

Principles of Functions of Management

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Module Contents

- ✓ Management Functions
- ✓ Social Responsibility and Ethical Behavior
- ✓ Environment surrounding a business organization
- ✓ Interacting with stakeholder and use of stakeholder management
- ✓ Porter's Five Force model and its use for assessing the external environment
- ✓ Sources, availability and quality of data for environmental analysis

SWOT

SWOT
(Strengths, Weaknesses, Opportunities & Threats)
Analysis

Understanding SWOT Analysis

Contents

- What is SWOT
- SWOT Overview
- Links with Strategy
- Strengths
- Weaknesses
- Opportunities
- Threats
- Examples
- After your SWOT

History of SWOT Analysis.....



- Developed at Stanford
- Funded by Fortune 500 companies
- Took 9 years to develop
- Involved 5000 interviews

SWOT Analysis

- The SWOT Analysis framework is a very important and useful tool to use in marketing Management and other business applications.
- As a basic tool its mastery is a fundamental requirement for the marketer, entrepreneur or business person.
- A clear understanding of SWOT is required for business majors.

What is SWOT

- SWOT is a business or strategic planning technique used to summarise the key components of your strategic environments.

What is a SWOT Analysis?

- A scan of the internal and external environment is an important part of the strategic planning process.
- Environmental factors internal to the firm usually can be classified as strengths (**S**) or weaknesses (**W**), and those external to the firm can be classified as opportunities (**O**) or threats (**T**).
- Such an analysis of the strategic environment is referred to as a **SWOT analysis**.

Your Three Strategic Environments

Your three strategic environments are

- Internal Environment
- Industry Environment
- Macro Environment

Sometimes the last two are combined and called
your external environment

So, What is SWOT

SWOT is a summary of your

- **S**trengths
 - **W**eaknesses
 - **O**pportunities
 - **T**hreats
- 
- The diagram consists of two horizontal lines on the right side, one labeled 'Internal' and one labeled 'External'. From the 'Internal' line, two horizontal lines extend to the left, connecting to 'Strengths' and 'Weaknesses'. From the 'External' line, two horizontal lines extend to the left, connecting to 'Opportunities' and 'Threats'. All lines are a light beige color.

SWOT Analysis

- The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates.
- As such, it is instrumental in strategy formulation and selection.
- The following diagram shows how a SWOT analysis fits into an environmental scan:

The SWOT Framework

SWOT Analysis Framework

Environmental Scan

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Internal Analysis

External Analysis

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Strengths Weaknesses

Opportunities Threats

SWOT Matrix

The SWOT Matrix

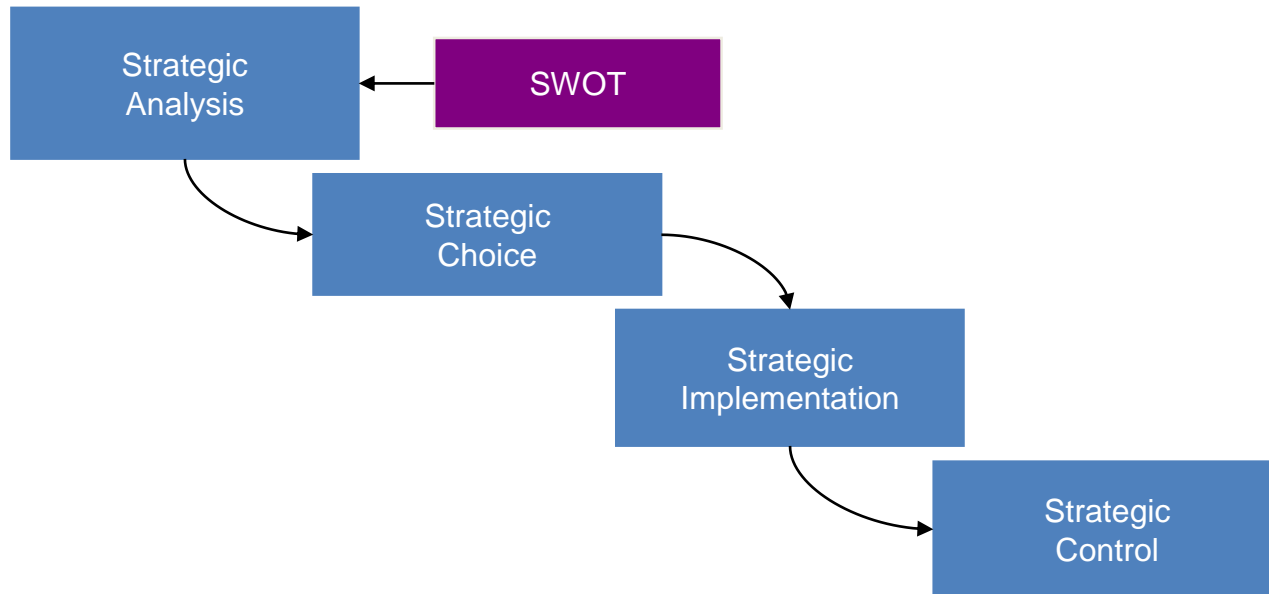
Strengths	Weaknesses
Opportunities	Threats

