

Everyone's Smart University

Assignment 1 (Spring 2021)

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Section

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Project Risk Management

Instructions:

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Saudi Telecom Company offers telecommunication, fintech, entertainment, digital solutions, mobile and landline services in Saudi Arabia. Its network of investment and business is spread across the Persian Gulf, Africa and Asia.

1. Four Risks for the Company

- Domestic competition- from Etisalat has resulted in a loss of revenue for the company and its stock prices have gone down 17 % during 2019-21.
- Overstaffing- With around 17000 employees, the company is overstaffed that is eating into its revenues (Al-Kahtani, 2018).
- Business erosion in foreign markets- STC has been busy rectifying its operations in the domestic market and this has led to its revenues going down in its foreign markets. Especially in India, the company has to contend with the massive market share of Reliance Gio and Airtel.
- Part Privatization- At present, 84% of the company is under government institutions but this has increased the cost base of the company eroding its revenue. So while the revenue is going up, profits are declining.

2. Type of Risks

- The first risk that of domestic competition is a compliance risk for STC. Till 2005, it had a monopoly in Saudi Arabia when the government permitted Etisalat to launch its operations. STC has not been able to match the aggressive promotions and services of Etisalat resulting in loss of revenue.
- The second risk that of overstaffing is a control risk because this is directly connected with the flaws in the project management of STC where it has failed to decrease the gap between the anticipated and actual results. This is due to its overstaffing that has eaten into the revenues of the company.
- The third risk that of business erosion in the foreign markets is an opportunity risk for STC because the risk is associated with a market based endeavor of the company and

the orientation of this risk is towards the investment that the company has made in the foreign markets.

- Part Privatization risk for STC also falls under compliance risk because the Saudi government permitted public owning of the company to the tune of 84% but this did not address the overstaffing and the competition issues that the company was grappling with leading to recurrent losses (Alharbi et al., 2019).

3. Likelihood and Impact of the Risks

All the four risks for the company fall under High Likelihood, High Magnitude segment within the organizational risk matrix as all of them can potentially lead to loss in revenue and subsequent stoppage of operations. This is understandable because STC is operating within the fiercely competitive telecommunication segment both domestically and internationally. With Etisalat providing more reliable services at a lower price band, STC has found it tough in its domestic market. In the massive Indian telecommunication space also, it has failed to garner enough brand loyalty (partnering with Aircel). Moreover, its overstaffing has nullified the part privatization move of the government to grant 84% of the company to public institutions.

4. Risk Management Strategy of STC

The company aims to introduce bundle based features in its mobile subscription to its domestic consumers in Saudi Arabia to tackle the competition from Etisalat. STC has notified memoranda to over 7000 from its base of 17000 employees regarding changes to its remuneration package that will be linked to performance (Alharbi et al., 2019). It has already extended voluntary retirement schemes to its employees (subject to labour conditions as per government policies). To retrieve its foreign operations, STC plans to enter into business agreements with local companies in the Persian Gulf, Asia and Africa.

References

Alharbi, M., Dowling, P.J. and Bhatti, M.I., 2019 Strategic planning practices in the telecommunications industry: evidence from Saudi Arabia. *Review of International Business and Strategy*

Al-Kahtani, N., 2018 The impact of demographical variables on HRM practices in Saudi Telecom Company: An empirical exploration. *Management Science Letters*, 8(3), pp.131-138