

Counseling for Business & Industrial

SWOT Analysis

5.1 History

In the beginning of the 19th century, the increasing competition between the large industrial companies stirred great interest for competitive management solutions. The corporate decision-makers became aware that success greatly depends on the quality of the strategic decisions made together with the board members. Although apparently correct, some strategic plans often led companies to failure and bankruptcy.

This is why in the 1960s and 70s much research was carried out in the field of management, especially strategic analysis (first performed by the Stanford Research Institute, USA, in a questionnaire with 250 questions applied to 5000 directors and managers of successful companies). Centralizing the results revealed that failure was caused by fragmenting among departments the essential information inside a company, which prevented the formation of a global image of the situation for the benefit of the decision-makers, slowed down short-term decisions and caused erroneous long-term strategies. In the efforts to avoid such errors, information on internal factors (positive and negative) was collected, and corroborated with external factors that impacted on the company.

This was the starting point of what was later called SWOT methodology. Initially used in economics, where it amply proved its efficiency, the method rapidly grew immensely popular and was taken over by marketing, organizational culture, it extended into social services, demographic policies, military strategy, human resources, public relations, inventions, psychology, education, career. All these fields have adopted it and apply it differently in their strategic planning processes.

At present, the science of strategic management considers SWOT analysis to create an indispensable leverage for the long-term success of any organization (persons, group, or community) alongside other strategies: need-driven (PEST – political, economic, social, technological analysis), efficiency-driven (JIT – *Just in Time*), quality-driven (TQM – *Total Quality Management*).

5.2 Strengths, Weaknesses, Opportunities & Threats

SWOT is an acronym for *Strengths, Weaknesses, Opportunities, Threats*. On a deeper investigation, the SWOT analysis offers multiple meanings according to the perspective adopted. For people in management positions, SWOT constitutes a “*management technique*” used in understanding the strategic position of an enterprise / organization or a “*management model*” of a firm to “evaluate its strengths and weaknesses, which together with an inventory analysis of opportunities and threats from the outside of the company, establishes its current position on the market”.

It is also “one of the **main instruments** used in need analysis alongside PEST analysis. Need analysis is the preliminary phase in conceiving any management project” (Paus, 2003). From the perspective of marketing services, SWOT analysis is “*a fundamental model providing the path, the direction*, and serves as a *base for the development of marketing plans*. This is done through evaluation of strengths (what can be done) and weaknesses (what cannot be done) of the organization, opportunities (potentially favourable conditions) and threats (potentially unfavourable conditions). It is an **important step in planning**, and the value of the method is often underestimated despite its simplicity. The role of SWOT analysis is to collect information by analyzing the environment and separating it into internal aspects (SW) and external aspects (OT)” (Duncan, apud Ferrell, 1998).

SWOT analysis is a **description method** of a business or a project, which by taking into account the factors with the greatest impact on the organization proves an easy and accessible way to identify and communicate these key-aspects. In organizational culture, the method is a “*monography of the organizational moment and context*, making the inventory of human, material, informational, stakeholders’ resources. The diagnosis necessary to plan counseling activities is done by need analyses. This diagnosis underlies the subject’s strategy (counselor, client, teacher)” (Paus, 2003).

In human resources, career planning and counseling, the method is “an **instrument often used in strategic planning processes**”. SWOT analysis focuses on internal and external reality, examining the strengths and weaknesses within the internal environment, as well as the opportunities and fears related to the outside environment.”

5.3 Method, Technique & Management

Career counseling, guidance and planning services have adapted SWOT to the needs of their direct and indirect beneficiaries, using it both as **method, technique or instrument** for analysis (in a simple, table-like version), and as a **strategic management model** (in its complex three-stage version).

The essence of the method was captured by two American strategists as early as in the 1980s: “SWOT analysis helps understand and develop the environment where action is to be taken by allowing a balance to be achieved between the internal factors (SW) and the external ones (OT) that can intervene and influence the development and progress of activities in various ways. These are important steps in identifying and defining one’s own capacities, as well as the elements representing competitive advantages. The objective of the analysis is represented by the evaluation of one’s own situation, becoming aware of qualities, admitting to weaknesses, getting to know opportunities, and preventing possible danger” (Thompson and Strickland, 1986).

