times salary before questions are asked about how that civil servant came by that money (Transparency International, 2016).

The perception that there is corruption in the country is also a risk factor. Many companies may not take the risk of operating in place that is perceived to suffer from corruption unless the potential rewards are much greater than the perceived risk and or there are limited alternatives. The country of Morocco is ranked by Transparency International at 81 (transparency.org, 2017). TMSA will not be able to achieve what it is trying to achieve without a change in this perception.

VI. Recommendations and Conclusion

This is a very complex organisation with an equally complex structure that operates facilities that are of national importance to Morocco. In general, the TMSA does an exemplary job in managing all the stakeholders and the facilities that it is responsible for. The company's relationship with its main stakeholders are one of its greatest strengths. This is particularly impressive as the human resources are generally low in this developing country. The TMSA also attracted investment of £1 Billion from outside countries and it manages to facilitate and manage facilities that attract investment from around the world. This is a company that is worth studying (The World Bank, 2018). The TMSA has also taken CSR seriously and provides training through its foundation.

To further develop its initiatives:

- The company needs to use its influence to push for and a change in the perception of corruption in the country and the actual elimination of corruption in the country.
- Although the GDP per person in Morocco has grown 70% since 2000 because of strategies like TMSA's this development has not been evenly distributed and this could be a risk to the political stability of the country which has been a key pull factor for foreign investor (The Economist, 2018). The TMSA needs to use its influence to tackle this.
- Concerns have been raised at the impact of the major construction projects lead by the TMSA on biodiversity, particularly on species that are endemic to the area. The destruction of the environment is not consistent with 'Alan Azur' of the country, aimed at maintaining the natural environment of the country. The TMSA should take lead in the implementation of the plan Azur in the areas that it controls.

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