4. SWOT analysis

Another method of environmental analysis looks at an organization' s internal strengths and weaknesses as well as external opportunities and threats. This is known as SWOT analysis.

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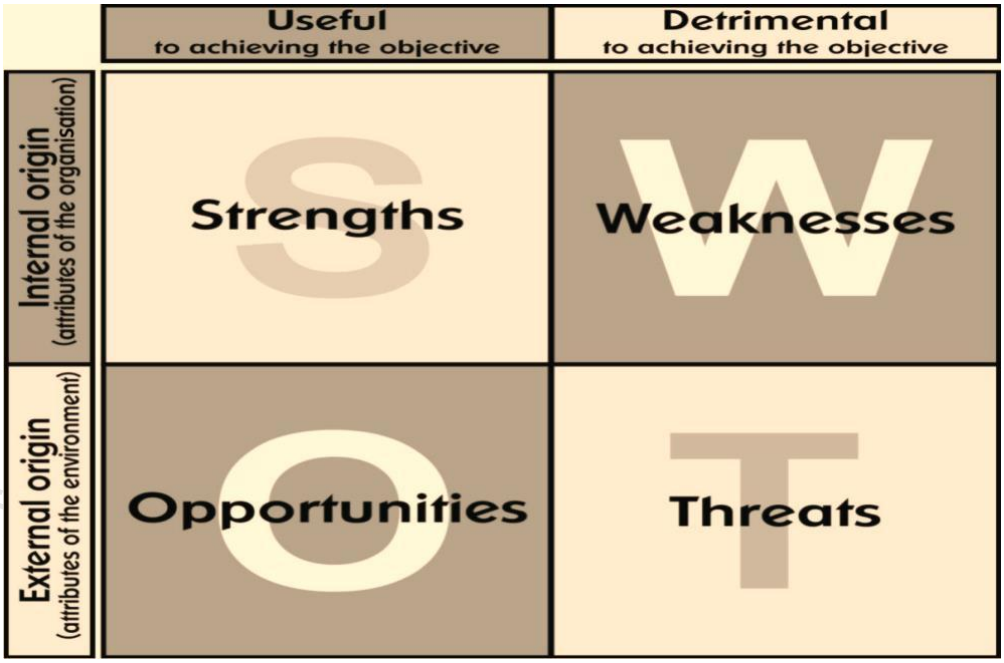

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- **External appraisal**: opportunities and threats
  - The external appraisal identifies opportunities that can be exploited by the organization's strengths and also to anticipate environmental threats against which the company must protect itself.
- **Internal appraisal**: strengths and weaknesses
  - The areas of the organization that have strengths that should be exploited by suitable strategies
  - The areas of the organization that have weaknesses which need strategies to improve them.

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5. Converting resources: the value chain

The value chain describes those activities of the organization that add value to purchased inputs.

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Competitive advantage arises out of the way in which firms organize and perform activities to add value.

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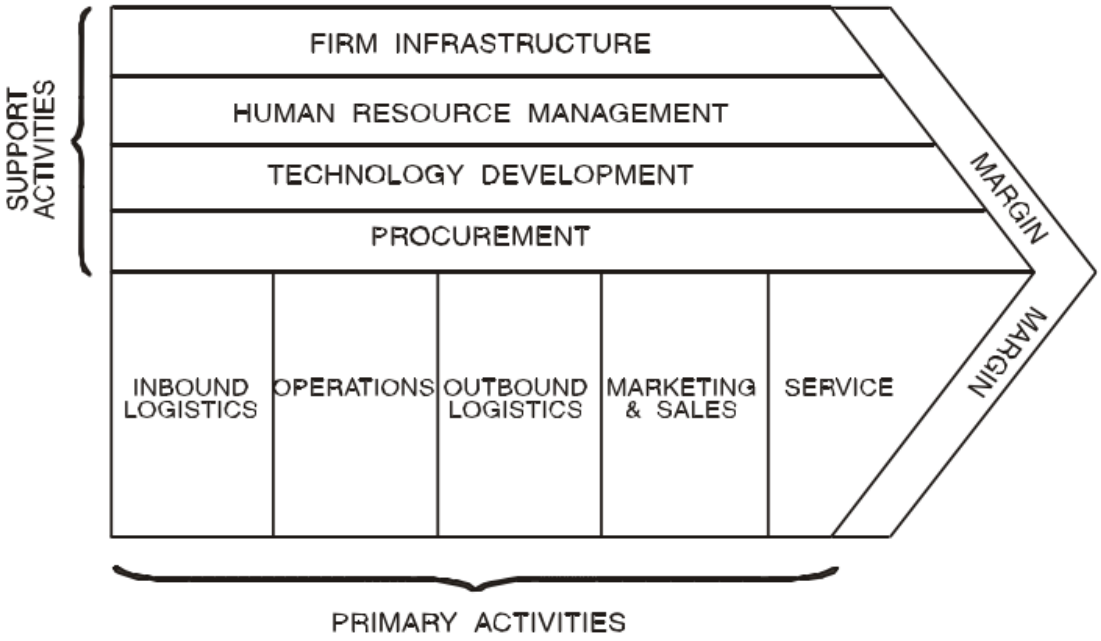

Logistics

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Primary activities *are involved in the production of goods and services.*

Activity	Comment
Inbound logistics	Receiving, handling and storing inputs to the production system: warehousing, transport, inventory control and so on.
Operations	Convert resource inputs into a final product. Resource inputs are not only materials. People are a resource especially in service industries.
Outbound logistics	Storing the product and its distribution to customers: packaging, testing, delivery and so on.
Marketing and sales	Informing customers about the product, persuading them to buy it, and enabling them to do so: advertising, promotion and so on.
After sales service	Installing products, repairing them, upgrading them, providing spare parts and so forth.