The dialogue between counselor and client may begin with questions such as:

- What are your capacities, aptitudes, weaknesses, and faults?
- How can you set off your aptitudes and overcome your weaknesses?
- What are the opportunities and risks in your career?
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Identifying and analyzing the four factors - The analysis begins with **four identification lists** of the factors applicable to the client, the client’s career, the labour market, and the organization. For enhancing understanding, a typical SWOT analysis is structured in a **four-box table (matrix)**:

<i>Strengths</i>	<i>Weaknesses</i>
<i>Opportunities</i>	<i>Threats</i>

The lists may be structured as below:

I	<p>Your Strengths:</p> <p>(Aptitudes, qualities, competences) Positive aspects under control and that can be used in career development:</p> <ul style="list-style-type: none"> • Work experience • Education, qualifications • ICT knowledge (hardware, software, 	<p>Your Weaknesses:</p> <p>(Weaknesses, drawbacks, flaws) Negative internal aspects under control and that can be improved:</p> <ul style="list-style-type: none"> • Lack of professional experience • Low level of schooling • Lack of aspirations, self-knowledge,
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R N	programming) <ul style="list-style-type: none"> • Transferable aptitudes (communication, teamwork, leadership) • Personal characteristics (professional ethics, self-discipline, capacity to work under stress, creativity, optimism, high energy) • Successful relationships and contacts • Links with prestigious professional 	and information on occupations <ul style="list-style-type: none"> • Insufficient ICT training • Unexercised transferable aptitudes • Inability to look for a job • Negative personal characteristics (violating work ethics, lack of motivation, indecision, timidity, emotional instability)
E X T E R N	<p>Your Career Opportunities:</p> <p>Incontrollable external positive circumstances that can be an advantage:</p> <ul style="list-style-type: none"> • Positive trends in the fields, which may create more jobs (economic growth, globalization, technological modernization) • Personal aptitudes are sought in many fields • Good self-knowledge and capacity to attain career goals • Promotion and personal development opportunities • Favourable location • Strong professional network 	<p>Your Career Threats:</p> <p>Incontrollable external negative circumstances whose effects can be diminished:</p> <ul style="list-style-type: none"> • Decrease in job offers in the field • Competition with people of your own generation • Rivals skilful in looking for a job • Rivals graduated from prestigious schools • Obstacles in the career path (lack of qualification and training, no money) • Limited professional development, routine job with no promotion opportunities • Companies uninterested in your qualifications

Unlike economics, services, and marketing, where internal factors (strengths, weaknesses) refer strictly to a firm or company (organization), in human resources these factors (as it is visible in the table above) refer to individual capacities, qualities, aptitudes, competences, and drawbacks, lack of knowledge, education or experience.

Specialists believe this to be the strength of SWOT in human resources. In identifying the factors related to the inner nature of a person, the golden rule is objectivity, realism of analysis (also pertinent for organizations).

5.4 SWOT Organization Standards

For this reason, a counselor or a manager requesting an analysis, but especially a client will make recourse to third parties (family, friends, acquaintances) who will confront the personal self-evaluation list with their own parallel list on the subject. Questionnaires can also be used (especially in case of a group, class, work-team). If in career planning it is intended to apply the SWOT method to an institution

(educational or employment provider), the analysis follows the standard SWOT procedure for any organization:

Strengths designate the advantages of the institution (e.g. market segment, number of employees) and what gives it power compared to other competing institutions. The concrete manifestation of these strengths varies among organizations, but it generally refers to fundamental competences based on resources and possibilities.

Weaknesses refer to poor aspects generating disadvantages compared to other organizations in the external competitive environment. Strength and weakness poles are identified in each organization compared to its competitors. “Although weaknesses are often perceived as the ‘logical’ reverse of threats, the lack of strengths of a firm in a field or on a market is not necessarily a weakness, unless it is a weakness for the competition. Strengths and weaknesses can be measured by internal or external audit” (Bratianu, 2000).

Opportunities are favourable factors generated by forces from the external macro-environment (demographic, economic, technological, political, legal, social and cultural dynamics), as well as from particular market segments: generation members, consumers, distribution channels, suppliers.

Are there any demographic changes influencing the labour market? Can partnerships influence the demand for products or services? Can certain transferable competences / aptitudes be used in other ways than the usual ones? Can the knowledge generated by the research and development department be turned into money by selling licenses, concepts of technologies? In order to identify the existing opportunities, the role of a counselor is big. Together with the client, the inherent uncertainties of such a process need to be clarified.

