RESEARCH ARTICLE

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SWOT Analysis: A Powerful Tool of Strategic Competitive Management Effectiveness

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Abstract

'Britain is one of the world's most open economies. Most dependent on trade than any other major country. Our success depends on our competitiveness and our competitiveness depends on raising our productivity, as our competitors are raising theirs.'

-Philip Hammond (British Conservative Party Politician)

Globalization has sharpened the level of competition, i.e., domestic and international both. In this cut-throat competitive era, a company must have to acquire the ability to provide products and services as or more effectively and efficiently than their relevant competitors. The main challenge is how to take advantage of new resources and markets while dealing with intense and growing global competition. The need of the hour is to design and implement supportive policies and strategies to compete with the competitors.

In this context, SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis has been a useful tool to face the competition and to achieve future growth. It identifies the strengths and weaknesses of the organization along with the opportunities and threats present in the market in which it operates in SWOT analysis requires an internal survey for strengths and weaknesses and external survey for opportunities and threats. This analysis can be used as a strategic planning approach to face the competition and as well as to enhance the managerial effectiveness of the organization.

This article proposes the application of the SWOT tool for making strategies to enhance competitive organizational potential. The researcher has attempted to get insight into the wide range of potential applications of SWOT analysis. A brief discussion has been made about the limitations of SWOT analysis.

'The essential element of a successful strategy is that it derives its success from the differences between competitors with a consequent difference in their behavior.'

-Bruce Henderson

Keywords: Competitiveness, Cut-throat competition, Globalisation, Strategic Planning, SWOT analysis.

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Introduction

"The Four Keys of Great Managers: (1) When selecting someone, they select for talent... not simply experience, intelligence, or determination. (2) When setting expectations, they define the right outcomes, not the right steps. (3) When motivating someone, they focus on strengths, not on weaknesses, and (4) When developing someone, they help him find the right fit, not simply the next rung on the ladder."

-Marcus Buckingham

Effective management is important to all the organizations because it involves planning and goal setting, along with the motivation of workers to execute these plans. Effective management creates a direction for the organization and communicates its blueprint internally and its vision externally. In this cut-throat competitive era the concept of *'managerial effectiveness'* is gaining momentum because of excessive pressure on organizations to maintain its ability to survive and to earn profit constantly. The level of managerial effectiveness should be reflected in each and every decision making process.

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Here the word effectiveness means producing desired results. It is different from efficiency. Efficiency is doing things right; effectiveness is doing the right things (Peter F. Drucker). As long as a manager makes effective planning and execution, the business will be financially a viable unit. Since it involves making the right decisions at the right time, a business manger needs to do so. Drucker suggested that there is only one secret of effectiveness; it is concentration. Managerial effectiveness reflects doing things first and to do one thing at a time.

To combat with the organizational requirements, a manager has to perform several roles; i*nformational roles* (monitor, disseminator, and spokesperson), *interpersonal roles* (figurehead, leader, and liaison), and *action roles* (decision-maker, resource allocator, entrepreneur, disturbance handler, innovator, and negotiator) *(Mintzberg, 1973)*. A manager has to think strategically, considering the compatibility of a firm's internal environment with the changes in the external environment. The economic and technical components of the external environment are considered as major factors leading to the new opportunities for the organization as well as threats to its survival *(Armstrong, Brown and Reilly, 2011)*. The need of hour for the managers is to create a vision, deciding on the strategy to set objectives and goals to achieve that vision, putting the strategy into operational action so as to make the optimal use of the scarce organizational resources and thereafter comparing those actions against standards to make corrective adjustments to keep the value creating functions in line with the decided strategic goal and thereby achieving it.

Managerial Effectiveness in Global Context

All the best talent management tools, templates, assessment models, and career plans in the world are only as effective as the people executing them."

- Church and Waclawski

Due to the increasing culture of multinational corporations, managerial effectiveness becomes a prolonged twin concept: domestic and global both. Therefore the managers have to focus on the overall effectiveness in short term areas, i.e., sales, profit, etc., as well as the sustainability, environmental concern, corporate culture, talent management, leadership, innovation, strategy, performance management and communication. Three factors considerably influence over effectiveness in his regard: strong organizational system, manager-subordinate relationship, the manager himself. Several studies have been made in regard of predictors of global managerial effectiveness and their roles. Even having several perceptions, it can be said that effectiveness means survival and competitive edge in this cut-throat competitive era. It is through its managerial systems that an organization creates outputs. Getting these systems right is crucial to ensure that the organization is working consistently and that everyone is pulling together to accomplish the strategic goals of the organization.

