

# Comar chemicals company swot analysis

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



Strengths Comar chemicals is regarded as a leader in the tyre and paint industry. This phenomenon is ascribed to the following strengths:

- Contracts in place with Goodyear, Continental, Plascon, Bridgestone, Dunlop, and Michelin.
- Product quality of the highest standard. Automated plant control systems in place, constant in-production quality control tests controlled by chemical director, Vernon Redding. Compliant raw materials with specifications are being utilised.
- Succession planning in place since the appointment of Stefan as operational manager. This person is earmarked to substitute Vernon Redding, in the event of his departure.

Buy and sell agreement entered into by directors, Udo Eric Eichrodt and Dieter Roland.

- Management team is experienced and highly qualified.
- Udo Eric Eichrodt: 30 years - BComm Marketing Management
- Dieter Roland: 29 years - Bcomm Investment Management
- Vernon Redding: 45 years - PhD Chemistry
- Stefan: 12 years - BScHons Chemistry
- May Rossouw: 24 years - BCommHons (Management Accounting)
- Nicki de Villiers: 15 years - MComm (Transport Economics)
- Low staff turnover. The company invests in staff morale as it understands it to be its biggest asset.
- BEE Status 20% black owned, Vernon Redding, Indian.

Promotes business in South Africa and abroad.

- ISO 9001: 2008 Certified (International Organization for Standardization. ) Little trouble has been encountered in the past to comply with minimum standards required by this certification.
- Unqualified annual audited financial statements. This is testament to good governance practiced. Low gearing, although non-current assets are shown at R4m. Market value of plant and property exceeds R20m. Company is liquid, considering current assets to current liabilities ratio of 4:

1. •Comar chemicals operates from totally owned premises. European Safety & Reliability Association (ESRA) certified. Toxic waste is dealt with in a responsible and reliable manner. Contamination of ground is highly unlikely as the company places a high premium on “ going green. ” •Flexibility and research development ensures ongoing sustainability. •Product reliability. Order tracking procedure and commitment of staff ensures a good reputation of the company. •Absolute advantage, ability to produce specific product more efficiently than any other nation. Factors of production are relatively cheaper than any other country. •Zero tolerance for human error.

The company has strict rules and procedures that need to be followed to ensure the mainstay of the business. Disciplinary actions are taken against culprits, which could lead to dismissal. Weaknesses The following weaknesses have been identified: •Comar Chemicals is faced with multiple taxes due to the fact that it is a multinational enterprise that runs in various different countries. Operating in various different countries leads to multiple tax jurisdictions. Multiple tax jurisdictions may lead to the overlapping of taxes and the company may end up with a double taxation. (1) •The economic model introduces some weaknesses to the company.

There are various factors that affect the economic activity of Comar Chemicals. These include the resource limitations placed on the company's ability to obtain certain chemicals or the availability of chemicals needed in the factors of production. Environmental or geographical constraints can increase their expenses due to extra transportation costs for raw materials and finished goods. The factory could be situated in an area which is prone to seasonal bad weather (Cape Town). This could slow down the process of

moving materials and Comar Chemicals will bear the economic impact of a loss of potential revenue and increased costs.

There will also be certain institutional and legal requirements that Comar Chemicals will have to follow and they will vary in the three different countries that they operate in, South Africa, Switzerland and Germany. Comar Chemicals may have to adhere to different legal levels of CO<sub>2</sub> production that they create during their production process and will have to regulate these levels in compliance with the legal levels set by the government. •Comar Chemicals has no buy and sell agreement supported by life insurance.

A buy and sell agreement is a binding legal document that governs the conditions if a co-owner dies or is otherwise forced to leave the business. The fact that there is no buy and sell agreement supported by life cover means that if owner of the company passes away or is forced to leave the business then all the debt or liabilities incurred by the business will be left to the closest relative of the owner. This could lead to a liquidation of the business if there is no insurance cover. Therefore the business is not completely safe in the case of a personal crisis within the business. 2) •Promotion for staff is limited due to the low staff turnover that Comar Chemicals has. Comar Chemicals has a total of 38 employees that includes two scientists, one accountant and one logistics manager. This can also be seen as a strength however the fact that there are so few employees, there are few promotions to employees. This can cause employees to become less motivated towards their job and company and in turn this could decrease the total production and the total efficiency of production. •Employee empowerment is the act of

giving more responsibility to workers in the work place. 3) The empowerment of staff can lead to a weakness within Comar Chemicals due to the fact that firstly, the business has a relatively small number of employees. This can lead to an increase in conflict between the employees as to why one employee has been empowered more than another. This can cause bad interpersonal relationships between employees. Empowerment can also be a weakness if the wrong employee has been empowered to take on a certain task or manage a project that he or she has not been specifically trained for. This could create problems within the managerial and operational sectors of Comar Chemicals.

