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SWOT ANALYSIS AS A TOOL FOR STRATEGIC MANAGEMENT AND AN IMPLEMENTATION IN A FIRM IN MACHINE INDUSTRY

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ABSTRACT: There are various frameworks and approaches used in the analysis of a company's strategic position. One of the most straightforward is the SWOT analysis. SWOT analysis is an acronym for strengths, weaknesses, opportunities, and threats and is a structured planning method that evaluates those four elements of a project or business venture. Knowing all these points of a company or of a supply chain is a good basis for strategy formulation. Nowadays competition in the world is so increasing and therefore firms have to attach importance on strategic planning so much. In this study we mentioned about SWOT analysis, which is the most used strategic technique in strategic management and then performed an implementation in a firm in machine industry.

Keywords: *Swot Analysis, Strategic Plan, Machine Industry*

INTRODUCTION

Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities. All the classic definitions of strategy, of which this is one, highlight its complex nature. Strategic management encompasses several different sets of considerations whose relative emphasis by business strategists, consultants, and academic researchers has changed over time, as ideas have evolved about the application of competitive thinking to the collective enterprise of value creation (Chen, Fairchild, Freeman, Harris, & Venkataraman, 2010; Andrews, 1997; Hax, Majluf 1988; Liu, 1998). In SWOT analyses, one of the strategic management tools, is used commonly at the starting point of strategic management in firms. If the firms want to perform a strategic management, SWOT is indispensable tool which should be used to determine the firm's situations easily and clearly.

Strategic Management's Definition, History And Tools

Strategic Management Definition

Porter defined strategy as a crucial tool of companies to differentiate from competitors and create a sustainable advantage for the company (Cao, Zhao, Yang, Xiong, 2015). Currently the strategy is one of the key factors of the company and with its definition may be encountered in a number of domestic and foreign literatures dealing with strategic management. In order to understand the dynamics of strategies from the current period, extremely turbulent through its manifestations, and in order to identify the reference points to focus the future construction of strategic management on, we must first understand the current context rules (Pricop, 2012).

Strategic management consists of formulating the vision, mission and goals of the organization, analysis of external and internal environment of the organization, selection of an appropriate strategy at local, regional or national level, depending on the level of government entities, organizational design changes, administrative measures and control systems for implementing strategy (Geciková, Papcunová, 2014).

Strategic management defines goals for operational environment of the organization, which should be achieved through conscious and planned methods (Güçlü, 2003).

Strategic Management History

The strategy was considered in the past as the science about planning and defining directions of military actions, while the birth of company strategy occurred in 60's by publication of Alfred Chandler who pointed out the problem solving by managers in American companies connecting with long-term objectives, allocating resources and creating a structure to enable and support their implementation (Mišanková, Kočišová, 2014). The roots of strategic management research can be traced at least to the early 1960s, the field's prominence grew dramatically following the publication of Schendel and Hofer (1979) and the emergence of the Strategic Management Journal (SMJ) in 1980 (Shook, Ketchen, Hult, Kacmar, 2004). Since the time of the early Greeks, the concept of business strategy has changed from a macro to a micro and back to a macro viewpoint (see Table-1). Now business researchers and practitioners need to move from a concern with definitions of the concept to a consolidation of terminology. Such a consolidation would facilitate the empirical testing of hypotheses as part of an attempt to validate or reject traditional constructs and to develop useful applications to organizational environments (Bracker, 1980).

Table-1: History of the Scope of Strategic Management

	Macro		Micro		Macro	
Time	3000 B.C.	Fall of Greek City- States	Roman Empire	Industrial Revolution	Post World War II	Future
Rationale	National markets ^[1] Large, complex interrelated organizations		Oligopolistic environment Unlimited resource availability Lack of national markets ^[1] Lack of ability to anticipate change Stable environment		Dynamic environment New technology ^[1] Ability to anticipate change National markets Ability to deal with uncertain future	
Strategy Definition	Effective use of resources to meet objectives		Effective use of resources to meet objectives		Analysis of internal and external environments of the firm in order to maximize utilization of resources in relation to objectives	
Major Contributors	Early Greek writers such as Homer, Euripides, and Socrates		Shakespeare. Montesquieu. Kant, Mill, Hegel, Clausewitz, Tolstoy		Von Neumann & Morgenstern, Drucker, Chandler, Ansoff, Glueck, McNichols, Steiner, Miner, Mintzberg. Hofer, Schendel	
Application of Strategy	Business, Military, and Government		Military and Government		Business, Military, and Government	