SWOT Analysis: Historical Background

The term SWOT analysis was a result of research conducted at Stanford Research Institute by the research team, including *Marion Dosher, Dr. Otis Benepe, Robert Stewart, Birger Lie, and Albert Hum**p**hrey* in *1960s* using data from many top companies to identify why corporate planning failed. The research results were initially termed as *SOFT Analysis* **(***Satisfactory, Opportunity, Fault, and Threat)*. The research resulted in identifying *Seven Key Findings-Values, Appraise, Motivation, Search, Select, Program, and Act.*

It is widely said that when this presentation was given by *Urick and Orr* in *1964* at the *Seminar* in *Long-range Planning* at the Dolder Grand (Zurich, Switzerland), they modified the term 'F' to 'W' and named it as SWOT Analysis *(Strengths, Weaknesses, Opportunities, and Threats)*. They included *six perceptions* of the SOFT analysis- *product, process, customer, distribution, finance and administration.* These perceptions are very crucial even today in business, and should be the starting point when looking at either a new product or to see how to improve the net profit for a company or organization.

Thus the SOFT analysis is considered the precursor of SWOT analysis and is one of the first frameworks for the formulation of strategic planning.

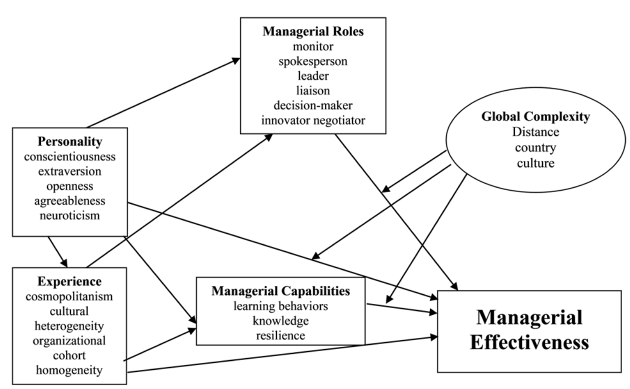

Figure 1: A Conceptual Model of Predictors of Managerial Effectiveness in a Global Context

Case Study 1: Predictors of Managerial Effectiveness (Global Approach)

Personality stands for an individual's enduring traits that might help explain the kinds of experiences to which he or she is drawn and the kinds of capabilities and role behavior he or she is most likely to have acquired.

Experience refers to those experiences and demographic variables that individuals bring with them to the job. Experience may be critical in understanding why one manager is comfortable with the unfamiliar factors inherent in global work, but another manager is not. Experience may also influence the skills and capacities a manager has acquired over time.

Managerial capabilities include three major categories of skills: learning behaviors, resilience, and business knowledge. Learning behaviors include the motivation and skill to work and learn across cultural differences, the willingness to take the perspective of others, and the capacity to learn from workplace experiences. These variables have held a tacitly strong position in the management-development literature and some of the global-management literature. Resilience refers to the ability to manage time and stress, factors that might be more salient when the management task is global in scope. The third skill group, business knowledge, represents knowledge of the business and business practices.

Managerial role stands for the managers' inter-personal, action taking and decision-making behavior employed to carry out the basic functions of their work. The present scenario suggests that although all of these roles (managing relationships, managing information, and managing actions) are important, the need of the hour for a manager is to enact a particular role in shifting it as a function of context. Managerial work in an international business represents a particular type of context.

Global complexity represents the context of interest. It has been operationalized as the additive function of having to manage across distance, country, and culture. Greater the time and geographical distances and the more countries that fall under a manager's scope of responsibility, the greater the global complexity of the work. Thus, temporal, geographical, and cultural complexity separate low global complexity (domestic work) from high global complexity (global work).

Source: 'Managerial Effectiveness In A Global Context', Report of Center for Creative Leadership, Greensboro, North Carolina, Pg. No.- 10-11

SWOT Analysis: Introduction

'The essence of the strategy lies in creating tomorrow's competitive advantage faster than competitors mimic the ones you possess today.'

