

Swot analysis: a small family business



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Family business is definitely a strength for RCDC as in a family owned business, the owners view their as an asset to pass on to their descendants rather than wealth to consume during their lifetimes (carron, 1999). In addition, as recently argued by Zellweger(2007), the extended time horizon that characterizes family firms reduces the marginal risk of an investment and therefore the corresponding risk-equivalent cost of equity capital (McNulty, Yeh, schulze and Lubatkin, 2002). Consequently, family owned firms can seize investment opportunities their non-family competitors do not consider as sufficiently attractive or consider too risky;” such a situation offers family owned firms the possibility of developing their activities unhindered by aggressive competitors and of conquering markets that competitors cannot enter”(Zellweger, 2007, p-9)

Moreover, families may bring with them significant financial and physical resources, called “ survivability capital”(Simon and Hitt, 2003), which can be used to sustain the business during economic hardship or after unsuccessful strategic moves (Dyer, 2006). These elements are usually known by customers and suppliers, who may establish and cultivate long-lasting relationships because of the goodwill and trustworthiness generated by the family commitment (dollinger 1995).

2) Strong Criticism from shareholders:

The continuous negative feedback from directors of warwick investments regarding the poor dividend payment record and the lack of strategic direction is actually a strength of RCDC as it acts as a drive for improvement . It is because of this criticism and the drop in turnover that the

Lancasters and Yorks are trying to find every possible way to save their business and satisfy the stakeholders.

3) Long-term experience in the dry cleaning business:

As per the case RCDC has been in the dry cleaning business for more than a decade and they have managed to run the business reasonably well which means that they have had a good market share and enough customers to patronize and a fairly good knowledge of the particular business. They can use this experience to overcome the weakness's and excel in their traditional business.

4) Flexi-timing:

The RCDC has got both full time and part-time staff which is a strength as it increases the employee morale , engagement and commitment to the organisation. It reduces the absenteeism to a certain level and increase the chances of recruiting outstanding employees. It even helps in reducing the staff turnover and developing the image of the employer.

Weaknesses:

1) High staff turnover:

As mentioned in the case, RCDC is facing a hgh level of staff turnover at both staff and managerial level which is one of the causes of the reduced organisational performance . Excessive employee turnover can hurt the overall productivity of a firm and is often a symptom of other difficulties. Every organisation strives to have high productivity, lesser turnovers and maximum profitability. managing turnover successfully is a must to achieve

the above goals. Abassi and Hollman(200) stressed that the managers must recognise the employees as major contributor to the efficient achievement of the organisations success. Furthermore, highly motivated and performing individuals are the crucial factors of the organisational productivity. Therefore, there is need to develop a thorough understanding of the employee turnover from the perspective of causes, effect and strategies to minimize turnover.

2) Absence of training and development:

This another weakness of RCDC which is worth mentioning as this can be a major cause for employee turnover as there is no growth within the organisation. according to the case , the training and development interventions are completely nonexistent which means that there is no scope for employees to develop or achieve some sort expertise in their particular professions. Moreover, Training and development is a source of competitive advantage for companies which helps to remove performance deficiencies in employees.

There is greater stability, flexibility and capacity for growth in an organisation. Training contributes to employee stability in at least two ways . Employees become efficient after undergoing training. Efficient employees contribute to the growth of the organisation and growth in turn renders stability to the workforce.

3)safety Measures at work:

The mishap that happened with one of the employees at RCDC makes it evident that safety measures are completely missing in the company which means RCDC is putting the life of its employees at risk by making them work in an unsafe environment which in turn spoils the image of the company.

4) Conflict among the owners:

There is a lot of conflict among the owners of the RCDC which is one of the root causes of the underperformance of the company. There is no strategic planning, no control and no direction at all.

Threats:

1) Competition:

One of the main threats to all the business's is competition and RCDC is no exception. RCDC's main competitor is Bletchey's fast clean plc which operates approximately in the same geographical area. The Bletchey's can even take advantage of the internal problems faced by RCDC to take greater market share. As compared to RCDC, the marketing strategies and pricing policies of Bletchey's are better and their success rate is also quite high which is why many of the RCDC employees have joined Bletchey and they have been able to pull many of the customers along with them.

2) Seasonal work :

Usually people consider dry cleaning for woollen and expensive clothes so the sales tend to be higher in winter and autumn where as summer is marked with reduced sales as the clothes are machine washable.

3) Increasing number of supermarkets

Another threat posing the traditional neighbourhood dry cleaning business is the increasing number of supermarkets having the dry cleaning stores. Most of the people nowadays find it convenient to shop from these supermarkets where they get their clothes also drycleaned. This can eventually lead to complete extinction of the traditional drycleaning.

4) Legal issues:

Court cases filed against RCDC by its employees is another threat to the smooth functioning of the business. Firstly it can spoil the image of the company by reducing the sales and secondly it does not allow the management to concentrate completely on their business as most of their time goes in finding new ways to deal with these problems.

