

Elecdyne swot analysis | country swot for labour



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Introduction

Elecdyne is a Japanese small medium enterprise based in Tokyo, which started business in 1990 with a number of five workers. Over ten years, the growth of the company has increased successfully, staff strength has increased to 100 workers and with the use of technology licensed from a number of multinationals, the company now produces a wide range of electronic products which include televisions, CD players, DVD players, hi-fi equipments, Mp3 players etc.

A brief history into the Japanese economy shows that during the 1980s, the Japanese economy was the envy of the world. GDP per capita had risen from \$5, 000 in 1960 to \$15, 000 in 1980, and by 1990 had eclipsed \$22, 000. Through the leadership of companies like Sony, Japan had become the clear leader in innovation of consumer electronics products and high volume sophisticated electronic assembly. The combination of growing indigenous demand, global consumer electronics product leadership, and many years of investment in manufacturing technology and capacity certainly benefited Japanese electronics producers the 1980s.

The Gross Domestic Product (GDP) in Japan expanded at an annual rate of 3.80 percent in the last quarter. Japan Gross Domestic Product is worth 4909 billion dollars or 7.92% of the world economy, according to the World Bank. Japan's industrialized, free market economy is the second-largest in the world. Its economy is highly efficient and competitive in areas linked to international trade, but productivity is far lower in protected areas such as agriculture, distribution, and services. Japan's reservoir of industrial leadership and technicians, well-educated and industrious work force, high <https://assignbuster.com/elecdyne-swot-analysis-country-swot-for-labour/>

savings and investment rates, and intensive promotion of industrial development and foreign trade produced a mature industrial economy. Japan has few natural resources, and trade helps it earn the foreign exchange needed to purchase raw materials for its economy

Overview

Japan has a history of struggling with deflation. The 1990s are often referred to as Japan's "lost decade" because of its 10-year struggle with falling prices. As a result, a stagnant Japanese economy dampened internal consumer and business demand, as well as significant investment in domestic electronics production capacity. As a consequence, Japanese production has grown at only half the rate of the total industry over the last ten years, and local production share is on a trajectory to decline to 1980 levels over the next five to ten years

Over the past two years, Elecdyne has remained stagnant; the company had an initial success competing with price but is presently finding it increasingly difficult to compete given its need to pay for licenses, distribution of products is limited as supplies are within the Japanese market only, difficulty of hiring research graduates, and its high wage rates as relative to Eastern Europe and China,

In order to detect the pros and cons the company is undergoing, a SWOT analysis will be carried out. The analysis looks at internal factors, the strengths and weaknesses of the business, and external factors, the opportunities and threats facing the business. The SWOT analysis will give a

clearer picture into the status of the company and the business environment wherein it is operating in at the present time.

STRENGTHS:

- 20 years experience in producing electronics
- 100 staff workforce
- Possession of equipments needed fro production
- Original Product variety

WEAKNESS:

- Limited market(supplies only to Japanese market)
- Poor financial position
- Lack of resources
- No growth in the last two years
- Lack of innovation
- No branding loyalty
- 5% cut down on price
- Staff is less motivated
- Unable to recruit R&D graduates
- Lack of international operations
- Low market share

OPPORTUNITIES:

- Flexibility
- High chance for innovation
- Advances in technology and the ability to sell via the internet
- New market opportunities could be a way to push elecdyne

- Changes in technology could give elecdyne an opportunity to bolster future success.
- Structural changes in the industry open other doors and opportunities for elecdyne.

THREATS:

- Aggressive competitors
- Increase in licence cost
- Increased competition from overseas is another threat to elecdyne as it could lead to lack of interest in their products/services. T
- The actions of a competitor could be a major threat against elecdyne, for instance, if they bring in new technology or increase their workforce to meet demand. A slow economy or financial slowdown could have a major impact on elecdyne's business and profits. Lack of international operations. R
- Rapidly changing market – Products become old very quickly.
- High cost of labour

POTENTIAL STRATEGIES FOR ELECDYNE

In order to compete in the electronics market, listed below are some strategies that can be useful to Elecdyne.

