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Company situation analysis and attainment of competitiveness in a dejected economy

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Abstract
It should be acknowledged that Patricia Kakompe, Clement Machayi, Sampa Rita Seketa, Clement A. Wamuwi, Moyo Ceaser and Elizabeth Ndhlovu are part of the authorship of this article. Building a successful competitive strategy requires a business to magnify its strengths and overcome or compensate for its weaknesses. Company situation analysis is inward looking and focus is on the internal environment. It is an important element in assessing an organizational overall situation and includes the identification of strengths and weaknesses in the internal environment. Strengths are positive internal factors that a company can draw on to accomplish its mission, goals and objectives. They might include special skills of knowledge a positive public image or superior product. Weaknesses are negative internal factors that inhibit a company's ability to accomplish its goals and objectives. Lack of capital or shortage of skilled labor are some of the examples. Company situation analysis can be tackled from a number of different perspectives including; Cultural, Financial, Research and Development (R&D), Production, Marketing and Resourcing Perspectives. It is an application to strategy formulation, and its incorporation into strategic management and development links analytical tools such as SWOT analysis and Porter's Value Chain to resource based planning. This article therefore, presents a critical review of company situation analysis.

Keywords: strategy, company situation analysis, SWOT and value chain

1. Introduction
The key to building a successful strategy is using the company's underlying strengths as its foundation and matching them against competitor's weaknesses. Situation analysis is a starting point for developing a strategy. Before we can develop strategies for the future we need to understand the present. Situational analysis is a process we use to gain understanding and insight into our present situation. According to David (2011) [4]. all organizations have their strengths and weaknesses in the functional areas of a business. He states that internal strengths and weaknesses, coupled with external opportunities and threats and a clear statement of mission, provide the basis for establishing objectives and strategies. David further notes that strategies are designed in part to improve a firm's weaknesses, turning them into strengths and maybe into distinctive competencies. A firm's strengths that cannot be easily matched or imitated by competitors are called distinctive competencies. Building competitive advantage involves taking advantage of distinctive competencies. Thus company situation analysis is a process which aims to disclose all opportunities (capacity) and the risks inherent in the environment and assess the competitiveness of company's resources and existing market position. This analysis gives owners of a company a realistic perspective of their businesses, pointing out foundations on which they can build future strengths and obstacles that they must remove for the business to progress (Scarborough, 2014) [8]. In return it helps companies to determine the best way to move from the current position to a desired one.

1.1 The Process of performing an Internal Company Situation Analysis
The process of performing an internal company audit in most cases parallels the process of performing an external audit (David, 2011) [4] Company situation analysis requires gathering and assimilating pertinent information about the firm's management style, culture, finance and accounting, production, research and development, marketing and resourcing perspectives (Cole, 1997) [3]. As such, key factors in the areas outlined should be prioritized. (Ibid) [3], identifies the following key organizational components when conducting an internal company situation analysis.

1.1.1 Organizational Culture
Cole (1997) [3] refers to organizational culture as dominate values at work in an organization. Corporate culture usually includes dominant management style active in the organization, relations with customers and employees, attitudes towards quality safety, and ethical issues. Cole, suggests that culture plays different and critical roles in the life cycle of organizations. For example, at birth culture acts as the glue of the organization, holding the organization together. During mid-life the dominant culture begins to weaken and is subject to change, at maturity, culture can either be transformed in an evolutionary way, or subject to revolution in which former ways are swept away, and new culture develops. Most importantly, culture is reflected in the overall mission statement of the organization as it reflects on what an organization really believes in or wants to achieve and in the organizational ethos' which are clearly understood by management and staff. Therefore, its importance in the process of strategy formulation and implementation should be emphasized. Ignoring this concept, may impact negatively on the success of strategy implementation.

1.1.2 Management Style
Pits and Lei (2006) [5] refers to management style as, the different methods used by managers in managing an organization. Success or failure may amount to poor

management styles. Some of the key pointers of good management styles include, how well the current management style facilitates the achievement of aims/goals, motivation of staff and is able to create awareness of equal opportunity.