Strategic Management Tools

Strategic management tools are consist of SWOT analysis, customer satisfaction analysis, price analysis, analysis of views and employee attitudes, cost-benefit analysis, analysis of customers complaints, analysis of customers' opinions and attitudes, Porter's five forces, PEST analysis, level of service analysis, market segmentation, market – share analysis, customer profitability analysis and benchmarking (Afonina, Chalupský, 2012).

Swot Analysis' Definition, History And Swot Analysis In Strategic Management

Swot Analysis Definition

SWOT Analysis is (one of many possible strategic planning tools) used to evaluate the Strengths, Weakness, Opportunities and Threats involved in a project, or any other situation requiring a decision and has been a useful tool for industry. SWOTs are defined based on the following criteria:

- Strengths are internal attributes of the organization that are helpful to the achievement of the objective.
- Weaknesses are internal attributes of the organization that are harmful to the achievement of the objective.

- Opportunities are external conditions that are helpful to the achievement of the objective.
- Threats are external conditions that are harmful to the achievement of the objective.

In theory, SWOTs are used as inputs to the creative generation of possible strategies, by asking and answering the following four questions numerous times:

- How can we Use each Strength?
- How can we Stop each Weakness?
- How can we Exploit each Opportunity?
- How can we Defend against each Threat?

(Hay, Castilla, 2006; Balamuralikrishna, Dugger, 1995).

SWOT analysis, also known as SWOT-matrix (Figure 2), is a decision tool for organizations and a method to develop their understanding of certain situation. The acronym stands for strengths, weaknesses, opportunities and threats(Pystynen,2016).

Strengths

Strengths are internal originating positive factors, which need to be maintained. For example if you are planning to start a business, you or an employee or family member may have previous experience in that industry. If not, this may be viewed as a weakness. If you already know where to go to find the help you need, this would be considered a strength for this analysis.

Weaknesses

Weaknesses are also generally considered internal and are the factors you will need to address to run a successful business. For a start-up business, an example might be a lack of experience in the selected industry.

Opportunities

Opportunities are external originating positive factors, which need to be prioritized or captured. What opportunities are available for your business? You may be able to take advantage of low interest loan packages for start-ups or grants for feasibility studies.

Threats

Threats are external originating negative factors, which need to be countered or minimized and managed. Threats from outside of your business will directly affect you, but you may have very little control over them. Unforeseen competition (local or foreign), dissolution of markets, and adverse weather may also have a negative effect on your business(USDA, 2008; Pystynen, 2016).

