

Chapter 5: Synthesis of Strategic Issues and Analysis

5.1 Introduction

5.2 SWOT Framework

5.3 Strategic Issue Identification

5.4 Conclusion

Learning Objectives

After reading this chapter, you should be able to understand and articulate answers to the following questions:

1. How is the SWOT framework developed and used for determining strategic issues and strategies?
2. What is a strategic issue and how is it identified and expressed?

5.1 Introduction

The last three chapters have dealt with assessing organizational performance, external analysis of the industry, and competitive environments of a firm, and analyzing the internal environment of an organization. What happens to all information that is obtained as a result of all these evaluations? The SWOT framework helps to pull the most important information into a format that can then be used in strategic management to determine the strategic issue the firm needs to address and resolve by consolidating a summary of the other analyses into one framework. The SWOT framework is also helpful in the next phase of strategic management, setting strategies.

A strategic issue is the primary matter faced by an organization that must be addressed for the organization to survive, excel, or achieve a major strategic initiative. The strategic issue defines what the organization needs to address and resolve to move the organization forward toward success by analyzing the data and information from the internal and external assessments as presented in the SWOT. Once the strategic issue is defined, strategies can be developed that address and resolve the strategic issue and propel the organization toward

accomplishing its vision. The next chapter discusses how basic business level strategies are developed. The development of the firm’s strategic issue is discussed in greater detail later in this chapter.

5.2 SWOT Framework

Chess master Bruce Pandolfini has noted the similarities between business and chess. In both arenas, you must understand your own abilities as well as your flaws. You must also know your opponents, try to anticipate their moves, and deal with considerable uncertainty. A very popular management tool that incorporates the idea of understanding the elements internal and external to the firm is SWOT (strengths, weaknesses, opportunities, and threats) analysis. Strengths and weaknesses are assessed by examining the firm, while opportunities and threats refer to external events and trends. These ideas can be applied to individuals too. Below are examples of each element of SWOT analysis for organizations and for individuals who are seeking employment.

Table 5.1 SWOT

SWOT point	Organizational Examples	Individual Examples
Strengths	Having high levels of cash flow gives firms discretion to purchase new equipment if they wish to.	Strong technical and language skills, as well as previous work experience, can help individuals rise above the competition.
Weaknesses	Dubious leadership and CEO scandals have plagued some corporations in recent years.	Poor communication skills keep many job seekers from being hired into sales and supervisory positions.
Opportunities	The high cost of gasoline creates opportunities for substitute products based on alternative energy sources.	The US economy is increasingly services based, suggesting that individuals can enjoy more opportunities in service firms.
Threats	Concerns about worldwide pollution are a threat to petroleum-based products.	A tight job market poses challenges to new graduates.

Porter’s Five Forces analysis examines the situation faced by the competitors in an industry. Strategic groups analysis narrows the focus by centering on subsets of these competitors whose strategies are similar. SWOT analysis takes an even narrower focus by centering on an individual firm. Specifically, SWOT analysis is a tool that considers a firm’s strengths and weaknesses along with the opportunities and threats that exist in the firm’s environment (Table 4.12).

Executives using SWOT analysis compare these internal and external factors to generate ideas about how their firm might become more successful. In general, it is wise to focus on ideas that allow a firm to leverage its strengths, steer clear of or resolve its weaknesses, capitalize on opportunities, and protect itself against threats. For example, untapped overseas



Figure 5.1: China’s huge population and growing wealth makes it an attractive opportunity for Subway and other American restaurant chains.

weaknesses, capitalize on opportunities, and protect itself against threats. For example, untapped overseas

markets have presented potentially lucrative opportunities to Subway and other restaurant chains such as McDonald's and KFC. Meanwhile, Subway's strengths include a well-established brand name and a simple business format that can easily be adapted to other cultures. In considering the opportunities offered by overseas markets and Subway's strengths, it is not surprising that entering and expanding in different countries has been a key element of Subway's strategy in recent years. Indeed, Subway in 2020 had operations in 111 nations.

