



Uluslararası Sosyal Araştırmalar Dergisi
The Journal of International Social Research
Cilt: 10 Sayı: 51 Volume: 10 Issue: 51
Ağustos 2017 August 2017
www.sosyalarastirmalar.com Issn: 1307-9581
Doi Number: <http://dx.doi.org/10.17719/jisr.2017.1832>

SWOT ANALYSIS: A THEORETICAL REVIEW

Emet GÜREL*
Merba TAT**

Abstract

This study is a literature review on SWOT, qualitative and descriptive in nature. The study will examine SWOT Analysis in a historical, theoretical, time frame perspective, as an effective situation analysis technique which plays an important role in the fields of marketing, public relations, advertising and in any fields of requiring strategic planning. SWOT Analysis is an analysis method used to evaluate the 'strengths', 'weaknesses', 'opportunities' and 'threats' involved in an organization, a plan, a project, a person or a business activity. In this qualitative and descriptive study, firstly the position of SWOT Analysis in the strategic management process is explained, secondly the components of SWOT Analysis is examined. The study includes an international sports wear brand's SWOT Analysis; historical origins of SWOT, advantages-disadvantages and the limitations of SWOT is also reviewed.

Keywords: SWOT Matrix, TOWS Analysis, TOWS Matrix, Planning, Strategic Planning.

1. INTRODUCTION

Today most organizations engage in strategic planning. Strategic planning is a way to help an organization be more productive by helping guide the allocation of resources in order to achieve goals. It is a strategic management tool. In other words it is a part of strategic management. In fact, strategic planning is a key to successful strategic management.

Strategic management is the continuous process of creating, implementing and evaluating decisions that enable an organization to achieve its objectives. Strategic management allows an organization to be more proactive than reactive in shaping its own future; it allows an organization to initiate and influence - rather than just respond to- activities -and thus to exert control over its own destiny (David, 2003: 15).

Strategic management consists of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. The strategic management process is a sequential set of analyses and choices that can increase the likelihood that an organization will choose 'good strategy', that is, that generates competitive advantages.

It begins with vision. Vision is a picture of the future. It describes the desired future position of the organization. The second step of strategic management process is mission. An organization's mission is its long-term purpose. Missions define both what an organization aspires to be in the long run and what it wants to avoid in the meantime. Objectives are the third step of strategic management process. Objectives are concrete goals that an organization seeks to reach.

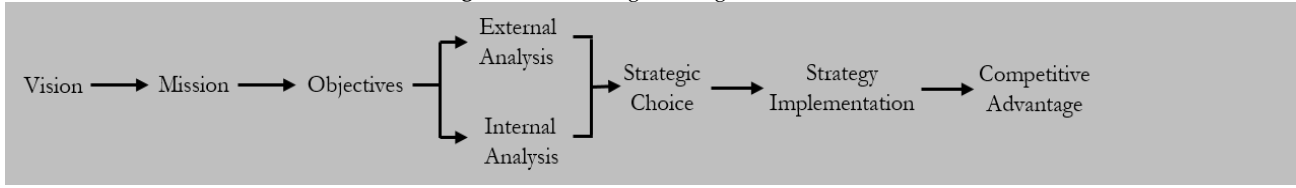
The next phases of the strategic management process is external and internal analysis, also called SWOT Analysis. By conducting an external analysis, an organization identifies the critical threats and opportunities in its competitive environment. It also examines how competition in this environment is likely to evolve and what implications that evolution has for the threats and opportunities an organization is facing. While external analysis focuses on the environmental threats and opportunities facing an organization, internal analysis helps an organization identify its organizational strengths and weaknesses. It also helps an organization understand which of its resources and capabilities are likely to be sources of competitive advantage and which are less likely to be sources of such advantages. Based on SWOT Analysis, organizations can choose the appropriate strategy.

Strategic choice is associated with vision, mission, objectives and the external and internal analysis of the organization; an organization is willing to make strategic choices. This is to say that an organization is able to choose its 'theory of how to obtain a competitive advantage'. The next step of strategic management process is implementation of strategy. Choosing a strategy means nothing if that strategy is not implemented. Strategy implementation occurs when an organization adopts organizational policies and practices that are consistent with its strategy (Barney and Hesterly, 2006: 6-11). And the final step of this process is to obtain competitive advantage.

* Prof. Dr., Ege Üniversitesi İletişim Fakültesi Halkla İlişkiler ve Tanıtım Bölümü.

** Öğr. Gör. Dr., Yaşar Üniversitesi Meslek Yüksekokulu Halkla İlişkiler ve Tanıtım Programı.

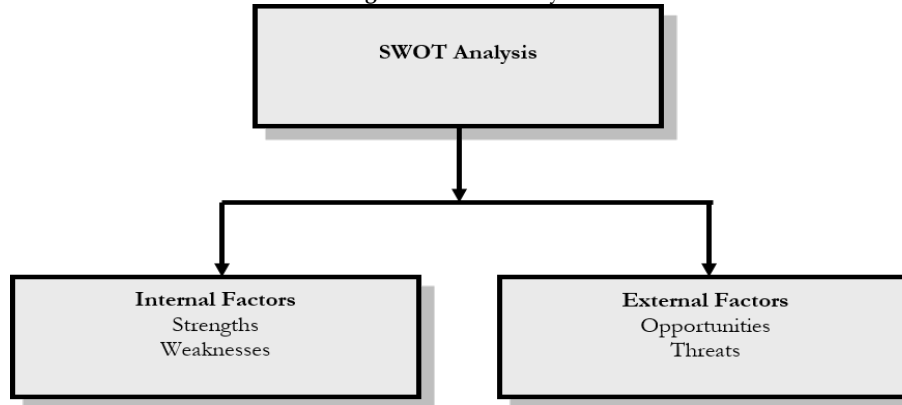
Figure 1: The Strategic Management Process



2. WHAT IS SWOT ANALYSIS?

SWOT Analysis is a tool used for strategic planning and strategic management in organizations. It can be used effectively to build organizational strategy and competitive strategy. In accordance with the System Approach, organizations are wholes that are in interaction with their environments and consist of various sub-systems. In this sense, an organization exists in two environments, one being in itself and the other being outside. It is a necessity to analyse these environments for strategic management practices. This process of examining the organization and its environment is termed SWOT Analysis.

