Analysis swot tows and financial herman miller

Finance, Financial Analysis

Financial Ratios and Analysis of Herman Miller Liquidity Ratios Liquidity ratios for a company help whomever is analyzing the data determine the company’s liquidity. When a company has good liquidity they are able to pay off their short term debt without having to take out any additional financing. We will look at Herman Miller’s current ratio for 2009 and 2010. The current ratio is calculated by taking the company’s current assets and dividing it by the current liabilities.

It shows how many times the current assets can cover the current liabilities. 2009 current ratio | 2010 current ratio | 50. 9/282. 2= 1. 597| 394. 7/313= 1. 261| Herman miller’s current ratio in 2009 of 1. 597 shows they have approximately $1. 60 of current assets to ever $1. 00 in current liabilities. In 2010 they had $1. 26 of current assets to ever $1. 00 of current liabilities. This is a bit of a drop from 2009 to 2010. With the ideal point for the current ratio being above 1. 0; Herman Miller can cover their short term debt without any financing but, the ratio is still mediocre. Debt Management Ratios Debt management ratios show to what extent a company uses borrowed funds tofinanceits operations.

These ratios are important to a company because creditors use them to determine the riskiness of the company’s financial position. Using the debt ratio we can determine how much of Herman Miller’s assets are provided through debt. The debt ratio is found by taking the company’s total debt and dividing it by the total assets of the company. Here is the debt ratio for 2009 and 2010 Debt Ratio 2009| Debt Ratio 2010| 759. 3/767. 3= . 99| 690. 5/770. 6= . 896| From the debt ratio we can tell that Herman Miller has nearly as much debt as assets in 2009. This could shy away some creditors.

In 2010 they improved y about 10% which really helps their potential ability to gain more financing from creditors. With ideal ratio being below 1 Herman Miller is ok here but far from good. Profitability Ratios Profitability ratios are used to determine how profitable a company is during a specific period of time. These ratios are important because most investors will look at them when deciding whether or not to take stake in your company. High profitability shows that your company is strong financially, and, can also show that your company is growing. We will look at the return on assets ratio for Herman Miller.

The ROA is found by taking the net income and dividing it by the total assets of the company. The ROA shows how well a company can turn themoneyit has to invest into net income. Here is the Herman Miller's ROA for 2009 and 2010 ROA 2009 | ROA 2010 | 68. 0/767. 3= 8. 86%| 28. 3/770. 6= 3. 67%| Herman Miller has pretty good ROA considering the industry they are in. according to statistics posted by Fortune 500 on money. cnn. com Herman miller was one of the few profitable companies in their industry with many of the top competitors losing money from 2007-2009. So looking at the industry this is a strong ROA. http://money. cnn. com/magazines/fortune/fortune500/2009/industries/216/index. html)

SWOT Analysis

Strength

The first strength we will talk about is that Herman Miller is a profitable organization. In the two years that we looked at (2009 & 2010) Herman Miller had a positive ROA. This shows that even during the harsh economic times in the United States over the last four years Herman Miller has managed to make a profit where a lot of their competition struggled. Another strength that Herman Miller has is its management. The best example of this being a strength is the fact that Herman Millers top executives are illing to take pay cuts before the general workforce in 2009 they took a 10% cut in January and another 10% in march when they cut all other employees 10%. Showing your workforce that you are willing to make the sacrifices to stay employed before they bottom of the totem pole makes the employees feel appreciated and more willing to go along with a pay cut when necessary. The third strength we recognized is that Herman Miller creates an empowered and positive workforce. Employees at Herman Miller feel empowered they have no problem telling a supervisor that they are breaking the rules and also feel like they can make some decisions.

Empowering your workforce even just a little boosts morale and makes workers feel like they are important to the company. This in The last strength we will mention is Herman Miller's production. Herman Miller implements the process of lean manufacturing. They call their process the " Herman Miller Performance System". They maintain efficiencies and cost savings by minimizing the amount of inventory on hand by using " just in time" inventory process in the case they mention that some suppliers deliver to Herman Miller multiple times daily. Weaknesses The first weakness would be how close their debt ratio is to 1.

Having such high debt ratio could chase away creditors. When you have a small amount of creditors to choose from then you lose the power to choose between different creditors depending on interest rates and other variables.

