Business
Lecture 4
Management

Practical 4

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SWOT

	HELPFUL (for your objective)	HARMFUL (for your objective)
INTERNAL (within organisation)	**Strengths** • ____ • ____ • ____ • ____ • ____ S	**Weaknesses** • ____ • ____ • ____ • ____ • ____ W
EXTERNAL (outside organisation)	**Opportunities** • ____ • ____ • ____ • ____ • ____ O	**Threats** • ____ • ____ • ____ • ____ • ____ T

SWOT Analysis

SWOT analysis looks at your strengths and weaknesses, and the opportunities and threats your business faces.

By focusing on the key factors affecting your business, now and in the future, a SWOT analysis provides a clear basis for examining your business performance and prospects.

Strengths

Internal Positive Factors

Your strengths are usually easy to identify, through your continuing dialogue with customers and suppliers. Your records (eg sales) will also help to indicate areas where you are particularly strong (eg rising sales for a particular product).

Strengths

For most businesses, strengths will fall into four distinct categories.

1. Sound finances
2. Marketing
3. Management and personnel skills.
4. Strengths in production.

Sound finances

Sound finances may give you advantages over your competitors.

Important factors might include:

- Positive cash flow.
- Growing turnover and profitability.
- Skilled financial management, good credit
- control and few bad debts.

Sound finances

- A strong balance sheet.
- Access to extensive credit, a strong credit
- rating, and a good relationship with the bank and other sources of finance.

Marketing

Marketing may be the key to your success. For example, your business may enjoy:

- Market leadership in a profitable niche.
- A good reputation and a strong brand name.
- An established customer base.
- A strong product range.

Marketing

- Effective research and development, use of design and innovation.
- A skilled sales force.
- Thorough after-sales service.
- Protected intellectual property (eg registered designs, patented products).

Management and personnel skills

- Management and personnel skills and systems may provide equally important underpinnings for success. These may include factors such as:

- Management strength in depth.

- The ability to make quick decisions

Management and personnel skills

- Skilled employees, successful recruitment, and effective training and development.

- Good motivation and morale.

- Efficient administration.

Strengths in production

- Strengths in production may include the right premises and plant, and good sources of materials or sub-assemblies. You may benefit from:

- Modern, low-cost production facilities.
- Spare production capacity.
- A good location.
- Effective purchasing and good relationships with suppliers.

Weaknesses

Internal Positive Factors

For most businesses, weaknesses will fall into four distinct categories:

1. Sound finances
2. Marketing
3. Management and personnel skills.
4. Weaknesses in production.

Poor financial management

Poor financial management may result in situations where:

- Insufficient funds are available for investment in new plant or product development.
- All available security, including personal assets and guarantees, is already pledged for existing borrowings. Poor credit control leads to unpredictable cash flow.

Lack of marketing

Lack of marketing focus may lead to:

- Unresponsive attitudes to customer requirements.
- A limited or outdated product range.
- Complacency and a failure to innovate.
- Over-reliance on a few customers

Management and personnel weaknesses

Management and personnel weaknesses are often hard to recognize, except with hindsight. Familiar examples are:

- Failure to delegate and train successors.
- Expertise and control locked up in a few key personnel.
- Inability to take outside advice.
- High staff turnover.

When employees leave a company and have to be replaced, that's called turnover.

Inefficient production

Inefficient production, premises and plant can undermine any business, however hard people work.

Typical problems include:

- Poor location and shabby premises.
- Outdated equipment, high cost production and low productivity.

Inefficient production

- Long leases tying the business to unsuitable premises or equipment.
- Inefficient processes.

Opportunities

External changes provide opportunities that well managed businesses can turn to their advantage or the insolvency of a competitor.

- Improved access to potential new markets (overseas).
- Increased sales to existing customers, or new leads gained through them.
- The development of new distribution channels (e.g the Internet).

Opportunities

- Deterioration in a competitor's performance.مصائب قوم عند قوم فوائد One man's meat is another man's poison
- Improved supply arrangements, such as just-in-time supply or outsourcing non-core activities.
- The introduction of financial backers who are keen to fund expansion.

Threats

Changes involving organisations and individuals that directly affect your business can have far-reaching effects. For example:

- Improved competitive products or the emergence of new competitors.
- Loss of a significant customer.
- Creeping over-reliance on one distributor or group of distributors.

Threats

- Failure of suppliers to meet quality requirements.

- Price rises from suppliers.

- Key personnel leaving, perhaps with trade secrets.

Threats

- Lenders reducing credit lines or increasing charges.
- A rent review threatening to increase costs, or the expiry of a lease.
- Legal action (e.g being sued by a customer or increasing in tax)

Action

The results of SWOT analysis — and the action needed — will be different for every business.

Write your Business SOWT Analysis and try to get “S” from “W”, an get “O” from “T”