

# Strategic analysis (swot and pest) of elecdyne

[Finance](#), [Financial Analysis](#)



## SECTION 1

### **INTRODUCTION**

As it is written in the case study about Elecdyne that the company is actually facing problems and is unable to grow itself since the last 2 years. Elecdyne is a Japanese company based in Tokyo and was established in 1990. They initially started with 5 employees and now it has 100 employees producing a range of Elecdyne products such as televisions, VCRs, DVD players, MP3 players, hi-fi equipment etc using technology licensed from a number of Japanese and European multinationals. It currently supplies only to the Japanese market. The problems that Elecdyne is facing is the general threats (and opportunities) that is been created by an increasingly globalized business environment like innovations in the products, rapid increase in the technology and changing in the nature of competition. Now the company needs to focus on how it will come out of this situation through an analysis and SWOT analysis will give a brief idea about the company's internal and external factors.

### **SWOT ANALYSIS OF ELECDYNE**

Before we do a swot analysis of Elecdyne first we should what actually swot analysis is SWOT analysis is basically method to look at the strengths, weaknesses, opportunities and threats of any company. Usually we do swot analysis just to see at the internal and external environment of the country just to analyze the environment that whether the conditions are favorable or not. This technique was created by Albert Humphrey.

## **PEST ANALYSIS**

Before doing pest analysis first we should know about pest analysis. PEST analysis has 4 things in it which are Political, Economic, Social and Technological. The reason of doing it is to know about the macro environment. “ In analysing the macro-environment, it is important to identify the factors that might in turn affect a number of vital variables that are likely to influence the organization’s supply and demand levels and its costs” (Kotter and Schlesinger, 1991; Johnson and Scholes, 1993). “ PEST analysis is a useful strategic tool for understanding market growth or decline, business position, potential and direction for operations.” (Kotler 1998)

### **Final Recommendations:**

The above analysis shows the current situation of Elecdyne and it shows that the company is in a very bad position. To get out of such situation the company needs to make some strategies and these strategies are discussed below:

As we know that Elecdyne is working in the Japanese market since the last 20 years and so they have a pretty good knowledge about Japanese market. Their experience can play a vital role in operating in that huge market. First of all they have to do some research and find out that what type of products do customer need and should focus on that. As Elecdyne is not very much advanced in the technology so of course they should also focus on the technology. For example now Blu-ray technology is getting very common in the world and Japan being a very advance country in technology so Elecdyne should focus on improving the technology in its products.

Another problem that Elecdyne is facing that its losing its key employs and it should focus on retaining them. Elecdyne needs a cheap labour which is very difficult to find in Japan because in Japan the wage rate is very high so Elecdyne needs to relocate their location and look for some place where there is very cheap wage rate and they should also look for low price raw material so that the production cost can also reduce.

Recently japan has been from the worst disaster of earthquake so Elecdyne can also focus on the CSR activity by which their name can also be known in the social activity in Japan.

Elecdyne should also focus on technology for selling its products all around the world and the best way of doing that is the internet. If people from all around the world can get access to the rproducts of Elecdyne so their sale can increase but as I have mentioned above that they should try to reduce the prices of their products because the biggest competitor Elecdyne has is Sony which is a huge name in world and of course if the products of Sony and Elecdyne will be of same price so people will definitely prefer Sony but if Elecdyne products will be cheaper so people might choose the products of Elecdyne. The main strategies that Elecdyne should focus on are as follows:

Relocation of production where there is cheap labour and raw material.

Should improve the technology.

Make easy access of their products all around the world through the internet.

## SECTION 2

Elecdyne is a Japanese company which is operating in Tokyo and currently only selling their products to the local market. As the current situation of the company is below average and it has stopped growing since the last 2 year and due to that it has start losing its key employs to their competitors. Now the company is focusing on internationalization and looking to relocate the company and want to minimize its cost. They are looking for cheap labour rate and cheap raw material which is not possible in Japan because Japan labour rates are high. The employs of Elecdyne are well educated and most of them have done their higher education from USE, CANADA and UK which clearly means that when going internationally English language is not going be an issue for the employos. As I have mentioned before that main reason of going to another country is to minizing the cost.

