

BUSS3500 Final Exam Notes

SWOT

Explain the Framework

- Identifies the business strengths, weaknesses, opportunities and threats
- It is a snapshot of the business at anyone time, therefore it is useful as a basis against which to generate strategic options and assess future course of action
- It links the outside forces, (O/T) with the inside forces (S/W)

What business questions can they help address?

- Businesses want a strong alignment between strengths and opportunities and the model can help them identify which strategic initiatives to pursue.
- Provides a mechanism that enables your organization to identify and exploit new opportunities
- The aim is to identify the extent to which strengths and weaknesses are relevant to, or capable of dealing with, the changes taking place in the business environment.

Business Example: Coca-Cola

- Strength: Brand Name, Marketing and advertising
- Weakness: Reliance on carbonated drinks, Lack of diversification and negative publicity
- Opportunity: Growth in beverage consumption, Increased bottled water demand, reduce price of production
- Threat: Changing user demand for competitor drinks and local brands in different countries selling patriotism

Limitations?

- Managers must be careful in that in a absence of more thorough analysis, mangers rely on preconceived, often inherited basis of looking at the company
- Danger of a lack of specificity – identifying very general strengths, for example, doesn't explain the underlying reasons for those strengths

PESTEL

Explain the Framework

- Categories environmental influences into six main types:
 - Political – Monopolies, foreign trade
 - Economic – business cycles, interest rates, unemployment
 - Socio – cultural – income distribution, lifestyle changes, consumerism
 - Technology – Government spending on research, new discoveries, speed of technology
 - Environmental: Green issues, such as pollution and waste
 - Legal: Legislative constraints or changes (health and safety)

What business questions can they help address?

- These key drivers (likely to have a high impact on the success or failure of strategy) help managers to focus on the PESTEL factors that are most important and which must be addressed as the highest priority and can be used to construct scenarios of alternative possible futures for a business
- Without a clear sense of the key drivers for change, managers will not be able to take the decisions that allow for effective action
- Allows a business to see how the economy has changed as many of these forces are linked together – technology developments may simultaneously change economic factors (create new jobs), social factors (facilitate more leisure) and environmental (reduce pollution)

Business Example: World Economic Forum

- (1) The first key driver was the pace of geo-economic power shift, in particular from the traditional centres of economic power in the United States and Europe to the emerging ones in Asia and elsewhere.
- (2) The second was a the degree of international coordination

Both these drivers may produce very different futures, which can be combined to create four internally consistent scenarios for the next decade.

Limitations?

- The external factors considered during PEST analysis are dynamic and they change at a very fast pace. At times, these changes may occur in less than a day's time, thus making it tricky to predict why and how these factors may affect the present or future of the project.
- Its simple presentation can also be considered a limitation. For PEST analysis, the usual procedure is to present a simple list of the environmental factors that can affect

the project. Unless the attributing factors are critically examined in terms of the degree of impact, the findings of the analysis don't seem to be of much value.

- The lack of easily available updated information, as mentioned in the point above, leads to one more problem – making too many assumptions. Oftentimes, the factors mentioned in the analysis are based more on assumptions and less on actual facts. An analysis based on unfounded assumptions can lead to planning disasters.