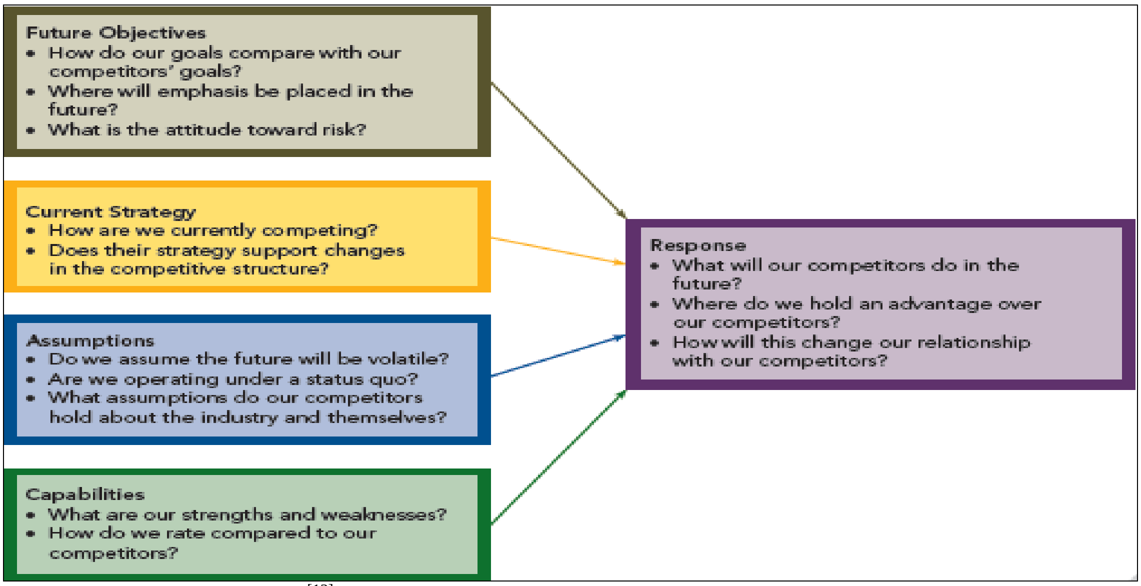
1.1.3 Research and Development
The business environment is dynamic and never static. The rate of invention and innovation in terms of product development, quality, range of products and designs are critical to gaining competitiveness on the market.

1.1.4 Market development
How well a company meets the need of its customers determines the size of its market share in the long run. Market development, profitability and cost of sales are key areas of analysis in this segment.

1.1.5 Turnover
The amount of sales revenue being realized over a given period of time should be analyzed. Whether a business is meeting its sales revenue target, or making a profit/loss will be a determinant factor in this case.

1.1.6 Funding
Strategists may need to analyze the adequacy of funding sources for an organizations existing resource requirements. Funding alternatives in terms of long-term as well as short-term maybe considered for new developments.

1.1.7 Personnel
Knowledge, quality of skills and capabilities inherent in an organizations determine an organizations competitive strength in a business environment. Keys issues relating to recruitment satisfactory, retention rates, and departmental needs for relevant skills, wage and salary costs, staff promotion and development procedures including management development procedures should provide fundamental basis for analysis. According to Cole (1997) [3], strategic internal analysis is not primarily about generating lists, but about identifying the few key issues that are critical for the competitiveness of an organization, and asking the right questions about them. The following illustrations outlines some important questions for strategists to consider when conducting an internal company situation analysis;



Source: White, S. M. (2013). [12] Strategic Management Inputs; the external environment, opportunities, threats, industry completion and competitor analysis. Ireland Cencage.

Fig 1

1.2 How well is the company's present strategy working?
This is an assessment or review of the current strategies in order to identify the drive or setback of the company. Depending on the above evaluation outcome, management can decide to adopt a new strategy or improve on the current one. The key issues to consider when evaluating how well the present strategy is working are as discussed below.

1.2.1 Examine Present Strategy
The starting point in our analysis is to examine the present strategy, and establish whether it is working. For example, when developing a strategic plan, organizations can critically review, how well the current strategy is able to compete on the industry, and the extent to which it supports the competitive structure.

1.2.2 Identify Competitive Approach
According to Shah (2016), [9] it is important to assess the company's present strategy in terms of qualitative and quantitative perspectives to determine how well the company's present strategy is working.

