

Swot analysis and
changes toward
effective
performances
management essay



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This paper is a critical knowledge of SWOT analysis of Yau Lee Holdings Limited (YL) and Chun Wo development Holdings Limited (CW), which refers to the Strengths, Weaknesses, Opportunities and Threats involved in a business venture.

The aim of this paper is to assess the importance of business to identify the internal and external factors of influence to achieve organizational goal. Through the two companies' strategic planning such as present market position, financial resources, image etc. and characteristics of the organization such as size, structure, managerial expertise, physical etc. to compare, contrast and analysis the importance of each element. Focuses of these aspects are the Strengths and Weaknesses of strategic planning and development in the field of business.

Furthermore, this paper will discuss the conditions of change for these two companies' in the external environment. It might find the two companies sensitive business strategies and their responsiveness to changes toward opportunities in new markets, technology advances, improved economic factors etc. in order to increasing company income and maintain or grow market share. On the other hand, change of external environment might bring more threats which in include changes in legislation, political or economic unrest, changing social conditions etc. Above all it may involve potential risks such as company liquidation and hurt the firm's sales and profits.

Finally, this research will help suggest recommend changes needed for the two companies and list suggestions to solve their weaknesses and threat.

Furthermore, this research will make it possible to make informed strategic choices and plan the future of the companies.

SWOT Analysis for YL and CW

As the proverb goes “ You will win the wars if you know your enemies and yourselves well”. This term can’t only be applied to people, it also can be applied in business. How do we measure and understand a company’s condition? In business strategy, SWOT analysis is a common strategic planning method credited by Albert Humphrey. “ Use the Strengths, Weaknesses, Opportunities, and Threats involved in a business venture to analyze of the company” (Thompson & Strickland, 1999). “ A SWOT analysis is a thorough analysis of a company’s internal and external factors that influences decision makers. According to the company’s resources and capabilities to assess when they can rely on and seize opportunities of environment changes, while at the same time, external threats might damage the firm’s sales and profit” (Coulter 2008).

Although YL and CW have the similar business backgrounds such as construction Industry and founded in the 50s and 60s. But, they had different of market positions. Organizational structure, culture and managerial expertise had a significant influence on their development. While at the same time they encountered different of situations such as companies’ strategic planning and self-ability. Following will use SWOT to analyze the two companies to explore this topic in great depth.

Compare the Strengths of YL and CW

“ Strengths and advantages analysis are mainly endowed within the firms. These elements are within the control of the firm management” (Belleville 2010).

2. 11 Strengths Analysis for YL

Culture of Innovation of Information Technology

“ IT can to increase organization’s competitiveness in future” (King and Teo, 1996 and Probst and Büchel, 1997). “ Due to Technology fast development, companies need adoption of IT can improve the efficiency of a business process” (Farrell, 2003). In addition, “ the adoption of IT can help in communication. If they use IT properly, can advance in the time of process” (Sammut-Bonnii and McGee, 2002).

YL management encourages innovation and change. YL has been support by advances in IT. Subsidiaries VHSOFT Technologies Company Limited was established 1998. “ YL also adopted the advanced information technologies in management for higher efficiency and accuracy. Its subsidiary, VHSOFT Technologies Company Limited, has joined force with renowned universities in Hong Kong and Mainland China to develop various tools to effectively increase project management efficiency” (Yau Lee Construction Company Limited 2010). Technology was emerging from a rational-linear process of invention, design, development and innovation in YL.

Wide range of Construction Related Services

YL’s business strategy was expanded diverse development in business. “

Their array of holdings range from building construction to related services

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including Subsidiaries like Ming Hop Company Limited (building service works), Yau Lee Wah Concrete Precast Products Company Limited (Building Construction), InnoVision Architectural & Engineers Ltd. (Design), Yau Lee Curtain Wall and Steel Works Ltd. (Building Material) and VHSOFT Technologies Company Limited (Information Technology) were established between 1982-2002 etc.. In 2008, REC Engineering Company Limited (“REC”, formerly known as “Ryoden Engineering Company Limited”) was acquired by the Yau Lee Group, REC was established in Hong Kong in 1966 as an electrical and mechanical engineering contractor.” (Yau Lee Construction Company Limited 2010). Wide range of construction related services can help YL to provided construction services of coordinated process or one package service.