Figure 2: SWOT Analysis



“SWOT Analysis is a simple but powerful tool for sizing up an organization’s resource capabilities and deficiencies, its market opportunities, and the external threats to its future” (Thompson et al., 2007: 97). The acronym* SWOT stands for ‘strengths’, ‘weakness’, ‘opportunities’ and ‘threats’. The SWOT Analysis, also referred to as ‘SWOT Matrix’, can also be formulated as ‘TOWS Analysis’ or ‘TOWS Matrix’. As in Turkish, considering the adaptation of the capital letters, the acronym can be indicated as ‘GZFT Analysis/Matrix’ or ‘FÜTZ Analysis/Matrix’.

SWOT Analysis is a strategic planning framework used in evaluation of an organization, a plan, a project or a business activity. SWOT Analysis is therefore a significant tool for situation analysis that helps the managers to identify organizational and environmental factors. SWOT Analysis has two dimensions: Internal and external. Internal dimension includes organizational factors, also strengths and weaknesses, external dimension includes environmental factors, also opportunities and threats.

3. THE COMPONENTS OF SWOT ANALYSIS

SWOT Analysis is a process that involves four areas into two dimensions. It has four components: ‘Strengths’, ‘weaknesses’, ‘opportunities’, ‘threats’. Strengths and weaknesses are internal factors and attributes of the organization, opportunities and threats are external factors and attributes of the environment. SWOT Analysis is typically drawn out in a four-quadrant box that allows for a summary that is organized according to the four section titles. The following table is a SWOT Analysis, with its four elements in a 2x2 matrix.

* Acronym is a word formed from the first letters of each one of the words in a phrase. In other words acronym is a word formed from the initial letter or letters of each of the successive parts or major parts of a compound term (Merriam-Webster Collegiate Dictionary, 2016).



Table 1: The Components of SWOT Analysis

Organizational Strengths	Characteristics that give advantage over others in the industry.
Organizational Weaknesses	Characteristics that place at a disadvantage relative to others.
Environmental Opportunities	External elements in the environment that give benefits for the organizations.
Environmental Threats	External elements in the environment that could cause trouble for the organizations.

In SWOT Analysis, strong and weak aspects of an organization are identified by examining the elements in its environment while environmental opportunities and threats are determined by examining the elements outside its environment. In this sense SWOT Analysis is a strategic planning tool used to evaluate the strengths, weaknesses, opportunities and threats of an organization. It provides information that is helpful in matching the organization's resources and capabilities to the competitive environment in which it operates.

Strengths and opportunities are helpful to achieve the organizational objectives. They are favourable for organizations. Weaknesses and threats are harmful to achieving the organizational objectives. They are unfavourable for organizations. Therefore, underlying any successful selection of strategies is an analysis of the organization's internal strengths and weaknesses that are posed by internal environment and the opportunities and threats that are posed by the external environment. In other words, manager's role is to try to 'fit' the analysis of externalities and internalities, to balance the organization's strengths and weaknesses in the light of environmental opportunities and threats. The framework presented in Table 2. identifies many of the variables that management should analyse.

Table 2: Framework for SWOT Analysis

Possible Organizational Strengths and Weaknesses			
Advertising	Distribution	Leadership	Product/service quality
Brand names	Economies of scale	Location	Promotion
Channel management	Environmental scanning	Management	Public relations
Company reputation	Financial resources	Manufacturing and operations	Purchasing
Computer information system	Forecasting	Marketshare	Quality control
Control systems	Government lobbying	Organizational structure	Research & development
Costs	Human resources	Physical facilities/equipment	Selling
Customer loyalty	Inventory management	Product/service differentiation	Technology
Decision making	Labor relations		
Sources of Possible Environmental Opportunities and Threats			
Economic forces	Political-legal forces	Social forces	Technological forces
Industry forces			

Source

e: Wright et al., 1992: 70.



- **Organizational Strengths:** Strength is the characteristic that adds value to something and makes it more special than others. Strength means that something is more advantageous when compared to something else. In this sense, strength refers to a positive, favourable and creative characteristic.

Strength at organizational level involves properties and abilities by which an organization gains an advantage over other organizations and competitor organizations that are revealed as a result of the analysis of its internal environment. In other words, organizational strength defines the characteristics and situations in which an organization is more effective and efficient compared to their competitors. An organization can be described as strong, equal or weak compared to their competitors based on five criterias: Relative market situation, relative financial structure, relative production and technical capacity, relative research and development potential, relative human capacity and management effectiveness (Dinçer, 2007: 145).

“A strength is something an organization is good at doing or a characteristic the organization has that gives it an important capability” (Thompson and Strickland, 1989: 109). In this context “a strength is a resource, skill, or other advantage relative to competitors and the needs of the markets an organization serves or expects to serve. It is a distinctive competence that gives the organization a comparative advantage in the market place. Strengths may exist with regard to financial resources, image, market leadership, buyer/supplier relations, and other factors” (Pearce and Robinson, 1991: 182).

Organizational strengths consist of the organizational competencies playing an active role in achieving organizational goals. Before going into action when encountered a problem or opportunity, an organization has to know the potential that it has and the aspects that makes it more advantageous than its competitors. Being strong and having strengths are quite important for an organization. Otherwise, the opportunities created by the outside environment cannot be used. Moreover, the organization has to answer to the threats of the outside environment by using its strengths. All these issues highlight the importance of organizational strengths (Ülgen and Mirze, 2010: 161).

- **Organizational Weaknesses:** Weakness refers to not having the form and competency necessary for something. Weakness means that something is more disadvantageous when compared to something else. In this regard, weakness is a characteristic that is negative and unfavourable.

Weakness at organizational level refers to the situations in which the current existence and ability capacities of an organization are weaker compared to other organizations and competitor organizations. In other words, organization weakness means the aspects or activities in which an organization is less effective and efficient compared to its competitors. These aspects negatively affect the organizational performance and weakens the organization among its competitors. Consequently, the organization is not able to respond to a possible problem or opportunity, and cannot adapt to changes.

