

**Decision Support System for Managers**  
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**Module – 06**

**Lecture – 30**

**Strategizing for Business, the SWOT and Porter's Framework Revisited**

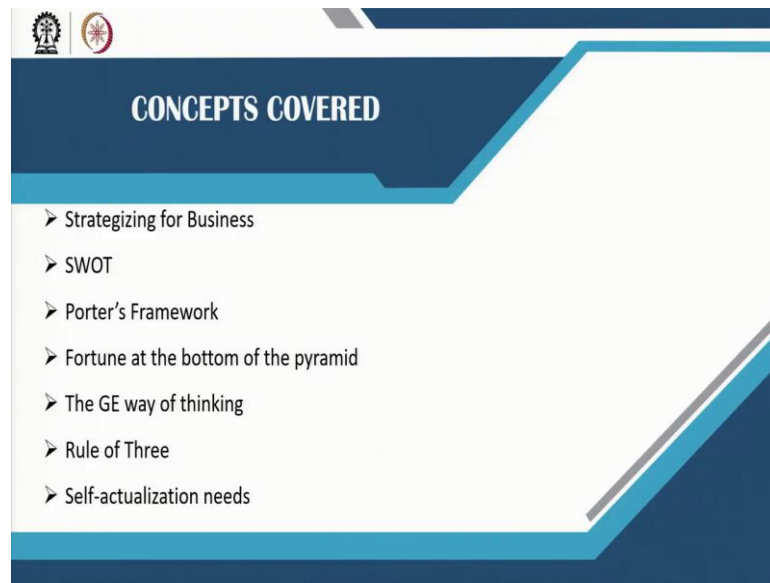
Hello and welcome to “Decision Support Systems for Managers”! We are into module 6, ‘decision support system for strategizing’ and today we will start with lecture 1, strategizing for business SWOT and Porter’s framework revisited; ok.

Decision support systems for strategizing; see strategy, the word itself looks very beautiful in the sense. Strategy is a very-very difficult thing to practice. You will see all around you how many companies that you have heard from your father, grandfather or old story books that are there now most rather almost everyone have disappeared.

Even if they have not disappeared, they have changed hands so many times that the original only the name remains, but everything has changed. So, strategy is a long-term concept and strategizing is very-very-very difficult. That take any big brands, 100 years back, you will see most of them are non-existent today; right.

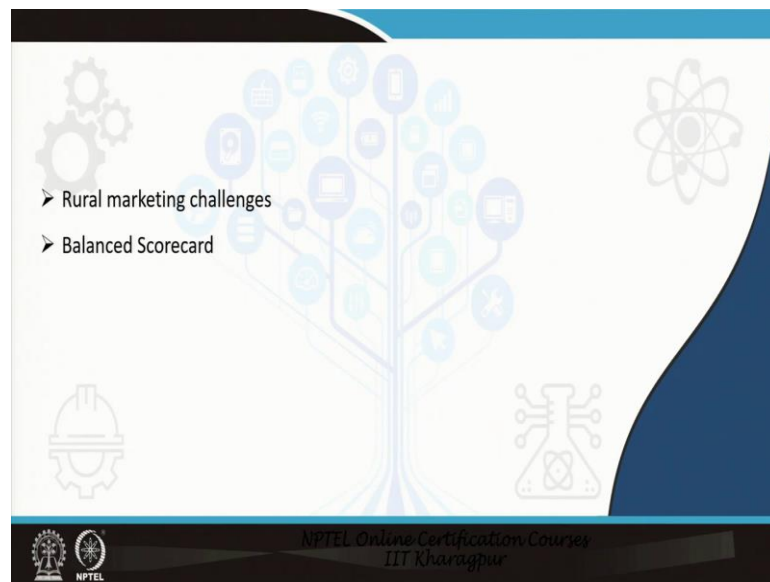
Now, see so, today we will see what we can this entire module is devoted to what are the tools and techniques that you have in hand for strategizing and how do you strategize ok. So, today we will do strategizing for business the SWOT and porters framework revisited.

