Dual-perspective SWOT: a synthesis of marketing intelligence and planning

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Abstract *This paper proposes a cognitive approach of integrating marketing and intelligence views into a new "dual-perspective" SWOT framework. The new dimensions of SWOT are proposed to address the logical inconsistencies faced by marketing managers synthesizing SWOT components. By representing SWOT as the focus of practitioners' cognition, researchers and consultants can capture the variability in managerial core logic employed to integrate a coherent strategic situation from a dual intelligence-and-planning perspective. Directions are outlined for this new avenue of marketing research.*

Chaparral Steel has created a series of innovations in steel processing and generated solid business performance in an extremely challenging industry. The Chaparral approach is illustrated by its development of the world's first horizontal caster for steel. In the 1980s, everyone knew that it was impossible for a mini-mill that produced steel from scrap to make higher-quality steel products like those of the large integrated steel producers. Everyone, that is, except the people at Chaparral. Drawing on ideas from other industries, Chaparral did what others thought was impossible, and was able grow not merely by selling more of the same products, but by branching out into product lines that yielded bigger margins.

Following traditional SWOT analysis might have directed management's attention toward capitalizing on Chaparral's strength – milking ever-greater efficiency out of existing machinery – and missed an opportunity to change the competitive game. Instead of taking a traditional planning approach that would give primary attention to matching internal factors (strengths and weaknesses) to the external environment (opportunities and threats), Chaparral's management made decisions that were driven by the vision of a desirable future for the firm.

Introduction

In her 1999 Presidential Address at the Academy of Management Annual Meeting, Professor Anne Huff highlighted the need for strategic management research to focus increasingly on issues and formats meaningful to

practitioners (Huff, 2000). Porter (1991) suggests that the bridge connecting strategy research and practice is paved with parsimonious but rich frameworks. In his view, appropriate frameworks are more powerful and meaningful in informing practitioners about the dynamics of strategy than are formal models of theoretical research. Frameworks, however, need to be continually improved via formal theoretical models because "models are particularly valuable in ensuring logical consistency and exploring the subtle interactions involving a limited number of variables" (Porter, 1991, p. 98). Barney (1996, p. 22) argues that the SWOT framework (i.e. strengths weaknesses, opportunities, and threats), as the "matching process in choosing strategies", lies at the intersection between research and practice. However, at the marketing level, there is a pervasive consensus that the SWOT framework offers incomplete answers to both researchers and practitioners of marketing strategy unless front end planning (i.e. intelligence for market targeting) and back end planning (i.e. integration across marketing functions) perspectives are synthesized (Lackman *et al.*, 2000).

The purposes of this research are to look beyond the incompleteness of SWOT as a managerial and/or research tool, and to propose the use of SWOT as a research medium to capture and examine how marketing managers resolve inconsistencies in matching SWOT components from both planning view (i.e. back-end perspective) and intelligence view (i.e. front-end perspective). First, we provide a brief history of the SWOT framework. Second, drawing on social psychology research, we propose a model for formal synthesis of SWOT components in terms of marketing planning and intelligence views. Third, based on insights from the strategic management and marketing strategy literatures, we outline the variability in the core logic employed in synthesizing SWOT components. Finally, we provide the implications of the proposed model for marketing strategy research.

Evolution of the SWOT framework

Among the many fads and fashions in strategic management, the SWOT framework has enjoyed consistent popularity among both researchers and practitioners during the last several decades. Originally introduced in 1969 by Harvard researchers (e.g. Learned *et al.*, 1991), the SWOT framework became popular during the 1970s because of its inherent assumption that managers can plan the alignment of a firm's resources with its environment. Subsequently, during the decade of the 1980s, Porter's (1980) introduction of the industrial organization paradigm with his five forces/diamond models gave primacy to a firm's external environment, overshadowing the popularity of SWOT. In the 1990s, Barney resurrected SWOT as the foundation framework linking firm resources to sustained competitive advantage (Barney, 1991). More recently, at the start of the twenty-first century, SWOT is alive and well as the

recommended framework for case analysis in many of the leading strategic management and marketing texts (Hitt *et al.*, 2000; Anderson and Vince, 2002).

However, despite its wide and enduring popularity, SWOT has remained an atheoretical framework, of limited prescriptive power for practice and minor significance for research (Dess, 1999). Both practitioners and researchers have been disappointed because although SWOT generates interesting questions, it provides little guidance to managers. It can be argued that the functional overemphasis on SWOT "as a matching tool" has overshadowed other useful views of the SWOT framework. Therefore, an alternative cognitive approach to SWOT is proposed in this paper, which opens the possibility for using SWOT as a research medium. By using SWOT as a research "probe" to understand how practicing managers vary in their description and evaluation of situations when synthesizing inputs of different nature, new avenues of marketing planning and intelligence research could be opened.