“A weakness is something an organization lacks or does poorly -in comparison to others- or a condition that puts it at a disadvantage” (Thompson and Strickland, 1989: 109). In this context “a weakness is a limitation or deficiency in resource, skills, and capabilities that seriously impedes an organization’s effective performance. Facilities, financial resources, management capabilities, marketing skills, and brand image can be sources of weaknesses” (Pearce and Robinson, 1991: 182).

For the organization, it is as important to know its weaknesses as its strengths. The reason is that no strategy can be built upon weaknesses. The organizational weaknesses that have the potential to lead the organization to inefficiency and ineffectiveness should be known and improved. Solving the existing problems that would cause difficulties and limitations for long-term plans and strategies, and foreseeing potential problems are obligatory.



Table 3: Strengths and Weaknesses Checklist

1. Marketing Product quality Number of product lines Product differentiation Market share Pricing policies Distribution channels Promotional programs Customer service Marketing research Advertising Sales force 2. Research and Development Product and R&D capabilities Process R&D capabilities Pilot plant capabilities 3. Management Information System Speed and responsiveness Quality of current information Expandability User-oriented system 4. Management Team Skills Value congruence	Team spirit Experience Coordination of effort 5. Operations Control of raw materials Production capacity Production cost structure Facilities and equipment Inventory control Quality control Energy efficiency 6. Finance Financial leverage Operating leverage Balance sheet ratios Stockholder relations Tax situation 7. Human Resources Employee capabilities Personnel systems Employee turnover Employee morale Employee development
--	--

Source: Power et al., 1986: 37.

- **Environmental Opportunities:** Opportunity means a situation or condition suitable for an activity. Opportunity is an advantage and the driving force for an activity to take place. For this reason, it has a positive and favourable characteristic.

For organizational managements, an opportunity is the convenient time or situation that the environment presents to the organization to achieve its goals. Opportunities are those that would yield positive results for the organization determined as a result of the analysis of its environment. Competition and the intense work presents organizations big opportunities. In fact "opportunities are conditions in the external environment that allow an organization to take advantage of organizational strengths, overcome organizational weaknesses or neutralize environmental threats" (Harrison and St. John, 2004: 164).

- **Environmental Threats:** Threat is a situation or condition that jeopardizes the actualization of an activity. It refers to a disadvantageous situation. For this reason, it has a negative characteristic that should be avoided.

For organizational managements, a threat is the element that makes it difficult or impossible to reach the organizational goals. Threats are the situations that come out as a result of the changes in the distant or the immediate environment that would prevent the organization from maintaining its existence or lose its superiority in competition, and that are not favourable for the organization (Ülgen and Mirze, 2010: 161). They can constitute an impediment to the success of the organization, and cause unrecoverable damages.

All environmental factors that can impede organizational efficiency and effectiveness are threats. The new world order formed as a result of globalisation involves both opportunities and threats. This system enhancing opportunities as well as threats directs organizational managements to be careful of and act more strategically on the developments in and outside their environments.



Table 4: Environmental Variables Checklist

1. Societal Changes
Changing customer preferences-Impacting product demand or design
Population trends-Impacting distribution, product demand or design
2. Governmental Changes
New legislation-Impacting products costs
New enforcement priorities-Impacting investments, products, demand
3. Economic Changes
Interest rates-Impacting expansion, debt costs
Exchange rates-Impacting domestic and overseas demand, profits
Real personal income changes-Impacting demand
4. Competitive Changes
Adoption of new technologies-Impacting cost position, product quality
New competitors-Impacting prices, market share, contribution margin
Price changes-Impacting market share, contribution margin
New products-Impacting demand, advertising expenditures
5. Supplier Changes
Changes in input cost-Impacting prices, demand, contribution margin
Supply changes-Impacting production processes, investment requirements
Changes in number of suppliers-Impacting costs, availability
6. Market Changes
New uses of product-Impacting demand, capacity utilization
New market-Impacting distribution channels, demand, capacity utilization
Product obsolescence-Impacting prices, demand, capacity utilization

Source: Power et al., 1986: 38.

External opportunities and external threats- refer to economic, social, cultural, demographic, environmental, political, legal, governmental, technological, and competitive trends and events that could significantly benefit or harm an organization in the future. Opportunities and threats are largely beyond the control of a single organization -thus the word external. Internal strengths and internal weaknesses are an organization's controllable activities that are performed especially well or poorly. They arise in the management, marketing, finance/accounting, production/operations, research and development, and management information systems activities of a business. Identifying and evaluating organizational strengths and weaknesses in the functional areas of a business is an essential strategic management activity. Organizations strive to pursue strategies that capitalize on internal strengths and eliminate internal weaknesses (David, 2003: 10-11).

"Understanding the story involves evaluating the strengths, weaknesses, opportunities, and threats and drawing conclusions about (1) how the organization's strategy can be matched to both its resource capabilities and its market opportunities, and (2) how urgent it is for the organization to correct which particular resource weaknesses and guard against which particular external threats" (Thompson and Strickland, 2001: 127).

Here is an example of a SWOT Analysis for Nike, Inc., which is an American multinational corporation that is engaged in the design, development, manufacturing and worldwide marketing and selling of footwear, apparel, equipment, accessories and services. It is one of the world's largest suppliers of



athletic shoes and apparel and a major manufacturer of sports equipment and most valuable brand among sports businesses. The company was founded in 1962 by Bill Bowerman and Philip H. Knight as a partnership under the name, Blue Ribbon Sports. The company takes its name from Nike, the Greek goddess of victory. Since Germany conquered the domestic market in America, Nike came with low-cost and high quality products for the American people. Today, Nike Inc. is the world's leading innovator in athletic footwear, apparel, equipment and accessories (<http://www.nikeinc.com>, 2016).

Table 5: An Example for SWOT Analysis: Nike, Inc.

