Towards a Restructuration of the Conventional SWOT Analysis

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Abstract

Today, the use of SWOT analysis is increasingly popular for the strategic planning of businesses. However, we argue that a traditional and conventional way of approaching the SWOT analysis contains an interpretative mistargeting which, in the background, derives from the absence of a comprehensive evolutionary methodological framework. Therefore, a conventional SWOT analysis that articulates lists of strengths-weaknesses and opportunities-threats in an absolute and non-correlative way is probably inappropriate to give answers to the needs of strategic planning. In this direction, by also exploring elements from the criticism to the traditional SWOT analysis, we counter-propose a new conceptual framework that perceives SWOT analysis in a correlative and evolutionary way, for all the kinds of socioeconomic organisms.

Keywords: conventional SWOT analysis, correlative/evolutionary SWOT analysis, strategic analysis/synthesis

1. The positioning of the Problem: The Shortcomings of the Conventional SWOT Analysis

Nowadays, the use of SWOT analysis is continually growing (Ayub, Razzaq, Aslam, & Iftekhar, 2013; Coman & Ronen, 2009; Fine, 2010; Ghazinoory, Abdi, & Azadegan-Mehr, 2011; Jasinevičius & Petrauskas, 2015; Shahmirzadi, 2017; Simoneaux & Stroud, 2011). SWOT analysis, whose creation and diffusion in theory and practice cannot be attributed to a single author, was developed mostly after the mid-20th century and, since then, it is one of the most popular approaches in the strategic management of organizations (King, 2004).

However, we think that this analysis remains integrated to a quasi-static mode of theorization and under the restrictive optic of a non-evolutionary comprehension of the strategic capabilities and challenges of socioeconomic actors (Boulding, 1981; Friedman, 1998; Schumpeter, 1942).

Therefore, in this article, we explore the appropriateness of SWOT analysis, which seems unable to answer entirely to the needs of strategic planning. To articulate this critique, we have divided our research into two sub-sections. The first has the purpose of observing the existing criticism to the methods of the conventional SWOT analysis, by using elements from the international literature, while the second proceeds to counter-propose a new conceptual framework, which perceives SWOT analysis in a correlative and evolutionary way.

2. Existing Criticism of the Conventional SWOT Analysis

The conventional SWOT analysis has been the subject of essential criticisms, mostly over the last twenty years.

According to Hill and Westbrook (1997), the traditional SWOT analysis and its outputs do not constitute analysis at all, because they are superficially descriptive and only of general perception, while Koch (2000) concludes that the way SWOT analysis is conducted does not lead to the proper communication and validation of the factors that derive from the internal and external environment.

According to Pickton and Wright (1998), the framework of SWOT analysis is usually exercised as a simplified process which, for the most part, leads the strategic planning to major inefficacies. As a result, this framework must be enriched with more detailed analysis by using complementary frameworks that can overcome the endogenous inefficiencies of the conventional and traditional SWOT analysis. The reason for reassessing SWOT analysis is that strategic planning has a more organic than mechanic nature and that a mechanistic perception of SWOT can only lead to superficial lists of strengths and weaknesses.

In a converging criticism, Haberberg (2000) suggests that by only building lists of the different elements of SWOT analysis, we can make no useful conclusion for the position of an organization. This conception is enhanced by the
theoretical contributions and developments of the theory of organizational competitive advantages (Barney, 1995).

Furthermore, through a resource-based perspective, the SWOT analysis can be substantially different from its traditional and prevailing form, where the analytical conventions and shortcoming are not avoided (Fahy & Smithee, 1999; Mury, 2016; Valentin, 2001). Therefore, under specific conditions, with a re-conceptualized methodological framework, SWOT analysis can be useful. Also, from a knowledge-based perspective, in the traditional SWOT analysis vagueness prevails, while this framework of identifying an organization’s strengths and weaknesses is static and very general (Houben, Lenie, & Vanhoof, 1999).

According to Lippitt (2003), the traditional SWOT analysis cannot be a method of strategic differentiation and, therefore, must be redefined and focus on the priorities set by an organization: these priorities cannot derive just from the vague perceptions the organizations have for their strengths and weaknesses but from a systematic study of reality.

According to Dickson (2002), a redefinition of the traditional (static) SWOT analysis can happen by applying the complexity theory and the dynamics of systems theory. Agarwal et al. (2012) suggest that a meta-SWOT analysis can be built gradually by removing the subjective, non-systematic, and non-quantitative nature and interpretations of traditional SWOT analysis; this analytical tool can be indeed critical for strategic planning and building and sustaining the organization’s competitive advantages.

