

Afghan Sun – SWOT Analysis Activity



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IB BUSINESS MANAGEMENT – PRE-RELEASED CASE STUDY NOV 2017: SWOT ANALYSIS

Important! Bear in mind that the IB examiner is not looking for a nicely set out quadrant with brief bullet-pointed outlines of the identified Strengths, Weaknesses, Opportunities and Threats. It is also unlikely that an examination question will focus the SWOT on anything but Afghan Sun (i.e., not High-end Holidays) and it will do so in a way to address two strategic options – location of the production facility. Thus, the SWOT should be used to address questions associated with strategic analysis leading to strategic choice and the implementation of a strategy.

Explain why each point identified is relevant to the company. Use these explanations to draw overall, **justified conclusions**. Make it impossible for the examiner to award you anything less than full marks for the **critical thinking** component of the mark scheme!

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SWOT ANALYSIS FOR AFGHAN SUN AS AT MAY 2018

1. Briefly identify and outline the important Strengths, Weaknesses, Opportunities and Threats associated with Afghan Sun as of May 2018 (when the strategic options will be under consideration) in the table below.

Strengths:	Weaknesses:
Opportunities:	Threats:

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2. Explain how each factor identified in the table above is likely to impact Afghan Sun's current and future business operations. Examples have been provided to assist you in developing your own SWOT explanations.

STRENGTHS

- **Wealthy owner actively involved:** Su has the personal funds to be able to guarantee any bank loan the company may use to finance its expansion. Being actively involved in all aspects of the business (finance, operations, strategic planning, human resources, etc.), Su has good knowledge and experience in running a successful company.
- **Motivated employees:** The social good of bringing electricity to poor, rural Afghans to improve lives is highly motivating. This should lead to highly motivated and productive staff being recruited and low staff turnover in the future.

WEAKNESSES

- **Non-independent CEO:** There are advantages to Afghan Sun of having an independent board of directors/trustees. Stakeholders in a business rarely act without bias. Even when driven by what they believe are the best interests of the organisation, their opinions are informed by personal agendas and value systems. An independent board member can take a fresh, objective look at business challenges and opportunities, and offer advice that synthesises the perspectives of all parties while enabling the organisation to pursue short- and long-term business objectives.
- **Marketing plan:** Remote, rural Afghanistan. Effective marketing in remote, rural Afghan villages seems almost impossible. First, distribution costs are going to be very high, and in a cost-plus pricing system, such high variable costs inflate the price of the product and appears incongruent with PRICE. Second, promotion of the product is something that needs to be carefully considered. Local agents and personal selling will be expensive, again conflicting with PRICE. However, it would seriously need to be considered as above the line promotion would be all but impossible in rural villages without electricity, and literacy rates are astonishingly low.

OPPORTUNITIES

- **Expand microfinance business:** Currently, microfinancing at AS supports the purchase of AS's solar power systems. AS could support microfinance in line with the priorities of poor, rural Afghans. It is stated in the case study that the current target market may have other priorities for how to spend their very limited disposable incomes. If a rural villager believes it would be more beneficial to his or her family's finances to have a goat, fertiliser or a piece of farming equipment, then AS could consider microcredit here too. Although

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microfinancing usually charges a relatively high rate of interest, the principal that is lent is small. For microfinancing to be profitable for AS, it will only be so at scale. One way to achieve scale would be to expand the criteria it uses for its microfinancing.

- **Marketing to other segments:** AS has chosen to focus on a very difficult target market. Its target customers have very low incomes and are geographically disperse and remote. To gain economies of scale from its manufacturing facilities AS could examine if there is potential demand for solar power systems from other consumer groups; e.g., urban households. Price discrimination could be used, and higher income urban households could be willing and able to pay for the same product

THREATS

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