The SWOT framework is developed by synthesizing the information developed from the external, competitive, and internal assessments. The most important information from these assessments is pulled into the SWOT framework. Once complete, the SWOT is helpful in determining the strategic issue facing the organization. SWOT is also beneficial in developing the strategies for the firm.

SWOT analysis is helpful to executives, and it is used within most organizations. Important cautions need to be offered about SWOT analysis, however. First, in laying out each of the four elements of SWOT, internal and external factors should not be confused with each other. It is important not to list strengths as opportunities, for example, if executives are to succeed at matching internal and external concerns during the idea generation process. Internal environment assessment tools such as VRIO and Value Chain Analysis can lead to organizational strengths and weaknesses. Using external environment analysis tools like PESTEL and Porter's Five Forces help to determine opportunities and threats. Second, opportunities should not be confused with strategic moves designed to capitalize on these opportunities. In the case of Subway, it would be a mistake to list "entering new countries" as an opportunity. Instead, untapped markets are the opportunity presented to Subway, and entering those markets is a way for Subway to exploit the opportunity. Finally, and perhaps most important, the results of SWOT analysis should not be overemphasized. SWOT analysis is a relatively simple tool for understanding a firm's situation. As a result, SWOT is best viewed as a brainstorming technique for generating creative ideas, not as a rigorous method for selecting strategies. Thus the ideas produced by SWOT analysis offer a starting point for executives' efforts to craft strategies for their organization, not an ending point. The SWOT framework is also very helpful in determining the strategic issue facing the firm that will need to be addressed and resolved through the strategies that are developed.

Table 5.2 SWOT Analysis for Subway in 2020

<p>Strengths</p> <ul style="list-style-type: none"> • Healthy menu options • Economical pricing • Simple business format 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Limited menu items • High employee turnover • No hamburgers or french fries
<p>Opportunities</p> <ul style="list-style-type: none"> • Untapped international markets • Movement to more healthy eating 	<p>Threats</p> <ul style="list-style-type: none"> • Competitors offering more options • Long-term economic slow-down due to pandemic

In addition to organizations, individuals can benefit from applying SWOT analysis to their personal situation. A college student who is approaching graduation, for example, could lay out her main strengths and weaknesses and the opportunities and threats presented by the environment. Suppose, for instance, that this person enjoys and is good at helping others (a strength) but also has a rather short attention span (a weakness). Meanwhile,

opportunities to work at a rehabilitation center or to pursue an advanced degree are available. Our hypothetical student might be wise to pursue a job at the rehabilitation center, where her strength at helping others would be a powerful asset, rather than entering graduate school, where a lot of reading is required and her short attention span could undermine her studies.

Section Video

Business strategy-SWOT analysis [03:08]

The video for this lesson discusses SWOT analysis.

You can view this video here: <https://youtu.be/9-NWhwskTO4>.

Key Takeaway

- Executives using SWOT analysis compare internal strengths and weaknesses with external opportunities and threats to generate ideas about how their firm might become more successful. Ideas that allow a firm to leverage its strengths, mitigate or resolve its weaknesses, capitalize on opportunities, and protect itself against threats are particularly helpful.

Exercises

1. What do each of the letters in SWOT represent?
2. What are your key strengths, and how might you build your own personal strategies for success around them?

Image Credits

Figure 5.1: Jonathan. “Nanjing Lu.” [CC BY-NC-ND 2.0](https://flic.kr/p/7vi4uK). Retrieved from <https://flic.kr/p/7vi4uK>.

Video Credits

365Careers. (2017, July 4). *Business strategy-SWOT analysis* [Video]. YouTube. <https://youtu.be/9-NWhwskTO4>.

5.3 Strategic Issue Identification

So, what happens in strategic management once all the external and internal analysis is done and the SWOT framework is complete? Is it time to start developing strategies? No, not yet. One more thing needs to happen: defining the strategic issue or issues the firm needs to be sure to address.