Reduce product range to a few Introduce the company to E-Business

Company can move to an area of lower cost Source cheaper suppliers to

reduce cost Develop marketing activity to promote their products Re-

branding of products in order to boost company name Offer work placements

for students in order to boost R&D

RECCOMENDATION

After proper and careful analysis of Elecdyne Electronics Company, in order for the company to grow rapidly and remain in market, we the management hereby strongly recommend that the company be moved to another country preferably a country that is part of the TRIAD market, so as to gain access to more markets, deepening relations with the overseas economy.

Significance of Globalization

The World Bank defines globalization as the “ freedom and ability of individuals and firms to initiate voluntary economic transactions with residents of other countries.” Milanovic (2002). In this definition, “ freedom” means the lack of barriers in the cross-border movement of capital and labour force, among other things, and “ capacity” means that there is the ability to provide commodities and services across borders or to conduct economic activities in other countries. Looking back at the past, it appears that globalization advanced as technology and information-carrying capacity for transport, communications, finance, insurance and other aspects developed and political barriers to the movement of trade, capital and other items were removed. These developments boosted income levels, which in turn further deepened economic ties. Hence globalization is a trend that brings about economic development. (Boyacigiller, 1990; Harzing, 2001). In order to enjoy the benefits of globalization, it will be necessary to promote technological innovation in companies without delay and promptly adapt economic and social systems to respond to technological innovation, eliminate barriers and foster human resources that are able to carry out these changes. Heizo (2004)

Structural reform is important in Elecdyne’s relations with overseas

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economies

Structural reform stimulates the domestic economy and is also important in the process of deriving benefits from globalization. In other words, the major objectives of structural reform are to ensure that the market mechanism fully functions, broadly enhance productivity and move labour and capital, among others, from low productivity areas to high productivity areas. This will also allow Elecdyne to reap benefits from closer economic ties with overseas economies. In business, the success of overseas operations has been attributed to several factors, such as good strategy, smart marketing, efficient production and excellent management.

Among them, effective expatriate management has been well documented (Mendenhall and Oddou, 1986; Dowling et al., 1999).

Despite the fact that the company has had no contact with overseas market, we the management of Elecdyne electronics have decided to deduce a strategy on going global focusing more on countries within the TRIAD market (which are Europe, North America and South East Asia). Hence we have come up with five possible countries that we could relocate to; taking into consideration two main issues- Access to technological expertise to avoid reliance on large multinationals, and cost minimisation.

These countries have been chosen based on some of the following reasons:

- Advanced technology
- Wide expanse of land
- Favourable business environment
- Low cost of raw materials and production

- Highly skilled labour etc.

Analysis of the five countries using SWOT

COUNTRY 1:-GERMANY

It is the seventh largest country by area in Europe and the 63rd largest in the world. As Europe's largest economy and second most populous nation (after Russia), Germany shares borders with more European countries than any other country on the continent. Its neighbours are Denmark in the north, Poland and the Czech Republic in the east, Austria and Switzerland in the south, France and Luxembourg in the south-west and Belgium and the Netherlands in the north-west.

Therefore Germany would carefully be analysed using the SWOT analysis,

Strengths

- Germany is the UK's number one European export market and number two world-wide among the world's largest and most technologically advanced producers of iron, steel, chemicals, machinery, vehicles, machine tools, electronics

Weaknesses

- The socialists are a strong force and there is labour union problem.
- The wages are high which

- Market- Germany hosts the largest concentration of OEM plants in Europe
 - Personnel – Germany’s excellent highly-skilled labour force. 750, 000 highly-trained and experienced people
 - R&D- Germany is home to 42 percent of all European OEM and tier 0. 5 supplier automotive R&D centers.
 - Has some of the world’s best universities, these include: Technical University, Munich Germany University of Bonn, Germany etc
 - Important research institutions in Germany are the Max Planck society, the Helmholtz-Gemeinschaft and the
- increases the costs.
 - Cultural differences
 - Complex business culture
 - Strict safety and packaging regulation s

Fraunhofer society.