Threats are negative aspects and limits imposed by the external environment, which are beyond the management control. These pose a type of risk that if neglected may become chronic. Threats are related to opportunities and competition.

Identifying strategies - In order to analyze the current situation, it should be enough to list in the four boxes the four factors. This first step was the most spread in the 1970s and 80s when the method had started being taken over by other fields. The competition required durable solutions and the analysis thus continued with identification of resistant, functional, efficient, and successful strategies to ensure long term, not merely short-term, performance. Here are some of the key questions

that strategic management specialists have deemed necessary for managers concerned with the progress of their firms / clients: “What steps must be taken, based on strengths, weaknesses, opportunities and threats? What is the path to follow: concentrate on using the firm’s strengths in order to capitalize on opportunities? Or accumulate more strengths in order to create more opportunities? Or should weaknesses be minimized and threats avoided?” (Bratianu, 2000).

Starting from the SWOT matrix, new objectives may be set, four categories of strategies may alternatively be elaborated and as many action plans. “Result of SWOT analysis? Four strategic alternatives. Aside from the fact that the exact formulation of strengths, weaknesses, opportunities, and threats is very delicate and timeconsuming, their transposition into strategic alternatives is quite an art! The adjacent idea is to profit by the combination of strengths and weaknesses, avoiding or neutralizing the combination of weaknesses and threats” (Markovits, 2003). Management models. SWOT Analysis:

In order to obtain a better global image, the internal **SW** factors may form together a vertical axis and the external **OT** factors a horizontal axis. By combining internal and external factors the following strategic alternatives may be obtained:

SO Strategies (Strategies employing strengths in order to profit by opportunities). These are the max-max type strategies, in the sense that they combine the elements most favourable to building a strategy. SO strategies use strengths and powerful elements in organization in order to make it benefit from external opportunities. The organization becomes dynamic and aggressive on the market and creates a competitive advantage for itself compared to other organizations.

WO Strategies (Strategies seeking to alleviate the effect of weaknesses by taking advantage of opportunities). They are strategies of the min-max type, in the sense that they combine inside weaknesses with external opportunities. The organization practically attempts to use opportunities in order to eliminate strengths or transform them into advantages or favourable circumstances for itself.

ST Strategies (Strategies that employ strengths in order to prevent or minimize threats). They are strategies of the max-min type, in the sense that they use the strengths of the organization in order to avoid or reduce external threats. They are defense strategies that may be transformed into attack strategies if the relation between the internal and the external forces is correctly assessed.

WT Strategies (Strategies which alleviate weaknesses and seek to reduce the impact of threats). They are min-min type strategies seeking to minimize weaknesses if external threats can be avoided. They are defensive strategies and are used especially when the organization is declining, in order to avoid bankruptcy.

The strategic alternatives described above are generic, since they need to be adapted to the particularities of clients and “receive content in the concrete circumstances of each organization” (Duncan, apud Ferrell, 1998).

5.5 Deliberation and Decision-Making

Clients must decide on the most appropriate strategy in order to act upon the requirements and possibilities existing at that moment. The final purpose of any strategy is to balance the internal and the external factors in order to obtain / maintain the desired performance. Usually, a dominant strategy (offensive or defensive) is applied alongside a corrective one (e.g. min-max-min). Thus the client may afford to be more aggressive when aware of strengths and opportunities, at the same time working to correct and diminish flaws, but will apply a defense strategy if there aren't sufficient strengths and threat looms.

Another problem is decision-making. Even if the matrix has been elaborated with care, decisions will be taken after careful analysis. In decision-making, the considerations connected to certain risks involved by each alternative and those related to resources may play an equally important part as the analysis itself” (Marcovits, 2003). In case of organizations, the decision is related to choosing the success strategy.

Success strategies seek to obtain the highest worth for each of the global indicators in the reference system specific to the organization (efficiency, quality, innovation, and sensibility to consumer demand) and for the measure attached to each indicator” (Bratianu, 2000).

Target population - The method may be applied to every client category. The short version (matrix analysis) is often employed with pupils, university students, and young people in search of a job. The long version (including strategy elaboration) is recommended to pupils at the end of a study cycle, undergraduates, graduates seeking career advice, adults.

