

CONCEPTUAL REVIEW OF SWOT ANALYSIS FOR SUSTAINABILITY OF BUSINESS OPERATING IN DYNAMIC ENVIRONMENT

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ABSTRACT

For economic growth and development of any nation, business enterprise is a key player and therefore for it to be sustainable, certain factors, forces that are components of business environment have to be taken into cognizance. The analysis of the forces (business environmental components; internal and external) has to do with an analysis of the environment in which a firm or an enterprise exists in terms of opportunities and threats operating in the external environment in conjunction with the strengths and weaknesses existing in the internal environment. The external environment consists of variables (Opportunities and Threats) that are outside the organization and not typically within the short-run control of top management. These variables form the context within which the corporation exists. The internal environment of a corporation consist of variables (Strengths and Weakness) that are within the organization itself and are not usually within the short run control of top management. These variables form the context in which work is done. They include the corporation's structure, culture, and resources. Thus, for business to keep abreast of the opportunities, the threats, the strengths and the weakness, it is highly imperative that business environment is critically examined, assessed, scanned, and thereafter, strategies needed to be adopted so as for business to thrive well efficiently and effectively in the dynamic environment-through application of SWOT analysis.

Key words: *SWOT Analysis, Business Enterprise, Strategies, Internal and External factors, Business Sustainability*

INTRODUCTION

In general, an effective strategy is one that takes advantage of the organization's opportunities by employing its strengths and

wards off threats by avoiding them or by correcting or compensating for weaknesses. SWOT analysis is a precursor to strategic planning and is performed by a panel of

experts who can assess the organization from a critical perspective (Gibis. B. Artiles, J. Corabian, P. Meiesaar, K. Koppel, A. Jacobs, P. Serrano, P. and Menon, D).

SWOT is an acronym and it stands for “strengths, weaknesses, opportunities and threats”. It is an instrumental framework which is used to identify and evaluate the external value-creating (destroying) factors and the internal value-creating (destroying) factors in value-based management and strategy formulation (Value-Based Management, 2010).

The first part of any SWOT analysis is to collect a set of key facts about the organization and its environment. This will include facts about the organization's markets, competition, financial resources, facilities, employees, inventories, marketing and distribution system, R&D, management, environmental setting (e.g. Technological, political, social, and economic trends), history and reputation.

The second part of a SWOT analysis is to evaluate data to determine whether they constitute strengths, weaknesses, opportunities or threats for the organization. This may be done independently by the individuals in a group, results being compared afterwards. It is important to note that any given fact may give rise to more than one evaluation, and so to ask - “How may this fact be considered as an opportunity as well as a threat?”; “How may

this apparent strength turn out to be a weakness?”; “How does this weakness really represent a strength?” The answers to these and similar questions may give managers new insights into choosing appropriate strategies (Rowe, Mason, Dickel, Mann, and Mockler 1994).

Conceptual Review of SWOT Analysis

The SWOT analysis is also called a TOWS matrix (Weihrich, 1999) or a WOTS-UP analysis (Rowe, Mason, Dickel, Mann and Mockler, 1994), and is a tool of situation analysis often used for strategic decision making (Thompson and Strickland, 1998). Rowe et al. (1994) state that a SWOT analysis helps find the best match between environmental trends (opportunities and threats) and internal capabilities (strengths and weaknesses). They also provide the following definitions for the components of a SWOT analysis:

- A strength is a resource or capacity the organization can use effectively to achieve its objectives.
- A weakness is a limitation, fault, or defect in the organization that will keep it from achieving its objectives.
- An opportunity is any favorable situation in the organization's environment. It is usually a trend or change of some kind or an overlooked need that increases demand for a product

or service and permits the firm to enhance its position by supplying it.

- A threat is any unfavorable situation in the organization's environment that is potentially damaging to its strategy. The threat may be a barrier, a constraint, or anything external that might cause problems, damage or injury.

An understanding of the external environment in terms of opportunities and threats, and the internal environment in terms of strengths and weaknesses is crucial for the existence, growth and profitability of any business organization. A systematic approach to understanding environment is the SWOT analysis. SWOT analysis enables business firms to match the strengths and weaknesses existing in the organizations with opportunities and threats operating in the external environment in order to formulate effective strategies. An effective business strategy, therefore, is one that capitalizes on the opportunities through the use of strengths and minimizes the impact of the threats by taking necessary steps to overcome the weaknesses (Rowe et al, 1994)

SWOT analysis is a planning tool that, when used properly, provides an overall view of the most important factors influencing the future of the program. The SWOT analysis is the foundation for a reflective self-assessment of how your unit is performing its mission. The SWOT analysis results from the basis for developing recommendations and action plans, also known as Quality Improvement Plans (QIPs). These recommendations and action plans take into consideration many different internal and external factors that maximize the potential of the program's strengths and opportunities, while minimizing the impact of its weaknesses and threats. This approach can help ensure efficient use of resources to provide beneficial program outcomes. A SWOT analysis enables proactive thinking rather than habitual or instinctive reactions (<http://www.austincc.edu/oiepub/services/swot.html>)

A SWOT analysis is a subjective assessment of data that is organized into a four-dimensional SWOT matrix, similar to a basic two-heading list of pros and cons.