Panagiotou (2003) acknowledges that SWOT analysis is a catchy acronym that remains rooted in vagueness, which oversimplifies its findings and has numerous limitations. Popescu and Scarlat (2015), in a similar perception, support that SWOT analysis provides only a separate understanding of the internal and external environmental changes, therefore does not show how the internal and external factors of the business organization are interconnected and how to compare them. In general, strategic decisions that derive from SWOT analysis are born from an “atheoretic classificatory system”: therefore, they should begin from an empirically tested theoretical background (Grant, 2008). It seems that this is the reason why more and more approaches try to reposition and link the conventional SWOT analysis to different methodologies and strategic tools (Gunn & Williams, 2007; Marti, 2004; Morris, 2005; Mulcaster, 2009; Nickols & Ledgerwood, 2006; Novicevic, Harvey, Autry, & Bond III, 2004; Panagiotou & van Wijnen, 2005).

Nixon and Helms (2010) argue that beyond “vague and simplistic,” SWOT’s greatest weakness is the lack of technical support. The tool of SWOT analysis does not perceive the environmental changes and, therefore, how new strategies transform the organization’s strengths and weaknesses. They also notice that SWOT is based on “ideas, expertise, and assertions of experts” and, therefore, the SWOT table that derives from this analysis lacks empirical testing.

Ultimately, these criticisms to the traditional SWOT analysis illustrate that there is indeed a tendency to reposition the theoretical background of the analysis. We find in the above critiques terms such as “superficially descriptive”, “mechanistic”, “vague perceptions the organizations have for their strengths and weaknesses”, “static analysis”, “over-simplistic”, “atheoretic classificatory system”, which are all useful to suggest that there is a need to reposition this strategic tool explicitly. In particular, the majority of the critique exercised on the traditional SWOT analysis identifies the need for deepening the analysis in more dynamic and systemic terms. In our perspective, we suggest that SWOT analysis needs a correlative/evolutionary interpretation of the strengths and weaknesses for the strategic planning of a socioeconomic organization, based on the historically determined changes of the external organizational environment.

3. Possible Paths of Restructuring SWOT Analysis: Towards an Evolutionary Direction

Therefore, based on these arguments criticizing SWOT, we detect a significant number of converging criticisms to conventional SWOT analysis. However, we argue that we can enrich this critique by a more systemic, correlative, and evolutionary perspective.

In particular, we pose the question of why the conventional SWOT analysis is unable to comprehensively respond to contemporary strategic needs of an organization or business. Why does it perceive the strengths-weaknesses and opportunities-threats of the system under study in a non-comparative and non-evolutionary way? Why is unable to explore the system’s specific, historically accumulated and unique strategic paths (D’Adderio, 2008; Dopfer & Potts, 2009; Festré & Garrouste, 2009; Heinzel, 2013; Hodgson, 2013; Valentinov, 2015; Winter, 2014)?

Concerning evolutionary economics, despite its comprehensive methodological insights, seems to be still, unfortunately, on the heterodox side of scientific theory and practice (Hodgson, 2006; Kuhn, 1962; O’Hara, 2007). As a result, the linear and mechanistic approach, which derives from the mainstream neoclassical theory of the firm, although it seems to have exhausted its interpretative and predictive capacity, keeps reproducing a comparatively static view on the firm and on the environmental dynamics (Dopfer, Foster, & Potts, 2004; Ferreira, 2019; Louçã, 1997; Lowe, 1951; Mirowski, 1992; Potts, 2003).
However, the contributions of the theory of the firm, that were mostly developed in the mid-20th century and beyond, and were primarily based on the previous criticisms to the neoclassical tradition (Mongiovi, 1996; Robinson, 1953; Sraffa, 1926), continue to drastically redefine our perception on the dynamics of the capitalist enterprise; their main pursue is to theorize how in a context of constant shortage of productive resources the enterprise articulates and implements its strategy (Archibald, 1973; Barreto, 2013; Cyert & March, 1963; Delapierre & Milelli, 1995; Foss & Knudsen, 2013; Gavetti, Greve, Levinthal, & Ocasio, 2012; Holmstrom & Roberts, 1998; Lozano, Carpenter, & Huisingh, 2015; Williamson & Winter, 1991; Zingales, 2017).

In these contributions, the distinction between the internal and external environment of organizations becomes complex and interdependent, since the global business dynamics (at all environmental levels) is unavoidably crossing the narrowly perceived ethnocentric boundaries (Dopfer, 2011; Vlados & Katimertzopoulos, 2018). In this perspective, there is a complex process of co-evolution (see Figure 1).