SWOT analysis for this client allows the identification of the following strategic alternatives:

SO Strategy: In the desire of pursuing with her education, the client is aware that her background, aptitudes and the educational offer of the faculty chosen allows her to take up higher education. She can apply an offensive mobilization strategy in order to go through the subsequent examinations (baccalaureate and faculty admission).

WO Strategy: In individual counseling sessions the client will practice emotional control strategies in order to defeat timidity under stress and increase her self-confidence. She will learn to appreciate herself correctly and cultivate transferable aptitudes (e.g. communication) by exam simulation techniques.

ST Strategy: the realistic appreciation of her own strengths, self-confidence and thorough study for exams are ways to counteract the outside dangers: competition of colleagues in the admission exam, low financial possibilities (scholarship), distance from home (student hostel).

WT Strategy: the client will not need defensive strategies (min-min) unless she fails (highly unlikely), then the initial strategic plan will be reconsidered.

Set of questions necessary for SWOT analysis - Strengths:

- What can you do very well?
- What are your advantages?
- What made you decide on your school?
- What were your reasons and what influenced you?
- Are these causes a consequence of your innate qualities?
- What do you expect from your job?
- What are your most important achievements?
- Who do you owe these successes to?
- How do you measure (evaluate) your success?
- What knowledge and practical work experience can you offer the company?
- What do you prize most / what has the most worth for you?

Weaknesses:

- What can be improved?
- What are you bad at?
- What should you avoid?

- What do you not know in your line of work?
- How do the gaps in your qualifications affect your performance?
- Think of an unpleasant moment in school (or at the workplace), which were caused by your personal or professional faults.

Opportunities:

- Are there any promising perspectives in the chosen field?
- What is the highest level of performance in the chosen field?
- What efforts have you made in order to find a place in the chosen field of activity?
- What can you add to your background to benefit from existing opportunities?
- Could additional training be advantageous?
- How fast would it be possible to advance in the chosen career?
- Opportunities may occur due to changes in:
 - _ ICT and production,
 - _ government policies in the field,
 - _ society, demographics, lifestyle, etc.?

Threats:

- What obstacles must you face?
- Do requirements change often in the chosen field?
- Does the advancement of technology threaten your position?
- What are the current market trends in your specialty?
- Compared to newly emerged fields, is the interest in your own decreasing?
- Is your field of activity subject to political, economic, social conflict?
- Is there a risk of a change in the work policy in your area of interests?
- How could economic development affect your job and the team you are part of?
- Can your company offer you access to training to maintain your competitiveness?

5.6 SWOT Method Evaluation

SWOT methodology is a basic instrument for strategic management. Currently, no company can afford to make successful forecasts without a management based on performance strategies, just as no career planning can work outside elaborating strategic SWOT alternatives. The words “*To Swot*”, “*Swotting*” have already been coined.

Counseling and consulting services place this method in the initial phase of contact with the client, in order to offer not only a perspective over their resources and needs, but also possible solutions required by the external circumstances.

Advantages: Listing key internal and external elements is relatively simple, quick, and effortless. This is why it might be thought that this kind of preliminary analysis feels like a game and its depth may be overlooked, especially in case of untrained pupils and adolescents, tempted to slight it.

The popularity of the method is also due to the numerous fields and categories of clients that may benefit from its results. Accessibility and quickness at any age increases the frequency of and preference for the method compared to other more laborious ones.

In case of complete administration, when counselors assist clients in elaborating strategies and making career-related decisions, clients may be confronted with other opinions, learn objective self-analysis, clarify their own values, adopt realistic and deliberative behaviours.

Disadvantages: In its current format, going through all SWOT stages requires time for research, effort to make self-evaluation more objective (especially with very young clients or in case of institutions facing competition and in need of maintenance / response strategies).

In order to avoid subjectivity, clients must rely on the sincere appreciation of others, although it occasionally tends to limit autonomy in self-analysis. In order to counteract these time-consuming issues, some US firms created interactive SWOT software that clients may purchase for self-administration. Consequently, SWOT analysis may be used according to:

- client needs: adequate analysis of needs and resources;
- purpose: to obtain information the clients, investigate the labour market, help with personal marketing, career-planning and development (it clarifies values, maps competences, prepares an action plan); beneficiary:
- counseling should be individual rather than in group;
- phases of the counseling process (e.g. establish the client's current situation);
- degree of standardization: semi-standardized (SWOT standard).