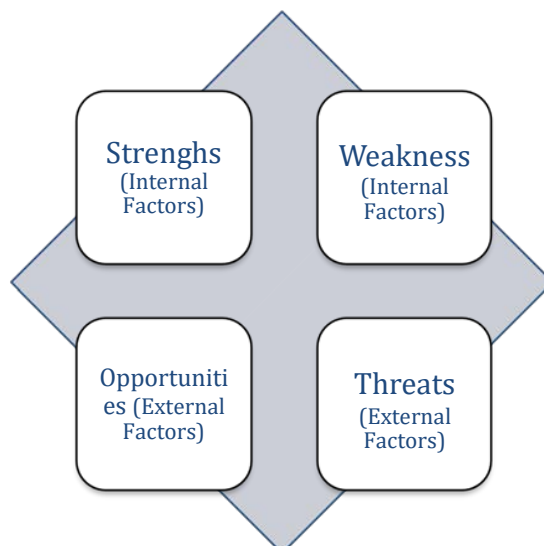


Figure 2. SWOT-matrix

Swot Analysis History

The origins of the SWOT analysis technique is credited by Albert Humphrey, who led a research project at Stanford University in the 1960s and 1970s using data from many top companies. The major goal was to identify why corporate planning failed? The resulting research identified a number of key areas and thus the tool used to explore each of the critical areas was called Satisfactory, Opportunity, Fault and Threat (SOFT) analysis. Humphrey and the original research team used the categories “What is good in the present is satisfactory, good in the future is an opportunity; bad in the present is a fault and bad in the future is a threat.” In 1964 Urick and Orr at a conference changed the F to a W, and it has stuck as that, SOFT to SWOT. Some researchers reference the 1965 publication “business Policy, text and cases” by Learned, Christensen, Andrews and Guth from Harvard University, in which a framework is used which closely resembles SWOT, however these words are not used and certainly the framework is not described as succinctly as we know it today(George, Pramod, 2013; Shrestha, 2012; Fine, 2009; Zavadskas, Turskis, Tamosaitiene, 2011).

Swot Analysis Importance

The importance for managers of a rigorous and consistent situation analysis is indisputable, and a SWOT analysis can provide a useful lens(Allio, 2006). Examining a company's internal and external environment is essential in the process of strategic planning. The SWOT analysis, which includes the analysis of strengths, weaknesses, opportunities and threats investigates both, internal and external as well as positive and negative factors of a corporation. On the basis of the SWOT analysis a marketing strategy can be developed using corporate strengths as well as avoiding corporate weaknesses to enable a company to benefit from future opportunities with regard of future risks(Böhm, 2009).

Benefits of Swot Analysis

The biggest benefit of SWOT analyses is that it focuses on both the inside and outside environment. It complements this thesis by providing a closer look at the provided solution and the company itself. The main advantages are identified in the method, but also some weak sides are discussed. This will help the company looking for expansion to focus on its strengths and manage its the weaknesses. The threats can be from different origins. In the method they are considered as barriers. The opportunities also take a part in the method. SWOT analysis requires no extensive training or technical skills to be used successfully and specialized training and skills are not necessary, the use of SWOT analysis can actually reduce the costs associated with strategic planning(Koseva, 2012; Karg, Jahn, Ahrberg, 2014). SWOT analysis assumes a central position in business management. The external (environmental analysis) and internal (analysis of the company) analyzes are always seen in a mutual dependency relationship. This dependence expresses in the “Odds-Risks-Matrix” in which the SWOT analysis typically leads (Figure 3.)(Karg, Jahn, Ahrberg, 2014).

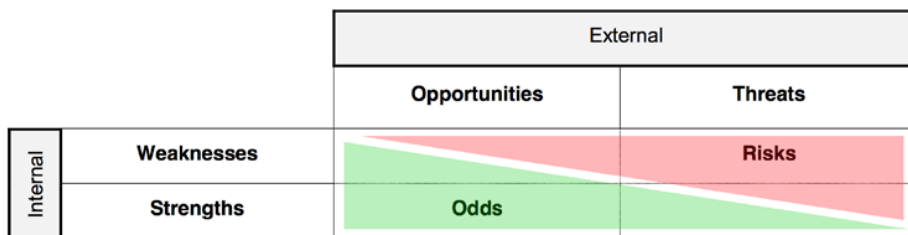


Figure 3. Odds-Risks-Matrix

Swot Analysis In Strategic Management

As you can see on the Figure 1., strategy begins with objectives, which naturally follow from a company's mission that is the reason for being. Objectives are concrete goals that a company seeks to reach. They should be challenging but achievable and measurable. To devise a strategic plan to achieve these objectives, a company has to analyse its situation. The SWOT analysis is a tool for such a situation analysis. As commonly defined, SWOT analysis is an approach to considering the inhibitors and enhancers to performance that an organization encounters in both its internal and external environments. The basic assumption of a SWOT analysis is that a company must align internal activities with external realities to be successful. The SWOT analysis provides a framework for analysing strengths and weaknesses (internal), and opportunities and threats (external). It helps to focus on strengths, to minimize weaknesses, and to take the greatest possible advantage of opportunities available(Pahl, Richter, 2007; Leigh, Pershing, 2006).