If empowerment of employees is going to be an on-going activity at Comar Chemicals then it has to be carried out in a way that makes sure that the right employees are being empowered for the right reasons. • Comar Chemicals has no key man insurance. This is very similar to the absence of a buy and sell agreement, supported by life cover that was previously mentioned. Key man insurance is an insurance policy that is taken out by the business to compensate for financial losses that would arise from the death or extended incapacity of an important member of the business.

Key man insurance can cover many insurable losses that include, losses related to the period when the key person was unable to work and insurance to protect profits, insurance to protect shareholders and partnership agreements. Without key man insurance, Comar Chemicals is vulnerable to the chance that something happens to the owner and there is no protection or financial security for the business in the future. (4) Opportunities There are many opportunities for Comar Chemicals to utilise to maximise their

business productivity and profitability. There are two types of opportunities, external and internal.

External opportunities affect the organisation due to independent factors. Internal opportunities exist within the firm. Opportunities, when realised, can have enormous rewards for the business if the opportunities are exploited correctly. An opportunity is indication of positive potential that can help a business increase its success. Possible sources of business opportunities in most industries and markets include: Potential Business Opportunities  
Technological innovation  
New demand  
Market growth  
Demographic change  
Social or lifestyle change  
Government spending programmes  
Higher economic growth

Trade liberalisation  
EU enlargement  
Diversification opportunity  
Deregulation of the market  
The opportunities that Comar can use to their advantage are: import quotas, developing markets, revising job descriptions/digressions, improving competitive levels, forward exchange cover, Solar power, life policies, association with universities and joint development with customers. An Import Quota is like a form of protection. It fixes the amount of products a foreign producing firm is allowed to bring into a country over a specific time period, which is usually a year.

The objective of an import quota is to limit imports into a country therefore encouraging the use of domestic products and services, as the amount of the good being imported is limited the price of the specific good increases therefore domestic firms benefit. Comar, being situated in South Africa, Switzerland and Germany, can use this as an opportunity by increasing domestic employment. There will be a larger demand for Comar Chemicals

because import quotas will make it more expensive to import these goods from international competitors.

This will encourage Comar to employ more citizens that are qualified for the job because of the expanding demand of their product and the need for increased labour and skills in the organisation. Comar is a small business, with 38 employees including two scientists, an accountant and a logistics specialist. Comar is 14 years old, which is relatively young compared to its competitors therefore it can be considered an "infant industry" which is still developing and is not big enough to compete fairly.

Import quotas allow Comar to mature onto a same competitive level as international organisations. South Africa is a developing country and the market for metal carboxylates is expanding with the increase of paint and coatings, printing inks and chemical industry, polyester industry, grease and gear oils industry and PolyButadiene, Isoprene Butadiene and Copolymers industry. With the increase of construction and manufacturing in South Africa, these industries are in higher demand than ever before. Comar can improve their competing levels through product quality.

Quality relates to 'appropriate use': how well a product does what it is intended to do. This can include a compliance of raw materials with specifications, detailed manufacturing and quality control test procedures, in-production tests of final products, introduction of automated plant control systems. These quality control methods leave little room for error, positioning the product on a high level of quality which will lead to a smart modern working environment and a reflection of the quality of the business as a whole.

Comar's leading product is COMCAT, which includes a rare earth catalyst which is used in the synthetic rubber industry to manufacture advanced rubber tyres - making tyres softer but more durable which in turn lowers the level of CO<sub>2</sub> emissions from vehicles. This gives Comar a competitive advantage as their products are also helping the environment and decreasing the level of harm through innovative products, which will draw the attraction of buyers.

There can often be discrepancies about the actual responsibilities, tasks and duties of a certain position within the organization; this can be managed by revising job descriptions. There must be an accurate reflection of the true functions and responsibilities for a job description to be effective. A comprehensive job description can be used in management to measure employee performance and employees can use the job description as a guideline to comprehend the expectations of the position. This can lead to improved productivity and cohesiveness within the organization to help realize the organizations objectives and goals. Comar can use the opportunity to become involved with universities to further their research and provide university departments with their expertise of the product to evolve students into potential employees of their firm or for that specific industry. For example, Comar could give bursaries to deserved students to pay for their studies in a BSC, specializing in COMCAT (PolyButadiene, Isoprene Butadiene and Copolymers industry).