Strengths	Weaknesses
<ul style="list-style-type: none"> Nike is a globally recognized for being the number one sportswear brand in the world. It is a global brand. Nike has a strong reputation for its high quality products. It is a reputative brand and organization. Nike is a very competitive organization. Even Phil Knight -Founder and CEO- is often quoted as saying that "Business is war without bullets". Nike has no factories; rather it uses contract factories to get the work done. It is a lean organization. Nike is quite strong regarding its research and development; quite evident regarding its evolving and innovative product range. Nike manufactures high quality at the lowest possible price, if prices rise due to price hike then the production process is made cheaper by changing the place of production. Nike belongs to the Fortune 500 companies. Nike employs about more than 30.000 people worldwide. Nike is known for its innovative marketing. It has a strong sense of marketing campaign by sponsoring top athletes. Nike ads are part of the pop culture an impressive achievement. 	<ul style="list-style-type: none"> The organization does have a diversified range of sports products. However, the income of the business is still heavily dependent upon its share of the footwear market. This may leave it vulnerable if for any reason its market share erodes. The retail sector is price sensitive; retailers usually tend to offer a very similar experience to the consumers with another cheaper product, which in return tends to get squeezed as retailers try to pass some of the low price competition pressure onto Nike. Nike was for quite some time unwilling to disclose any type of information concerning its partnering companies. It was charged with the violation of overtime and minimum wage rates in Vietnam, 1996, that was seen as having poor working conditions, and that it was also charged for exploiting cheap workforce overseas. Nike was also reported to have applied child labor in Pakistan and Cambodia to produce soccer balls. It was positioned as a subject of criticism by anti-globalization groups due to its unruly and exploited manner that was quite a disaster for its reputation.
Opportunities	Threats
<ul style="list-style-type: none"> Nike is not a fashion brand. However consumers that wear Nike product do not always buy it to participate in sport. It is mostly argued that in youth culture, Nike is a fashion brand which also creates opportunities for Nike since its products would become outdated before even the product wears out i.e. consumers will feel the need to replace the product with a newer trend. There is also the opportunity to develop products such as sportswear, sunglasses and jewellery. Such high value items do tend to have associated with them, high profits. The business could also be developed internationally, building upon its strong global brand recognition. There are many markets that have the disposable income to spend on high value sports goods. For example, emerging markets such as China and India have a new richer generation of consumers. Nike gives a lot of effort on its corporate marketing mainly through the promotion of corporate brand and sponsorship agreements. 	<ul style="list-style-type: none"> Nike is exposed to the international nature of trade. It buys and sells in different currencies and so costs and margins are not stable over long periods of time. Such an exposure could mean that Nike may be manufacturing and/or selling at a loss. This is an issue that faces all global brands. The market for sports shoes and garments is very competitive. The retail sector is becoming price competitive. This ultimately means that consumers are shopping around for a better deal. So if one store charges a price for a pair of sports shoes, the consumer could go to the store along the street to compare prices for the exactly the same item, and buy the cheaper of the two. Such consumer price sensitivity is a potential external threat to Nike. The textile industry unpleasantly upsets the atmosphere, and therefore the organization is constantly struggling to retain its eco-friendly reputation. A recession may lead to job shortages in most of Nike's worldwide branches. The organization has



<ul style="list-style-type: none">• Nike has an opportunity to capitalize on its own Nike Technology. This is a sensor placed in Nike footwear that interacts with Apples iPod to record the distance a runner has completed and the calories that have been burned.	experienced many adverse publicity feedbacks due to its widespread advertising.
--	---

Source: The table was based on the following sources; <http://www.mba-tutorials.com/marketing/swot-analysis-marketing/240-nike-swot-analysis.html>, 2016 and <http://www.marketingteacher.com/nike-swot/>, 2016.

SWOT Analysis is more than an exercise in making four lists. The really valuable part of SWOT Analysis is determining what story the four lists tell about the organizations's situation and thinking about what actions are needed. In summary the basic assumption of a SWOT Analysis is that an organization must align internal activities with external realities to be successful. The SWOT Analysis provides a framework for analysing strengths and weaknesses -internal- and opportunities and threats -external-. It helps to focus on minimising weaknesses and taking the greatest possible advantage of opportunities available. As a result, considering external and internal factors is essential because they clarify the world in which the business or the unit operates, enabling it to get a better envision for the desired future (Pahl and Richter, 2009: 4-5).

4. HISTORICAL DEVELOPMENT OF SWOT ANALYSIS

The historical background of SWOT Analysis is as old as the concept of strategic planning. For this reason, it has been identified with strategic planning and accepted as the primary element of the strategic planning process. SWOT Analysis emerged in the literature in the 1960's. This starting point is in parallel with the concept of strategy being used in the field of business management.

Academic studies on SWOT Analysis show that the origin of the SWOT is uncertain. Literature review on the historical development of the Analysis reveals that while some scholars credit to Harvard Business School, other scholars attribute the emergence of SWOT to Stanford University.

According to a paper by Albert S. Humphrey who worked for Stanford Research Institute (SRI), a research project was conducted by a research team in SRI from 1960-1970. SWOT analysis came from the research which was funded by the Fortune 500 companies to find out what had gone wrong with corporate planning and to create a new system for managing change. The project was led by Robert Stewart, the research team also included Marion Doshier, Dr. Otis Benepe, Birger Lie, and Albert Humphrey (Humphrey, 2005: 7). Literature review shows that there aren't any academic references to support the Albert Humphrey's claim. Therefore, The SWOT's emerging is usually associated with the works of Philip Selznick, Alfred DuPont Chandler, Kenneth Andrews, Harry Igor Ansoff and classroom discussions on business policy at Harvard Business School in the 1960's. Heinz Weihrich, Richard Dealtry, Thomas L. Wheelen and J. David Hunger contributed to SWOT's development.

SWOT analysis is the main instrument of "Design School Model" which was proposed by Henry Mintzberg. Mintzberg, classified strategic management into schools of thought; Prescriptive Schools-design school, planning school, positioning school-, Descriptive Schools -entrepreneurial school, cognitive school, learning school, political school, cultural school and environmental school-. Each school has its distinctive strategy formation process, only the prescriptive schools have developed their own specific sets of strategic management instruments. The design school model places primary emphasis on the appraisals of the external and internal situations, the former uncovering threats and opportunities in the environment, the latter revealing strengths and weaknesses of the organization (Kraus and Kauranen, 2009: 40; Sarbah and Otu-Nyarko, 2014: 232-235).