SWOT Analysis

Link to Strategy

The Four Step Strategic Planning Process

Your SWOT Analysis will summarise your Strategic Analysis



Strengths

Strength Defined: A strength is a core capability of your business where your business have an advantage over your competitor(s), which your customers value i.e. you passed the better than your competitors test.

You will find your strengths only when completing your internal analysis.

Weaknesses

Weakness Defined: A weakness is a core capability of your business where your competitor(s) have an advantage over your business, which your customers value i.e. you failed the better than your competitors test.

You will find your weaknesses only when completing your [internal analysis](#)

Opportunities

Opportunity Defined: An opportunity is an environmental condition in your macro or industry environments that can improve your organizations competitive position relative to that of your competitors.

You will find your opportunities when completing your industry environment analysis and your macro environment analysis

Threats

Threat Defined: A threat is a forecast environmental condition that is out of your control and has the potential to harm your businesses profitability.

You will find your threats when completing your industry environment analysis and your macro environment analysis

Strengths

- A firm's strengths are its resources and capabilities that can be used for developing a competitive advantage. Examples of such strengths include:
 - Patents
 - Strong brand names
 - Good reputation among customers
 - Cost advantages from proprietary know-how
 - Exclusive access to natural resources
 - Good access to distribution networks

Example - Strengths

- Tangible Strengths
 - Plant and equipment
 - Unique or market leading products
 - Cost advantages
- Intangible Strengths
 - Strong recognized brands
 - Your reputation
 - Patents or proprietary products
 - Managerial experience

Weaknesses

- The absence of certain strengths are a weakness. For example, the following may be considered weaknesses:
- Lack of patent protection
- A weak brand name
- Poor reputation among customers
- High cost structure
- Lack of access to best natural resources
- Lack of access to key distribution channels

Weaknesses - Continued

- In some cases, a weakness may be the flip side of a strength.
- For example, a firm has a large amount of manufacturing capacity.
- While this capacity may be considered a strength that competitors do not share, it also may be considered a weakness if the large investment in manufacturing capacity prevents the firm from reacting quickly to changes in the strategic environment.

Example - Weaknesses

- Tangible Weaknesses
 - Old plant and equipment
 - Narrow product line
 - Insufficient financial resources
- Intangible Weaknesses
 - Weak or unrecognised brand
 - Poor customer relationships
 - Lack of industry knowledge

Opportunities

- The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:
- An unfulfilled customer need
- Arrival of new technologies
- Loosening of regulations
- Removal of international trade barriers

Example - Opportunities

- Industry Opportunities
 - Expand product range
 - Diversify
 - Vertical integration (forward or backward)
 - Export or increase geographic cover
- Macro Opportunities
 - Favourable legislative changes
 - Positive economic outlook

Threats

- Changes in the external environmental also may present threats to the firm. Some examples of such threats include:
- shifts in consumer tastes away from the firm's products
- emergence of substitute products
- new regulations
- increased trade barriers

Example - Threats

- Industry Threats
 - Low cost imports
 - Substitute products
 - Market decline
- Macro Threats
 - Exchange rates
 - Demographic changes
 - Increasing regulation

After SWOT

After completing your SWOT we will encourage you to identify the SWOT items that are not already being addressed by your current strategy.

This will help you to determine how much if any change is required to your current strategy.

