

# WHICH CONCLUSION DID SWOT LEAD US TO ON ENVIRONMENTAL ANALYSIS? A PRACTICE OF ZEKÂ MAKİNE LTD. COMPANY

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## **ABSTRACT**

*Strategical planning has an vital importance for the companies. The companies determine their direction via this plan. The company must know about their own current situation and environment. The best way for this is SWOT analysis. In this paper, an example of SWOT analysis that will help a business company to know much more about themselves in the competitive environment and to continue its existence by analysing its situation is presented. A survey was applied to Zeka Makine Ltd. workers and frequencies about answers were explained and some data such as Strengths, Weaknesses, Opportunities, Threats were obtained with the results of survey. In the light of this information current state of the company was determined.*

**Key words:** SWOT analysis, strategic planning, environmental analysis.

## **INTRODUCTION**

It's very important for the industry organizations to adapt changing competition conditions. Because in that way, they can survive in marketplace in which many competitors are together. In order to ensure that the quality elements and available assets of the business company are important factors. Business companies that want to maintain the dominance in markets must improve the production quality first and while doing that they also must reduce the costs. In the process of achieving their goals or organisational performance, business companies are faced with various internal and external elements which are both encouraging and limiting for the company's potential (Houben etc., 1999:125). Both internal factors such as production, finance and marketing that are under the control of the company and the external factors such as competition which is out of the company's control affect the operation of the company simultaneously (Lee and Lo, 2003:606). The environmental analysis in the companies has two parts. In the first part external environment elements are conspicuous. The company is examined under the main title as "the World and The Country" and under the subtitle as "General Management and Human Resources", "Marketing and Sales", "Technology", "Ecology", "Production", "Investment", "Supply", "Financial Structure" (Robbins and

Coulter, 1996). With the results of the analysis of various factors of the external environment of the company, opportunities and threats are determined ( Dinçer, 2004:139; Ülgen and Mirze, 2004:25). Another part is the external environmental analysis. The internal environment analysis is the evaluation of organisation's sources, processes, existing applications and success (Pashiardis, 1996:59). By the analysis of these elements, company's strengths and weaknesses are determined.

### **SWOT Analysis**

The environment of the company should be analyzed not to come to the point of endangering their survival (Pickton and Wright, 1998:102). The most commonly used analysis which evaluate strengths, weaknesses, opportunities and threats in strategical management is SWOT(Strengths, Weaknesses, Opportunities and Threats) analysis as the expression in international literature or FÜTZ (Fırsatlar, Üstünlükler, Tehditler, Zayıflıklar)analysis by the expression in Turkish literature (Ülgen and Mirze, 2004:160; Dinçer, 2004:139). SWOT analysis is a work of brainstorming which is actually made on the key factors affecting the success of a company or a sector (Houben etc., 1999:125). SWOT analysis has a rather serious infrastructure for strategic decisions. According to Channon (1997); "It is simple but a strong vehicle to evaluate a company's strategic situation " (Hussey, 2002:43). In this case SWOT has an important role as directive to managers for strategic formulations, practices and decision process (Pickton and Wright, 1998:102). For Learned, Christensen, Andrews and Guth, analysis of current situation (1991), revealed by some researchers from Harvard in 1961 for the first time. It becomes popular when the company managers use this analysis for planning their works to harmonize company's resources with the environmental conditions by their internal assumption in 1970s (Novicevic etc., 2004:85). In the light of this information we can describe SWOT as a glasses which help us to be able to see far and near (Aktan, 2004, s:1).

It can be seen that SWOT has two purposes: First; it is to determine the opportunities and threats from the environment along with the decisive strengths and weaknesses for internal potential of the organisation (Dyson, 2004:632; Stacey, 1993:52). Second one is identification of the strategic options for the providing and continuing of the competitive advantage (Dinçer, 2004:139).