	Strengths <ul style="list-style-type: none"> what the business unit does very 	Weaknesses Where functions are performed
Opportunities potentially favorable <i>external</i> conditions for the business unit	S&O: Pursue opportunities that are a good fit with the program's strengths.	W-O: Overcome weaknesses to pursue opportunities
Threats potentially unfavorable <i>external</i> conditions for the business unit	S-T: Identify ways the program can use its strengths to reduce its vulnerability to external threats.	W-T: Establish a defensive plan to prevent the program's weaknesses from making it highly susceptible to external threats.

To develop initiatives (strategies) that take into account the SWOT profile, unit members can translate the four lists into a matrix (see above) that associates strengths (maintain, build and leverage), opportunities (prioritize and optimize), weaknesses (remedy), and threats (counter) into actions that can be agreed and owned by the unit (Retrieved from: <http://www.austincc.edu/oiepub/services/swot.html>)

SWOT is a technique for analyzing the internal and external environments of an organization through the identification and assessment of its strengths, weaknesses, opportunities, and threats (SWOT). SWOT analysis entails a distillation of the findings

of an internal and external audit that draws attention, from a strategic perspective, to the critical organizational strengths and weaknesses and the opportunities and threats facing the organization (Kotler and Armstrong, 2011).

The SWOT analysis is also referred to as the TOWS Matrix-this naming is perhaps more suitable when it forms part of an environmental analysis! Rowe, et al, (1994) call it a WOTS-up analysis and offer suggested actions for each matrix segment. With either name it is a systematic method for matching environmental threats and opportunities with the organization's strengths and weaknesses. There is a tendency when doing a SWOT analysis to

be less than honest in the appraisals and to feel the need to cover up feared weaknesses by proclaiming perceived strength. As well as analyzing the environment, it can be used to generate strategic options, so it also forms part of the Strategic Choice element. SWOT may offer its best service at warning of the need for avoidance and so the results may tend to the negative in bias. Although it is future oriented, it does not build in any mechanisms for handling the uncertainty of the future, nor does it give any holistic model of the organization and is not aimed at option evaluation and, hence, nor selection. However, the process of going through an internal and external appraisal may cause the objectives, and hence also the performance measures, to be reviewed.

Benefits of SWOT Analysis

A SWOT analysis is a simple, but powerful, framework for leveraging the unit's strengths, improving weaknesses, minimizing threats, and taking the greatest possible advantage of opportunities.

SWOT Analyses have several benefits as:

- Opportunity for collaboration on strategic plan formulation
- Incorporates many different internal and external factors
- Structured process that allows for a thorough idea gathering

- The posting of the ideas vs. the yelling minimizes the reactionary processing and group mentality from occurring
- Participants who may traditionally be quiet and participate less, are encouraged, and have the ability to participate in a process which is friendlier to their needs
- Allows the ability for “dominators” (overly vocal participants) of the process to be equalized -- but not eliminated

Responses are prioritized within each category, by importance, giving units a clearer understanding of their most pertinent topics and areas to address (<http://www.austincc.edu/oiepub/services/swot.html>)

Uses of SWOT Analysis

- I. The SWOT analysis is an extremely useful tool for understanding and decision -making for all sorts of situations in business and organizations (both profit and non-profit).
- II. SWOT analysis helps in analyzing business and environmental factors
- III. SWOT helps in settings objectives
- IV. SWOT analysis helps marketers to focus especially, on their relative

competitive strengths and weaknesses

- V. SWOT analysis makes marketing managers to examine each competitor's cost structure, sources of profits, resources, competencies, competitive positioning and product differentiation
- VI. SWOT analysis is a tool used in management as strategic planning vi. SWOT analysis works well in brainstorming meetings
- VII. SWOT analysis is used for business planning, strategic planning, competitors' valuation, market research and product development and research reports (NOUN, 2012)

Constituent of SWOT Analysis

Strength: Is an inherent capacity which an organization can use to gain strategic advantages. An example is the possession of superior research and development skills which can be used for new product development; patents rights

Weakness: An inherent limitation or constraint which creates strategic disadvantages. Examples are; over dependence on a single product-line which is potentially risk for a company I times of crises, lack of marketing expertise.

