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Bringing SWOT into focus

George Panagiotou suggests an improvement on a long-standing strategic planning tool.

In a rapidly changing and highly diversified world characterised by strong domestic and global competition, organisations struggle to survive. Political and economic upheavals, expanding industry boundaries, competitive activities, co-operative engagements and varied philosophies impose a multitude of constraints that firms have to cope with.

Continuously transforming technologies, deregulation, ever-increasing consumer demands and expectations cause pressure and place companies under continuous risk and uncertainty when formulating strategies. Complex organisational internal issues, effective application, complementarity and co-ordination of resource requirements, paired with internal politics and the need to accomplish levels of excellence, create tension.

Consequently, organisations do not exist in a vacuum but rather they exist, co-exist, compete and co-operate in a multi-dimensional and interrelated environment characterised by ambiguity and complexity. Understanding this environment is fundamental to formulating strategy, decision making and strategic planning.

As a result, there is a proliferation of strategic planning tools to enable managers to formulate competitive strategies in line with the

requirements of their business environments. These include strengths, weaknesses, opportunities and threats (SWOT) analysis, which may well be used more than any other management technique in the process of decision making.

SWOT analysis is concerned with the analysis of an organisation's internal and external environment with the aim of identifying internal strengths in order to take advantage of its external opportunities and avoid external (and possible internal) threats, while addressing its weaknesses.

SWOT analysis originated from efforts at Harvard Business School to analyse case studies. In the early 1950s, two Harvard business policy professors, George Albert Smith Jr and C Roland Christensen, started to investigate organisational strategies in relation to their environment. In the late 1950s, another HBS business policy professor, Kenneth Andrews, expanded on this thinking by stating that all organisations must have clearly defined objectives and keep up with them.

In the early 1960s, classroom discussions in business schools were focusing on organisational strengths and weaknesses in relation to the opportunities and threats (or risks) in their business environments. In 1963, a business policy conference was held at Harvard, where SWOT

analysis was widely discussed and seen as a major advance in strategic thinking.

Deficiencies of SWOT analysis

Despite its catchy acronym, a long history of service and continuing usage, SWOT remains rooted in vagueness, relies on an over-simplified process and has numerous limitations.

When SWOT analysis was first introduced, the field of business strategy was in its infancy and such a simplistic analysis may have been perceived to be adequate to satisfy business appraisal requirements. But since then strategic planning and strategy formulation have evolved to more sophisticated levels to facilitate complex requirements in decision making. Given the complexity of business environments and the need to satisfy numerous "key factors for success" (KFS), SWOT analysis no longer provides the support needed to achieve a more advanced level of analysis.

There is no doubt that SWOT analysis is a valuable tool in the field of business strategy because it invites decision makers to consider important aspects of their organisation's environment and helps them organise their thoughts. The idea that managers should be thinking about their organisation's SWOT-based variables is very important in the process of decision making.

Table 1

The TELESCOPIC OBSERVATIONS strategic framework

		T	E	L	E	S	C	O	P	I	C		O	B	S	E	R	V	A	T	I	O	N	S	
Internal Environment	Strengths																								
	Weaknesses																								
External Environment	Opportunities																								
	Threats																								

However, the open nature and unstructured method of SWOT offers little help to users. Planners are left without indication as to where to search for such variables, or what to do after finding them in terms of how best to incorporate them in strategy formulation.

Consequently, a number of academics have tried to devise various modified frameworks to focus SWOT in order to improve its outcome and enhance the planning process. For example, there are a number of alternative models in place – such as WOTSUP where UP stands for “underlying planning” and SOFT where F stands for “fault” – that are an effort to identify more significant information and achieve a more meaningful appraisal of an organisation’s strategic issues.

Others have incorporated current available models such as Kaplan and Norton’s Balanced Score Card with SWOT, or Cross Impact Analysis with SWOT in order to identify and incorporate relevant KFS in their assessment of organisational strengths and weaknesses.

Some have introduced completely new frameworks, such as the “value, rareness, imitability and organisation” (VRIO) model, in order to identify relative organisational competitive advantages and barriers to imitation. Equally, the TOWS matrix seeks to formulate strategies by combining

internal strengths and weaknesses to external opportunities and threats.