They could provide all the necessary tools (research, expertise, information) in order to establish awareness of this specific product and market the need for this specific scientist in this field. Joint development with customers



involves a good relationship between the manufacturer and the customer. The manufacturer must be enthusiastic and prepared to open up its daily practices and activities to its customers, this will give the customer the opportunity to carefully scrutinize and evaluate the ways in which the manufacturer operates, during the production process, and the quality of the finished products.

An important issue when dealing with joint development with customers is communication. When there is a healthy line of communication between the manufacturer and the customer, there can be an exchange of ideas between parties leading to effective production and customer satisfaction.

Threats Threats are conditions in the business environment that are uncontrollable and have the potential to harm business profitability. One of the most common threats is competitors. There are a number of threats that Comar may face, including: future trends in the specific field, social issues, the economy, funding, demographics and the physical environment.

When observing the potential threats that Comar may face, the following needs to be determined: the obstacles Comar may face, competitor's activity, quality standards and changing technology. Threats can be divided into two categories namely, industry threats, an increase in competition or a decrease in the market size, and macro threats, threats that affect all industries in Comar's area. Possible sources of business threats include

Potential Business Threats  
New market entrants  
Change in customer tastes or needs  
Demographic change  
Consolidation among buyers

New regulations  
Economic downturn  
Rise of low cost production abroad  
Higher input prices  
New substitute products  
Competitive price pressure  
A

potential threat Comar may face is the diversity. Diversity is often defined as a positive term for a business, but it also comes with threats that have the potential to ruin productivity. Comar has a diverse workforce, co-workers each have different experiences and perceptions as they have all come from different backgrounds. This could cause cultural clashes which can decrease productivity and cohesiveness of the business as a whole.

Comar could also experience divisions in staff members due to the formation of cliques and other groups, this can create competition between employees rather than teamwork, a lack of respect amongst one another and this could lead to costly diversity training to resolve diversity issues within the organisation. Comar has a diverse client base as their company is also situated in Switzerland and Germany. It is therefore crucial for Comar have a bi-lingual customer service, if they do not they will lose a massive amount of clientele as there needs to be effective communication between the two parties in order for the business to be successful.

Social issues in the business environment may be a threat to Comar. A social system is a pooling of ideas, attitudes and behaviour which are involved in human relations and interactions. Comar is influenced by its customers attitudes and behaviour, if they are negative relationships within the organisation this could dampen productivity and decrease business profitability and if there are social issues external to the organisation, such as political unrest, could affect consumer behaviour negatively and affect the success of the business.

The political; and legal system can also pose as a threat to Comar, as business have to follow the specific regulations as set out for them by the <https://assignbuster.com/comar-chemicals-company-swot-analysis/>

government, it creates a set of rules and guidelines that business are expected to adhere by, if a business does not there could be serious consequences that could lead to decreased profitability and even as far as a business being banned. The monetary system facilitates business exchange. Monetary activity has distinct basic functions, namely saving, borrowing, spending and earning, which are all linked to business profitability.

Comar has to pay careful attention to all these activities because each of these factors can easily turn into a threat for the business. There are many different parties involved when dealing with money, they are financial institutions, debtors, creditors, customers and suppliers. The interest rate is very important when Comar is dealing with its monetary activities, when an interest rate is high, it increases Comar's costs and will limit the amount of spending that Comar can participate in.

Exchange rates are the value of one nation's currency in comparison to another. It is very important when determining a business's effectiveness and whether it will serve as an opportunity or a threat. Comar is a company that does business in South Africa and globally, therefore exchange rates will have an enormous effect on the profitability. When Comar exchanges its products over national borders causing another currency to become involve, fluctuations in exchange rates can lead to profits or losses for Comar.

Comar is at an advantage when the rand is relatively strong compared to the currency that the organisation is trading with. When the rand is weak compared to the business it is doing the exchange with, Comar is at a disadvantage as it will be more costly to exchange products across borders. A massive threat that Comar faces is import duty, which is a tax on goods

imported into a country. This causes prices to be higher because of the tax cost involved. This cost is passed onto consumers at higher prices, which in turn can lead to consumer dissatisfaction and a loss in clients.

Trade restrictions were introduced to restrict importing for many reasons, mainly to protect domestic industries. There are two types of restrictions, tariffs and non-tariffs. Non-tariffs include, methods such as embargo, import quota - which is a limitation on the amount of goods a business is allowed to import, foreign exchange control and currency devaluation. These trade restrictions pose a massive threat to Comar because the organisation is continuously trading over borders and having to deal with trade restrictions, which will inevitably hinder profitability.