2. 12 Strengths Analysis for CW

Quality Management System

Chun Wo is committed to fulling customer’s needs, expectations and statutory requirements. It would be issue to improve the system of management and provide the highest quality services to customers. “Enterprise’s principles approach toward quality management requires the selection of optimal tools and indicators suitable for creating their own national system of quality” (Vajcnerova & Ryglova 2010). “ In 2005, CW was awarded of Business Performance Index (BPI) Assessment and , 14 Gold Awards, by Hong Kong Quality Assurance Agency, Quality Award 2005, Bronze Award, by Hong Kong Management Association. “(Chun Wo Construction and Engineering Company Limited 2009). According to above award Indicate CW was succeed issue quality policy.

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Communication

Another strengths for CW is communication. They are the best than compared to other companies. Communication was include there elements which in downward, horizontal, and upward to exchange message such as through two type channels (formal and informal) communication can enables employees to achieve their goals” (Bell and Martin 2008). Front line employees significantly to communicate with manager who can get staff’s expectation and personal goal develop. Would be effective motivate the staffs. Enabling the policy allows the company to achieve of the organizational objectives.

Training and Development

CW believes good management practices help build up a highly motivated and efficient workforce. CW’s human resources department has developed a philosophy of collective consultation. CW’s HR department can provide training for recruited employees the basic skills required to perform their jobs and provide more courses to improve their knowledge, skill, and abilities.

Good image in business ethics and corporate social responsibility

In 2004, CW established the Volunteer Team for caring towards the community such as capital support Tung Wah Group of Hospitals, the Community Chest and Sowers Action etc. The public appreciated CW’s business ethics. There was an increase in consumer confidence.

2. 13 Conclusion of the Strengths in YL and CW

According to strengths factors for the two companies, they have differences advantage in management.

The culture of YL has expanded its business into different areas in line with the market needs such as innovation of information technology. CW's policy was to continue improving quality of services to customers. These advantages can increase revenue and maintain or market share growth. These factors were enabling the company sustained development. Although the strengths factors of the two companies were different, but the two companies is equal enormous contribution in construction field.

Compare the Weaknesses of YL and CW

Weaknesses or disadvantages analysis mainly endowed within the firms. These elements are within the control of the firm's management (Belleville 2010).

2. 21 Weaknesses Analysis for YL

Subsidiary company was small organization

Due to YL's business strategy plan, regarding the policy of diversify development. Although have diversify way for company development, but this way would be need more investments fund to support. Furthermore this subsidiary company might not have enough experience and fund to compete with existing companies.

Complex management

Although YL has some diversified subsidiary companies, the supply chain management is not very impressive for YL. It has not introduced a breakthrough product / service yet.

2. 22 Weaknesses Analysis for CW

Not completely independent

CW is reliant on material supply and E&M Sub-contractor Corporation. If these companies increase the price on materials and CW must either absorb the cost or pass it along to the client. Either of the two scenarios can make CW vulnerable.

Traditional services and technology

People considered technology to be the most important in 21st century. CW also used traditional construction method. They they constructed' buildings effectively, efficiently and a consumer with confidence.

Leaderships change

Mr. Pang Yat Ting, appointed as the the Chairman in April 2010. Some employees were anxious that company's new policy and leadership's style would influence staff stability such as turnover rate or increasing workload. The above factor also influenced staff morale and performances.

2. 13 Discussion on the Weaknesses in YL and CW

According to weaknesses factors for the two companies, their management have some problems. They need to improve or advance their management

and increase communication between manager and staff. This paper will suggest some methods from the last section.

Compare the Opportunities of YL and CW

“ Opportunities analysis mainly endowed without the firms. These elements are not under the control of the external environment.” (Belleville 2010).