Opportunity: A favorable condition in the organization's environment which enables it to consolidate and strengthen its position.

Examples are: the growing demand for a company's product or service, mergers, joint ventures.

Threat: An unfavorable condition in the organization's environment which creates a risk, or causes damage to the organization. Examples are; the emergence of strong new competitors that are likely to offer stiff competition to the existing companies in the industry, new regulation, increased trade barriers, etc (NOUN, 2012).

Origin of SWOT Analysis Model

Justice would not have been done to the explanation of SWOT analysis if its origin is left out. Therefore, information on the origin of SWOT analysis was provided by Albert S. Humphrey. He was one of the founding fathers of SWOT analysis. SWOT analysis emanated from the research conducted at Stamford Research Institute from 1960-1970 to find out why corporate planning failed. The research was funded by the collaborative efforts of 500 companies, essentially to find out what could be done about the failure of corporate planning. The research team made up of Marion Doshier, Dr Otis Benepe, Albert Humphrey, Robert Steward, and Birger Lie (Albert H, 2005)

Strategies of SWOT Analysis

Maxi- Maxi

In this segment, the organization is playing from its strengths to opportunities and hence

the business objectives are generally to reduce internal weaknesses and overcome external threats in order to focus upon this segment. Rowe, Mason, et al, (1994) call this “segment exploit”

Mini- Maxi

The strategy appropriate for this segment would be one that minimizes weaknesses and maximizes the opportunities. The opportunity exists but requires strength where the organization currently has a weakness. Without strategic action to remove this weaknesses, the opportunity must go to competitors, Rowe et al, (1994) call this “segment search”.

Mini- Mini

This strategy for this segment is one that will reduce both the weakness and threat. This is the precarious segment and so organizations should adopt strategies that avoid it. Rowe et al (1994) call this “segment avoid”.

Maxi- Mini

The indicated strategy for this segment is one that uses the strength of the organization in order to deflect the threat. Care must be taken to avoid unnecessary competitive battles, and strategic options that circumvent the threat are to be preferred. Rowe et al (1994) call this “segment confront”.

Case study of SWOT Analysis of Selected Organizations

Case of SWOT Analysis of United Bank for Africa (UBA), Plc.

Optimum value need to be derived by exploiting linkages across all business areas, by recognizing emerging opportunities and threats and understanding strengths and weakness Nebolisa, O. A (2009)

Strengths in the SWOT analysis of United Bank for Africa

- The economy continues to grow even though low oil prices could inhibit continued economic growth
- Improving regulatory environment
- Increasing breadth of operations lower risk to earnings because of diversification benefits
- Senior management teams at most banks are experienced bankers

Weaknesses in the SWOT analysis of United Bank for Africa

- Risk controls are untested in some areas and growth into new activities may have stripped risk monitoring systems
- Inefficiencies as measured by cost to total assets - materially higher than those of African and international peers
- Nigerian Stock Exchange – contagion/correction effect

- Lack of cross-border consolidated supervision
- Lack of fully functioning credit bureau
- Opportunities in the SWOT analysis of United Bank for Africa
- Low penetration rates as evidenced by low deposit to GDP and loan to GDP ratios
- PPP projects to fund infrastructure spend
- Growth in retail segment
- Relaxation of onerous regulatory requirements
- More efficient capital structures
- Continued penetration of low cost retail deposits
- Improve efficiency

Threats in the SWOT analysis of United Bank for Africa

Increasing competition has squeezed net interest margin

- Consolidation
- Growing Non Performing Loan (NPLs)
- Dependence of local investors – decrease in share prices
- Key-man dependency – many of the large banks depend on a few senior executives to secure major portions of their business (Retrieved from:

<https://www.ubagroup.com/.../the-nigerian-banking-industry>).

Case of SWOT Analysis of Nestle (Company Fast Moving Consumable Goods)

Nestle is one of the strongest companies in the world when it comes to the FMCG market. Nestle coffee is almost a cash cow for Nestle and so is Maggi!! There are many brands in Nestle which are super hit(Hitesh Bhasin 2017).

Strengths in the SWOT analysis of Nestle

World Renowned brand: It is fortune 500 Company and is world's largest food company measured by revenues (2014). This also helps them because if a brand like Maggi is affected, it does not affect the sale of Coffee.