Opportunities:

1) Diversification of business:

One of the opportunities is to diversify their business into areas such as shoe repairs, film processing, key cutting and contract cleaning in addition to achieving a level of excellence in their core business i. e dry cleaning. Diversification can help RCDC with increased profitability and seasonal challenges.

2) Innovative Marketing strategies:

RCDC can come up with some innovative marketing ideas to top the market e. g: E-marketing, offering discounts to its loyal customers etc. It can also

improve its customer service by providing the option of home delivery which can prove convenient to customers having a busy daily routine and can even beat the threat of one stop-shopping.

3) Improved organisational strategies:

RCDC needs to implement training and development programmes for employees which can help in attracting more and more people for work, reduce employee turnover and will make the process more organised. Safety measures also need to be included in this program so that the rate of accident is minimised.

4) Centralisation of operations:

Decentralisation is a better opportunity than centralisation as decentralisation would lead to better customer care and speedy dry cleaning which could be helpful in getting more customers and increasing the profits. In addition to this store managers should be given more responsibility and powers so that they can take decisions regarding a problem related to the specific store as and when required and do not have to depend on getting orders from headquarters.

Present and potential problems faced by RCDC in the following areas:

a) Operations management and organisational issues:

“ Operations management is the activity of managing the resources which produce and deliver products and services. The operations function is the part of the organisation that is responsible for this activity”. Every

organisation has an operation's function because every organisation produces some type of products and /or services. Page 4

No organisation can survive in the long term if it cannot supply its customers effectively. And this is essentially what operation ' s management is about designing, producing and delivering products and services that satisfy market requirements. For any business, it is a vitally important activity.

General problems in operation's management faced by small and medium sized organisations :

Operations management is just as important in small organisations as it is in large ones. Irrespective of their size, all companies need to produce and deliver their products and services efficiently and effectively. However, in practice, managing operations in a small or medium size organizations has its own set of problems. Large companies may have the resources to dedicate individuals to specialized tasks but smaller companies often cannot, so people may have to do different jobs as the need arises. such an informal structure can allow the company to respond quickly as opportunities or problems present themselves. But decision making can also become confused as individual's roles overlap. small companies may have exactly the same operations management issues as large ones but they can be more difficult to separate from the mass of other issues in the organisation.

Present and potential operations management problems faced by RCDC can be discussed a follows:

1)No understanding of the operation's strategic performance objectives:

The first and foremost responsibility of any operations management team is to understand what it is trying to achieve, which means understanding how to judge the performance of the operation at different levels, from broad and strategic to more operational performance objectives. The management in RCDC is not paying any attention to this crucial area which can lead to further damage to the company's market share.

2) Operations strategy for the organisation:

Operations management involves hundreds of minutes by minute decisions so it is vital that there is a set of general principles which can guide decision-making towards the organisation's longer term goals called an operations strategy. RCDC do not have any specific operations strategy which is why the organisational growth is suffering and will continue to suffer if this issue is not addressed.

3) No measures for improving the performance of the operations:

The continuing responsibility of all operations managers is to improve the performance of their operations which is another issue to be addressed in RCDC.

4) Social responsibility of operations management:

It is increasingly recognised by many businesses that operations manager have a set of broad societal responsibilities and concerns beyond their direct activities. The general term for these aspects of business responsibility is corporate social responsibility or CSR. The accident that took place with one of the employees and the management's attitude towards that incident

makes it evident that RCDC completely lacks CSR. This has already spoiled the brand image of the company and can ruin it completely.

All these issues can turn RCDC into a failing organisation.

Organisational Issues:

1) Due to the heavy drop in sales over the last few months, the directors are considering centralisation of operations at Leicestershire site leading the company to substantial savings in staff costs and providing it with the opportunity to dispose of surplus machinery. However due to the conflict between the owners the idea of centralisation does not seem to work out. If any decision is not taken in the near future, the profitability of the company will keep going down and finally the owners may have to close down the company.

2) The present 24 branches operated by RCDC are not at all enough as far as the idea of centralisation is concerned. RCDC's main target is to increase the sales and for doing this they have to attract more and more customers which can only happen if they provide better and quick services to their customers as compared to the competitors. So, the geographical coverage is very important for the growth of the business.

3) The problem of moving goods from the retail outlets to the plant and then back to the outlets and customers is another issue which needs to be addressed. Making goods and services available to the customers on time is the biggest challenge for all the organisations as it is one of the ways of building healthy relationship with customers and making them loyal to the company.

c)Sales and marketing Issues:

Marketing Planning:

“ Marketing Planning can be defined as the application of marketing resources to achieve marketing objectives”(P-16, marketing plans that work)

In simple words marketing planning is a series of activities and the formulation of plans for achieving them. Companies generally go through a management process in developing marketing plans . In small , undiversified companies this process is usually informal and same is the case with RCDC. RCDC needs a much more systematized marketing plan to target more customers.

Constructing a marketing plan is the most difficult task for RCDC as the owners do not agree to each other and they all have different expectations and goals altogether.

2)Decling Sales:

The sales of RCDC are decling rigorously and the company is not taking any serious action regarding this issue . The company needs to conduct a marketing audit which is usually conducted by organisations in situation of decling sales , falling margins, lost market share etc. Marketing audit is a means of defining problems precisely so that each problem can be addressed and eradicated.