Table 1

Qualitative Assessment	Quantitative Assessment
▪ What is the strategy? ▪ Competitiveness ▪ Internal consistency ▪ Rationale ▪ Relevance / suitability to the situation	▪ What are the results? ▪ Is company achieving its financial and strategic objectives? ▪ Is company an above average industry performer? ▪ Whether it is gaining customers and increasing its market share

1.2.3 Key Indicators of How Well the Strategy is Working

Key indicators to consider when assessing how well current strategy is working include: trend in sales and market share; acquiring and/or retaining customers; trend in profit margins; trend in net profits, return on investment and earned value analysis; overall financial strength and credit ranking; efforts at continuous improvement activities; trend in stock price and stockholder value; image and reputation with customers; and leadership roles like technology, quality, innovation, and e-commerce (Stahl &Grigsby, 1997).[11]

1.3 What are the Company's Strengths, Weaknesses, Opportunities and Threats?

SWOT analysis is a tool used for analyzing a company's internal environment. SWOT Analysis is a combined analysis of external and internal issues affecting an organizations performance. It provides a framework within which managers synthesize insights obtained from an internal analysis of the company's strengths and weaknesses with those from an analysis of external opportunities and threats. Strengths and weaknesses are internal to the company and can be directly managed. While opportunities and threats are external and the company can only anticipate and react to them. SWOT Analysis is a well-established means of thinking critically about a business, it's resource's and its environment. It can be used effectively to build organizational strategy and competitive strategy, (David 2011) [4].

Below is an illustration of a SWOT analysis. Positive Negative

Table 2

	Strengths	**Weaknesses**
Internal	Internal capabilities that may help a company reach its objectives. These include human competencies, process capabilities, financial resources, products/services, goodwill, brand loyalty etc.	Internal limitations that may interfere with a company's ability to achieve its objectives. Examples are; depreciating machines, insufficient research and development facilities, narrow product range, poor decision-making etc.
	Opportunities	Threats
External	External factors that the company may be able to exploit to its advantage. Opportunities may arise from market, competition, industry, government and technology	Current and emerging external factors that may challenge the company's performance. Example are; changing technology, increasing competition, price wars, reducing industry profits, competitors, etc.

Riston (2006) [7] notes that for a company's strategy to be well conceived, it must be matched to its resource strengths and weaknesses aimed at capturing its best market opportunities and erecting defenses against its external threats.

1.3.1 Identifying Resource Strengths and Competitive Capabilities

Strength is something a firm does well or an attribute that enhances its competitiveness such as the valuable competencies or know-how of the organizations, physical assets, organizational assets, intangible assets, and important competitive capabilities. Strength is an attribute that places a company in a position of market advantage and alliances or cooperative ventures with partners.

1.3.2 Core Competencies and Distinctive Competencies

A competence is the product of organizational learning and experience, and represents real proficiency in performing an internal activity. A competence becomes a core competence when the well-performed activity is central to a company's competitiveness and profitability. Typically, core competencies reside in a company's people, not in assets on a balance sheet. A core competence gives a company a potentially valuable competitive capability and represents a definite competitive asset (Thompson & Strickland, 2013) [13]. For example, expertise in integrating multiple technologies to create families of new products, better after-sale service capability, skills in manufacturing a high quality product and systems to fill customer orders accurately and swiftly.

1.3.3 Distinctive Competence: A Competitively Superior Resource

A competence becomes a distinctive competence if a company performs it better than its rivals. A distinctive competence therefore, is a competitively significant activity that a company performs better than its competitors. A distinctive competence represents a competitively valuable capability rivals do not have; it presents attractive potential for being a cornerstone of strategy. This has the capability to provide a competitive edge in the marketplace because it represents competitively superior resource strength. For instance, Toyota and Honda have low-cost but high-quality manufacturing capability and short design-to-market cycles. Pick and Pay also conducts low-cost distribution and use state-of-the-art retail technology.

1.3.4 Identifying Resource Weaknesses and Competitive Deficiencies

According to Shah (2016) [9], resource weaknesses relate to inferior or unproven skills, expertise, or intellectual capital, lack of important physical organizational or intangible assets and missing capabilities in key areas. The whole process includes identifying key success factors, competitive strengths and weaknesses, rating the firm against its rivals and drawing the net competitive position of the firm.

