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Department of Finance and Accounting Master 1 Enterprise Finance
Module: Advanced Management Control Academic year 2023 2024

Case Study 03: XY Company – SWOT Analysis

Mr. Kamel established XY Paper Manufacturing Company over 30 years ago and proudly maintained family ownership since then. Now, in poor health, he realizes he must soon leave the enterprise. Worse yet, none of his three children have shown any interest in joining the business, so it seems his successor must be an "outsider." He acknowledges that the problem is of his own making, with his autocratic control, unilateral decision-making, and refusal to borrow to fund business growth making him unpopular with senior management in his own firm.

However, he has developed quasi-fraternal relationships with the workforce, who greatly respect him. Many have been with him for over 20 years and have witnessed substantial business growth. Their loyalty is unquestioned, and the technical competence of senior management is sound, but they rarely get the opportunity to "manage" in the true sense.

XY Company has achieved very satisfactory growth rates because competition has been minimal. However, the situation has changed as continued growth and diversification largely rely on increased market penetration into larger markets.

Mr. Kamel is aware of the challenges and opportunities facing his company currently (e.g., the potential environmental advantage through paper recycling and the availability of computer software diversity). There are also potential threats to its stability (e.g., the proliferation of small enterprises in the field, internal communication breakdowns, the need to import costly technology to maintain competitiveness, and worst of all, the possibility of government intervention if the market share is deemed excessive).

Recently, Mr. Kamel has become more concerned with internal efficiency and improving the bottom line, even if sales growth seems impossible. He has focused on four key areas of internal efficiency:

- Process Improvement: By balancing cost and quality in determining optimal machine speed. By eliminating non-productive downtime.
- Plant Layout: By seeking a more efficient design for production lines.
- Information Systems: By computerizing the primitive manual operations control for costing and scheduling, so that quotations are closer to accuracy in both cost and time.
- Client Education: By setting a "quality" goal that makes the inferior product and service offered by competitors unsatisfactory.

Performance is currently assessed with the help of a set of financial and non-financial indicators. Financial indicators include profitability (return on assets), sales revenue, gross margin, debt levels, and the number of days creditors remain outstanding. Non-financial indicators include customer complaints (recorded and resolved), waste rates, and direct labor productivity.

Despite the availability of current management control system data, Mr. Kamel feels that much of management's efforts are misdirected and that new initiatives are needed to achieve greater improvements. He wants to identify alternative strategies for the future direction of his company, ones that capitalize on priority improvement opportunities while reducing exposure to external influences.

- **Required**: Based on the data provided in the text, attempt to apply a SWOT analysis to XY Company.

Dr FERZIZI