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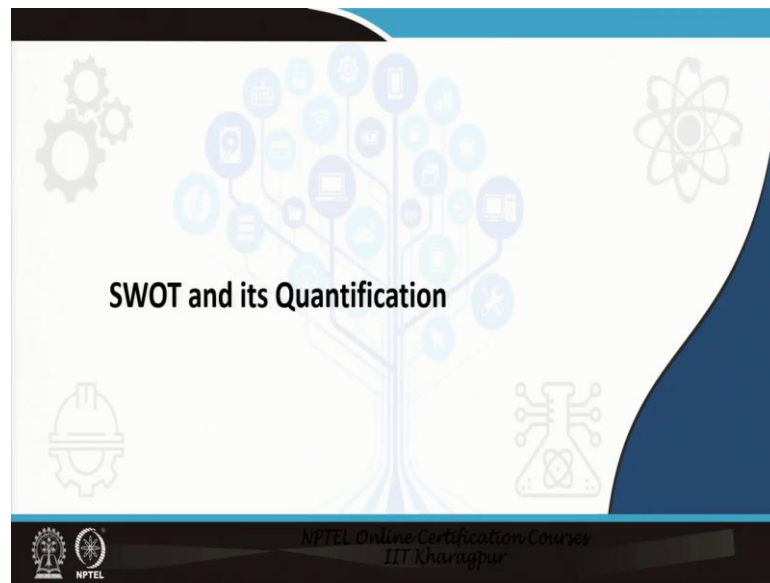
These are the things that we plan to do in this module: strategizing for business, the SWOT, porter's framework, fortune at the bottom of the pyramid, the GE way of thinking, rule of three, self-actualization needs.

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Rural marketing challenges and balance scorecard. These are the things that we plan to cover in this entire module spread over four we four; four parts four lectures.

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Now, before we go into SWOT and its quantification, let us; let us consider some examples of companies that have done very well, some companies that have basically gone down; clear!

Now, there use and so many; and so many others who are still in the middle somewhere ok. Now, you see all those all the British brands they have disappeared from India. Thumbs up! Very-very popular brand disappeared and then came back with the purchase by the MNC's; ok. Then, you know the Bata Bata's in India, they have almost disappeared ok. Enter world is being ruled by Reebok, Adidas and Nike three brands and Asics also have come up to a great extent to rule the sports world; ok.

So, you see everywhere there is a change, there is a turmoil; ok. The entire tea industry tree growing in the Darjeeling districts of West Bengal which is known to provide you the world's finest tea, the best plantations in the world that is also very-very much is a big question mark.

They are doing well no doubt, but then facing tremendous competition from nearby Nepal. Same climate, same terrain, but the leaves, the trees are very very young because they started very late. The trees are very young; so, the leaf quality, quality of tea that is being produced is much-much better.

Now, having said that that is one example ok. You will find so many examples around you. Bengal chemicals and pharmaceuticals, the company that started during the British period with Acharya Prafulla Chandra Ray as his chief founder to showcase the Britishers that we also can-do things.

The company still remained in the bulk chemicals and bulk drugs segment; it did not progress any further. Same is the case with our entire pharmaceuticals industry. Mostly, we are still in the bulk chemicals, bulk drugs and generic drug segment for the advanced medicines we are still dependent on the MNC's; ok.

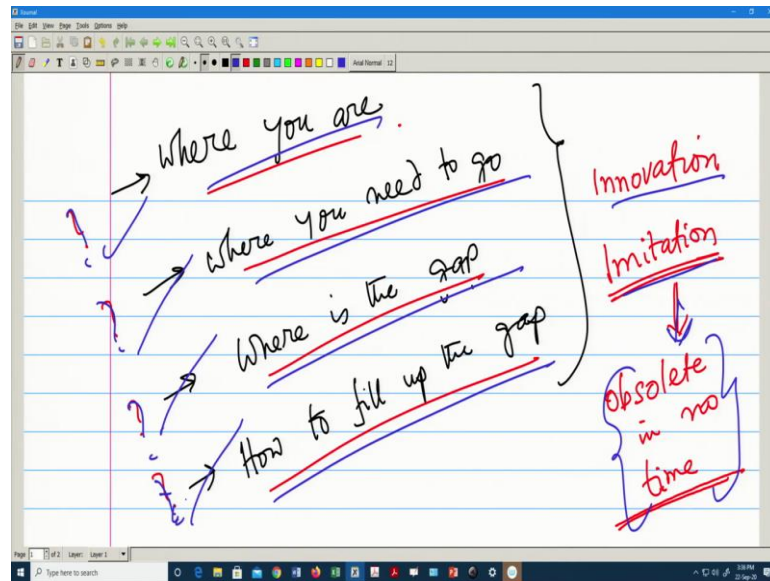
So, why these things happen? These are examples from different industries. We took the example of pharmaceutical industry, we took the example of the other they there used to be the India India's largest bicycle manufacturer Sun Raleigh gone, closed shop. Our own Hindustan motors with this ambassador brand of cars gone, closed shop.

