

SWOT Analysis



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The internal assessment (weaknesses and strengths) along with the external audit (scanning threats and opportunities) together referred to as SWOT analysis, in addition to a clear vision and mission statements are the basis for establishing long-term objectives in the strategy formulation phase.

As far as internal assessment is concerned, any business has weaknesses and strengths. Some have strengths in production, others in marketing or sales.

Just like in performing the external audit, managers, employees, and all stakeholders' involvement is imperative in performing the internal audit so as to determine the firm's strengths and weaknesses.

Such a process requires gathering and evaluating information so as to highlight critical success factors including the most important strengths and weaknesses. Such a listing would influence the strategic management in all its phases (formulation, implementation and evaluation).

The success of any firm depends on optimizing the performance of the principal functional areas and divisions within the firm.

Financial ratios are also indicators of any business success or failure.

The Resource-based view (RBV) approach contends that the internal resources are more important for the success of the firm than the external factors contrary to the I/O theory.

The RBV proponents contend that the firm should base its strategic planning on the internal resources mainly which differentiate it from any other firm. Such resources, which represent the key strengths of the firm, should be according to empirical indicators either rare, hard to imitate, or not easily substitutable.

Another major strength worth highlighting is the company culture and the way to integrate it with strategy. A successful organization should support the collective commitment of its staff to a common purpose, which fosters competence and enthusiasm among managers and employees.

A firm's culture can either be protagonist or antagonistic of its strategy. Any disarray among the firm's staff would rather disrupt the strategy formulation, implementation and evaluation process.



Research and development is a major strength area in any company. Investing in research and development is a key element in supporting the existing business and developing new products depending on the institution's competitive strategy.

However, some companies may suffer from major weaknesses that are worth mentioning.

The first is management information system. Information systems represent the firm's cornerstone. It ties the firm's functional departments together and provides the basis for managerial decisions. Having a weak information system puts the company at a competitive disadvantage.

Ambiguity in job descriptions for employees is another major weakness. The employees find themselves sometimes doing things far away from their working skills or expertise.

Another weakness that an institution may suffer from is the lack of employee motivation. Employees' morale is may get very low because no clear incentive and remuneration plan is put in practice. Employees having neither annual increment nor bonuses are likely to lose motivation.

In conclusion, the firm's functional departments represent the core operations of its business. An internal audit is to be conducted within these departments to provide basic information needed for strategy formulation. Such an audit represents an opportunity for management and employees to take part in the firm's future and is likely to energize and mobilize the employees being involved in the process.