**Opportunities.** They are the elements that can create positive results for the company as a result of external environment analysis. Political, legal, technological, socio-cultural, demographic and international environmental elements is in constant change. Also in the close environment of the company relationships between customers, suppliers, competitors, potential competitors and substitute products are constantly changing. Some changes can create positive results for the company. Companies are able to maintain more comfortable existence by taking advantage of this opportunity and is able to achieve competitive advantage. However it needs outmaneuvering to competitors in terms of some assets and capabilities for the aim of take advantage of these opportunities. Otherwise the opportunities can be missed without using them or others can use it (Ülgen and Mirze, 2004:160–161). Factors related to opportunities can be exemplified as follows (Çomaklı etc.,2007:157):

- To enter foreign markets,
- Expanding the product,
- Low general costs,
- The possibility of development of core business,
- Reduction of competitors,
- R&D capability in new areas.

**Threats.** In contrast to the opportunities, they are undesirable situations which emerge in far or close environment, prevent the company from maintaining the assets of the company or cause it to lose the competitive advantage (Ülgen and Mirze, 2004:160–161). In the case of threat there are an uproar and challenge for the future (Kotler, 2005:60). Company will be the answer against these threats with its available strengths and try to maintain its own current situation. In a rapidly and constantly changing environment, to follow these elements and to take measures against them are vital issues (Ülgen and Mirze, 2004:161). Elements related to threats can be exemplified as follows (Çomaklı etc., 2007:157):

- An increase in internal competition,
- An increase in external competition,
- Changes in consumers preferences,
- Intensification of competition,
- Changes in deographic factors,
- The growth of labor cost,
- Losing important managers.

**Strengths.** It contains assets and capabilities which help it for outmaneuvering against the competitors and result from the analysis of company's internal environment. It is extremely important for the company to be powerful and to have strengths. Otherwise, the opportunities created by the external environment could not be exploited. Moreover, the company is obliged to respond by using own strenghts to all these external elements that threaten the company. All these issues show the importance of company (Ülgen and Mirze, 2004:161). The elements related to strenghts can be exemplified as follows (Çomaklı etc.,2007:157):

- Design features,
- Brand reputation and advantage,
- R&D capability and leadership status,
- Good marketing capability,
- The appropriateness of management style,
- Effective financial management.

**Weaknesses.** It determines the situations that current assets and capabilities capacity of the company is low when compared to its competitors. Admittedly, the strategies in the company can not be founded on weaknesses. Detected weaknesses should be corrected. Otherwise, it is impossible for the company to maintain current status. If the company has weaknesses in terms of assets and capabilities compared to its competitors, it tries to correct the weaknesses by examining the practices of successful enterprises in the sector. The company tries to overcome weaknesses by creating investment opportunities in tangible assets and by the training in abilities. If the company can't overcome these weaknesses in spite of all measures, the option of outsourcing is open to discuss (Ülgen and Mirze, 2004:161; Thompson ve Strickland, 1989. s:109; Hussey, 2002, s: 44). Some of the factors related to weakness are as follows (Çomaklı etc., 2007:157):

- Poor financial management,
- Unheard design,
- An increase in manufacturing costs,

- Lack of business structure,
- Policy uncertainty,
- Weak marketing planning,
- A reduction in R&D innovations,
- Insufficient human resources,
- Deviation from business objectives,
- Inability of control systems.

## MATERIAL VE METHOD

The material of this study is the results from a survey applied to employees in Zekâ Makine Ltd. Co. Questions containing strengths, weaknesses, opportunities and threats are presented as a survey to 40 employees and all of 40 employees answered the survey questions.. Replies were entered in SPSS then demographic data and frequencies related to answers were obtained.

### Findings

**Demographic Findings.** Demographic findings for employees who answered the survey questions are given below.

**Table 1**  
**Data related to gender of respondents**

<b>GENDER</b>	<b>FREQUENCY</b>
FEMALE	6
MALE	34
<b>TOTAL</b>	<b>40</b>

As it can be seen in the Table 1, there are 40 respondents in total. 6 of the respondents are female and 34 of them are male.

**Table 2**  
**Data related to age of respondents**

<b>AGE</b>	<b>FREQUENCY</b>
18–25	5
26–33	21
34–41	10
42–49	1
50 AND MORE	3
<b>TOTAL</b>	<b>40</b>

Referring to the table above, the information related to age range of the respondents can be seen. According to this 5 employee is in the 18-25 age range, 21 employees are in the 26–33 age range, 10 employees are in the 34–41 age range, 1 person is in the 42–49 age range, and finally 3 employees are in the 50 and over range. In total 40 people took the survey.