So, all the big brands you will see closed shop, they are gone, all the old brands they are gone ok. There used to be something which you will see in olden day story books called Marmalade. This marmalade people mix it up with jam for breakfast, but marmalade is something different. Now, you will not get marmalade; ok.

So, so, all these things that the Hindustan records, olden day music companies gone disappeared ok. Many newspaper companies vanished clear. Then; then, the jewelry companies, many companies sprung up and then they vanished ok. So, you see what is happening is that all the companies who were existent even till 100 years back, most of them have closed shop.

As we gave, so, we gave the example from shoe industry; we gave the example of bicycles; we gave the example of cars; ok. So, and basically, they are not there anymore; clear! So, strategizing is very-very important. Strategizing for business not only to survive but to progress is very-very important.

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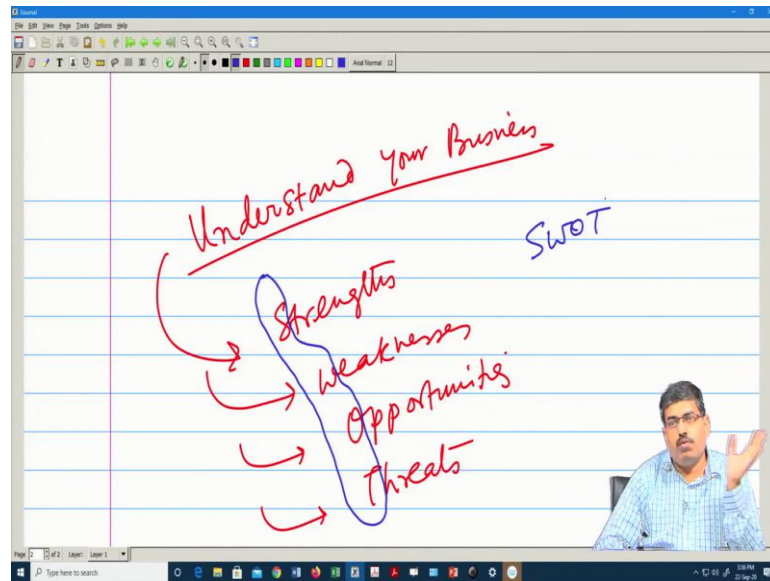
So, the first step in strategizing is to find out; the first step in strategizing is to find out your is to find out where you are; where you are and the next step is where you need to go and so, the third step is where is the gap and so, the fourth stage is how to fill up the gap.

Now, you see this looks very simple, this looks very very simple to say where you are, where we need to go, how to fill up the gap, where is the gap etcetera etcetera. But another thing is bothering us very much and that thing is innovation and most importantly imitation.

You innovate and the very next day somebody imitates it. So, where you are, where you need to go; where is the where you are, where you need to go, where is the gap, how to fill up the gap all these become very very irrelevant, become a big question mark; ok.

So, this is a great problem that we are facing today ok. Innovation, Imitation and what is this leading to? Imitation means, a product imitated means your innovation, your creation this is that is becoming obsolete in no time; that is becoming obsolete in no time and that is the relevance of strategy today; ok.

