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## SWOT ANALYSIS – A TECHNIQUE OF STRATEGIC MANAGEMENT

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### Abstract:

Strategic Management involves a series of decisions and actions which lead to the formulation, implementation and control of effective strategies so as to achieve the objectives of the organization. Strategic management relates the organization to the environment by SWOT Analysis which helps to understand the environment. The term SWOT is the acronym for strengths (S), weakness (W), Opportunities (O), and threats (T). For SWOT Analysis view point opportunities and threats are treated as external environments factors on which no control of enterprise where as strengths and weakness is treated as internal factors of enterprise which are controllable by an enterprise. Formulation of strategy requires identification of strengths (S) weakness (W) opportunities (O) threats (T) for the organization. SWOT Analysis helps an enterprise in matching its strengths and weakness with opportunities and threats operating in the environment. This paper tries to explain how SWOT Analysis is helpful in formulation of effective strategy that capitalizes on the opportunities through the use of strengths and neutralizes the threats by minimizing the impact of weaknesses.

**Keywords:** SWOT, Strengths, Weakness, Opportunities, Threats, Strategy.

# INTRODUCTION

The term strategy is a military science word which implies the art of the military general to fight the enemy. Now days the term “strategy” began to be used in business with increase in competition and complexity of operations. Strategy is the complex plan for bringing the organization from a given posture to a desired position in future period of time. Strategy contributes to success of an organization in the various ways. Without effective strategy it is not possible to achieve organizational goals and objectives. So effective strategy formulation is necessary for an enterprise.

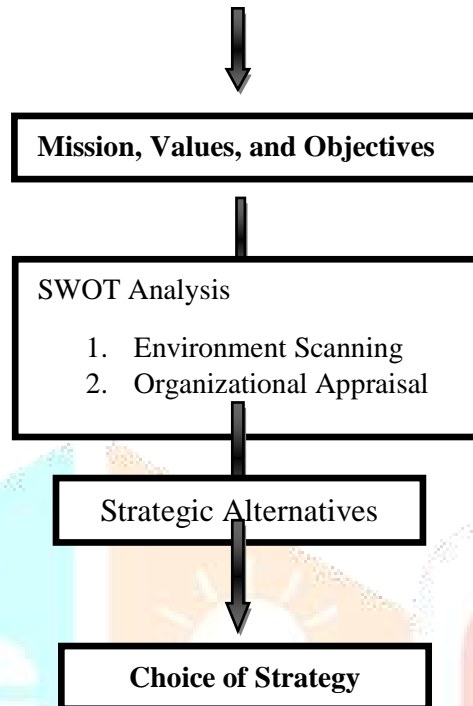
The term strategic management involves a series of decisions and actions which lead to the formulation implementation and control of effective strategies so as to achieve the objective of the organization. It deals with the renewal and growth of the organization through effective management of strategies, systems and structures.

Following are main features of strategic management:

- It is concerned with general management responsibilities. Therefore, board of directors, chief executives and their top functionaries play a major role in strategic management.
- Strategic management relates the organization to the environment in such a way that the organizational objectives may be achieved.
- It deals with the total organization as it seeks to ensure the survival and growth of the organization
- It consists systematic approach to organizational problems and decisions.
- It aims at utilizing and enhancing the competition strength of the organization

# Strategic Management Process

## Step – 1: Strategic Formulation



## Step – 2 : Strategic Implementation

- Organizational Structure
- Organizational System
- Resource Allocation
- Behavioral Issues

## Step – 3 :Strategic Control

- Process of Evaluation
- Criteria of Evaluation
- Techniques of Evaluation

**Mission, Values And Objectives**

## Mission:

The first step of strategy formations is defining the basic mission and objectives of the organization. Mission is the statement which defines the basic purpose and role of an organization in the society. It is a long term view of what the organization is striving to become in future. It reflects the basic trust of the company in terms of products and

markets. An organization's mission statement indicates what it wants to become and why it exists.

### **Vision:**

It is basic beliefs and priorities of an organization.

### **Objectives:**

Vision articulates a desired future state. It describes what an organization would like to achieve.

### **Values:**

Objectives may be defined as the ends, purpose or aims which an organization wants to achieve over a varying period of time. It helps the organization in pursuing the mission and serves as the basic strategic decision making.