- Gary Hamel and C.K. Prahalad

SWOT is an acronym technically used for analyzing internal factors, *strengths, and weaknesses* and external factors *(opportunities and threats)* of an undertaking. It is commonly presented and developed into a *2x2 matrix,* which is shown and explained with the SWOT analysis matrix section. It is an important tool for understanding and decision-making for all sorts of situations in business and organization. Besides this, it is a popular method to gather, structure, present and review planned data within a large organizational unit or for the project planning process.

Here strengths represent those competencies that offer organization competitive advantages compared with some similar organizations, and weaknesses represent those characteristics that generate competitive disadvantages. In the same way, opportunities represent a combination of those external elements which are significantly advantageous for the organization, and threats represent a combination

Table 1: SOFT analysis and modifications

SOFT Analysis	*Modifications (SWOT Analysis)*
• *S* stands for *Satisfactory*- what is good in the current situation of the organization. • *O* stands for *Opportunity*- what could turn to be good in the future. • *F* stands for *Fault*- all negative elements of the present situation. • *T* stands for *Threat*- what could turn to be negative for the organization.	• *Product:* what is the company selling? • *Process:* how is the company selling it? • *Customer:* to whom is the company selling its products? • *Distribution:* how does the company reach its customers? • *Finance:* what are the prices, costs and investments? • *Administration:* how does the company manage all its operations?

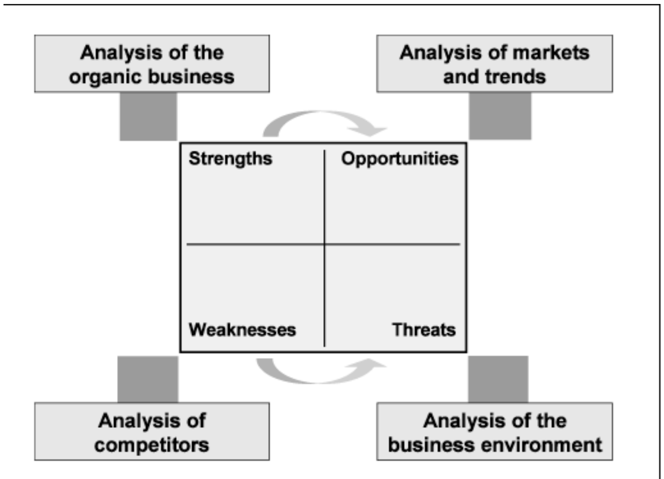

Figure 2: SWOT Analysis 2x2 Matrix

of those external elements, which provoke some significant damage to an organization, in conditions of keeping the course of its action, a course that exists when these elements appear.

SWOT analysis is a perspective to measure a thing, be it a business unit, a proposition, a product, a brand, a method, an option, an idea, or a person, etc. It is a multi-application tool used to access:

- a company-market its market position, viability, etc.
- a method of sales distribution
- a product or brand
- a business idea
- a strategic option, brainstorming, and decision making
- an opportunity to make an acquisition/merger or amalgamation

Table 2: Subject matter of SWOT Analysis

S stands for Strengths	*W stands for Weaknesses*
• Advantages of a proposition?	• Disadvantages of Proposition?
• Usual Selling Proposition (USP)?	• Management Cover & Succession?
• Market Position and Capabilities?	• Own known Vulnerabilities?
• Management Cover and Succession?	• Gaps in Capabilities?
• Philosophy and Organisational Culture?	• Poorly done activities?
• Experience; Knowledge and Data?	• Activities to be avoided?
• Favorable Work Environment?	• Areas require improvement?
• Resources; Human and Non-human?	• Lack of Competitive Strength?
• Competitive Advantages?	• Reputation, Presence, and Reach?
• Financial Reserves, i.e., returns?	• Financial and Technical Resources?
• Marketing - Reach, Distribution, Awareness?	• Timescales, Deadlines, and Pressures?
• Innovative Aspects?	• Cashflow, Start-up Cash-drain?
• Geographical Situation and Location?	• Continuity, Supply Chain Robustness?
• Product; Price, Value, and Quality?	• Effects on Core activities, Distraction?
• Accreditation, Qualification, Certification?	• Reliability of Data, Plan predictability?
• Process, System, IT, Communication?	• Morale, Commitment, Leadership?
	• Accreditations, etc.?
	• Processes and Systems, etc.?