Some of the basic concepts that underlie the design school have been first stated in the academic world by a Berkeley sociologist named Philip Selznick, in his book Leadership in Administration, published in 1957 (Mintzberg, 1990: 171-173). Selznick, discussed the need to bring together the organizations's internal state with its external expectations. He examined the relationship between what he called institutional leadership and distinctive competence. Selznick suggests institutional leaders focus their attention on safeguarding a firm's distinctive values and identity from internal and external threats. This organizational vision, in combination with organizational structure, helps define a firm's distinctive competencies (Selznick, 1957).

Alfred Chandler, established the design school's notion of business strategy and its relationship to structure. He offered that a long-term coordinated strategy is necessary to give a company structure and direction. Chandler, in his ground breaking work Strategy and Structure in 1962, analysed four multinational companies' growth processes and their injection into their managerial structure. He argued



that environmental variables such as aggregate demand, supply resources, economic fluctuations, technological developments and competitors' behaviour will affect an organisation's strategy that includes determination of objectives, environmental domain, market and allocation of resources and vice versa. An organization should be aware of developmental opportunities as a consequence of environmental changes and be capable of responding them creatively (Sevklı et al., 2012: 15).

From the mid 60's, the design school was highly influential in the Harvard Business School. Classroom discussions in the Harvard business policy course focused on matching a company's strengths and weaknesses with the opportunities and threats it faced in the marketplace. This framework was a major step forward in bringing explicitly competitive thinking to bear on questions of strategy. Kenneth Andrews of Harvard Business School put these elements together in a way that became particularly well known with the acronym SWOT (Ghemawat, 2002: 43). Andrews and a group of his friends C. R. Christensen, E. P. Learned and W. D. Guth at Harvard, conducted studies on the concept of strategy. Their collaborative textbook, *Business Policy: Text and Cases* in 1965, became the dominant textbook as well as the dominant voice for design school. According to Andrews (1971) strategy development includes defining the opportunities and threats in the environment of the organization, and identifying the possible risks for strategic alternatives. The organization must know its strengths and weaknesses before making a choice among the alternatives. The organization potential should be harmonized with the opportunities defined objectively. The most suitable strategy is the one that enables the best harmony between the environmental opportunities and the sources of the organization.

Harry Ansoff, in his classic book *Corporate Strategy* in 1965, took the basic SWOT model and divided it into neatly delineated steps, including a checklist and techniques linking the setting of goals to the budgeting and operating plans of all levels within the organization (Kew and Stredwick, 2010: 4). He developed Ansoff Matrix, in another words the Product-Market Matrix that compare strategies for market penetration, product development, market development and diversification. Each of the four possible options defines a core strategic response to a different set of internal and external conditions. Ansoff argued that management could use the matrix to systematically prepare for the future (Otungu et al., 2011: 233; Lowy and Hood, 2004: 135-136).

In the 1980's the SWOT analysis was used in the Small and Medium Enterprises development and the creation of business and marketing plans. Heinz Weihrich (1982) introduced TOWS Matrix for matching the environmental threats and opportunities with the organization's weaknesses and especially its strengths. He matched the SWOT variables in a systematic fashion. In the 1990's the SWOT method was also used in regional development, project formulation and the social marketing of Non Governmental Organizations. Richard Dealtry (1992), developed 'Dynamic SWOT Analysis' namely DSA. He designed SWOT as a dynamic project management process involving managers in the preparation and implementation of value driven strategies using learning organization principles, ideas and cycles. It starts with raw shock analysis and moves onwards through group and individual activities such as reading the dashboard of development, determining the metrics of pulse and threshold issues, decision analysis and prioritising SWOT attributes as a basis for taking executive action and tactical project management. Thomas L. Wheelen and J. David Hunger (1998) developed SFAS Matrix -Strategic Factors Analysis Summary- plus EFAS -External Factor Analysis Summary- Table and IFAS -Internal Factor Analysis Summary- Table to deal with the criticism of SWOT. SFAS Matrix, summarizes strategic factors by combining the external factors from the EFAS Table with the internal factors from the IFAS Table. Possible alternative strategies can then be generated by referring to EFAS and IFAS tables in generating SWOT Matrix.

After the 1990's, the criticisms directed to the concept of strategic planning were also directed to SWOT Analysis. These criticisms contributed to the development of SWOT Analysis. A number of scholars have proposed variants of SWOT to enrich the planning process. One such variant is WOTSUP, where UP means 'Underlying Planning' and the other variant is SOFT, where weaknesses have been re-identified as 'Faults'. Many scholars suggest the need to use additional analysis instead of SWOT or using it in combination with other techniques. Complimentary analysis techniques to formulate SWOT based strategies can be regarded as Kaplan and Norton's Balanced Score Card, Quality Function Deployment -QFD- methodology with Balanced Score Card, Cross Impact Analysis, Porter's Five Forces Model, Porter's Generic Strategies, scenario analysis, Mc Kinsey's 7S Framework, AHP, ANP, Fuzzy AHP-FAHP-, Fuzzy ANP, Axiomatic Fuzzy Set -AFS- Theory with Evidential Reasoning -ER-, Multiple Criteria Group Decision Making -MCGDM- method with nonhomogeneous preference information, SWOT with SMART -simple multi-attribute rating technique- method, SWOT with SMAA-O -the stochastic multicriteria acceptability



analysis with ordinal criteria- method, SWOT with MADM -multi-attribute decision making- technique based on the concept of grand strategy matrix, PEAK -power, earning, artistry or activity and knowledge- with SETS -solidity, extent, type and segment or specialization-, Radar Qualitative Screen, Radar Quantitative Screen, TRIZ -Theory of Inventive Problem Solving-, Delphi Panel with descriptive statistical analysis, SWOT and CSM -contrast mining application-. Alternatives to a conventional SWOT Analysis include VRIO -valuable, rare, imperfectly imitable, organizational oriented- Framework, Goals Grid, Telescopic Observations Strategic Framework, SCORE -strengths, challenges, options and opportunities, responses, effectiveness- Analysis, SORF -strengths, opportunities, realities, facts- Analysis.