They had similar opportunities for their advances in the company’s development because they are both in the construction industry.

Government Policy was Booming infrastructure

Refer to the 2011 Policy Address “ The Hong Kong government strategy of promoting economic growth through infrastructural development which included 10 major infrastructure projects.

Example: Hong Kong-Zhuhai-Macao Bridge, Guangzhou-Shenzhen-Hong Kong Express Rail Link, MTR Sha Tin to Central Link, South Island Line (East).

These projects are now in progress” (2010-11 Policy Address 2010). The government will spend amount of exceeding \$50 billion for the next few years. This enables the construction field to have more opportunities for the two companies.

Maintain old buildings

Hong Kong has more existing buildings in old town. Building safety was very important, the government provide resources to management through legislation, enforcement, public education and support for building owners.

Client need to get funds to improve these old buildings. These were also opportunities for the two companies.

Huge investment in Asia-Pacific

Grasping business opportunities in Macau, Singapore, Abu Dhabi, The United Arab Emirates (UAE) etc., were important because in recent years these countries important integrated resort development such as casinos, residential buildings and infrastructure by foreign investors and local developments. More construction projects of large-scale resorts, hotels and high-class residential buildings can be built promptly. But these regions don't have enough experience and human resource. Due to the above factor, the two companies were the best candidates to develop in other Asia-Pacific countries.

Expanding business to Mainland China

Mainland China is booming market due to China's fast growing economy. China has more opportunities for construction services into other business areas, including property development, professional property services and investment.

The above factor or chances also are best opportunities for two companies' development but who can ability grasping the each business opportunities, this factor is more important. On the other hand external environment will transform more threats, next section will de discuss this topic.

Compare the Threats of YL and CW

" Threats analysis mainly endowed without the firms. These elements are not under the control of the external environment." (Belleville 2010).

They hadve similar threats for influencing the companies' development because they are both in the construction idustry.

Rising and instable Construction Costs

In recent years, the price of materials increased every year, and wage inflation spirals upward. It was difficult for construction companies to make a tender offer for each project and obtain construction financing. If the company made a tender offer lower than the cost, then the profits would be influenced. If set up was a higher proposal cost than other companies would be less competitive and efforts to boost the economy with greater liquidity. This increased the risk for each company such as business investments.

Lack of skilled manpower

Main reason many civil engineering graduates don't find these jobs lucrative because construction companies don't pay enough and the jobs are also temporary. After a project is finished in one state the company moves to another state leaving the workers behind. In most cases the workers too don't prefer to shift unless they get good salaries and like in the finance companies.

The Government regulations

Every year the government publishes and updates more health and safety regulations such as safety method of construction in progress, equipment, accident insurance etc., and these regulations increase cost of construction. Construction companies that can't co-operate these with regulations will loss of money.

Stronger competition

Due to the world's developing trend is globalization, more construction companies can't limit themselves to local development. Moreover, the construction industry is a bigger market so more enterprises investments. For example, China Harbor Engineering Company Ltd. is a subsidiary of China Communications Construction Company Ltd. Gammon construction Ltd. is a subsidiary of Jardine Matheson Ltd and Balfour Beatty, both are world-renowned international companies who has more capacity and technology to support their competition.

Housing building was real estate developer's monopoly

Hong Kong is a free market and Hong Kong's real estate developers want to control housing demand in order to influence price of housing building. Many real estate developers can't to construct housing building such as accumulates the land. It might influence construction of hosing building. Above threats factor, also influence two companies' stable development.

Changes toward Effective Performances

“ Companies or organization's survival and prosperity are important to management such as the starting point, destination, path, variation, alignment, communication etc., because effective performance management is incredibly difficult” (Srinivas 2009). Next section will explore the changes recommended for two companies.

Changes Recommended for YL

Increasing Communication

YL needs to set up some methods of systematic communication because YL has a many subsidiary companies. The message needs to be clear and communicated consistently. Front line employees are given information by managers and feedback upward. “ Effective communicate can help companies and each staff of high productivity” (Ahmed, White, Wilbert, Shields, 2010). There would be less noise and consideration between top head officials and front line employees and therefore increase mutual trust.