1.3.5 Identifying a company's market opportunities and competitive external threats

The figure below illustrates the identification of company's market opportunities and external threats;

Table 3

Opportunities	Threats
Most relevant to a company are those offering: ▪ Good match with its financial and organizational resource capabilities ▪ Best prospects for profitable long term growth ▪ Potential for competitive advantage	▪ Emergence of cheaper / better technologies ▪ Introduction of better products by rivals ▪ Entry of lower cost foreign competitors ▪ Onerous regulations ▪ Rise in interest rates ▪ Unfavorable demographic shifts ▪ Adverse shifts in foreign exchange ▪ Political upheaval in a country

Source: Shah *et al*. (2016) [9], Strategic Analysis Bspm. www.slideshare.net.

The most important part of SWOT analysis is not developing the four (4) lists of strengths, weaknesses, opportunities, and threats, but rather using the four lists to draw conclusions about the company's strategy to its resource strength and market opportunities, correct the important weakness and defend against external threats.

1.4 Are the company's prices and costs competitive?

Assessing whether a firm's costs are competitive with those of its rivals is a crucial part of company situation analysis. The Value Chain Concept and Benchmarking are key analytical tools used to analyze internal costs.

1.4.1 Value Chain Analysis

1.4.1.1 The Concept of a Company's Value Chain

A value chain is a set of activities that an organization carries out to create value for its customers. The way in which value chain activities are performed determines costs and affects profits, this tool therefore can help you understand the sources of value for your organization, (Porter 1998).[6] It is a full range of activities; including design, production, marketing and distribution, which businesses conduct to bring a product or service from conception to delivery. For companies that produce goods, the value chain starts with the raw materials used to make their products, and consists of everything added before the product is sold to consumers, (Ibid). [9]

Table 4

<table>
<tr><td colspan="5">Firm Infrastructure</td><td rowspan="4">Margin</td></tr>
<tr><td colspan="5">Human Resource Management</td></tr>
<tr><td colspan="5">Technology</td></tr>
<tr><td colspan="5">Procurement</td></tr>
<tr><td>Inbound Logistics</td><td>Operations</td><td>Outbound Logistics</td><td>Marketing and Sales</td><td>Service</td><td>Margin</td></tr>
</table>

Source: Smith & Malaba (2016) [10] Master of Business Administration: Strategic Management 1. Harare: Zimbabwe Open University Press

Porter splits business' activities into two categories; primary and support activities. Primary activities include: inbound logistics including; receiving, storing and distributing of raw materials used in the production process; operations involved in turning the raw materials into the final product; and, outbound logistics that are the distribution of the final product to consumers as illustrated in the figure above. Other aspects include the marketing and sales aspect, and the service aspect. Marketing and sales involve advertising, promotions, sales-force organization, distribution channels, pricing and managing the final product to ensure it is targeted to the appropriate consumer groups. Service refers to the activities needed to maintain the product's performance after it has been produced, including installation, training, maintenance, repair, warranty and after-sale services.

The support activities help the primary functions and comprise procurement, technology development, human resource management and firm infrastructure. Procurement is how the raw materials for the product are obtained. Technology development can be used in the research and development stage, in how new products are developed and designed, and in process automation. Human resource management includes the activities involved in hiring and retaining the proper employees to help design, build and market the product. And, firm infrastructure refers to an organization's structure and its management, planning, accounting, finance and quality control mechanisms.

1.4.1.2 Conducting the Analysis

According to Strategic Management Insight, there are two approaches to the value chain analysis, namely cost and differentiation advantage.

Cost advantage involves identifying cost drivers for each of the primary activities identified. For a more labor-intensive activity, cost drivers could include how fast work is completed, work hours, wage rates, etc. Businesses should then identify links between activities, knowing that if costs are reduced in one area, they can be reduced in another. Businesses can then identify opportunities to reduce costs.

Differentiation advantage involves identifying the activities that create the most value to customers is the priority. These can include using relative marketing strategies, knowing about products and systems, answering phones faster, and meeting customer expectations. The next step is evaluating these strategies to improve the value. Focusing on customer service, increasing options to customize products or services, offering incentives, and adding product features are some of the ways to improve activity value. Lastly, businesses should identify differentiation that can be maintained and adds the most value.

The primary goal of using the value chain analysis is creating or strengthening your business' competitive advantage. If a company can create an advantage through a value chain analysis, it can capture a competitive advantage and increase its overall profit. To capture a competitive advantage, a company can map out its specific activities within the five generic value chain activities and look for ways to create efficiencies. Ideally, value chain analysis will help you identify areas that can be optimized for maximum efficiency and profitability. It is important, along with the mechanics of it all, to keep customers feeling confident and secure enough to remain loyal to your business. By analyzing and evaluating product quality and effectiveness of services, along with cost, your business can find and implement strategies to improve even more.