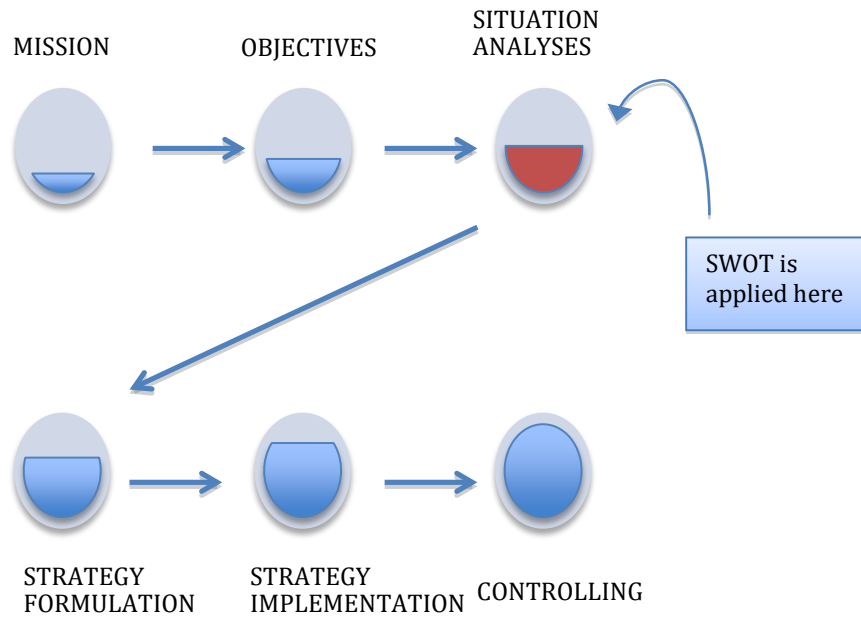


Figure 1. Strategic Planning Process

AN IMPLEMENTATION IN A MACHINE INDUSTRY FIRM

Data Collection Procedure

In this study, first of all, the related literature was reviewed and the necessary information was obtained in order to form a theoretical basis. We observed the factory through strategic management perspective with production managements and technicians. The required informations were gathered through face-to-face interviews with the business managements and the other staff. And also we search the current market situation relating with the company from statistical documents and studies.

Findings of the Study

This firm manufactures food machines for biscuit and cake sector in Karaman city. Staffs are consist of 20 people, all of them are qualified and expertise in their own work. Firms' machine quality is high so there are few complaints come from the customers. The company has some strengths relates with the staff, production style, machines, software programs and other fixtures, expertise fields and finally administration. At the same time the company has some weakness relates with production style, staff, machines, software programs and other fixtures, administration, costs and incomes. Opportunities, the firm encounter, are relates with changing in production styles, current markets, future trend for current market, new markets, state aids. The firm also encounter threats relates with rivals, customers, current market structure and orders. All of them were mentioned in the SWOT analyses as you can see at the Table-2. Generally the firm isn't in a bad condition but they should make some structural changes especially in the market positions and administration applications such as make a vision and apply a strategic management. So they can perform the works as they do, with systematical approach. General manager is open to change therefore the changes can perform so fast. It is a huge advantage for the firm maybe it is the best advantage that they have. Production styles is in tendency of converting to assembly manufacturing so the firm can evaluate to conduct a outsource applications easily. There will be lots of benefits owing to these collaborations. State aids in Turkey are in high level currently therefore the company can use these aids. These aids especially should be used in make an increase in exporting. Because in their sector the competition is so high and the domestic market start to narrow. They should employ market stuff for performing the marketing applications more professional and effective. As we search from the statistical document, food and biscuit sector is in growing tendency in worldwide. Thanks to this dynamic, the company that we observed through the strategic management, should use this opportunities immediately and make its location in the both domestic and international area.