![Figure 1. External and internal co-evolution](image)

Specifically, the accumulated strategic results of the different socioeconomic agents are creating the evolutionary trajectories of development or under-development, for all the participants in global business dynamics (Andreoni & Scanzieri, 2014; Dosi, 1982). In this context, an organic perception of the nature and evolution of the socioeconomic agents, as a determinant of their strategic, technological and managerial capabilities and performance, seems to acquire even more theoretical and empirical documentation (Iansiti & Levien, 2004; Moore, 1993).

Contrary to the analytical perspective of evolutionary economics, there is a rigid dichotomy between the internal and external organizational environment in the conventional SWOT analysis, because it assumes that the strengths and weaknesses result in an absolute way from the internal environment and the opportunities and threats that the external environment causes are equal for all the participants (see Figure 2).
We can argue that SWOT analysis’ conventionality and relative insufficiency has emerged through the experience in the field of strategy articulation by multinational companies. In a conventional SWOT analysis, it is customary for the strategic analyst to record a list of the opportunities and threats of the external environment, regardless of the type and size of the firm. The strategic analyst, therefore, can assume that two firms operating in the same industry and country share common opportunities and threats, as they seemingly operate in the same external environment. However, this can only lead to interpretive failures. The traditional SWOT analysis does not take into account the particular strengths and weaknesses that can unlock specific opportunities and threats. As a result, this analytic “myopia” (Levitt, 2004) that builds lengthy lists of seemingly identical external environment features for seemingly similar firms, does not bring anything new to strategic analysis.

Accordingly, we propose an alternative SWOT analysis that is always structured in an evolutionary and correlative way. There are no “absolute” strengths and weaknesses, nor “general” opportunities and threats; these always derive from the particular historical and evolutionary trajectory of every socioeconomic organism, on the basis of its strategic capabilities, technological aptitudes, and managerial dexterities, in a unifying perspective (Vlados, Katimerzopoulos, & Blatsos, 2019; Vlados, 2004). And not only that, but this evolutionary perception is more and more necessary in the conditions of the today’s globalization crisis and restructuring (Laudicina & Peterson, 2016; Vlados, Deniozos, & Chatzinikolaou, 2018).

In this view of using SWOT analysis in a correlative and evolutionary perspective, we assume that the change of the external environment gives birth to “potential” opportunities and threats. These do not acquire particular content unless specific and “comparative” strong and weak points of the organization unlock them. In this view, a change creates a real opportunity only when it relies upon the relative strength of the organization. Correspondingly, when a change relies upon a relative weakness, then it creates a real threat (See Figure 3).
There are no fixed strong and weak points in the evolving reality of organizations. The strengths and weaknesses are always comparative and correlated with the evolutionary change of the internal and external environment of the organization. A specific strength from the internal environment can unlock a particular opportunity, as is the opposite, a particular weakness can provide the basis for a threat. Ultimately, the co-evolutionary understanding of relative strengths and weaknesses as a basis for the emergence of specific opportunities and threats, respectively, is the basis for successful strategic syntheses. In figure 3, the arrows that extend from left to right show the historical/evolutionary change of the business environment. The upper arrow that signals the evolutionary change of the internal environment is the historically determined strengths and weaknesses materialized upon the evolutionary change of the internal environment at some historically determined time. These constitute the sources of specific opportunities and threats that emerge on the “evolutionary arrow” of the external environment providing the real basis for the continuous strategic synthesis/re-synthesis of the organization.

In this context, therefore, the opportunities that any organization will have in the future are related to its present capability to reproduce its comparative strengths: comparative, that is, concerning all the other comparable socioeconomic organizations, at all levels (direct or indirect and potential competitors). On the contrary, a continuous non-focusing on the specific strengths, the incapability to transform them into concrete and realized opportunities, multiplies the future external threats manifested upon the accumulated comparative weaknesses.

In conclusion, such an integrated approach to strategy development, we think it can be useful for the development of any socioeconomic organization. With an evolutionary and correlative SWOT analysis, the socioeconomic organization can more precisely structure its strategic direction and, therefore, the most appropriate time for action and activation of its strategy. However, there are some limitations to this study, which we have to clarify. This approach has not yet an integrated operational form that can bear a detailed presentation of its application in the field and through the examination of various case studies. In the form presented here, our analysis is not yet capable of incorporating and weighing specific qualitative and quantitative data. We think that more systematic field research that investigates how specific socioeconomic organizations articulate their strategy is a necessary first step to deepen and operationalize the correlative SWOT analysis and, therefore, provide a useful tool for strategic analysis and synthesis.
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