1.4.2 Characteristics of Value Chain Analysis
These include combined costs of all activities in a company's value chain, define the company's internal cost structure, compares a firm's costs activity by activity against costs of key rivals ranging from raw materials purchase to price paid by ultimate customer, and pinpoints which internal activities are a source of cost advantage or disadvantage.

1.4.3 The value chain system for an entire industry
Assessing a company's cost competitiveness involves comparing costs all along the Industry's value chain. Suppliers' value chains are relevant because costs, performance features, and quality of inputs provided by suppliers influence a firm's own costs and product performance. Equally, forward channel allies' value chains are relevant because costs and margins are part of price paid by ultimate end-user and activities performed affect end-user satisfaction.

1.4.4 Benchmarking costs of key value chain activities
Benchmarking focuses on cross-company comparisons of how certain activities are performed and costs associated with these activities, for example; purchase of materials, payment of suppliers, management of inventories, getting new products to the market, performance of quality control, training of employees and processing of payrolls. Cost benchmarking can be achieved by collecting information from published reports, trade groups and quarterly report (Becerra, 2012). [1]

Another question that can arise here is; 'what determines the cost competitive of the company?' Cost competitiveness depends on how well a company manages its value chain relative to how well competitors manage their value chains. When costs are out-of-line, high-cost activities can exist in any of the three areas in the industry's value chain; firstly, in suppliers' activities; secondly, in company's own internal activities; and thirdly, in the area of forward channel activities.

1.5 How strong is the company's competitive position?
This includes identifying key success factors and competitive strengths and weaknesses, rating the firm against its rivals and drawing the net competitive position of the firm. Overall competitive position involves answering two questions; how does a company rank relative to competitors on each important factor that determines market success? And, does a company have a net competitive advantage or disadvantage vis-à-vis major competitors?

Assessing a company's competitive strength against its key rivals is crucial. This involves listing industry's key success factors and other relevant measures of competitive strength, rating the firm and key rivals on each factor using rating scale of 1 to 10 (1 = very weak; 5 = average; 10 = very strong), determining net advantages and disadvantages, summing individual ratings to get an overall measure of competitive strength for each rival, and, basing on overall strength ratings, determining overall competitive position of the firm, (Porter, 1998; Stahl, 1997) [6, 11].

1.6 What strategic issues does the company face?
This examines how the current strategy matches with success factors, addresses external threats and weaknesses, defends the firm against rivals and whether there is need for additional actions to improve the company's cost competitive position. The final task is to form an effective action plan. After all, has been done, the manager needs to consider whether the current strategy is adequate to meet trends in competitive forces and/or adjust to respond to driving forces of the industry. The Manager should consider the industry's future key success factors, vulnerability to efforts of rivals, capitalize on strengths, and prioritize opportunities. He or she should workout protection of the firm against threats and weaknesses, consider competitive advantage or disadvantage, and should consider strong and weak spots in the current strategy.

Additional actions needed here include improving cost position, capitalizing on emerging opportunities, and strengthening competitive position. For instance, the United States Airline industry began in Florida in 1914 prior to World War I with fixed-wing seaplanes, or flying boats, which were adapted for military purposes. After that war, the United States Aircraft industry declined largely as a result of competition from foreign manufacturers who possessed more advanced technologies. To mitigate this, in the mid-1920s, the United States Government began subsidizing airlines to carry airmail after the Kelly Airmail Act of 1925. Carrying mail expanded to carrying people and commercial goods, (Caldwell & Anderson, 2018) [2].

2. Conclusion
The article has critically analyzed the company situation analysis, a process that reviews the drive and setbacks of the company so that managers can work out strategies for the survival of the firm. Strategic Managers of all types are similarly affected by the different company situations as discussed above in their own industries. Although there are no simple solutions to facing these problems, successful companies have demonstrated the ability to consistently be profitable despite an overall industry decline by adopting a leadership philosophy that has been based upon matching its strengths with industry opportunities. We therefore recommend that strategic managers use the given analytical tools especially SWOT and Value Chain as they truly expose company's situation.

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