Table-2: Swot Analysis

<p>Strengths</p> <p><u>Staff :</u></p> <ul style="list-style-type: none"> ▪ Dynamic and exciting team ▪ Using a CAD programme at high level ▪ High production experience ▪ Using a machines at good level <p><u>Production Style :</u></p> <ul style="list-style-type: none"> ▪ Flexible production(firm can make a machine according to customer special demands) <p><u>Machines, Software Programs And Other Fixtures :</u></p> <ul style="list-style-type: none"> ▪ Quality and modern CNC machines ▪ CAD program (Solid Works) ▪ Factory's land and building (Owner) <p><u>Expertise Fields :</u></p> <ul style="list-style-type: none"> ▪ Biscuit and cake machine <p><u>Administration :</u></p> <ul style="list-style-type: none"> ▪ General management is open to change 	<p>Opportunities</p> <p><u>Changing In Production Styles :</u></p> <ul style="list-style-type: none"> ▪ Production styles is in tendency of converting to assembly manufacturing <p><u>Current Markets :</u></p> <ul style="list-style-type: none"> ▪ Some steady orders of consumables <p><u>Future Trend For Current Market :</u></p> <ul style="list-style-type: none"> ▪ Food and biscuit sector is in growing tendency in worldwide <p><u>New Markets :</u></p> <ul style="list-style-type: none"> ▪ Consumable products segment ▪ There are another potential customers in Turkey ▪ There is a market for exporting (New costumers from abroad- firm made a new deal to abroad company) <p><u>State Aids :</u></p> <ul style="list-style-type: none"> ▪ Projects aids ▪ Exporting aids ▪ Qualified personnel aid
<p>Weakness</p> <p><u>Production Style :</u></p> <ul style="list-style-type: none"> ▪ Can't increasing in expertise in specific machines owing to variable special machine demands ▪ Can't do a series production <p><u>Staff :</u></p> <ul style="list-style-type: none"> ▪ There is no marketing staff for work only his own area ▪ No alternative of production management <p><u>Machines, Software Programs And Other Fixtures :</u></p> <ul style="list-style-type: none"> ▪ Lack of ERP programme ▪ Amateur arranged web site <p><u>Administration:</u></p> <ul style="list-style-type: none"> ▪ Lack of vision and strategic planning ▪ General management has a lot of works like bank and other office transactions except administration <p><u>Costs :</u></p> <ul style="list-style-type: none"> ▪ Approximately 50.000 TL(Turkish Lira) cost per month for workers <p><u>Incomes :</u></p> <ul style="list-style-type: none"> ▪ Lack of regular income for fixed costs 	<p>Threats</p> <p><u>Rivals</u></p> <ul style="list-style-type: none"> ▪ New rival was established in the same city <p><u>Customers :</u></p> <ul style="list-style-type: none"> ▪ Current customers aren't institutional ▪ Current customers manufacture especially for exporting to east and middle east so risks are high depend on crisis <p><u>Current Market Structure</u></p> <ul style="list-style-type: none"> ▪ Dependence commonly on biscuit and cake factories in Karaman city <p><u>Orders</u></p> <ul style="list-style-type: none"> ▪ Present orders are ordinarily consist of machines not stable consumable products

CONCLUSION

A framework that will guide businesses in managing complexity and interconnections of multiple and diversified elements in their internal and external environments. The discipline of strategic management is naturally evolving in the direction of systemic and comprehensive solutions (Witek, 2012). SWOT analysis is the most used tools of strategic managements. SWOT analyses makes brief and effective picture of company's situation. But theorists and practitioners generally agree that the result of a SWOT analysis can lead to a quick analysis of the situation, which remains approximate and incomplete (Speth, 2015). Therefore SWOT analysis' findings should be used quickly in the subsequent stages of strategic management. This firm that we made SWOT implementation, should start at make a vision, this is the most important finding and so evaluations and studies should be start from there. After that they should make some structural changes such as using ERP, employ a marketing stuff and make marketing department, then they should tend to international markets because of the narrowing in the domestic market.

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