Extensive distribution system: With its diversified product portfolio Nestle has been successful in penetrating Urban as well as rural markets. Locally adapted distribution methods & decentralization in supply chain, including street markets, mobile street vendors, door-to-door distributors & Medical outlets has helped the company in making its products visible in the market.

- **Broad Product portfolio:** Nestle has more than 8000 brands / products under its name which ranges from

beverages like Coffee & Mineral water, Breakfast cereals, Soups & sauces etc. Under each product categories Nestle have deep assortments to satisfy different needs & wants of the consumers.

- Large workforce: Nestle have engaged 340000 odd global workforces who are continuously working to make its products available in every nook & corner of the world.
- R & D centers: Nestle have the world's largest food & nutrition research organization, with about 5000 people involved in R & D, as well as corporate venture funds and research partnerships with business partners and universities. It has 21 research centers globally.
- Brand equity – As of 2016, it is the 37th highest rank brand in the world which says a lot about its brand equity.
- Weaknesses in the SWOT analysis of Nestle
- Maggi Controversy – In India, Maggi was recently banned because it was found to contain additives which were harmful. This affected the brand name of Nestle as well as Maggi big time. However, it has been re-launched recently and Nestle

is trying to convince people about the quality of Maggi.

- Brand structure: It has many brands under the same umbrella group so managing such large number of individual brands can create conflict of interest.
- Legal & consumer issues: Although Nestle is global food giant but it got into controversies over the years like Nestle baby formula boycott. Child labor by suppliers, Chocolate price fixing etc. which resulted in negative word of mouth.

Opportunities in the SWOT analysis of Nestle

Healthy breakfast – Maggi oats or other such healthy breakfast alternatives have a big time future as most breakfast alternatives are heavy and people are becoming more health conscious. Nestle needs to do more market penetration with regards to its Cereals.

1. Expanding market: By entering into other markets & penetrating more & more in the rural markets through its robust supply chain and transition of spots of unorganized business to organized one will lead to further expansion of the company's business.

2. Increasing Income levels: Due to stable political scenario, improved literacy rate &

controlled inflation, disposable income of the people is increasing there by resulting into upsurge in demand & changing their lifestyle.

3. Strategic Alliances: Nestle is already engaged in partnerships with a number of major companies, such as Coca-Cola, and several others, opening doors of opportunities for the company. It is one of the main shareholders of L'Oreal, the world's largest cosmetics so partnering with other food giants will help the company in further growth.

4. Focusing more on R & D to handle ethical issues: Recent outcry of Maggi Noodles in India for lead presence like issue will create hindrances in the future growth of the company. So in order to handle these health issues Nestle must invest in R & D further to come up with more hygienic food product

Threats in the Marketing strategy of Nestle

1. Competition in the market: With increasing number of local & national players it's becoming very hard for the companies to differentiate themselves from others. There is also threat from counterfeit products destroying its brand image in the market.

2. Price of commodities: Increasing price of commodities will result in further increase in the price.

Further increase in price will result in decrease in sales, margins & brand switching.

3. Buyers power: With highly diversified consumer goods market where there are lots of brands claiming different sorts of benefits, it's very difficult for consumers to stick to a particular brand & hence results into brand switching where consumer got power to select a brand based on several factors like availability, reference group recommendation, preference & price.

(Retrieved from: <https://www.marketing91.com/swot-analysis-of-nestle/>)

SUMMARY AND CONCLUSION

Naturally, in a business environment, there are uncertainties, environmental forces, factors (favorable and unfavorable), human needs, production, markets, technology and competition. SWOT analysis determine to identify the strengths and weaknesses that constitute business internal environmental factors, and the opportunities and threats that constitutes business external environmental factors both of which have impact or influence on the survival of business operation.

Also, fact has been established that SWOT Analysis is a practical ways of exploring, assimilating internal and external information about the business unit, and setting business objectives. SWOT analysis

identified strategic segments that focus on reducing internal weaknesses and overcoming threats, minimizing weaknesses and maximizing opportunities, reducing both weakness and threat and finally, using the strength of the organization in order to deflect the threat. SWOT as a strategic management planning tool for corporate planning, strategic planning and management process helps decision-making process in all levels of managements as well as strategy formation

RECOMMENDATIONS

Based on the critical review of the literature of SWOT Analysis, the following recommendations were made:

- ✓ That every business organization should be kept abreast of forces in the environment that impact their operations with the aid of environmental analysis supposed to be done on a regular bases
- ✓ That periodic analysis of business environment through SWOT Analysis could help business organization to achieve strategic business fit
- ✓ That every business organization should adopt the strategic models of Rowe et al, 1994 to ensure sustainability

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