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**SUB: MANAGEMENT PRINCIPLE AND APPLICATION**

**B.COM(HONS) SEM-III**

**TOPIC: SWOT**

SWOT analysis is an exercise that identifies and analyses both internal and external environment. SWOT analysis is not a magic wand that guarantees a strategic success. It involves a systematic of the internal strengths and weaknesses of a business firm and of the external opportunities and threats in the firm’s environment like changes in the markets , laws, technology and the actions of the competitors. It is more concerned with the appraisal of external environment of business.

**SWOT ANALYSIS**

The meaning of SWOT is defined below:

**1.STRENGTH:-**Positive internal factors:

**Proved and latest technology**

**Reliable channel partners**

**High quality product**

**Established brand image**

**Experienced and loyal manpower**

**Established R&D FACILITIES**

**Well balanced capital structure**

**ISO9000: 2000 quality management systems adopted**

**Favourable actions**

**2.WEAKNESSES:** Negative internal factors

**Inadequate working capital facilities**

**Over dependence on imported raw-materials**

**Uncertain cash flow**

**High cost of advertising and sales promotion**

**Inexperienced marketing staff**

**Existence of production bottlenecks**

**Lack of management information system**

**3.OPPORTUNITIES**: Positive external factors :

**Booming stock market**

**Excellent opportunities for export**

**Scope for backward integration**

**Availability of low technology options**

**Favourable industry trends**

**Low cost of debt and equity funds available**

**Favourable tax system**

**4.THREATS :** Negative external factors :

**Excessive government control**

**Very few entry-barriers**

**Entry of global corporations**

**Severe fluctuations in foreign exchange rates**

**Unstable government**

**Fast changing technology**

**Unfavourable political environment**

SWOT analysis will provide basis for evaluating the extent to which the firm is likely to achieve its various objectives and for identifying new products and market 0pp0rtunity.It is an internal as well as external appraisal of a firm which will enable in identifying the strategic approach to be formulated that will fit into its business environment.

The basic objectives of conducting SWOT analysis are:

**(a)**to identify the shortcomings in the company’s present skills and resources.

**(B)**to exploit the strengths of the company to achieve its objectives.

**(c)**to focus on profit-making opportunities in the business environment and for identifying threats.

**(d)**to highlight areas within the company, which are strong and which might be exploited more fully and weaknesses, where some defensive planning might be required to prevent the company from downfall.

SWOT analysis is useful at corporate, functional and competitive strategy levels as it addresses the current fit between the organisation and its environment, and considers the potential impact of strategy changes. The organisational analysis, being part of SWOT analysis should cover each major element like leadership, organisational structure, production, marketing, finance, personnel, company image and standing etc. SWOT analysis enables a manager to present a picture of the company before it chose any strategy. SWOT analysis offers a static picture of the company in relation to some specific environmental condition.

SWOT analysis will enable the company in the following ways:

**(a) Eliminating the weaknesses that expose a company to external threats.**

**(b) Highlight the strengths, which the firm should seek to exploit.**

**(c) Converts the threat or weakness into an advantage.**

**(d) Expose the shortcomings in the company’s present skills and resources.**

**(e)Match the company’s strengths to take advantage of the opportunities in the market place.**