**Table 3**  
**Data related to graduation status of respondents**

EDUCATION	FREQUENCY
PRIMARY	4
HIGH SCHOOL	23
COLLEGE	8
UNIVERSITY	5
<b>TOTAL</b>	40

Data related to graduation status of respondents are given above. 4 of the respondents are primary school graduates. A group of 23 persons having the highest share are high school graduates. While 8 people are college graduates, 5 people are university graduates.

**Table 4**  
**Data related to positions of the respondents in the company**

POSITION	FREQUENCY
MANAGER	10
PRODUCTION	26
OTHER	4
<b>TOTAL</b>	40

Data related to the position of the respondents can be seen in table. Accordingly, the group with the greatest number of employees is in the production department. As 10 people as manager follow it, there are 4 people belonging to other departments.

**Table 5**  
**Data related to experience year of the respondents in the company**

EXPERIENCE YEAR	FREQUENCY
0–5	15
6–10	14
10–15	8
16 AND MORE	3
<b>TOTAL</b>	40

Data about employees' experience year in the company is in the table 5. Accordingly, the group having the largest number of employees are between the ages of 0–5. This group is followed by 6–10 years with 14 people. While 8 people have working experience between 10–15 years in the institution, the minimum number of working year belongs to 16 and over.

## Data Related To Survey Answers

Upon examination of the responses to the questionnaire, the company's opportunities, threats, strengths and weaknesses have emerged. There are 39 statements in the survey totally. Participants are wanted to mark these statements with one of the options such as "YES", "NO", "SOMETIMES". The statements between 1–7 is to reveal opportunities, 8–15 is for threats, 16–25 is for strenghts and the statements between 26–39 is to reveal weaknesses. The first 7 statements and data obtained from answers are as follows (Ülgen and Mirze, 2004:161):

1. There is a constant increase in the number of institutions that we offer our products.
2. Due to the increase of demand in the market we have the possibility of rapid growth.
3. VAT(Value-Added Tax) rate has decreased to the extent we want.
4. Our products are likely to be used as intermediate goods in new areas.
5. New emerging technologies are reducing our cost.
6. With the elimination of certain barriers in foreign markets, our new market formed
7. The demand for our products in the European market has increased.

**Table 6**  
**Answers of the employees for the opportunities**

STATEMENT	SOMETIMES	NO	YES	TOTAL
1	20	1	19	40
2	14	3	23	40
3	8	26	6	40
4	18	4	18	40
5	11	11	18	40
6	19	8	13	40
7	17	8	15	40

The data belonging to employees' answers can be seen in table 6. The fact that the number of answer "YES" is more in this part which statement about opportunities are available is the evidence for the company in terms of having a lot of opportunities. It can be seen that only one person says "NO" for the first statement. So in this case there is a constant increase in the number of company's products and this is an opportunity for business growth. Referring to the second statement the number of people who don't agree is less than the others in the same way as the first. 37 participants of the 40 people agree with the statement that due to the increase of demand in the market the company has the possibility of rapid growth. There is an opposite case in statement 3. Because, there are 26 people saying "NO". In that case VAT(Value-Added Tax) rate hasn't decreased to the extent the company wants and ve this situation isn't an opportunity which to affect the company's economic situation positively.

As it can be seen in table, the number of the people saying “YES” is more than the others. The answers of 23 employees aren’t negative. So it can be said that their products are likely to be used as intermediate goods in new areas. When we look at the next statement 29 participants say YES” for the statement 5. We can say that new emerging technologies are reducing their cost. And this is a very important opportunity for the company. In statement 6, only 8 people say “NO”. In another words there are 32 people for the positive answers and it means that this is an opportunity for the company. Finally, In statement 7, it can be seen that the company progressed in the European markets. Because totally 32 participants have positive answers.

**Table 7**  
**Answers of the employees for the threats**

STATEMENT	SOMETIMES	NO	YES	TOTAL
8	11	24	5	40
9	16	5	19	40
10	13	16	11	40
11	24	2	14	40
12	21	3	16	40
13	16	11	13	40
14	23	4	13	40
15	14	17	9	40

The statements in the table are about the threats. Information about these statements are as follows (Ülgen and Mirze, 2004:161):

8. Demand in market shows a decrease.
9. Competition in the domestic market is increasing.
10. Foreign competitors whose costs are lower enter the market.
11. There are constantly changes in customers' needs.
12. Negative changes in exchange rates affect our business.
13. There is a sharp increase in loan rates.
14. The new labor law causes costs to increase.
15. The Government is concerned to interfere the price.