5. ADVANTAGES OF SWOT ANALYSIS

How to make plans or decisions is a concept that is critical to managers and employees of any organizations. SWOT Analysis is a very popular method used by organizations for strategic management and marketing. It is a tried-and-true tool of strategic analysis. It is possible to mention many characteristics that affect the preferability and usability of SWOT Analysis. These characteristics that can also be evaluated as advantages can be listed as follows:

- SWOT Analysis is an analysis technique that has a general perspective and presents general solutions. Details and specific issues are not the focus of SWOT Analysis, but the other analyses that would follow. In this sense, SWOT Analysis is a road map that guides one from the general to the specific.
- SWOT Analysis is an interactional analysis technique that makes macro evaluations possible. As an analysis tool, SWOT provides the opportunity to focus on positive and negative aspects of internal and external environment of the organization, in another words the elements in this environment that add plus and minus value, all together in a related perspective. In this regard, it is also possible to describe SWOT Analysis as 'Two-by-Two Matrix'.
- SWOT Analysis can help organizational managements to uncover opportunities to take advantage. By understanding weaknesses, threats can be managed and eliminated. To examine an organization and its competitors through SWOT Analysis, strategies that help distinguish a company from competitors can be formulated.

Table 6: Two-by-Two Matrix: SWOT Analysis

	Strengths	Weaknesses
Opportunities	Achieve opportunities that greatly match the organization's strengths.	Overcome weaknesses to attain opportunities.
Threats	Use strengths to reduce the organization's vulnerability to threats.	Prevent weaknesses to avoid making the organization more susceptible to threats.

Source: Chermack and Kasshanna, 2007: 387.

- SWOT Analysis forms a thinking model for organizational managements as an approach and analysis technique. This model gives one the opportunity to limit the agenda in the steps of information gathering and interpretation, and shows the points that the decisions are based on. In other words, SWOT Analysis prepares the substructure for strategic decisions.
- SWOT Analysis fits other theories and strategic decision tools. For example, SWOT encompasses a number of different forms of analysis, such as Porter's Five Forces Model, Delphi Panel, Norton Balanced Score Card etc.
- SWOT Analysis promotes group discussion about strategic issues and strategy development. By using creative participatory techniques such as brain storming, group meetings, it enables the pool knowledge.
- SWOT Analysis helps organizational managements to start a discussion for the future and goals of the organization by moving beyond daily problems and the current situation.
- SWOT Analysis can be applied at different analytical levels -individual level, organizational level, national level, international level-. It can be used by educational institutes, non-profit organizations, countries, governments, projects on multiculturalism etc.



6. DISADVANTAGES AND LIMITATIONS OF SWOT ANALYSIS

SWOT Analysis is one of the most widely used technique of the strategic management process. The criticism is directed to SWOT Analysis in spite of its wide use as an analysis tool. In this regard, the criticisms include that it is not effective enough as a part of organizational strategy, it cannot go beyond making a definition regarding the current situation, and for this reason, it should not be accepted as an analysis technique. According to Hill and Westbrook (1997) SWOT Analysis is a technique started to be used in 1960's and expired long ago.

The disadvantages of SWOT Analysis can be listed as follows: (Wheelen and Hunger, 2002: 109; Koch, 2000; Smith, 2006; Cojanu and Bilbor, 2007: 164; Sarbah and Otu-Nyarko, 2014: 236-237; Kew and Stredwick, 2010; Sevkli et al, 2012: 15; Brad and Brad, 2015)

- Weihrich (1982) suggests renaming SWOT as TOWS. According to him, the only logical starting point for analysis is with opportunities and threats. They are outside the organization, largely beyond its control, and must be managed using the organization's strengths and weaknesses. Systematic and comprehensive assessment of external and internal factors determine current competitive position and growth potential of an organization.

- Listing strengths on paper is prone to bias and is very different from testing the organization and experiencing the strengths at work.

- SWOT Analysis has a general perspective as an approach and present general solutions. SWOT Analysis was developed in the periods when the environmental conditions were still. For this reason, it is not a valid technique in today's world based on change and competition. Dynamic and structural changes at the level of system, sub-system, and supersystem affect the validity of entries in a SWOT Matrix.

- There are various studies showing that SWOT Analysis is poorly formulated. It requires experience and training for a systematic construction and use. According to Mintzberg (1990) one gets the image of executives sitting around a table discussing the strengths, weaknesses, and distinctive competences of an organization, much as do students in a case study class.

- SWOT Analysis is an analysis technique that has a problem in terms of quality and quantity. In applying SWOT Analysis, many factors can be identified. However, quantity does not mean quality. It is not possible to determine the priorities of the factors identified in SWOT Analysis, focus on them in detail, solve the developments and conflicts in different dimensions, and include views and suggestions based on different data and analyses.

However, in literature, a number of studies present conventional multi-criteria decision making methods AHP -Analytic Hierarchy Process, and ANP -Analytic Network Process- fuzzy AHP, fuzzy ANP, SWOT - Radar Quantitative Screen, TRIZ and Delphi Panel together with descriptive statistical analysis based on the results of SWOT Analysis, Axiomatic Fuzzy Set -AFS- Theory with Evidential Reasoning -ER-, Multiple Criteria Group Decision Making -MCGDM- method with nonhomogeneous preference information, SWOT with SMART -simple multi-attribute rating technique- method, SWOT with SMAA.O - the stochastic multicriteria acceptability analysis with ordinal criteria- method, SWOT with MADM -multi-attribute decision making- technique based on the concept of grand strategy matrix, SWOT and CSM - contrast mining application-. These methods suggest a quantitative basis to analytically determine the ranking and weight of the factors, to verify views and suggestions, to eliminate weaknesses in the measurement and evaluation of steps in SWOT analysis.

- SWOT Analysis has high cost, but fewer benefits. The discussion environment that it creates can mean a loss of time for organizational managers and strategy consultants.

- Categorization of variables into one of the four SWOT quadrants is challenging. The same factor can be fitted in two categories. A factor can be a strength and a weakness at the same time. In addition, strengths that are not maintained may become weaknesses. Opportunities not taken, but adopted by competitors, may become threats. The classification of a variable also depends on the purpose of the practice. For example, criteria to assign a variable to one of the four quadrants may be more difficult to clarify if the methodology is not used for a company but for a country.