## **SWOT Analysis**

SWOT Analysis is a systematic approach to understand the environment. SWOT is the acronym for strength (S), weakness (W), Opportunities (O) and threats (T).

**Strength:** Strengths is an inherent capacity which an organization can use to gain strategic advantages over its competitors. Superior research and develop new products and thereby gain competition advantage.

**Weakness:** A weakness is an inherent limitation which creates strategic disadvantages. For example overdependence on a single product is potentially risky.

**Opportunity:** An opportunity is a favorable condition in the environment it enables the enterprise to consolidate its position. Growing demand is an example of opportunity.

**Threat:** A threat is an unfavorable condition in the environment. It creates a risk e.g. threat of growing competition.

**SWOT Analysis helps** an enterprise in matching its strengths and weaknesses with opportunities and threats operating in the environment. An effective strategy is one that capitalizes on the opportunities through the use of strengths and neutralizes the threats by minimizing the impact of weaknesses. It consists

## I. Environmental Scanning

## II. Organizational Appraisal

**Environmental Scanning:** Formulation of strategy requires identification of strengths, weaknesses, opportunities and threats for the organization. Opportunities and threats are identified by analysis and appraising the external environment of the organization. External environment comprises economic, social technological, political, legal, market and competitive factor. Data about these factors can be obtained from Government and other publications. After scanning the relevant environment threats and opportunities may be summarized.

**Organizational Appraisal:** The internal environment of the organization is analyzed in term of its resources and behavior, Analysis of the technology, marketing, financial and human resources of a company will reveal its strengths and weaknesses with the help of organizational appraisal, a strategic advantage profile [SAP] of the organization can be prepared.

### **Strategic Alternative:**

The next step of strategy formulation is the generation of possible alternative strategies or identifying strategic options. Alternative strategic will depend on the objectives to be achieved. For example a company wants to grow, expansion, diversification, mergers and takeover may be the strategic alternatives.

### **Strategic Choice:**

The choice of strategy from alternatives strategies is the most critical step in strategy formulation. For this purpose, strategic alternatives are compared and evaluated and the impact of each alternative of the organization is analyzed. Choice may be done on the basis of analysis, judgment, bargaining. Past experiences, managerial perceptions of critical success factor and distinctive capabilities of the organization, attitude towards risk, internal power policy, organization structure, decision style of managers and several other factors influences the choice of alternatives.

### **Strategy Implementation:**

The chosen strategy must be implemented effectively in order to achieve the strategic objectives. A good strategy without effective implementation is of no use. The implementation of strategy may concern with the designs and management of systems and structures so as to achieve the best integration of people, process, structure and resources. The strategy complementation basically consists.-



- A. Organizational structure
- B. Organizational system
- C. Resources Allocation
- D. Behavioral Issue

### Control of strategy:

Strategic evaluation and control is the process of continuously monitoring the effectiveness of a given strategy in achieving organizational objectives under changing environment and taking corrective actions wherever necessary. Several quantitative and qualitative factors may be used to judge the success of the strategy. Earnings per share, return on capital employed, and market share, growth in sales volume and examples of quantitative factors. Internal consistency, consistency within the environment, consistency with available resources, appropriateness of time horizon, acceptability of the risk involved and workability of the strategy are examples of qualitative factors. Strategic control can be of four types. 1. Premise control, 2. Implementation control 3. Strategic surveillance and 4. Special Alert Control.

### Conclusion:

Without formulating effective strategy it is not possible to achieve organization goals or objectives. The process of formulating, implementing and evaluation strategy is called strategic management process. For effective strategy formulation it is essential that business environment must be scanned carefully and this important work to be done by SWOT Analysis. Where S= Strengths, W= Weaknesses, O= Opportunities and T= Threats Through SWOT Analysis it is try to capitalize opportunity by using strengths and minimizing impact of weaknesses by neutralized threats.

A SWOT Analysis can be presented with its four elements in a 2 x 2 matrix as follows:

SWOT ANALYSIS		Helpful to achieving objectives	Harmful to achieving objectives
Internal (Attributes of the organization)	Origin of the	S STRENGTHS	W WEAKNESSES
External (attributes of the environment)	Origin of the	O OPPORTUNITIES	T THREATS

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