In table 7, there is information related to the answers to the threat statements. When we look at the statement ” Demand in market shows a decrease.” ,we can see that the number of answer “NO” is more than the others. The answers draw attention in statement 9. 35 of the workers say that Competition in the domestic market is increasing. Businesses need to take note of this situation which is a major threat. There is the same situation in statement 10. 24 employees accept the fact that foreign competitors whose costs are lower enter the market this situation which is a major threat, too. As it can be seen ,the statement 11 is a threat for the company. Because an important majority of the participants say “YES” to this statement. Constantly changes in customers' needs are threat for the companies. Another threat element is statement 12. A great majority agree with this situation. So the changes in exchange rates affect business negatively.. The

same case can be seen in statements 13,14 and 15 As a result of the participants' answers threats of the company have emerged.

**Table 8**  
**Answers of the employees for the strenghts**

STATEMENT	SOMETIMES	NO	YES	TOTAL
16	9	0	31	40
17	5	2	33	40
18	11	4	25	40
19	7	3	30	40
20	13	10	17	40
21	21	14	5	40
22	16	0	24	40
23	17	0	23	40
24	21	1	18	40
25	14	5	21	40

In table 8, there is data about the answers of the participants for the statmenets about strenghts. In this part there are statements for determining the strenghts of the company and these statemets are as follows (Ülgen and Mirze, 2004:161):

16. Our financial resources are strong enough.
17. Our organization has product development skills.
18. Our cost of production is reduced due to regional production centers.
19. We have a strong technology.
20. We use the new technology in production line.
21. We have expert strategic planning department.
22. We have a strong leader recognized in the market.
23. We have a proven management.
24. Our financial ratios are above the sector average.
25. We provide training programs for our workers.

When we look at the first statement in table, we can see that the statement is about the company's leader. A strong leader is one of the most important elements for the company. Nobody gives the negative answer for this statement. In this connection it has superiority in terms of the leader. In statement 17 only 2 people's answer is "NO". Other participants' answers are positive and in this case they accept that the company has an efective management. Strategic planning departmant is one of the most important parts. In statement 18 all participants except 4 ones have positive answer. In another words, the company has a strenghts in terms of strategic planning. The subject of the statement 19 is usage of the technology. We can see that 37 of the participants say "YES" for this statement. In yhis case, the company has strenghts at production line because of the new technology. The companies' cost of production is reduced due to regional production centers. We can inference from the tablet hat this case is a strenghts for the company. Because 29 of the participants agree with this statement. Financial resources are one of the important factors. Being strong for a company makes it more possible to develop. As it can be seen all of the participant answer positively and it means that it is a strenghts for the company. There is only 1 negative answer for the

statement 24. So the company's financial ratios are above the sector average. Training programmes for the workers make it easy for them to improve themselves. This increases both the service and product quality. This result is a strength for the company. While 5 employees don't agree with this statement other 35 participants' answer is positive.

**Table 9**  
**Answers of the employees for the weaknesses**

STATEMENT	SOMETIMES	NO	YES	TOTAL
26	18	21	1	40
27	11	27	2	40
28	7	31	2	40
29	16	22	2	40
30	17	17	6	40
31	17	23	0	40
32	7	33	0	40
33	16	22	2	40
34	6	32	2	40
35	7	31	2	40
36	7	31	2	40
37	8	30	2	40
38	13	27	0	40
39	16	19	5	40

In Table 9, there is data related to answers of the participants. The statements between 26–39 in survey indicate weaknesses. The contents of statements are as follows (Ülgen and Mirze, 2004:161):

26. Tools, equipment, buildings we use is outdated.
27. Our current management is insufficient.
28. We don't have certain strategic superiority.
29. There are weaknesses in our production line.
30. We are far from raw material resources.
31. We've intense problems functionally.
32. Our wages and salaries of top-tier management system is out of date.
33. There are deficiencies in terms of R & D (Research and Development).
34. Our image in the market is weak.
35. Our distribution channels are insufficient.
36. Our fleet of delivery vehicles is missing.
37. Our unit costs is incomplete.
38. There are weaknesses in our internal control.
39. There is vacant post in domestic sales organization.