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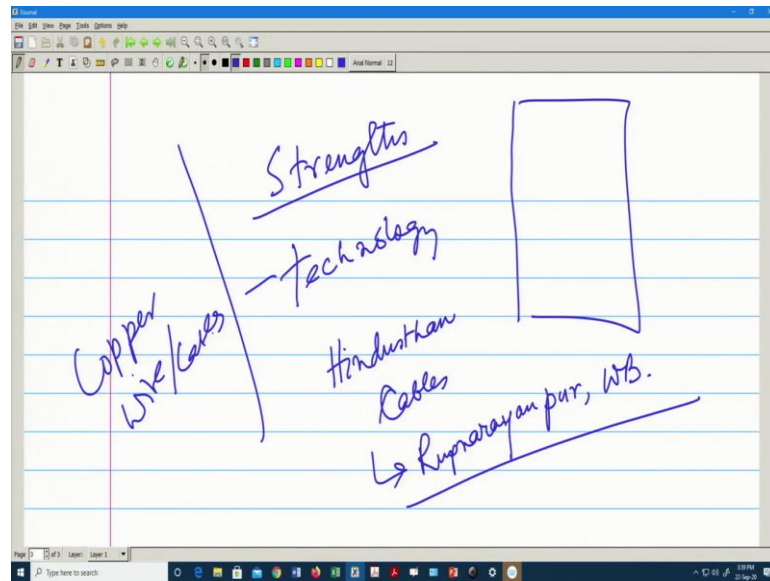
So, as the first step to this; so, as the first step to this, what you need to do is understand your business; understand your business and when you understand your business, you first know what are your strengths; what are your weaknesses; what are the opportunities that you have and what are the threats?

So, basically, we are looking at what we commonly call as the SWOT analysis; ok; as the SWOT analysis. So, basically, this is the backdrop of business strategy today. Your products are getting innovated, imitated; so, basically where you are, where you need to go, where is the gap and how to fill up the gap? This is what this strategy we started sometime back, some decades back but today with innovation, imitation and product-making being made obsolete in no time.

So, the big question of where we are, where we need to go, where is the gap, how to fill up the gap? All these; all these theories, issues are becoming redundant or at least being put to great question mark; ok.

So, that is why we are looking at understand your business first. Understand your business, understand your strengths, weaknesses, opportunities and threats. It looks very simple but it is very-very difficult to practice. If you have a business, understand just spend two minutes to understand your business and you will find it is very difficult to identify your strengths, weaknesses, opportunities and threats; ok.

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So, let us first move on to identifying your strengths. Now, many companies, it is very in a; in a very naive manner, many companies will say that my strength is my employees, my strength are my employees.

My first question, if your employees leave will you still retain that strength? If not, what is your strength, what is what strength are you talking about? If your employees leave, my strength is my employees, very big-big words but if your employees leave, where does the strength remain?

Do you; do you nurture a culture of building up this employee base? If yes, fine, might be you have a strength but otherwise so these strength, analyzing strength, understanding strength is very-very difficult; ok. Literally, what you think is your strength is actually no strength at all, it is just a passing thing; ok.

Might, many people say technology is my strength; technology is my strength what technology? Tomorrow, if the technology changes do you sustain? Can you remain in business? Heard about a company called Hindustan Cables? Rupnarayanpur, West Bengal you know what happened?

It was a sole; sole monopoly in producing what? In producing copper wire; in producing copper wire or copper cable that is why it is called as Hindustan Cables. What happened?

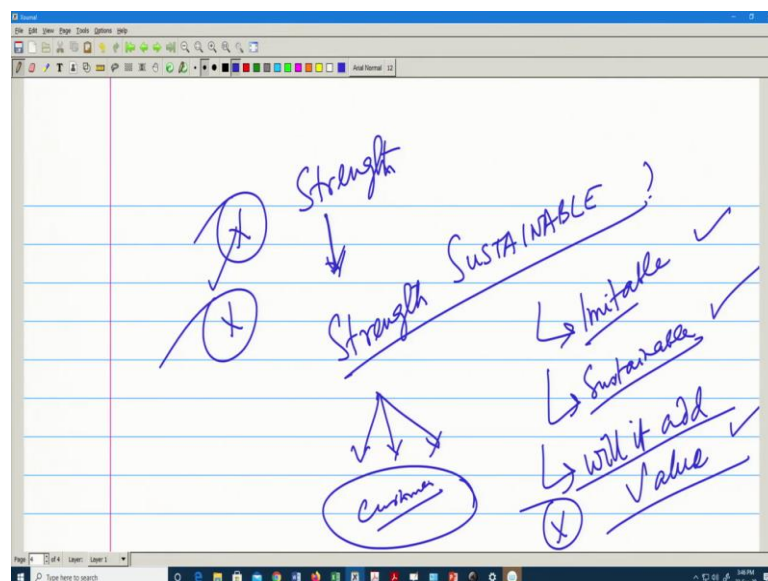
Towards the late 80's and early 90's, the copper cables were replaced by optical fiber cables; ok.

