

Xstrata – swot analysis

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Currently, HDSA Supplier Company has a strong position in the procurement system of Xstrata since it becomes the preferred supplier. This situation has driven the Xstrata to set a level of procurement from HDSA companies. In addition, within the past four years, Xstrata has increase the spending of HDSA from a base of 10% expenditure into surprising 30% in 2005 (Houston, 2006). The first analysis that takes into account the internal and external environment is SWOT analysis.

As the name implies, SWOT analysis composes of strengths (S) and weakness (W) as internal factors while the external factors composes of opportunities (O) and Threats (T). Amidst new emerging business analyses, some companies still employ SWOT analysis since it provides information that is useful to match the companies' resources and capabilities to existing business environment in which the company competes.

Strengths

Strengths are the one component of internal analysis.

The component describes any resources and capabilities that support a company to achieve its competitive advantage such as patents, excellent reputation, low cost structure and many more. The obvious strength of Xstrata is their leadership as the largest coal exporter in the world. The leadership is backed up by the excellent operation in key coal mine reserves in South Africa and Australia. (Xstrata PLC, 2006). In addition, Xstrata is the largest exporter of thermal coal in Australia (Coates, 2004)

The second internal factor is Weaknesses.

This is simply in contrast to the strength in which the absence of specific strength might be considered as the weaknesses of the company. It includes a lack of patent protection, high-cost structure and many more. However, any internal factor could be the strength or the weakness for a company. Consider many human resources. When a company could not employ and appoint them in the appropriate manner, they could be the weakness for the company since it causes high-cost structure and ineffective business environment and vice versa.

Two obvious weaknesses for Xstrata is the infrastructure bottlenecks and the short term capacity restrictions that prevent Xstrata to increase production. For example, coal mines location at Brisbane and Hay Point experience the decreasing of production in 2004 due to the kind of restriction (Coates, 2005).

The first external factor in SWOT analysis is Opportunities.

These elements provide specific opportunities that may help a company to gain more profit and achieve sustainable growth. They include unfulfilled customer need, new technologies, elimination of trade barriers and so on.

Concerning the Xstrata position in market, I see that the company has many opportunities to grow based on the following situation: a) Having great interests in more than 30 operating coal mines located in Australia and South Africa (Coates, 2004) b) Xstrata has abundant reserves in many coal sites in Australia and Africa. Some of them have more than 20 years of life of

mine (Freyberg, 2006) In addition, Threats describe any changes in the external factors that may put any company in unsafe position in the market.

They include a change in consumer tastes, new substitute products, new regulations and many more. One common threat to Xstrata as coal mines operator is the fact that in some products mines the production volume continues decreasing due to limited reserve and other consideration. For example is the Ferrochrome experienced the decreasing volume because the temporary furnace suspension. Meanwhile, the production of Vanadium also decreases because of the closure of two operations (Davis, 2005).