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Support activities provide necessary assistance.

Activity	Comment
Procurement	Acquire the resource inputs to the primary activities (eg purchase of materials, subcomponents equipment).
Technology development	Product design, improving processes and/or resource utilisation.
Human resource management	Recruiting, training, developing and rewarding people.
Firm infrastructure	Planning, finance, quality control: Porter believes they are crucially important to an organisation's strategic capability in all primary activities.

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- ***Linkages*** are the relationships between activities. Linkages require co-ordination.
- ***The margin*** is the excess the customer is prepared to pay over the cost to the firm of obtaining resource input and providing value activities.

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Activities and linkages that add value do not stop at the organization’s boundaries. A firm’s value chain is connected to what Porter calls **a value system** from supplier value chains, organization’s value chain, distributor/retailer value chains to customer value chains.

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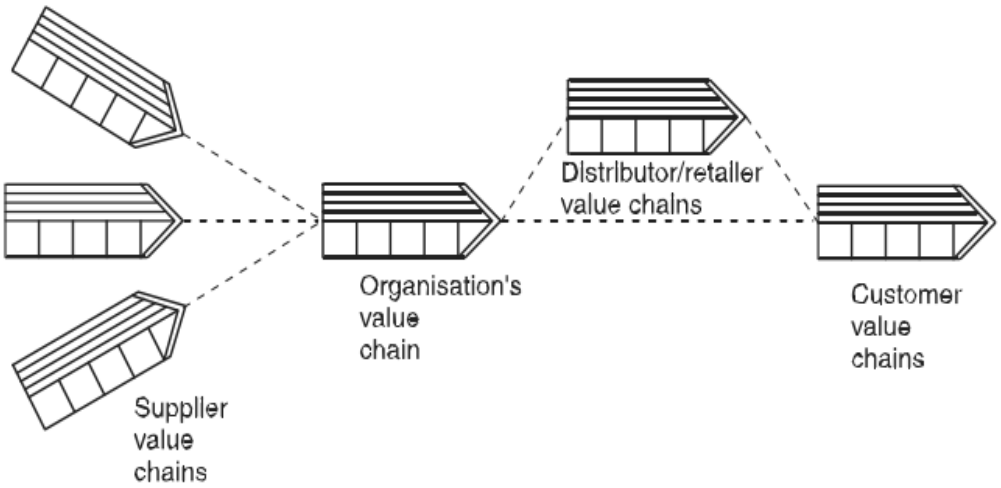

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CHAPTER 2 QUESTIONS

1. What is an acronym used to describe the key elements of an organization’s external environment? ANSWER: C

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A SWOT

B SMART

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C PEST

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2. For what function in an organization would demographic information about social class be most relevant? ANSWER:C

A Finance

B Human Resources

C Marketing

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3. A recent trend in organization and management is the rise in 'virtual organization' and 'virtual team-working'. To which of the following environmental (PEST) factors is this most directly attributed? ANSWER:C

A Economic

B Socio-cultural

C Technological

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4. Which of the following statements about the impact of technological developments is not true? ANSWER:B

A Technology developments have supported corporate delayering

B Technology developments tend to adversely affect employee relations

C Technology developments creates risk for long-range product/market planning

D Technology developments offer significant advantages for corporate communications

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5. In Porter’s five forces model, which of the following would not constitute a ‘barrier to entry’? ANSWER:C

A Scale economies available to existing competitors

B High capital investment requirements

C Low switching costs in the market

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6. BCD Co is a large trading company. Steve is the administration manager and is also responsible for legal and compliance functions. Sheila is responsible for after sales service and has responsibility for ensuring that customers who have purchased goods from BCD Co are fully satisfied. Sunny deals with suppliers and negotiates on the price and quality of inventory. He is also responsible for identifying the most appropriate suppliers of plant and machinery for the factory. Sam is the information technology manager and is responsible for all information systems within the company.

According to Porter’ s value chain, which of the managers is involved in a primary activity as opposed to a support activity? ANSWER :B

A Steve

B Sheila

C Sunny

D Sam

7. The stationery and printing company S Co, has recently upgraded its computers and printers so that more production has become automated. Many middle managers will now be made redundant. This is known as:

ANSWER:B

A Downsizing

B Delayering

C Outsourcing

D Degrading

8. Porter' s five forces model identifies factors which determine the nature and strength of competition in an industry. Which of the following is *not one of the five forces identified in Porter' s model?* ANSWER : D

A Substitute products or services

B New entrants to the industry

C Bargaining power of customers

D Government regulation of the industry

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9. Three of the following strategies are closely related. Which is the exception? ANSWER:B

A Downsizing

B Delegating

C Delayering

D Outsourcing

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10.Which of the following is a *support activity in Porter's value chain model?* ANSWER:A

A Procurement

B Operations

C Marketing and sales

D Inbound logistics

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11. ..... is an analysis of statistics on birth and death rates, age structures of people and ethnic groups within a community.

Which word correctly completes the sentence?

ANSWER:D

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A Ergonomics

B Economics

C Psychographics

D Demographics

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