A framework for formal synthesis of SWOT components
Recent empirical work suggests that successful marketing strategies emerge from a comprehensive situation audit (Menon *et al.*, 1999). On the one hand, the audit includes a planning input to a systematic evaluation of both external (opportunities and threats) and internal (firm strengths and weaknesses) environments. On the other hand, the information about competitors and customers (e.g. market intelligence) is collected to assist senior managers in making resource commitments, which are intended to provide options for the firm to exercise in order to maximize the fit between its capabilities and future opportunities (Day and Nedungadi, 1994).

Firms that successfully generate, disseminate and meaningfully respond to market intelligence and planning inputs are likely to enjoy enhanced financial performance (Jaworski and Kohli, 1993). Indeed, a key feature of market-driven firms is a culture that values both continuous and intelligence-based learning about the environment and planning processes of developing a value proposition that matches customer value requirements and differentiates the firm from competitors (Cravens *et al.*, 1997). Such firms, which generate valuable knowledge about both customer preferences and competitor intents by integrating planning and intelligence inputs/views, can optimize the fit between their capabilities and external opportunities and thus achieve superior performance. However, the challenge to management is how to integrate both the intelligence and marketing inputs/views into the traditional SWOT framework.

Traditionally, SWOT has been viewed as a framework built by formally grouping variables considered important to assessing a firm's strategic situation in the competitive marketplace (Porter, 1981). The SWOT summary of the firm's marketing situation encompasses the findings of internal and external strategic analysis that provides the back-end planning perspective of

controllable and uncontrollable variables/events/trends. The front-end intelligence perspective added in this paper is focused on categorization of these variables as desirable or undesirable for the competitive position of the firm (Barney, 1995). The purpose of building an alternative dual-perspective (i.e. planning and intelligence) SWOT framework is to synthesize available information when matching SWOT components. However, a rigorous procedure for formal matching of SWOT components has not yet been devised in strategic marketing/management literature (Barney, 1996). In other words, the focus of the standard SWOT framework on back-end planning has diverted attention from adding new dimensions of front-end intelligence. Because planning requires primarily objective decision making, while intelligence requires primarily subjective judgments, practitioners and researchers need some formal template to handle logical inconsistencies in the process of matching the four SWOT components (Oliver, 2000). For the development of this template, SWOT components need to be appropriately configured.

The standard SWOT framework incorporates four critical components that encompass the firm's traits (strengths and weaknesses) as well as competitive factors that it faces in its environment (opportunities and threats). To reconfigure the traditional SWOT into the dual-perspective form, we need to recognize the difference in the underlying nature of planning and intelligence perspectives. Note (see Figure 1) that the objective nature of the planning perspective calls for the situation analysis in terms of controllable and uncontrollable attributes, whereas the subjective nature of the intelligence perspective calls for the judgment of senior management relative to the vision of the organization's future in comparison to its rivals (Barney, 1996, p. 24) and

Figure 1.
Dual-perspective SWOT framework: a template for formal synthesis

differentiates between the desirable and the undesirable attributes of the firm competitive position. The matching of SWOT components across these two perspectives of different nature, however, entails logical inconsistencies. The logical inconsistencies arise from the fact that each SWOT component can be assessed both in evaluative and descriptive terms. In other words, each SWOT component is described objectively, but can also be evaluated subjectively.

While the descriptive/objective dimensions drive the categorization of SWOT components, the evaluative/subjective dimensions drive their interpretation. Given the indeterminacy of SWOT components, the ability to work with their inconsistent attributes requires a template for formal synthesis. Synthesis involves the systematic reconciliation of logical inconsistencies across SWOT perspectives and components, forming a coherent strategic assessment. Liedtke (2000, p. 22) argues that the "synthesizing process creates value not only in aligning components, but also in creatively re-arranging them". Moreover, the synthesis of SWOT components (e.g. the combination of pairs) must adhere to a "core logic" that brings coherence to the strategic assessment (Lengnick-Hall and Wolfe, 1999). Thus, coherence must be preserved within and between the following three possible combinations of SWOT components:

(1) *Column combinations* (i.e. component pairs combined within the matrix columns:
   - strengths-opportunities (SO); and
   - weaknesses-threats (WT).

(2) *Row combinations* (i.e. component pairs combined within the matrix rows):
   - threats-opportunities (TO); and
   - weaknesses-strengths (WS).