O stands for Opportunities	*T stands for Threats*
• Use of Advanced Technologies?	• Current Obstacles to Success?
• The loyalty of Customers?	• Overseas Competition?
• Market Developments?	• Market Position?
• Competitors' Vulnerabilities?	• Responsiveness towards Competition?
• Industry or Lifestyle Trends?	• Political Effects?
• Influences; Seasonal, Weather, Fashion?	• Legislative Effects?
• Technology Development and Innovation?	• Environmental Effects?
• New markets; Vertical, or Horizontal?	• IT Developments?
• Niche Target Markets?	• Competitor intentions - various?
• Geographical Issues, Export, or Import?	• Market demand?
• Market need for New USP's?	• New technologies, services, ideas?
• Market response to tactics, i.e., surprise?	• Vital contracts and partners?
• Major Contractual Ability?	• Insurmountable Weaknesses?
• Business and Product Development?	• Employment Trends?
• Information and Research?	• Financial and Credit Pressures?
• Partnerships, Alliances, Distribution?	• Economy - Home and Abroad?
• Market Volume Demand Trends?	• Influences; Seasonal, Weather, Fashion?

- a potential partnership
- outsourcing a service, activity, or resource
- project planning and project management
- an investment opportunity

SWOT Analysis: Application as a tool of Competitive Strategic Planning

An organization must have resources and capabilities that allow it to outperform at a higher level than its competitors in the same industry or market. Without this superiority, the competitors simply could replicate what the organization was doing, and any advantage quickly would disappear. The success of an organization depends on its resources (patents and trademarks, proprietary know-how, installed customer base, and brand equity) and its capability to utilize its resources effectively. These resources and capabilities create competitive advantage- cost advantage (through cost) or differentiation advantage (through quality, time, and flexibility). The cost advantage is the ability to deliver the same benefit as competitors but at a lower cost. In contrast, the differentiation advantage is the positional advantage of the organization in the concerned industry.

An organization has to build a competitive advantage by exhausting its strengths but through external environment analysis. The fact is whether an organization is strong or weak is a relative measure with comparison to its external environment. It is proved that the organization can achieve a competitive advantage by relying on its strengths and interacting with the strategic choice to make use of opportunities and avoid threats or override weakness or both. Therefore the success of an organization is dependent on its capability to *maintain, build, and leverage* its *strengths*, *prioritize, and optimize opportunities*, find *remedy and solution* of its *weaknesses*, and ways to *counter threats*.

Every organization presents a specific combination of S, W, O, and T. The condition of revaluing S and O and avoiding W and T in the strategic process is to identify them correctly. If internal and external factors are divided into two distinct groups, then these can be combined in four ways (S-O, W-O, S-T, and W-T). It will suggest four categories of strategies:

- *S-O Strategies*– pursue the organization's strengths to create and grasp the competitive advantage of the opportunities of the environment.
- *W-O Strategies*– use opportunities to improve internal characteristics or to overcome weaknesses. These strategies are those of reorientation and are characterized by redirection of resources to create some new products that are imposed by a favorable conjuncture.
- *S-T Strategies*– identify the ways through which the organization can use its strengths to reduce the vulnerability to real and potential threats. Threats and risks are connected with a single type of activity; their effects are diminished with the help of diversification strategies.
- *W-T Strategies*– helps in minimizing weaknesses and avoiding threats. It is a defensive strategy adopted to prevent the organization's weaknesses from making it highly susceptible to external threats.

For competitive strategy making two models are available: *Quantitative and Qualitative*. The quantitative method uses a system of scores for internal and external factors, their aggregation resulting in a pair of coordinates that will determine the position of an organization in the space of possible strategic combinations – SO, ST, WO, or WT. The position resulted out of this analysis means a net adjoining to one of the strategies mentioned above, which will lead to a generic suggestion of an aggressive or defensive line of behavior, reorientation, or diversification.

The qualitative model consists in realizing some lists of elements with particular characteristics. It follows the following process:

- Enumerate internal factors of an organization-S and W.
- Enumerate the external factors which present O and T for an organization.