Now, when you optic fiber cables, the major advantages its resale value is 0. If it is resale value is 0, there will be no theft ok. So, there was no theft ok. So, what happened overnight the concept of copper wire gave way to optical fiber cables. 90's economy opened up. So, the advantage still the little bit of thing that was left with copper wire people started importing, lesser cost. So, whatever Hindustan Cables was manufacturing, gone in one day.

So, what strength are we talking about? What technology are we talking about? What opportunity? What threat? Ok. So, one has to be very careful when one is writing out what are my strengths and weaknesses and opportunities and threats. Please ask yourself, what you are saying as strength, tomorrow if that goes do you still remain strong?

You said my strength is employees, tomorrow if that employee leaves, will you still remain strong? My strength is technology, tomorrow if a new technology comes, will you still remain strong enough or will you just be thrown out of business. So, strength, identifying your strength is very very difficult. You have to ask yourself many questions. So, that is what we mean by strength; fine.

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Next is before weakness, let me let me just put one more point here. So, what we mentioned just now is that is that strength sustainable? Is that strength sustainable means can I; can I carry on with the strength for a longer period of time? Will it give me that competitive edge over a longer period of time? How do I understand this question is my strengths sustainable?

Let us ask these questions to ourselves. Do I have a skill set that is identifiable? Do I have an identifiable skill set? In my organization, I have 50 engineers 50, I have 50 engineers. Do they have any skill set? That makes them clearly identifiable if yes, go to the next step; ok.

Now, is that identifiable skill sustainable in the long run? Is it imitable by others? So, is it immutable by others? Can anybody else imitate it, is it imitable by others, imitable, imitate it? If yes, then you have no strength. Copy; if anybody can copy it, then where is your strength? It is not there. So, if it is imitable, you do not have any strength.

Then is it, then the next question it is not imitable. Is it sustainable over time; Is it sustainable over time? Says yes, if it is sustainable then go ahead. If it is not sustainable over time, then that is not a strength anymore. It is it is sustainable only for 1 year, 2 years then it is not a strength it is a temporary phenomena.

So, it is not sustainable; ok. So, if it is not sustainable, then it is not a strength. So, its strength should not be imitable, should not be sorry should be sustainable ok. So, it should not be that I the advantage is lost in 1 year. So, it should be sustainable strength should be sustainable.

Will it add value? Will it add value to my organization in the long run? If yes, it is a strength, if no it does not add value, it is not a strength. So, for every item that you find in your organization for every item that you choose to decide on your SWOT framework, your strength framework ask yourself these questions.

Whatever I am doing is it imitable? Can it be imitated? If yes, forget it is not your strength. Is it sustainable over a period of time? Yes, fine, but if it is not sustainable over 3, 4, 5 years, then it is not a strength at all ok. Will it add value? If yes, then definitely it is a strength.

I will take an example of a shoe brand called Asics, a Japanese brand. What is so special about the brand? Asics to some extent brooks also ok. What is so special about the brand? It manufactures shoes for three types of people: over pronators, under pronators and neutral pronators. What is the neutral pronator? You stand straight so, your body balance is here straight ok. Over pronator is you bend in front, bend over that is the English bend over.

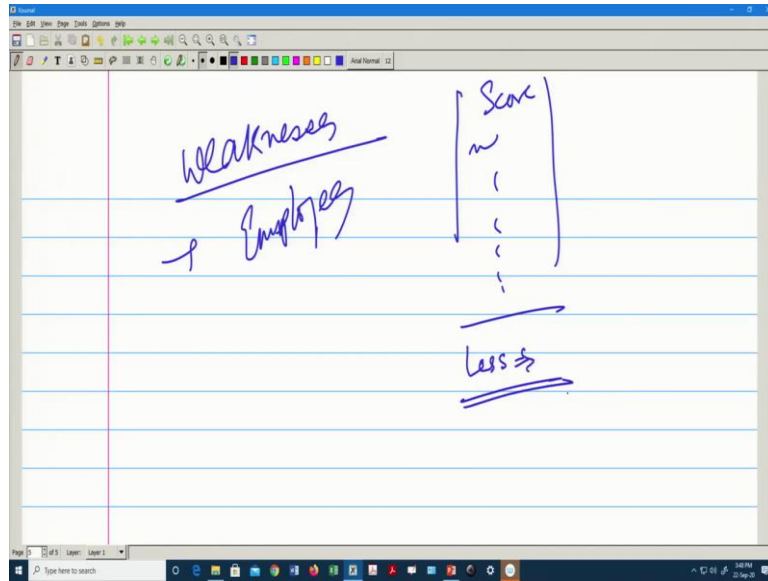
So, that is over pronator you bend in front. So, what is happening, your front part of your feet is put getting lot of pressure. Under pronators, you bend backwards and walk. So, your back portion that is a heel portion of your feet is actually getting, bearing the pressure ok. So, three types of neutral is good enough. The three types of people are there: over pronators you bend forward and walk, under pronators and neutral pronators.