They are independently
or externally connected
to the university system
and contribute to a
considerable extent to
the scientific output.

Opportunities

- A total of 15 billion euros made available by the Government for R&D projects in cutting edge technologies.
- Easy access to other EU countries
- Highly developed E-commerce service
- High demand for electronic products

Threats

- Threat from new emerging markets
- Protection of environment and climate
- Mounting pressure to reduce the CO2 emissions.
- adjustment time for adapting

- the high
- German
- standards
- Stiff
- competitio
- n from
- local and
- global
- competitor
- s

COUNTRY 2:- POLAND

Poland is the 9th largest country in Europe; it has a population of over 38million people, which makes it the34th most populous countryin the world and one of the most populous Union. Its natural resources include coal, sulphur, copper, natural gas, silver, lead, salt, arable land. Poland would carefully be analysed using the SWOT analysis,

Strengths

- relatively low cost of labour,
- favourable geographic location on transit routes,
- large internal Market (compared to

Weaknesses

- EU Accession may drive cost of living higher
- Poor communicati on

- | | |
|--|--|
| <p>other Central and Eastern Europe countries).</p> <ul style="list-style-type: none"> • availability of highly qualified labour force • presence of universities, support of authorities, the largest market in central Europe, and possibly the lowest labour costs on the continent, • Member of the EU • Location between East and West • Long industrial tradition • Stable economy • Stable political system • Wide educational system • Biggest country of the EU members in the CEE | <p>infrastructur
e</p> <ul style="list-style-type: none"> • Insufficient management culture • Weak ability of domestic R&D institutes to cooperate with industry and make commercial use of scientific search results • Shortage of financial instruments for SMEs and innovation development and low ability of entrepreneur |
|--|--|

- Diversified industry s for self-
- Still attractive financing of employment costs development
- Attractive tax system investment
- Multinational companies such as:
 - Very high levels of unemployment
 - Poland imports much more in electronics goods than it exports. The value of imports is more than twice the value of electronics exports.
 - In 2005 Poland imported electronics goods worth
- ABB, Delphi, GlaxoSmithKline, Google, Hewlett-Packard, IBM, Intel, LG Electronics, Microsoft, Motorola, Siemens and Samsung have set up research and development centres in Poland.
- The Polish consumer electronics market grew by 4.5% in 2005 to reach a value of 938.5 million.

EUR 6, 911.

3 million. The

growth

rate (over

2004) was

almost 22.

0%.

Opportunities

- The strong inflow of FDI in this sector in LCD screens, mobile phones, domestic audio and video equipment, appliances, automotive controls complemented by electronic contract manufacturers (Flextronics, Jabil, Kimball) and telecom equipment manufacturers (Lucent, Alcatel, Siemens)

Threats

- Current policies are not bringing changes about fast enough to maintain implementation of information society
- Industries in Poland will face higher costs with accession into the EU

- There is an increase in competition as multinational companies are investing in the polish market.
 - In Poland the leading manufacture rs of TV sets are the international companies Ja bil (commission ed by Philips), Daewoo, LG Electronics and Thomson.
- creates opportunities for sub-supply, electronic components, supply chain and testing services.
- Poland is becoming the manufacturing hub for TVs in Europe

COUNTRY 3:- INDIA

The Republic of India is in South Asia. It is the seventh-largest country by geographical area, the second-most populous country, and the most populous democracy in the world. It is bordered by Pakistan, China, Nepal, Bhutan, Bangladesh and Myanmar. Its natural resources include Coal, Iron ore, Manganese, Mica, Bauxite, Titanium ore, Chromites, Natural gas, Diamonds, Petroleum etc. India would carefully be analysed using the SWOT analysis,