## **METHODOLOGY**

The method that will be used is PEST analysis which actually focuses on the macro environment of the country.

## **INTERNATIONALIZATION**

After having lots of discussions and meetings among the top management the three countries that they have decided to choose are,

China

India

Brazil

## **CHINA**

China is one of the biggest countries of the world having the area of (3, 705, 407 sq mi) (wikipedia. com) with the biggest population (1. 3 billion) (google.

com 2011). China currently has the GDP of \$4.99 trillion (google.com) with a growth rate of 9% (tradingeconomics.com). China today is one of the biggest industries of producing goods because of its cheap labour and huge man power. The policies of Chinese government are relatively easy and most of the products are produced or assembled in China. When investing in China the companies 1st should look at the Macro environment of the country and for doing that pest analysis is the best way of doing that.

## **INDIA**

India again is one of the biggest countries of the world with the population of 1.17 billion (google.com) with the total land of 1,269,219 (sq mi) which is 7th in world (Wikipedia.com). Since the last decade India's economy has been boosting up doing to lots of foreign investments. The GDP of India is 1.31 trillion US dollars (google.com) with a growth rate of 8.3% and ranking 10th in the world as far as growth rate is concern. In India when companies want to invest so there are no complications when it comes to the government policies because the companies only need to report to RBI (Reserve Bank of India). The Indian government also support the FDI (Foreign Direct Investment) and the taxes on the business sector are not very high so this also gives a relief to the foreign investment. India has a very huge man power as they are 17.3% of the world population (Wikipedia.com) and due to this the labour rate in India is relatively cheaper than other countries of the world. To see this in more details the pest analysis of India will give a much better idea of the Macro environment of the country.

PoliticalEconomic

Government supports the FDI

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For industries taxes are very low.

No preceding approval needed. The company only has to report to RBI(Reserve Bank of India) within 30 days of foreign investment

Labour is relatively cheaper

Has enough man power

Boost in the GDP in last decade (\$1. 31 Trillion US dollars)

SocialTechnological

Can decrease the unemployment in the country.

Has a rapid increase in the technology in the last decade.

## **BRAZIL**

Brazil is another country whose economy is boosting up. We have talked about India and China but Brazil's economy is also rapidly increasing and currently its GDP is \$1. 57 Trillion US dollars (google. com) and the rate from which it is increasing is with the rate of 0. 7% (tradingeconomics. com) in the last year. The government of Brazil is inviting the international business which is resulting in less employment and increase in the economy. The trading policies are also not very strict and taxes for trading are relatively low. The only issue that Elecdyne can have is Brazil is very far away from Japan and the cost in the logistics will be high. The government of Brazil also supports the FDI To see that Brazil will be a good option for Elecdyne to invest here is the pest analysis of Brazil.

## **COUNTRY OF INVESTMENT**

As we have done pest analysis of 3 countries to find out that in which we have to invest and by doing that what I will recommend is to invest in India.

India is one of the biggest democratic country of the world. The very first reason of doing this is the tax rate of India on the business is very low and India government is still looking for foreign companies to invest in their country and the biggest reason of doing is to decrease the unemployment from the country. Being the 2nd biggest country in the world (as far as population is concern) the employment in India is still a problem with the people of India. The only problem that Elecdyne might have in India is there is some corruption in the government. If we see into this so this may not effect Elecdyne but still there might be a possibility that this might affect the company. Another factor that India has a very low labour rate and if we compare the currency of India and Japan so there is not a very huge difference but if we compare the currencies of other countries that we have analysed so India will be the cheapest. When it comes to logistics so the distance between the two countries is not too much. The transportation that can be used are, rail, trucks, plane etc. India is a very advance country and they also have technology and if Elecdyne need some technology they can import it without worrying of high taxes. When investing in India Elecdyne is not require to wait for a long time all they have to to do id the report to the RBI( Reserve Bank of India) just before the 30 days of investment. Since the last 6 or 7 years now the stability in India is very good and companies who have invested in India have minimize their cost and due to a huge population in India the number of buyers have increased. The biggest competitor of Elecdyne is Sony and as we discussed above that Elecdyne have to minimize the price of its products so that people prefer their products because of low



price there are people in India who are price oriented rather than quality so in my opinion India is the best country to invest.

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