Table 3: Strategic Alternatives Matrix

Internal / *External*	*Strengths*	*Weaknesses*
Opportunities	SO (maximum-maximum) Maximize S and O. Strategies that use strengths to maximize opportunities.	WO (minimum-maximum) Minimise W and Maximise O. Strategies that minimize weaknesses by taking advantage of the available opportunities.
Threats	ST (maximum-minimum) Maximize S and Minimise T Strategies that use strengths to minimize threats.	WT (minimum-minimum) Strategies that minimize weaknesses and avoid threats.

- Now combine strengths with opportunities and threats of external factors, and elaborating some S-O and S-T strategies
- and combine weaknesses with opportunities and threats of external factors, and elaborating some W-O and W-T strategies.
- Synthesis of a restricted number of earlier strategies of an aggregate strategy, an operation, which implies the realization of a hierarchy of strategies depending on their importance.

Process of SWOT Analysis

In the business arena, the grouping of internal and external issues is a frequent starting point for strategic planning. It is most important to start the SWOT analysis. If you fail to categorize or identify S, W, O, and T it, then the whole analysis becomes failed. Therefore, the planner or top management has to identify the internal and external factors very carefully to serve the objective of doing analysis. To gain a stronghold in the market, the process of SWOT analysis has to be completed.

Step-1: Identify S, W, O, and T

To identify strengths and weaknesses, managers' have to look in an organization's resources, core competencies, capabilities, functional areas, organizational culture, and value chain activities. In the same way, PESTEL analysis *(Political, Economic, Socio-cultural, Technological, Environment, and Legal)* can be used to identify opportunities and threats. It measures a business's market and potential according to the external macro-environment in which an organization exists. Besides this, Porter's Five Forces Model, analysis of competitors and market changes can also be used to know the competitive position of the organization.

Step-2: Prioritize S, W, O, and T

After identifying S, W, O, and T prioritize strengths and weaknesses based on its *importance, rating, and score,* and opportunities and threats based on its *importance, probability, and score.* As opportunities and threats are the external and uncertain probability of their occurrence should be checked.

Step-3: Know about your competitors

To perform an advanced SWOT analysis, do the same analysis on the organization's competitors. It will make the organization able to grasp the opportunities and to compete in the market with the competitors. Firstly judge your competitors from the customer's point of view, identify their strengths and weaknesses, and finally, determine the opportunities left by competitors and pinpoint the threats posed by them.

Conducting a SWOT analysis can offer the organization the ways to refresh its marketing tactics and product development while ensuring that it must rise above the competitors.

Conclusion and Suggestions

'You cannot look at the competition and say you are going to do it better. You have to look at the competition and say you are going to do it differently.'

- Steve Jobs

'What business strategy is all about?' in a word, it is a competitive advantage. The sole purpose of organizational strategic planning is to gain, as efficiently as possible, an advantageous sustainable edge over their competitors. SWOT analysis provides strategic insight on recommendations and opportunities for businesses to map out a strategic plan. As an actionable management tool, it helps an organization to leverage its unique characteristics. By turning threats into strengths and matching strengths with opportunities, the organization can hold and improve its power in the current marketplace and can maximize the chances of success.

While implementing the SWOT analysis, a few factors must be considered:

- Keep in mind the organization's resources and its capabilities. Do SWOT based on an organization's competitive advantage.
- Monitor key issues (S and W) and scan for the unexpected (O and T). Make the right use of the foresightedness and predictability about opportunities and threats to take advantage.
- Get multiple perspectives of SWOT analysis for the organization. Try to collect input from employees, suppliers, customers and partners.
- The whole process of analysis should be action-oriented.
- The presentation of SWOT should be based on facts, not on opinion.
- The items included must be limited, specific, and clearly defined. Strengths and weaknesses have to be identified relative to the competitors.
- Clarify and maintain a proper balance between exploitation (strategically playing the current hand of cards) and exploration (creating new hands of cards through innovation).
- There is no recognized method to identify strengths and weaknesses.

- Conduct SWOT analysis to a specific issue, such as a goal like to be achieved or a problem to be solved rather than to an entire organization. A separate SWOT analysis may be conducted for separate issues.
- Encourage leadership in all directions, not just top-down. Streamline other managerial personnel also in the process of analysis.
- After the SWOT analysis, prioritize the results by listing them in order of the most significant factors that affect an organization to the least.

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