Strengths

- India is now the world's twelfth largest economy by market exchange rates and the fourth largest in PPP terms (2003) after US, China & Japan.
- inexpensive high-skilled labour needed for the industry is available in abundance in India
- India's low manufacturing costs in skilled labour and

Weaknesses

- Infrastructure that needs to be improved at the earliest possibility.
- Easing of foreign investment procedures
- Frequent power failures and shortages leading to disruptions

raw materials

- Availability of engineering skills.
- And opportunity to meet demand in the populous Indian market, are driving its electronics market.
- The electronics market in India, at US\$ 11.5 billion in 2004, will be the fastest-growing electronics market worldwide over the next several years
- Abundant low-wage skilled/semi-skilled labour;
- • India's strategic location offers a promising manufacturing/exporting base;
- • Abundant supply

- of raw materials;
- • Deregulation and liberalisation of industrial policy;
- • Incentive packages for Export Processing Zones (EPZs) and Export Oriented Units (EOUs) are very attractive;
- • India is changing rapidly and offers an attractive opportunity based on
- market size (200 million middle class by the year 2000) and growth;
- • The non-resident Indians estimated to number over 15 million have major impact on the Indian economy,

industrial policies
and
foreign collaboration
s;

- India is poised to be a major industrial power by the turn of the century.
- It is advantageous for American firms to position themselves as partners in this fantastic growth.
- The business climate of India is improving (Naidu, 1984)
- India is one of the largest recipients of foreign direct investment (FDI) in the world. In FY2004/05, India received \$3.75 billion.

Opportunities

- There is a strong 100 – 150 million middle class that has considerable discretionary income making India an attractive market for consumer goods.

Threats

- A restructured government tariff that now makes domestically manufactured goods more expensive than imported goods with zero tariff
- Import licensing regulations for non-high tech items remain a major barrier.
- UK companies are well positioned to take advantage of this growing

export and
investment
market.

- Indian policy
does not
favour the
use of limited
foreign
exchange for
non-essential
products.

COUNTRY 4:- TURKEY

Turkey is an emerging market with a population of around 72 million, 50% of which is under the age of 28. Turkey has the world's 13th largest urban population at about 50 million. It's the world's 15th and Europe's 6th largest economy. Turkey is also a springboard to the markets of Central Asia & the Middle East.

Turkey is politically stable, the government having been in office for nine years. Today, Turkey is investing significant sums in upgrading its infrastructure, including projects to build new dams, airports, roads and water and sewerage systems. Its recent, record economic growth, its talented, young workforce and its geographical location as a prime hub for regional market access makes Turkey a hugely attractive destination for trade and investment.

Strengths

Weaknesses

- | | |
|---|---|
| <ul style="list-style-type: none"> • National minimum (gross) wage, which is currently YTL 608 per month (approximately £ 260 per month) • Average basic salary: Japan 250, 000 – 450, 000 yen per month (UK £1700 – £3200 p. m.) • Turkish made colour TV's have a good reputation amongst European consumers | <ul style="list-style-type: none"> • Raw materials for the electronics sector have the highest import rate as these cannot easily be sourced locally • Turkish is still the official language of commerce, although English and some German are increasingly spoken. A professional interpreter would be required for official meetings. • In a year, total amount of overtime cannot exceed 270 hours |
|---|---|

re: price &
quality

- Experienced local labour supply in abundance.