Asics is a brand that clearly categorizes shoes into these three categories: over, under, neutral pronators clearly categorizes. So, when a customer comes in, he did not check up which shoe has which quality; he just says, I want an over pronation shoe. Then, they might ask that what is the degree of over pronation? Then, the customer will see, it is severe over pronation. So, he bends front too much. So, his heels, if the padding in front of the feet that gets disturbed a lot, ok, that gets disturbed a lot. So, what is that?

So, what I was saying is that is Asics strength. You have your product for three segments and in that way, you have a product for your entire customer base; entire customer base that is strength.

You have understood your people's needs, segmented the market and gone ahead; very-very few companies understand people's needs. They give people what they can offer but they do not give people what the people want; ok. So, understanding needs that becomes your; if you can understand, that becomes your strength; so, that is strength.

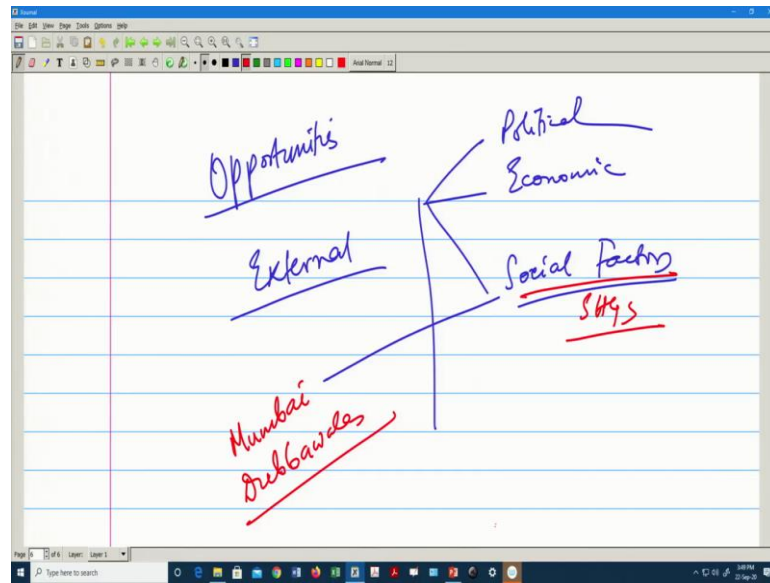
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Next we will go to weaknesses. Cannot we at all not do anything about it weaknesses cant we improve where is the weakness? Is I do not have manpower that is a weakness fine. Why do not you have a manpower? Is it because of your brand value that is less? Is it because you do not have a brand image at all? Why do not you have manpower? Why are good people not coming and joining an organization, is it because of work culture; ok.

So, weaknesses; so employees is a weakness ok. Now, so, weakness now, can weakness be overcome? So, what you do is you give score, he give score to the; I mean to the; for every point and then, you see what is your weakness score; what is your weakness score. If your weakness score is very less; if your weakness score is very less ah, then there is a problem; ok. So, you have to gear up; ok.