The SWOT Matrix

- A firm should not necessarily pursue the more lucrative opportunities
- Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities.
- In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

SWOT / TOWS Matrix

- To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed.
- The SWOT matrix, can be changed into what is known as the **TOWS Matrix** that is shown on the next slide:

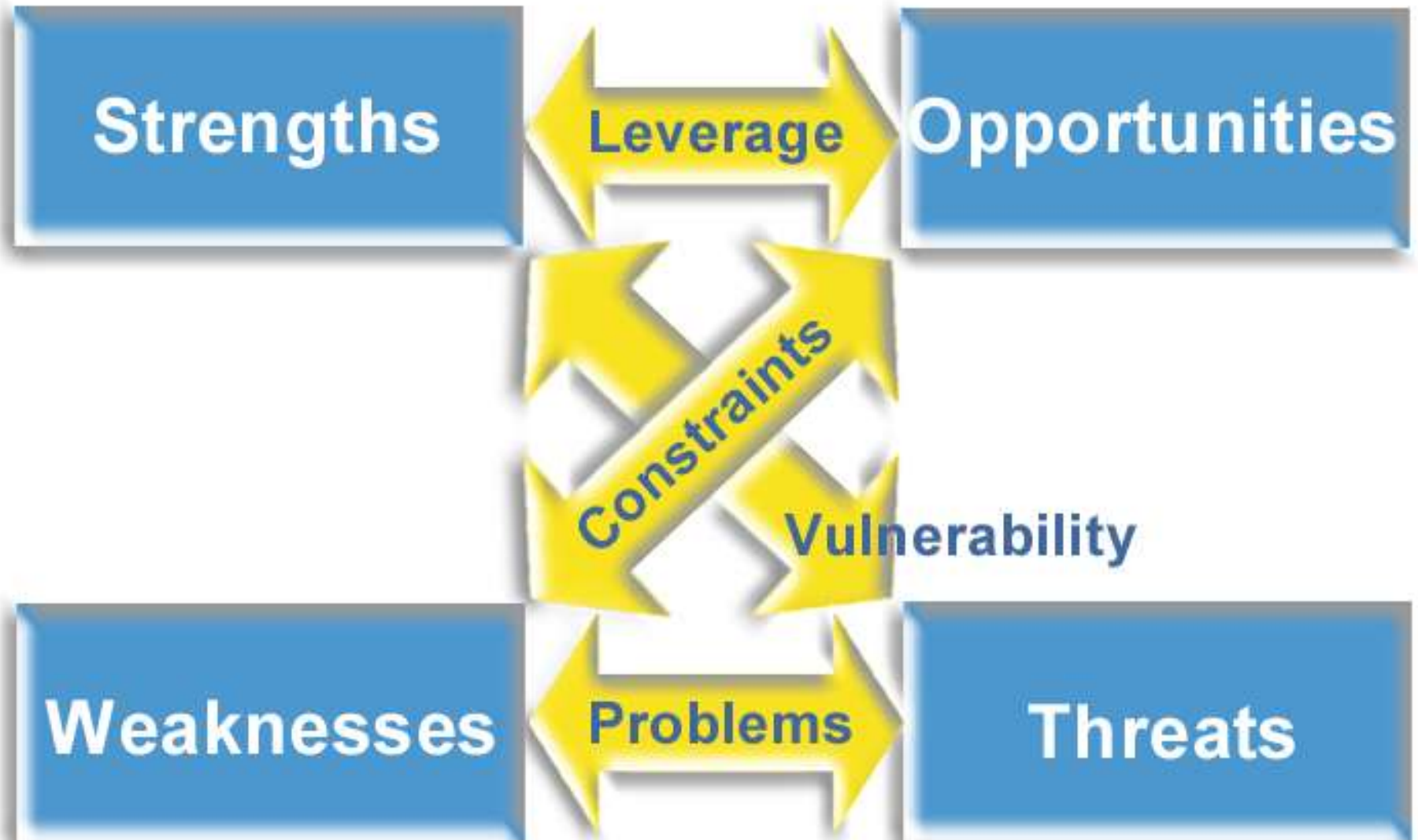
SWOT / TOWS Matrix

<i>TOWS Analysis</i>	<i>Strengths</i>	<i>Weaknesses</i>
<i>Opportunities</i>	S-O Strategies	W-O Strategies
<i>Threats</i>	S-T Strategies	W-T Strategies

SWOT / TOWS Matrix

- **S-O strategies** pursue opportunities that fit well the company's strengths.
- **W-O strategies** overcome weaknesses to pursue opportunities.
- **S-T strategies** identify ways that the firm can use its strengths to reduce its vulnerability to external threats.
- **W-T strategies** make a defensive plan to prevent the firm's weaknesses from making it susceptible to external threats.

SWOT Interactions



Thank You!