As at 2009 approx. 2000 manufacturing companies in the field of electronics, & approx. 30,000 employed in this sector

Opportunities

- Financial incentives
- Strong export orientation
- Exports of Turkish-made consumer electronic

Threats

- The consumer market is now moving towards demand for LCD & Plasma TV creating a need for Turkish manufacturers to invest in new

- | | |
|---|--|
| products | technologies |
| have | <ul style="list-style-type: none"> • Aggressive |
| increased | competition from |
| since 1990 in | national MNEs. |
| 178 | Arcelik & Beko |
| countries, | (subsidiaries of KOC |
| mostly | Holding): second- |
| directed | largest TV producer |
| towards the | in Turkey. Has 15% |
| European | approx. European |
| markets | market share. Beko |
| <ul style="list-style-type: none"> • Access to | has strong |
| European | international |
| market. | reputation. Both |
| <ul style="list-style-type: none"> • Opportunity | have a wide product |
| to expand | portfolio and their |
| markets to | own technology & |
| countries | products using |
| which | plasma, LCD, MEMS |
| include: | technologies. Both |
| Romania, | companies have |
| Germany, | purchased |
| Portugal, | international |
| Bulgaria, | acquisitions such as |
| Jordan, | Grundig AG |
| Kazakhstan, | (Germany) “ Home |

Azerbaijan &

Croatia

- The Turkish

electronics

industry is

young but

dynamic. It is

committed to

competing on

an

international

scale by

producing

high quality,

well-priced

goods

supported by

a wide range

of products.

- On-going R&D

activities,

engineering

quality &

efficient after-

sales service

Intermedia System

Division" (2004).

Arcelik has also

established a

partnership with

Ubicom (Silicone

Valley, USA) and

plans to integrate

the Ubicom

microcontroller

solution into its

projects where new

technologies unique

in their field have

been used (" Smart"

Appliances will be

launched soon to

consumer market).

COUNTRY 5:-CHINA**Strengths**

- Huge consumer base. All the time being lifted out of poverty
- Cheap production. Already 30, 000 factories over there.
- There are several free trade zones, 53 new high tech zones
- In 2003 China supported 1, 552 institutions of higher learning.
- If Hong Kong is included it has immense technical expertise and language skills as well.

Weaknesses

- Corruption is a problem.
- Government controls everything and joint ventures are encouraged.
- Intellectual property rights not developed.
- Average inflation is 15%, and surplus labour has resulted in rising unemployment and inequalities in income distribution (Benson, 1996).
- Railways, roads, communications, and power supply are below

- If Hong Kong is included then it has an outstanding harbor
 - GNP increasing an average of 9% annually (Benson, 1996) and ranked third in the World (Jing, 1993).
 - Export growth of 25% and imports up 15% (Landy, 1996).
 - Will continue to dominate light and medium-tech industries because of the large market in China and the pool of labour.
 - Leads world in direct foreign investment –
- standard.
 - Employees need customer service training.
 - Roads are jammed with thousands of bicycles, buses, trucks, and taxis.

\$135Billion

(Taninecz, 1996).

Foreign invested

companies

represented 31.

5% of all China's

exports (or about

\$46. 9 billion).

- This netted about \$8. 4 billion in taxes (Taninecz, 1996 and “China: The Numbers Game,” 1995).
- World's most lucrative market (Schafer, 1996) of which China represents one-sixth of the world's population (Taninecz, 1996).
- Surplus labor in rural areas

and impoverished

farm lands (Gao,

1994)

and growing 10

million per year.

Estimated to

reach 250 million

by 2000.

- Lower wages than Japan and Taiwan.

Opportunities

- Opportunity for lower cost but high quality production.
- As technological advancements are made we can hire better R&D staff.
- Good place to control operations due to proximity and

Threats

- American recession can hit China
- Corruption can lead to loss of reputation
- Underdeveloped Intellectual property rights can mean technology can be stolen by suppliers

- Infrastructure.
- Direct Investments or Joint Ventures
- Equity and contractual ventures provide quicker access to the market. Partners in China can help with the bureaucracy, customer base, and distribution.
- Effectiveness of investments in China will only be evident in the long-run and policies make it hard for non-China companies to make money.
- Lack of a legal structure similar to those
- Easily understood (Taninecz, 1996).

Having investigated these five countries based on their strengths and weaknesses, we the management team of Elecdyne have decided to shortlist these countries down to three which are:

- 1. Germany
- 2. Poland
- 3. China.