(3) *Diagonal combinations* (i.e. component pairs combined within the matrix diagonals):
   - weaknesses-opportunities (WO); and
   - strengths-threats (ST).

Note in Figure 1 that:
   - column combinations are inconsistent in objective/descriptive terms, but consistent in subjective/evaluative terms;
   - row combinations are consistent in objective/descriptive terms, but inconsistent in subjective/evaluative terms; and
   - diagonal combinations are inconsistent in both objective/descriptive and subjective/evaluative terms.

For example, the combination strengths-opportunities is consistent in evaluative terms (i.e. both are consequentially desirable for the firm), but inconsistent in descriptive terms (i.e. strengths are internal while opportunities are external to the firm).

The core logic of SWOT synthesis

Efforts to combine and blend inconsistent combinations of SWOT components create serious problems for marketing managers who are concerned with achieving "consistency of purpose" (Lengnick-Hall and Wolfe, 1998). Marketing managers must correctly select the core logic in matching the objective and subjective dimensions of SWOT framework. In other words, a formal synthesis of evaluative and descriptive aspects of SWOT is essential for effective strategic marketing. A coherent synthesis of the column, row, and diagonal combinations of the SWOT components, therefore, requires the choice of consistent core logic. However, when choosing specific courses of action, managers rely on their own and shared mental models – belief structures about how the world (market) works. Following Day and Nedungadi (1994), we adopt the definition of a belief structure as "a knowledge framework that selects and actively modifies experience in order to arrive at a coherent, unified, expectation-confirming and knowledge-consistent representation of experience" (Alba and Hasher, 1983, p. 203). In short, the working mental models of a manager will guide synthesis of the SWOT elements in a manner that supports a coherent view of the firm in its market (e.g. in a manner that follows a consistent core logic).

To explore issues of core logic, we draw on an extensive stream of empirical research in social psychology (Asch, 1946; Cohen, 1973; Asch and Zukier, 1984; Hampson, 1997) that examines inconsistency in personality description. The model tested in this research stream investigates how people generally resolve inconsistent dimensions. In essence, the empirical findings suggest that two distinct mental models are used as people explain seemingly inconsistent personality traits (Borkenau and Ostendorf, 1989). Using an approach termed evaluative balance, inconsistencies are reconciled at the level of overall evaluation of the target. We argue that from the marketing manager's perspective, desirable and undesirable categorizations play the evaluative role. Alternatively, the descriptive overlap approach reconciles inconsistencies by their descriptive characteristics. That is, items that portray similar characteristics are grouped together. In terms of personality, thrifty and stingy might be grouped together because they both represent withholding whereas generous and extravagant might be grouped together because they represent giving (Hampson, 1998). In traditional SWOT analysis, situational factors that are characterized as uncontrollable (and usually external to the firm) are labeled opportunities and threats. In contrast, factors that are seen as controllable (and usually internal to the firm) are labeled strengths and

weaknesses. Thus, from the analytical perspective, the key distinctions in SWOT are whether factors are controllable or uncontrollable.

In essence, our framework suggests that two approaches will dominate the core logic of SWOT synthesis:

(1) synthesis of SWOT components favoring objective assessment (i.e. descriptive overlap); and

(2) synthesis of SWOT components favoring subjective assessment (i.e. evaluative balance).

Synthesis by descriptive overlap is the familiar characterization of factors as internal/controllable and external/uncontrollable. An appealing feature of traditional SWOT analysis is that managers can readily agree, from the objective perspective, on which factors are internal/controllable and which are external/uncontrollable. SWOT, then, provides a readily useable tool for viewing strategic elements from the analytical perspective and coming to agreement about categorization (internal/external). Unfortunately, mere use of such categorizations does little to provide practical guidance to managers or theoretical guidance to researchers.

The addition of the evaluative dimension of SWOT, on the other hand, presents a greater challenge and more promise for both theoretical and practical guidance. The key role of the evlauative perspective is in generating insights from SWOT to guide strategic behavior. Recall that this perspective is driven by managers' visions of the future. Because different mental models of competition and markets drive managers' visions of the future, agreement on evaluative criteria may be more difficult to attain than agreement on description. For example, entrepreneurs and managers in more bureaucratic organizations have been found to see themselves as similar in the level of risk that they assume, but they are very different in assessing what is and is not a risk (Palich and Bagby, 1995; Busenitz and Barney, 1997). Similarly, empirical evidence suggests that a variety of different mental models may drive practicing managers' perceptions of competitive situations (Day and Nedungadi, 1994). Each mental model represents a different perspective from which both controllable and uncontrollable factors will be viewed as desirable or undesirable. For example, managers can be characterized by their level of focus on competitors and customers as they consider issues related to competitive advantage. In turn, those categorizations have implications for firm performance. Interestingly, when managers gave little consideration to customer issues, they had difficulty building consensus and generated strategies that were not stable over time. In contrast, when managers were focused on customers, consensus was easier to develop and strategies were more stable. Even more recently, scholars have argued that several incommensurate alternate conceptualizations of the core logic for strategic management thought have evolved (Lengnick-Hall and Wolfe, 1999). These