- SWOT Analysis begins with current strengths, weaknesses, opportunities and threats. However, to generate suitable strategies for a certain period, SWOT needs to revise its inventory to arrive at one that would reflect accurately the anticipated organization strengths, weaknesses, opportunities and threats for that period. Otherwise, generating strategies will be based on the current or past, and not the future.



- SWOT Analysis lacks comparison with competitors. The lack of a quantitative index to provide an operational criterion for benchmarking hinders the competitive analysis, especially in a highly interdependent setting to evaluate the size of competitive gaps, an organization needs to know the relevant performance levels of all its close competitors.

- The information contained in a SWOT Analysis, under the influence of corporate culture, may be unreliable, all bound up with aspirations, biases, and hope of the individuals involved in organization management.

Based on these criticisms, it is possible to conclude that SWOT Analysis is an analysis technique that have some limitations. By listing the organization's attributes, managers have the raw material needed to perform more in-depth strategic analysis. However SWOT cannot show them how to achieve a competitive advantage. They must not make SWOT Analysis an end in itself, temporarily raising awareness about important issues but failing to lead to the kind of action steps necessary to enact strategic change. Here are some of the limitations of SWOT Analysis (Dess et al., 1997: 78; Koch, 2000; King, 2004):

- Strengths may not lead to an advantage. An organization's strengths and capabilities, no matter how unique or impressive, may not enable it to achieve competitive advantage in the marketplace.

- SWOT Analysis focuses on environment which is too narrow. Strategist who rely on traditional definitions of their industry and competitive environment often focus their sights too narrowly on current customers, technologies and competitors.

- SWOT Analysis gives a one-shot view of a moving target. A key weakness of SWOT is that it is primarily a static assessment. It focuses too much of an organization's attention on one moment in time. Essentially, this is like studying a single frame of a picture.

- SWOT Analysis overemphasizes a single dimension of strategy. Sometimes organizations become preoccupied with a single strength or a key feature of the product or service they are offering and ignore other factors needed for competitive success.

- SWOT Analysis is rarely deployed at lower than the organization level. This is a risky situation that each strength and weakness is related to and equally important for all strategic business units and the products organization produces. This can even lead to wrong strategies for the entire organization.

Finally, SWOT Analysis very popular and useful in business management. It has much to offer, but only as a starting point. SWOT Analysis is a situation analysis and it can also be the starting point for a more comprehensive review. It is important because it can inform later steps in planning to achieve the organizational objectives. SWOT Analysis is a summary tool, often featured in business planning that can be applied and used beneficially in any decision-making process or to analyze a situation. Though it can be a valuable planning tool.

7. CONCLUSION

SWOT Analysis which has been used over the last fifty years in the field of strategic management is a valuable technique for planing and decision making. In the strategic management process a number of analysis techniques are used to achieve long-term goals of an organization. Over the years SWOT has been a widely used technique in the analysis of internal and external environments to support strategic decision situations. The technique has been employed myriad of areas demanding strategic analysis for an industry, an organization, a product, a person, a project, a city and so on.

SWOT involves to determine an objective and to identify the internal and external factors which are favourable and unfavourable to achieve that objective. The strategic management process begins with the evaluation of the organization's internal analysis. The internal analysis is used to identify the internal sources and capabilities for competitive advantage. The external analysis is used to identify market opportunities and threats by analyzing general environment, competitive industry environment and rivals. While the internal analysis shows the resources that need to be improved and sustained, the external analysis enables an organization to align its strategies in accordance with business environment.

SWOT compares strenghts, weaknesses, opportunities and threats. Strenghts and weaknesses are reviewed in context of current and future opportunities and threats. The more clear understanding of strenghts and weaknesses, the less likely unfeasible opportunities pursue. Also, feasible opportunities can be used to counter threats, weaknesses can be overcome through strenghts and strenghts can be used to respond threats.

SWOT Analysis, reveals an organization's current situation and makes it possible to develop future action plans for the organization. If the technique is used properly, it can provide a good basis for strategy formulation. Despite it being a simple managerial tool and having many advantages in the planning process,



disadvantages and limitations are also available. SWOT Analysis presents a mere list of factors as to micro and macro environment of an organization, moreover, it is difficult to use qualitatively listed factors in decision making. The qualitative examination of the internal and external factors can only be a beginning for an in-depth analyze in planning process. The expanding literature reviewing SWOT method shows that referring only SWOT is insufficient in strategic planing. Academic researches on the subject suggest that the effectiveness of SWOT can be improved with using qualitative and quantitative techniques together. A number of scholars have proposed new analytical methods to combine with SWOT and some scholars suggest alternative methodologies to it.

There is a considerable amount of academic study on SWOT, but little attention has been paid to understand the historical emergence, advantages and limitations of the method. This article which also presents current methodological changes to the technique seeks to reveal a clear understanding of SWOT, by examining historical background of SWOT, the components of it, advantages, disadvantages and limitations of the technique.