3)Undiversification:

According to the case , Yorks want to diversify their business and move into related areas such as Shoe repairs, film processing. key cutting and contract cleaning which is actually a good idea to increase the overall profitability and can help RCDC to overcome the bad phase of reduced sales . However the disagreement from Lancasters is not allowing this idea to be turned into reality.

4) Sales Promotion:

d) Personnel and industrial relations:

1) Training and development:

Absence of training and development is one of the biggest problems in RCDC. As per the case training and development programmes are considered to be an expense to the company and the employees are expected to pick up work as they go. Training and development can provide RCDC with the much needed competitive edge by improving the performance of the workers and the organisation as a whole. If this practice continues RCDC will completely fail in attracting employees to work for it , as there are no growth opportunities for employees.

2) Employee relations:

As per the case , there is a lot of friction between the employees and the management which is one of the many reasons for RCDC's high staff turnover. The management needs to value its employees and show concern to their problems as the employees are the building blocks of any organisation.

In order to achieve longterm goals and future success RCDC must improve its relations with its employees.

3) Health and safety:

The workers at RCDC are prone to accidents as there are no health and safety measures . The management is only concerned about increasing the profits without a proper planning and concern about the people who can actually help RCDC achieve it.

4) Job dissatisfaction:

The high employee turnover makes it quite evident that the employees are not at all satisfied with their job at RCDC. There can be various reasons for it e. d:

No growth opportunities.

Risk factor

No concern for employee's well being from the management.

Work stress.

Competitors etc.

5)Orientation :

Orientation programmes are must for every organisation as it helps new employees to get aware of the work practices and the expectations of the

organisation. These orientation programmes are completely missing in RCDC and it affects the perception of employees.

6) legal issues:

RCDC is dealing with court cases which is not a good sign for the growth of any business as it affects the brand image.

7) Internal conflicts:

Another serious issue is the conflict between the owners which has created a sort of deadlock in the company as no plans are put into action. These internal problems have already affected and can further affect the goodwill of the company.

Accounting and Finance:

The present and potential problems faced by RCDC in accounting and finance are as follows:

1) Payment of dividends:

One of the main problems in RCDC is the poor dividend payment plan. Every organisation has a responsibility towards its stakeholders and if an organisation does not fulfill the expectations of its shareholders, it has to bear the consequences such as internal conflicts, loss of credibility, reduced sales etc. which is exactly the case with RCDC. Therefore, RCDC has to improve the standard of paying dividends to its shareholders and for doing so, it has to manage its financial resources in a proper and planned way and keep maximising the shareholders wealth.

If the business is to achieve its objective of maximising shareholder wealth then it must use its resources to maximise profits and cash flows. This will maximise shareholder wealth because there is general agreement that share prices reflect the discounted value of a firm's cash flows. Whilst it may not be possible to increase dividends every year, shareholders like to know that dividends will be paid because they provide a signal to investors. A reduction in dividends is likely to lead to a reduction in share price because the signal to the market is one of the financial difficulties ahead. Such a reduction in a firm's share price will inevitably have other financial implications. The company may become a target for a possible takeover, particularly if another company believes that the reduction in earnings has been brought about by poor management rather than hostile trading conditions. Even if this does not happen the company may well see its credit rating reduced thus increasing its capital costs because of the increased risk perceived by investors. Capital spending may also have to be stopped in an attempt to protect the firm's cash flow.

2) Financing the new project of centralisation:

RCDC is considering centralisation of operations which according to the management will help in reducing staff costs and the concentration of operations will allow the company to take advantage of the economies of scale. In addition to this the machinery in the branches could be sold off to get some finance to invest in the new plant. The main problem with the centralisation is that the company is not having enough funds to invest in the new plant which is estimated to cost around 7,500,000 pounds. even

selling off the surplus machinery in branches will hardly aid in solving the finance problem.

At present, there is no possibility of assuming any increase in sales, that leaves RCDC with the option of taking a loan from a bank to finance the project and for doing this the company needs to discuss the profitability of the proposed project which is expected to be 1300000 pounds that can act a basis for the bank authorities to sanction the loan. However, considering the present market condition of the company, it is quite difficult for RCDC to get a loan sanctioned from a bank as it has lost its credibility. Even if RCDC manages to get a loan, it has to give a serious thought on how to repay the loan. Every business and every new project involves risk, but it should be a calculated one. Calculated risk makes the success of a company more predictable while, uncalculated risk can completely damage the business.

3) Costs involved in the new project:

As per the proposed plan, only the staff cost is showing a reduction by 1, 80, 000 pounds all other costs are assumed to be same or to show an increase e. g, the head office cost at present is 240 and even for the new plant, it is proposed to be 240, but the operating surplus is supposed to increase by 130000 pounds, same is the case with flat rental and other entities.

According to the data provided in the summary of annual operating statement, it can be understood that the proposed plan involves more cost and only marginal saving. so, the management should seriously analyse the implications of the proposed plan and decide whether they should invest in this plan or not.