More recently another model has been developed with four steps (surveying, categorising, investigating and evaluating) to identify organisational strengths and weaknesses in relation to its business environment, and assess relevant resources and capabilities with the aim of identifying competitive advantages.

All of these models are relatively limited in their application and eclectic in nature and thus address some areas with strategic importance to the organisation while, others equally important, are missed or overlooked.

The “TELESCOPIC OBSERVATIONS” strategic framework

What is needed is a new framework that is more focused and inclusive in its structure to enable users to make better sense of their business environments, and more systematic in its methodology, to enable such relevant information to be obtained and meaningfully used for strategy formulation.

The TELESCOPIC OBSERVATIONS (TO) framework was developed in mid-1999 to provide a more structured framework. Since then it has been tested out in different organisational settings. As its name suggests, the framework scans and observes distance objects, focuses and zooms in them, and brings them

closer to the user for a more effective analysis and evaluation.

The TO strategic framework invites decision makers to be more systematic and coherent in their organisational environmental appraisal, in relation to current available methods, by being more inclusive and directing focus on the important areas that need to be addressed.

The framework consists of two matrices and works like a funnel, where information is gathered and filtered out by the user according to needs and requirements. Framework 1 is the entire TO as shown in Table 1. (Tables 2, 3 and illustrate specific areas.) The framework could also be thought of, as a “grand strategic matrix” where information is aggregating and culminating while providing a structured context for strategy formulation and optimisation.

TO is not intended to replace other environmental analysis techniques but rather to consolidate on them in a systematic method. To that end, such environmental analyses should first be carried out using established methods. TO should be the last in the series of the planning process and should “carry” the information generated by such diverse sources.

When all relevant business environmental variables have been identified through the use of appropriate analytical models, such findings and observations should be entered at the upper segment of the

Table 2

		T Technological Advancements	E Economic considerations	L Legal and regulatory requirements	E Ecological and environmental issues	S Sociological trends	C Competition	O Organisational culture	P Portfolio analysis	I International issues	C Cost efficiencies and cost structures
Internal Environment	Strengths										
	Weaknesses										
External Environment	Opportunities										
	Threats										

TO strategic framework in order to gather all the information in one place. Subsequent entries should then be made on the lower (SWOT) segment of the framework according to the understanding of what is a company strength or weakness or what makes an opportunity or a threat. Careful consideration and reflection should be given to these variables based on their importance.

For example, if, based on the identified factors, organisational responsiveness has created advantages, an entry should be made on the strengths or opportunities. If, in contrast, there are relevant organisational limitations or inadequacies an entry should be

made on the weaknesses or threats.

When all TO strategic framework SWOT-based factors have been entered in the lower segment, they should then be prioritised and ranked according to organisational requirements and as such be transferred to the second framework, the SWOT strategic framework, where ranked SWOT-based variables are used to formulate strategies.

The SWOT strategic framework is a modified version of TOWS analysis, where weaknesses to opportunities strategies and weaknesses to threats strategies have been eliminated. It has been restructured to use organisational strengths to formulate

strategies to overcome weaknesses, take advantage of opportunities and avoid threats.

In other words, the entire TO strategic framework process begins by being broad in scope, becomes more specific and ends up by being precise in a consistent manner.

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Table 3

		O Organisational core competencies and capabilities	E Buyers	S Suppliers	E Electronic commerce	R Resource audit	V Value chain	A Alliances (including partnerships, networks & joint ventures)	T Total Quality Management	I Industry Key Factors for Success	O Organisational structure	N New entrants	S Substitute products and services	
Internal Environment	Strengths													
	Weaknesses													
External Environment	Opportunities													
	Threats													

Table 4

	Weaknesses (W)	Opportunities (O)	Threats (T)
	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
Strengths (S)	Strengths to Weaknesses Strategies (S/W)	Strengths to Opportunities Strategies (S/O)	Strengths to Threats Strategies (S/T)
1. 2. 3. 4. 5.			

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