

3.0 METHODOLOGY

3.1 ANALYSIS TOOLS

This study would be a consultative type of research and as such would be organization oriented. Previous research on the trade by other authors would form the theoretical framework for development of the findings. Various tools would be used to analyze the company. Then on the basis of the in depth analysis of the company, I would try to find out if the company is on the right track of its business strategy.

Some of the tools used during my research are:

- 1) General External Environment Analysis that can be divided into five broad categories of (a) economic forces, (b) social, cultural, demographic and environmental forces, (c) political, governmental and legal forces, (d) technological forces, and (e) competitive forces. External trends and events significantly affect all products, services, markets and organizations in the world (Hitt, 2000).

Changes in external forces translate into changes in consumer demand for both industrial and consumer products and services. External forces affect types of products developed, the nature of positioning and market segmentation strategies, the types of services offered and the choice of businesses to acquire or sell. External forces directly affect both suppliers and distributors. Identifying and evaluating external opportunities and threats enables organizations to develop a clear mission, to design strategies to achieve long-term objectives and to develop policies to achieve annual objectives (David, 1997).

- 2) General Internal Environment Analysis where all organizations have strengths and weaknesses in the functional areas of business. No enterprise is equally strong or weak in all areas. Internal strengths / weaknesses, coupled with external opportunities / threats and a clear statement of mission, provide the basis for establishing objectives and strategies. Objectives and strategies are established with the intention of capitalizing upon internal strengths and overcoming weaknesses (David, 1997).
- 3) SWOT Analysis that is one of the most common and powerful tools to identify and evaluate the strengths, weaknesses, opportunities and threats in an industry (David, 1997).
- 4) Porter's Five Forces Model Analysis is a widely used approach for developing strategies in many industries. It is an analysis of (a) threat of new entrants, (b) rivalry among existing firms, (c) threat of substitute products or services, (d) bargaining power of buyers, and (e) bargaining power of suppliers (Hitt, 1999). These would also determine the ultimate profit potential of the industry.
- 5) Value Chain Analysis is another useful tool to develop corporate strategy. It can best describes the business of a firm in which a total revenues minus costs of all activities undertaken to develop and market a product or service yield value. Value chains vary for firms in an industry, reflecting each firm's unique capabilities and qualities, viz. history, strategy and success at implementation, which includes activities such as obtaining raw materials, designing products, building manufacturing facilities, developing cooperative agreements and providing customer service. A firm will be profitable as long as total revenues exceed the total costs incurred in creating and delivering the product or service. Firms should strive to understand not only their own value chain operations, but also their competitors', suppliers' and distributors' value chain (Hitt, 1999).