What is a **strategic issue**? First, it is an issue, something that needs to be addressed and resolved. Second, it is strategic. It is a long-term issue whose resolution will help move the organization toward its vision. Resolving the strategic issue will have a major impact on the direction and success of the firm (Ambler, 2020). The strategic issue is derived from the facts and data provided by the external and internal analysis and its synthesis through the SWOT framework. The business decision makers do not define the strategic issue(s) at the beginning of the strategic management process, through a hunch or guess, but after the analysis is completed. Once defined, the strategic issue helps drive the strategies that the organization develops and pursues. A strategic issue, when identified correctly and used effectively, becomes the strategic focus of the organization. In this process, more than one strategic issue may surface. Generally, decision makers will condense these into a single statement, or deal with less important strategic issues when establishing strategies or lower order goals.

The word “issue” often connotes a negative situation that a firm may be facing. For example, Southwest Airlines was faced with much lower passenger volumes as a result of the COVID-19 pandemic that started in 2020. However, the Subway example discussed at the beginning of this chapter demonstrates that the strategic issue was framed as capitalizing on an opportunity—how to move into untapped international markets.

Ideally, the strategic issue is reduced to one concise sentence, so that it is easily captured and understood. Amplifying information may be provided to further explain the situation and justify the choice of the strategic issue. Often, the strategic issue starts with the word *how*. In the Southwest Airlines example, the strategic issue could be: “How does Southwest Airlines adjust to long-term, lower passenger volumes and remain the preferred, low-cost leader in the industry?” For Subway, it may have been “How does Subway enter untapped international markets?” Once defined, these companies would develop strategies that move their organization towards its vision, while addressing the strategic issue.



Figure 5.2: The Planning Team

The strategic issue will change over time, as the external, competitive and internal dynamics change. For organizations working through the strategic management process, defining the strategic issue may not be simple. The planning team members may interpret data differently or through the lens of their own perspective. The CFO may see the strategic issue in financial terms, the marketing director as a marketing issue, and the human resources director as an issue with manpower and training. One process organizations can use to determine the strategic issue is for planning team members to study the data from the analysis and each draft and share their idea of the strategic issue. The team then has a process to prioritize these, dropping some, combining some, until they arrive at a consensus on the wording of the strategic issue (Ambler, 2020).

Section Video

Strategic Issues [01:57]

The video for this lesson discusses Strategic Issues.

You can view this video here: https://youtu.be/Zj_dxbJpCqo.

Key Takeaway

- It is important to define the strategic issue of an organization using the information and data from the external and internal analysis and the SWOT framework. The strategic issue sets the strategic focus for the development of strategies. The strategies will address and attempt to resolve the strategic issue and move the organization toward accomplishing its vision.

Exercises

1. Suppose internal and external analysis data from Apple show an upcoming slump in sales of desktop and laptop computers and tablets for years to come. What might the strategic issue for Apple be?
2. You are a college senior preparing to graduate in six months. The COVID-19 pandemic has caused massive furloughs and layoffs nationwide. What might be your strategic issue?

References

Ambler, T. E. (2020). *Strategic issues: The pivotal process for strategic success*. The Center for Simplified Strategic Planning, Inc. <https://www.cssp.com/CD0799/ProcessForStrategicSuccess/>.

Image Credits

Figure 5.2: Morillo, Christina. "People on conference room." Pexels license. Retrieved from <https://www.pexels.com/photo/people-on-conference-room-1181427/>.

Video Credits

Gregg Learning. (2018, June 9). *Strategic issues* [Video]. YouTube. https://youtu.be/Zj_dxbJpCqo.

5.4 Conclusion

In the analysis stage of the strategic management process, the final phase is to apply the SWOT framework to consolidate a “snapshot” of the internal and external analysis conducted and identify the key strategic issue(s). The SWOT pulls together the important information from the external and internal analysis and the organizational performance assessment and displays it in an organized framework. The strengths and weaknesses are internal to the organization, and the opportunities and threats are external to the firm.

The information and data from the assessments and SWOT are then used to formulate the strategic issue(s). What needs to be addressed and resolved to move the organization forward toward success and its vision? Strategies are then developed that address the resolution of the strategic issue and advance the organization, as discussed in the next chapter.