This could greatly increase things like interest expense. Another weakness Herman Miller might have is also a strength. The manufacturing strategy and using just in time inventory can be very efficient but, it can sometimes create problems. If a supplier ran out of material or some other type of crisis could cause Herman Miller to lose out on orders and in relation lose out on sales.

The third weakness is their participative management style. Although this could be considered a strength if this style isn't used appropriately it could affect the company in a bad way. If managers take too much time making decisions because they want to have their employees participate in all decisions then it is extremely difficult to make the quick decision when needed. Sometimes in business managers need to make this quick decision and, with participative management if made fully participative some employees may feel different emotions about a decision being made without them knowing it was being made.

The last weakness is they are in somewhat of a specialty market during a harsh economy. Being the manufacturer of high end office furniture during a recession is a big weakness when it comes to growth. Not many consumers are looking for high end products right now although they are still profitable with the strategy they have it could take a serious downturn if things were to get worse. Opportunities One opportunity that Herman Miller has is to become totally green. This means having next to no waste and using renewable resources.

Herman miller has been working a little bit towards this in the past years. With the demand of environmentally friendly products on the rise this would open up the opportunity to break into and dominate a new market segment. Another opportunity is the increased amount of time spent by people in front of their computers. This is an opportunity because it opens up the idea of making ergonomically superior office furniture that would make the consumers time in front of their computer more comfortable and reduce the risk of injury. The third opportunity is the growth in theMexicaneconomy.

With the Mexican economy rapidly growing this opens up a whole new country that Herman Miller could potentially do business in. the possibility of a whole new demographic of customers along with the possibility of opening a new location. The last opportunity Is the rising demand of senior housing in the United States. The baby boomers are getting older every year and with senior housing overflowing all over the US there will be more housing opening. These housing centers will need office furniture along with household furniture to furnish the units. Threats The first threat we will mention is the rise in telecommuting.

With more and more people and business using telecommuting the demand for office furniture will see a hit. This could potentially hurt the sales for Herman Miller. Another threat is the possibility of new entrants in the market from overseas. Having international competitors enter the market can really hurt Herman Miller because of their ability to obtain low cost material while still creating a quality product. The third threat is the possibility of another economic downturn. With the economy on the downside right now Herman Miller is remaining profitable but would they be able to take an even harsher recession.

The last threat is the shortage of skilled workers in the US. With skilled workers declining steadily in the US it is starting to effect manufacturing companies. Without skilled workers you have a higher turnover rate and longer training periods. This will boost up cost and will lose Herman Miller money in the long run.

TOWS Analysis Strengths and Opportunities Herman Miller's strength of an empowered good willed workforce could help them take advantage of the opportunity of the growing senior housing demand.

With a workforce that is happy and willing to work they would have no problem taking on the extra hours and work needed to keep up with the added demand. Another strength that Herman Miller could use to take advantage of an opportunity is their production strategy would work well with the opportunity of a growing economy in Mexico. Using their production strategy and opening a new location in Mexico could help them benefit from the rapid growth of the Mexican economy. Strengths and Threats The strength of having empowered and good willed employees could help with the threat of declining skilled workers in the US.

If the employees you get that are skilled are less likely to leave you company if they feel empowered and enjoy working there. This will lower your turnover rate and your demand for more skilled workers. Another strength that Herman Miller has is their management willing to take pay cuts. This could help during the threat of an economic downturn. During economic downturn most companies need to cut cost for the decrease in demand of their product having top executives take 10-20% pay cuts really helps the cost cutting process and, could be the difference between going under and staying afloat during a recession.

Weaknesses and Opportunities A weakness for Herman Miller is operating in a high end market during a harsh economy. They could open up a new location in Mexico where the economy is booming to help balance the loss of demand in the United States. With a dollar going a lot further in Mexico than it does in the US having a plant there would be more beneficial than exporting their goods from the United States. Using the same weakness Herman Miller could break into the rise of senior housing demand.

Even with the economy being in a recession there are still customers that want your product it’s just a matter of getting the contracts and, having the willingness to make a product that suits the customers’ needs and wants. Weaknesses and Threats Herman miller has some weaknesses and threats that a related the goal is to turn them into opportunities and strengths. Every company tries to do this and the successful companies are good at it. Herman Miller needs to use their strengths as a counter when they see a weakness or a threat arise. They have done a good job at it thus far and will continue to stay a profitable company in the future.