alternative conceptualizations include different perspectives on goal consistency, frames of reference, acceptable solutions to problems, and how results are linked to specific firm actions.

The cognitive perspective of an experienced marketing manager may take a top-down approach in which SWOT elements are considered in the light of an already existing model of the market and distinctions of category (internal/external) are less salient. In this case, the evaluative dimension takes precedent over the descriptive dimension. Thus, we propose that a pragmatic managerial approach to SWOT will favor evaluative balance. For market-driven firms, this evaluation process is driven by consideration of market intelligence – information about customers and competitors (Jaworski and Kohli, 1993). However, the distinct mental models used by managers will drive decisions regarding what intelligence to generate or attend to as well as guide interpretation of that intelligence. Specifically, as marketing managers who are competitor-focused center attention on column combinations as a means of synthesizing the SWOT components, they may focus on identifying competitive threats to which they will react. Conversely, customer-oriented managers may center more attention on emergent customer needs and therefore identify opportunities to be exploited.

For the analyst who has theoretical expertise but little practical knowledge of the market, a bottom-up approach may be preferred. That is, the analyst can readily categorize elements of SWOT by description as internal or external to the firm but does not have an experiential base by which to readily identify elements as desirable or undesirable. Unlike the experienced manager who is seeking to fit data into an existing mental model of the market, in this case, the descriptive overlap approach will dominate. Small bits of data will be grouped by descriptive traits and a picture of the market as a whole will emerge. Primary consideration will be given to whether factors are internal to the firm or external to the firm. The logic of the analyst will be driven by initially identifying what factors are controllable or uncontrollable.

Implications for marketing strategy research and practice
The topic of the core logic of SWOT synthesis, elaborated in this paper, opens new venues of rigor and relevance in marketing research. Marketing researchers may develop and standardize an instrument of a series of quadruplets as attributes of each SWOT component so that they do not overlap logically (i.e. analogous to Peabody's (1990) sets in social psychology). This instrument could be used to examine how executives across different levels, firms and industries resolve the inconsistencies of SWOT components. Such a study could examine the marketing strategy-making process to test whether evaluative balance dominates the core logic in high-velocity environments with evolving industry standards (Brown and Eisenhardt, 1998). The alternative hypothesis would be that, in mature industries with established standards, the

descriptive overlap dominates the core logic of synthesizing SWOT components (Brews and Hunt, 1999). Also, further studies can examine the differences in managerial approaches to SWOT (market, competitor-focused, customer-focused) or differences in core logic streams (i.e. guerilla vs capability vs complexity).

Another intriguing line of research could be to investigate when the frequency of attention to the diagonal SWOT combinations increases. It may be that the contributing factors are the conditions of hyper-competition that either demand continuous organizational learning to improve the current weaknesses and exploit neglected opportunities or protection of current strengths against sudden threats when property rights are weak. Only programmatic empirical research, using SWOT as a research medium, can test these hypotheses.

Conclusion

For three decades, the SWOT framework has been viewed only as a practical managerial tool for marketing planning. The recommended functional approach to SWOT analysis has been to determine the internal (strengths and weaknesses) and external (opportunities and threats) components and match them at the firm boundary. However, the cognitive approach used in this paper reveals that specific logical inconsistencies, which impede rational conjecture of SWOT components, exist. Therefore, a template for formal synthesis of SWOT components is needed and proposed in this paper. The process of SWOT synthesis is, however, not uniform but rather is biased by the managerial core logic employed in synthesis. The bias itself may represent a research opportunity to examine the underlying factors that are likely to cause variability in the core logic utilized for SWOT synthesis. In this research conceptualization, the SWOT framework is proposed as a research medium that may have a potential of becoming a standard specimen for marketing strategy research, just as the fruit fly has been for the discipline of genetics. In this way, marketing researchers can focus on studying managerial reflection, rather than only projection, as it evolves in construction and interpretation of a SWOT framework.

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