

SWOT ANALYSIS:

Identifying a Company's Strength Areas

A Company's Strength is the availability of a particular resource within the Firm and the use of that resource better than its competitors to excel in the market place. The resources through which the firm gains competitive advantage could take the following forms

- i) **Physical Assets:** Physical Assets include the fixed assets of the firm like Plant and Machinery, Land & Buildings, Cash and Bank Balance, easy access to the source of raw materials, Strategic location and access to distribution network. For example, companies like TATA STEEL and NALCO have favorable access to raw materials. Similarly, software companies like Infosys have positive financial resource.
- ii) **Human Resources:** It includes cheaper availability of workforce, highly intelligent manpower which include scientists, engineers and semi-skilled technicians. If a Company is able to retain its workforce for a longer period of time, then it acts as a strength for the company.
- iii) **Good Leadership Qualities:** A Good leadership quality is essential for the growth and success of any Organization. For example, Reliance Industries under the Chairmanship of late Dhirubhai Ambani showed how leadership can play a vital role in the growth of the Company. The Company started as a textile company in the 1970s'. However gradually the Company became diversified into petrochemicals and mobile telephony. The dream that Senior Ambani had was carried on by Mukesh Ambani and through his unique leadership quality and innovative thinking he helped the company fortunes to sore high.
- iv) **Intangible Assets:** A Strong Brand, trademark, Patents, Copyrights etc. For example, a Company through its superior product quality can build a strong brand. Japanese auto majors Honda and Toyota are examples of strong brands.
- v) **Skill Set:** A particular skill or a set of skills which a Company does better than its Competitors. It could include a high-quality manufacturing skills, fully

automated plant and machinery, a unique marketing and sales policy. For example, Amway's unique marketing skills which was different from other competitors made it soon a well-known brand.

- vi) Alliances and Contracts: At times alliances and contracts become a source of competitive advantage and thus becomes a source of strength. For example, Japan's Suzuki Motors's alliance with Maruti in India created a new era in the Indian automobile sector and it wiped out the fortunes of the then established auto majors in India like Hindustan Motors and Premier Automobiles Ltd.

Identifying a Company's Weakness:

A Company's weakness is the non-availability of a particular resource within the firm or the inability of the firm to leverage that resource in performing certain activities than its competitors. If we take the case of Kingfisher Airlines and compare it with that of Indigo Airlines, we can observe the reasons behind the failure of Kingfisher.

- Expansion into the International Arena.
- Acquisition of Air Deccan
- Lack of Stability at the Apex Level of Management.
- Switching from Premium Class **Airline** to the Low Budget Segment

When we compare the Kingfisher with that of Indigo airlines, we can observe that

- the operating cost of Indigo Airlines was much lower than that of Kingfisher airlines
- Kingfisher changed its initial Business model which led to the disaster. As a Business Model Kingfisher started with an all-economy class configuration aircraft with food and entertainment system. However, after a year's operation the airline shifted its focus to luxury with multiple class configuration. Sudden changes in Business model didn't allow the Company to stabilize.
- Similarly in case of aircraft acquisition Indigo had a favourable term with Airbus whereby Airbus will be responsible for any problem in the aircraft whereas Kingfisher's agreement didn't provide for such clause. Thus whereas half of Kingfisher's aircrafts were being grounded due to technical problems Indigo had no such problem.

We can say that a Company's weakness could be attributed to some of the reasons.

- Lack of physical, human, organizational or other assets that are critical for the firm's survival and growth of the Organization in the Industry.
- Inability of the firm in leveraging the available resources due to lack of skill or expertise and thus not able to meet the demands of the Competition
- Lack of Strategic Guidance and direction from the Company's top management and inability of the management to have a clear vision.

By evaluating the Firm's weakness against its Strength the strategist can obtain a firm's resource capabilities and competency to understand which task can be performed better in comparison to its competitors and for which task the firm's resources are not adequate.

Identifying Future Opportunities

Future opportunities are those areas on which the Company can foray and gain competitive advantage based on the Company's current competency. For example, Lenovo's expertise in the field of personal computing led it to foray into mobile phones and tablets. Similarly, Reliance Industries strength in financial resources led it to foray into telecom service industry. On the other hand, Tata group's long experience to manage company's worldwide led to their acquisition of Corus Steel and Jaguar Land Rover. Market opportunities for a Company could arise out of the following factors:

- Opening up new markets or customer segments. For example, after deregulation in the India's Industrial scene Indian Company's got more scope to invest in foreign companies.
- Changes in customer habits, preferences and in their buying behaviour. For example, the rise of nuclear families and both family members workings led to the emergence of packaged foods and food delivery services as there was the availability of more disposable income and less time for cooking.
- Changes in the social, technological, regulatory or economic environment of the industry. For example, the Indian Textile Industry for a long time was under the impression that people will not prefer to buy high priced and quality dress

materials and they were sticking to the same formula. A number of Companies were getting sick as a result of no innovation. However, Dhirubhai Ambani of Reliance Industries changed the mindset. He produced and sold high quality materials at a higher price using imported machinery and became a successful entrepreneur. Similarly changes in the economic conditions of the population led to the selling of readymade garments as opposed to stitched and tailored clothes. Similarly, more disposable income in the hands of the people induced people to spend more money on leisure and entertainment and this led to the growth of multiplexes, malls and gyms.

Identifying a Company's expected Threats

Threats to a Company comes from its outside environment. Some of the threats are observable whereas some of these threats are not observable. Some threats take a long time to create a force where as some other threats are sudden and unforeseen. The external threats of the Company could be due to some of these factors:

- Entry of new Competitors in the market with new business models, better technologies and superior product/service quality.
- Opening up new markets or customer segments. For example, after deregulation and liberalisation in the Industrial sectors more foreign competitors entered into Indian industrial sector which was not possible till now. Competition came up in the automobile industry, food and beverages industry and in most of the areas.
- Changes in customer habits, preferences and in their buying behaviour. For example, people's preference to buy smartphones led to changes in the mobile telephone industry and some companies found it difficult to match up the competition.
- Changes in the social, technological, regulatory or economic environment of the industry. For example adoption of the BS-VI norms for the automobile industry compelled auto companies to invest heavily.

By doing an analysis of the opportunities and threats applicable to the company it is easier to understand how the company can capitalize on it in different situations and

how it can thwart the threats from time to time. SWOT analysis provides an opportunity to the top management to develop a strategic plan for the Company after looking into the various strengths, weaknesses, opportunities and threats that the company possess.