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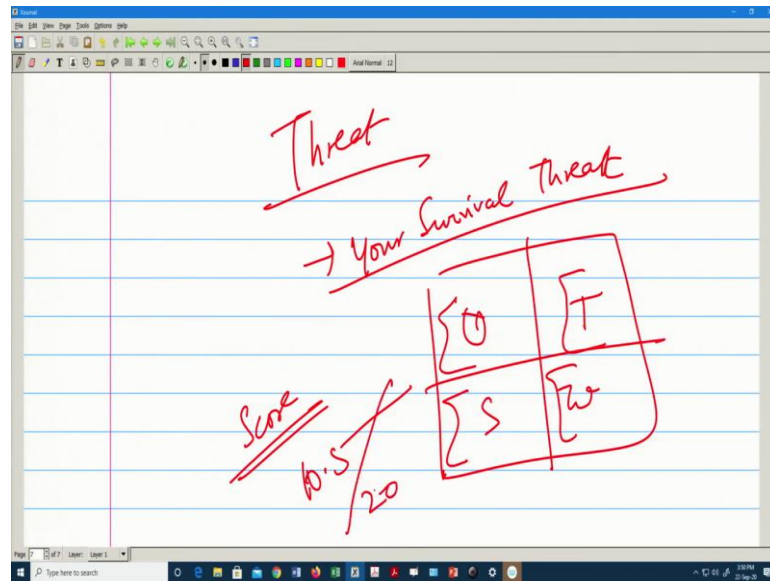


Next is your opportunities; opportunities as you know is external ok. What opportunities is the business giving you; what opportunities is business giving you that is what so, that is external; ok; that is external; right.

So, this opportunities depend on many factors. This opportunities depend mainly on the political factors, on the economic factors, on the social factors. The social factors opportunities classic example is the Mumbai Dabawalla's; Mumbai Dabawalla's. Why social factors because of the culture of the Maharashtra people to have home cooked food in their office.

That is the reason why this entire business of Mumbai Dabawalla's started; ok. So, external opportunities clear. That also leads to your self help groups that might come up and help the Mumbai Dabawalla's; ok.

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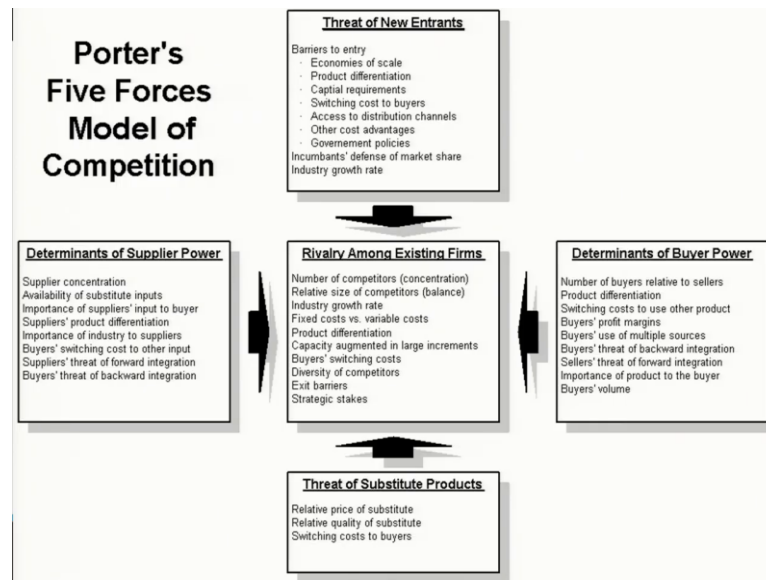


Now, the next thing is threat; threat your survival threat. Your survival threat is very important. What is threatening your survival? So, once you are ready with all these things, you prepare a matrix strength, weakness, opportunities and threats. But preparing the matrix is not enough.

You will have to quantify each strength and so, you get a summation strength, summation weakness, summation opportunity, summation threat and then, you say my organization score is 10.5 out of 20 means you are nowhere ok; you are nowhere ok. So, so, not only categorizing it, you also have to give it a score.

So, now you understand what we and do by what we are mentioning by SWOT and its quantification; ok. Example of SWOT, how do you quantify.

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Now, let us go to porter's five forces model ok. Porter's five forces model has basically five dimensions: threat of entry, bargaining power of buyers, bargaining power of suppliers and threat of substitutes ok. Threat of entry, bargaining power of buyers, bargaining power of suppliers, threat of substitutes and in the middle is everybody will start fighting with each other so, rivalry among the existing firms ok. So, that is in the middle.

Now, let us explain this diagram a bit ok. Now, threat by the way this also can be quantitative. Let us say your company is coming in the market ok, what is this manufacturing or rather or rather no not your company, let us say just an existing company a big big brand is there in the market ok. So, threat of new entrants, what are the threats?