REFERENCES

- ANDREWS, K. R. (1971). *The Concept of Corporate Strategy*, USA: Irwin/McGraw Hill.
- BARNEY, J. B. & HESTERLY, W. S. (2006). *Strategic Management and Competitive Advantage*, USA: Prentice Hall.
- BRAD, S. & BRAD, E. (2015). "Enhancing SWOT Analysis with TRIZ-Based Tools to Integrate Systematic Innovation in Early Task Design", *World Conference: TRIZ FUTURE*; TF 2011-2014, Romania, Procedia Engineering 131, pp. 616-625.
- CHANDLER, A. (1962). *Strategy and Structure: Chapters in the History of American Industrial Enterprise*, Cambridge: MIT Press.
- CHERMACK, T. J. & KASSHANNA, B. K. (2007). "The use and misuse of SWOT Analysis and implications for HRD professionals", *Human Resource Development*, 10 (4), pp. 383-399.
- COJANU, V. & BILBOR, M. R. (2007). "The SWOT Technique in Action: Strategic Analysis of Development in Romania", *Review of Management and Economical Engineering*, 6 (5), pp. 162-167.
- DAVID, F. R. (2003). *Strategic Management-Concepts and Cases*, (9th Edition), USA: Pearson Education.
- DEALTRY, R. (1992). *Dynamic SWOT Analysis: Developer's Guide*, United Kingdom: Dynamic SWOT Associates.
- DESS, G. G., LUMPKIN, G. T. & EISNER, A. B. (1997). *Strategic Management-Text and Cases*, USA: McGraw-Hill.
- DİNÇER, Ö. (2007). *Stratejik Yönetim ve İşletme Politikası*, (8. Baskı), İstanbul: Alfa Basım Yayım.
- GHEMAWAT, P. (2002). "Competition and Business Strategy in Historical Perspective", *Business History Review*, 76 (01), pp. 37-74.
- HARRISON, J. S. & ST. JOHN, C. H. (2004). *Foundations in Strategic Management*, (3.Baskı), USA: South Western.
- HILL, T. & WESTBROOK, R. (1997). "SWOT Analysis: It's Time for A Product Recall", *Long Range Planning*, 30 (1), pp. 46-52.
- HUMPHREY, S. A. (2005). "SWOT Analysis for Management Consulting", *SRI Alumni Association Newsletter*, December.
- KEW, J. & STREDWICK, J. (2010). *Human Resource Management in a Business Context*, UK: CIPD.
- KING, R. K. (2004). "Enhancing SWOT Analysis Using Triz and the Bipolar Conflict Graph: A Case Study on the Microsoft Corporation", *The TRIZ Journal*, [Available online at: <https://triz-journal.com/enhancing-swot-analysis-using-triz-bipolar-conflict-graph-case-study-microsoft-corporation/>], Retrieved on August 20, 2016.
- KOCH, A. J. (2000). "SWOT Does Not Need to be Recalled: It Needs to be Enhanced", *Swinburne University of Technology School of Business*, 1, pp. 1-14.
- KRAUS, S. & KAURANEN, I. (2009). "Strategic Management and Entrepreneurship: Friends or Foes?", *International Journal of Business Science and Applied Management*, 4 (1), pp. 38-50.
- LOWY, A. & HOOD, P. (2004). *The Power of The 2x2 Matrix: Using 2x2 Thinking to Solve Business Problems and Make Better Decision*, USA: Jossey-Bass.
- MINTZBERG, H. (1990). "The Design School: Reconsidering The Basic Premises of Strategic Management", *Strategic Management Journal*, 11, pp. 171-195.
- OTUNGU, O. A., NYONGESA, J. W., OCHIENG, E. O. & SIMEON, K. (2011). "Strategic Management: The Link Between The Agency Theory and The Company's Competitive Advantage", *International Journal of Business and Social Science*, 2 (23), Special Issue, pp. 232-237.
- PAHL, N. & RICHTER, A. (2009). *SWOT Analysis-Idea, Methodology and A Practical Approach*, Germany: Grin Verlag.
- PEARCE, J. A. & ROBINSON, R. B. (1991). *Strategic Management*, (4th Edition), USA: Irwin, Inc.
- POWER, D. J., GANNON, M. J., MCGINNIS, M. A. & SCHWEIGER, D. M. (1986). *Strategic Management Skills*, Massachusetts: Addison Wesley Publication.
- SARBAH, A. & OTU-NYARKO, D. (2014). "An Overview of the Design School of Strategic Management (Strategy Formulation as a Process of Conception)", *Open Journal of Business and Management*, 2, pp. 231-249.
- SELZNICK, P. (1957). *Leadership in Administration: A Sociological Interpretation*, New York: Harper & Row Publishers.
- SEVKLI, M., ÖZTEKİN, A., UYSAL, O., TORLAK, G., TURKYILMAZ, A. & DELEN, D. (2012). "Development of a Fuzzy ANP Based SWOT Analysis for the Airline Industry in Turkey", *Expert Systems with Applications*, 39, pp. 14-24.
- SMITH, H. (2006). "Beyond SWOT and Towards Change", [Available online at: <http://www.bptrends.com/publicationfiles/07-06-COL-P-TRIZ-6-SMITH.pdf>], Retrieved on August 01, 2016.
- THOMPSON, A. A. & STRICKLAND, A. J. (1989). *Strategy Formulation and Implementation*, (4th Edition), USA: Irwin, Inc.
- THOMPSON, A. A. & STRICKLAND, A. J. (2001). *Strategic Management-Concepts and Cases*, (12th Edition), USA: McGraw-Hill.
- THOMPSON, A. A., STRICKLAND, A. J. & GAMBLE, J. E. (2007). *Crafting and Executing Strategy-Concepts and Cases*, (15th Edition), USA: McGraw-Hill/Irwin.
- ÜLGEN, H. & MİRZE, S. K. (2010). *İşletmelerde Stratejik Yönetim*, (5. Baskı), İstanbul: Beta Basım Yayım.
- WEIHRICH, H. (1982). "The TOWS Matrix- A Tool for Situational Analysis", *Long Range Planning*, 15 (2), pp. 54-66.
- WHEELLEN, T. L. & HUNGER, D. J. (1998). *Strategic Management and Business Policy*, New York: Addison-Wesley Educational Publishers Inc.
- WHEELLEN, T. L. & HUNGER, D. J. (2002). *Strategic Management and Business Policy*, (8th Edition), USA: Prentice Hall.
- WRIGHT, P., PRINGLE, C. D. & KROLL, M. J. (1992). *Strategic Management-Text and Cases*, USA: Allyn and Bacon.
- , (2016). Acronym, Merriam-Webster Collegiate Dictionary. [Available online at: <http://www.merriam-webster.com/dictionary/acronym>], Retrieved on August 11, 2016.
- , (2016). Nike SWOT Analysis, [Available online at: <http://www.mba-tutorials.com/marketing/swot-analysis-marketing/240-nike-swot-analysis.html>], Retrieved on August 12, 2016.
- , (2016). SWOT Analysis, Nike Inc., [Available online at: <http://www.marketingteacher.com/nike-swot/>], Retrieved on August 12, 2016.