Strategic plans of joint venture or corporation

“ Most joint venture corporate strategic plans are to increase the probability of each achieving their mission or decrease loss and risk in a business” (Lovallo 2007). When a company does not have enough capital and technology, the partner would gather funds such as investments. Moreover through cooperation, technology sharing and development will be obtained. Doing this enables the company sustained development.

Strategic plans of Mainland China and Asia-Pacific

Due to China, Macau, Singapore, Abu Dhabi, The United Arab Emirates (UAE) etc., is fast growing economy and development. The two companies need catch up this best of opportunity. Focus on the Mainland China and Asia-Pacific markings. Companies will trend to international development.

Property Development

YL's technical knowledge is construction which in return lowers costs and reduces time. This factor is the advantage. Recommend Property Development business both in Hong Kong and overseas.

3. 2 Changes Recommended for CW

Managerial behavior and leadership styles appropriate to work situations

Although the new chairman was appointed in 2010, he needs to increase communication with his' employees, " communicating an inspiring vision and behaving supportively" (Locke & Latham 2002). " Successful leaders focus on managing in a way that builds employee trust, loyalty, and commitment (Mayfield 2002). Doing so enables staff and provides a stable working environment and less consideration.

Human resource management such as outsourcing

CW needs to increase resource management such as outsourcing, because CW can't supply construction fields, materials and workforce. It's influenced by supplies and subcontractors. " Scholars know that HRM is organizational success manly reason" (Hernandez, 2008). More choice of supplies and subcontractor would be stabilize construction costs.

Develop Information Technology and Knowledge Management

CW needs leading innovation in Information Technology and method of construction.

Knowledge Management can help them, because Knowledge Management “ which in approach of identifying, capturing, evaluating, retrieving, and sharing all of an enterprise’s information assets. These assets may include databases, documents, policies, procedures, and previously existing expertise and experience of individuals’ works” (Srikantaiah & Koenig 2001). Knowledge Management suggests similes are tools of techniques, strategies to retain, analyze, organize, and share business expertise”(Groff and Jones 2003). The above conception said that knowledge management is important in develop a business society because due to the explosion of information, we can find a problem and increasing knowledge to create a new method, skill and knowledge. “ Ultimately, effective performance management must become an integral part of the organization’s culture” (Hellriegel & Slocum 2008).

Strategic plans of Mainland China and Asia-Pacific (Same as changes recommended for CW)

Due to China, Macau, Singapore, Abu Dhabi, The United Arab Emirates (UAE) etc., is fast growing economy and development. The two companies need catch up this best of opportunity. Focus on the Mainland China and Asia-Pacific markings. Companies will trend to international development.

Property Development (Same as changes recommended for CW)

YL’s technical knowledge is construction therefore lowers costs and reduces time. This factor is the advantage. Recommend Property Development business both in Hong Kong and overseas.

Conclusion

This paper has compared and conducted a SWOT analysis and changes recommended of Yau Lee Holdings Limited and Chun Wo Development Holdings Limited. Through the using of SWOT analysis, the two companies had different factor of Strengths, Weaknesses, Opportunities and Threats. When they can their own strengths and weakness, there will be improvements and advance in their management. They will know what opportunities and threats are in an environment and will catch up in order to avoid risks. It will enable the company sustained development. Refer Fig. 1 showed the relationship and principles between in Strengths, Weaknesses, Opportunities and Threats.

Fig. 1 - Relationship and Principles between in Strengths, Weaknesses, Opportunities and Threats.

Each company has different management method which in expertise or traits approach but don't formed a formula will ensure success. Condition, situation and external environment is a very important aspect. Certainly good management - internal environment would extend a company or organization's development and success. But don't forget to mention external environments included. Changes in legislation, political or economic unrest, changing social conditions etc. are equally important in a business society. I hope we will use on SWOT analysis to explore some advantage and disadvantage in other companies in our next essay.