To understand that, let us understand what is the product that you are manufacturing? If it is a generic product with a very-very small market, nobody will be interested to enter this market but if it is a product that has very good export market, an export the outside countries, it is high priced. So, if the export market is very lucrative, then there will be lot of new entrants who will want to come in. So, threat of new entrants. Economies of scale, product differentiation, capital requirements, switching cost of buyers; ok. So, these things are there.

Now, the next is determinants of supplier power. In some industries, supplier power is very high. You know what industries where these number of suppliers are less, they basically ring you, they basically actually ring you does not mean ring phone call ring means this ok. So, bargaining power of suppliers, determinants of supplier power if they are at the higher end, then they will take lot of advantage.

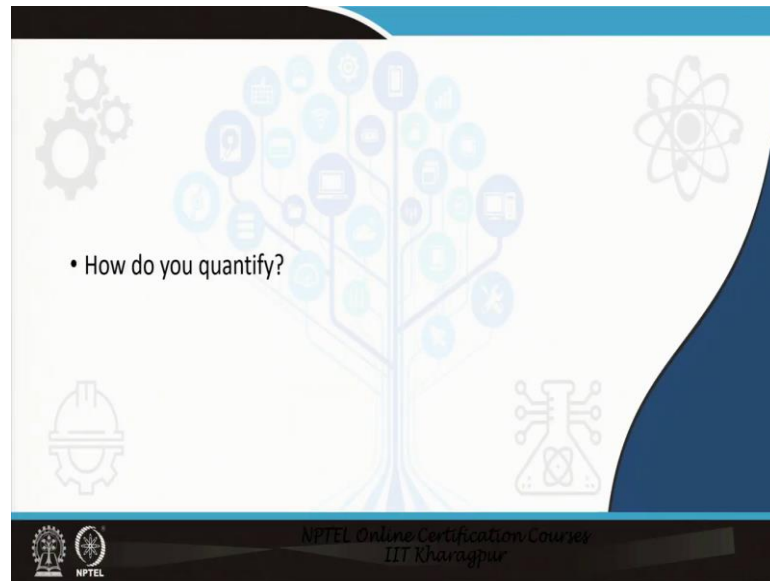
Determinants of buying power; sometimes, the organization is a monopoly of so huge that the suppliers cannot do anything, they have to listen to this organization, they are so huge. So, determinants of buyer power; so, like for example, Indian railways. Suppliers will be very small. So, Indian railways, buyer power is very high ok. You want you if you want to supply the headlights of the engines to Indian railways, whatever Indian railway says, you will have to listen that specification you will have to follow. So, determinants of buying power.

Now, if the buyer is a very big organization, they will have lots and lots of purchasing power. Even in oligopolistic structure where there are few players still the buyers the buying organization will have lots of bargaining power.

Then threat of substitute products. Everywhere there is a remote substitute available. If not a direct one, the remote substitute is always available threat of substitute products and then inter industry rivalry.

Within the industry, how much fighting you are having. If it is a blue ocean, fortune at the bottom of the pyramid, then there is no problems, but otherwise it is a great problem ok. So, threat of new entrants; sorry; a rivalry among the existing firms; ok; inter-industry rivalry. As the industry grows, these problems will keep on happening; ok.

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So, now porter's five forces if you look at porters five forces also can be quantified ok. Just like we did for SWOT, we gave some numbers. So, porter's five forces if you can also give some numbers and then, you can find out which force has the highest impact and is impacting you the most ok, then you target that particular force and you see how you can best manage it that is what is called as porter's five forces clear.

For each one, you can set a probability and say that this is the probability of the event happening and each for each one set up an importance. So, probability it importance, you will get some decent score; ok.



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• References:

1. Strategic Management: Planning for Domestic and Global Competition; John Pearce and Richard Robinson

The slide features a central graphic of a tree with various icons (gears, a smartphone, a laptop, a book, a magnifying glass, a lightbulb, a network diagram, and a person) on its branches. Surrounding the tree are icons for gears, an atom, a hard hat, and a circuit board. In the bottom right corner, there is a small video inset showing a man with a mustache wearing a blue checkered shirt. The bottom of the slide has a dark blue footer with the NPTEL logo on the left, the text 'NPTEL Online Certification Courses IIT Kharagpur' in the center, and the number '10' on the right.

This is a reference.

So, thank you very much!