In the light of this information when looking at the responses to statement number 26 in Table 9 "NO" answer is 21 totally so, it isn't weakness for this business. Inadequacy of the current administration can cause the company to the finishing point. When we look at the table we can see that the number of participants whose answers are "NO" is more than the others. For this reason it isn't a weaknesses fort he company. Table shows that 31 people of 40 employees don't agree with the statement 28. We can say that the company has a strategic superiority. 22 respondants of survey think that there is no problem in the company in terms of function. The weaknesses in production lines affect the companies negatively. We can say that 23 employees of 40 people agree with statement 31. When we look at the statement, a great majority say "NO". R & D is important for the company in terms of determining the new strategies and planning development or improving product quality. So inabilities in this subject are important weaknesses for the company. For the reason that the number of participants who don't agree with statement 33 is more, there is no weakness in this company. A company can't have competitive advantage and improvement opportunity without a strong reputation in markets. In table 31 employees don't agree with the statement. Delivery channels must be strong to be able to provide services. Data shows that this company doesn't have such a weakness. Control is one of the important management functions. The weakness in this subject affects negatively. We can see in the table that there are 27 people who agree with this case, so this is not a weakness for the company. For the last statement, although 19 workers say "NO" for this statement, 21 people agree with it. So it is a weakness for the company.

## RESULTS

In summary of the analysis result, the company's opportunities are as follows:

- There is a constant increase in the number of institutions that they offer their products.
- Due to the increase of demand in the market they have the possibility of rapid growth.
- Their products are likely to be used as intermediate goods in new areas.
- New emerging technologies are reducing their cost.
- With the elimination of certain barriers in foreign markets, their new market formed.
- The demand for our products in the European market has increased.

The company's threats are as follows:

- Competition in the domestic market is increasing.
- Foreign competitors whose costs are lower enter the market.
- There are constantly changes in customers' needs.
- Negative changes in exchange rates affect our business.
- There is a sharp increase in loan rates.
- The new labor law causes costs to increase.
- The Government is concerned to interfere the price

The company's strenghts are as follows:

- Their financial resources are strong enough.
- Their organization has product development skills..
- Their cost of production is reduced due to regional production centers.
- They have a strong technology.
- They use the new technology in production line.

- They have expert strategic planning department.
  - They have a strong leader recognized in the market.
  - They have a proven management.
  - Their financial ratios are above the sector average.
  - They provide training programs for their workers
- And finally the company has only one weakness:
- There is vacant post in domestic sales organization

When we look at the survey results we can see the case of the company can be seen clearly in terms of strenghts, weaknesses, opportunities, and threats. Firstly, the results show that the company has six of seven opportunities. The fact that VAT(Value-Added Tax) rates aren't as the company want isn't an opportunity for the company. The duty of the company is to take precautions economically for this situation. Apart from this, the constant increase in the number of institutions that they offer their products, the possibility of rapid growth due to the increase of demand in the market, new emerging technologies and their new market chance with the elimination of certain barriers in foreign markets are some of the opportunities of the company. They should evaluate opportunities because these opportunities will help them to develop and gain superiority against the competitors in sector.

Another part is about threats. If we focus on the survey results, we can say easily that it has seven of eight threats. This can be a serious problem for the company. Because threats are dangerous elements for the companies. Even they can cause the companies to end their presence. decrease of the demand in market, Competition in the domestic market, Foreign competitors whose costs are lower, sharp increase in loan rates, the new labor law which causes the costs to increase are important threats for a company. In this case, companies should take precautions immediately and they should turn these threats to their advantage.

As it can be seen clearly, the company has the all strenghts which take part in survey. It means for the company that it can improve and develop itself easily and successfully by using these strenghts correctly. For example; a strong leader recognized in the market, a proven management and a strong technology make it possible for the company to extend.

Last part is deal with the weak sides of the company. The results show that the company has only one weakness. There is vacant post in domestic sales organization. This problem can be solved by the company easily with some measures.

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