SWOT ANALYSIS

The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as a SWOT analysis:-

- **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.

- **Weakness:** A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.

- **Opportunity:** An opportunity is a favourable condition in the organization's environment which enables it to strengthen its position.

- **Threat:** A threat is an unfavourable condition in the organization's environment which causes a risk for, or damage to, the organization's position.

Its central purpose is to identify the strategies that will create a firm-specific business model that will best align, fit, or match a company's resources and capabilities to the demands of the environment in which it operates. Strategic managers compare and contrast the various alternative possible strategies against each other with respect to their ability to achieve major goals and superior profitability. Thinking strategically requires managers to identify the set of strategies that will create and sustain a competitive advantage:-

- ✓ *Functional-level strategy*, directed at improving the effectiveness of operations within a company, such as manufacturing, marketing, materials management, product development, and customer service.

- ✓ *Business-level strategy*, which encompasses the business's overall competitive theme, the way it position; itself in the marketplace to gain a competitive advantage, and the different positioning strategies that can be used in different industry settings-for example, cost leadership, differentiation, focusing on a particular niche or segment of the industry, or some combination of these.

- ✓ *Global strategy*, addressing how to expand operations outside the home country to grow and prosper in a world where competitive advantage is determined at a global level.

- ✓ *Corporate-level strategy*, which answers the primary questions. What business or businesses should we be in to maximize the long-run profitability of the organization, and how should we enter and increase our presence in these businesses to gain a competitive advantage?

The organization's performance in the marketplace is significantly influenced by the three factors:-

- The organization's correct market position
- The nature of environmental opportunities and threat
- The organization's resource capability to capitalize the opportunities and its ability to protect against the threat.

The significance of SWOT analysis lies in the following points:

- It provides a Logical Framework: SWOT analysis provides us with a logical framework for systematic and sound thrashing of issues having bearing on the business situation, generation of alternative strategies and the choice of a strategy. Variation in managerial perceptions about organizational strengths and weaknesses and the environmental opportunities and threats lead to differences is approaches to specific strategies and finally the choice of strategy that takes place through an interactive process in dynamic backdrop.

- It presents a Comparative Account: SWOT analysis presents the information about both external and internal environment in a structured form where it is possible to compare external opportunities and threats with internal strengths and weaknesses.The helps in matching external and internal environments so that a strategist can come out with suitable strategy by developing certain patterns of relationship. The patterns are combinations say, high opportunities and high strengths, high opportunities and low strengths, high threats and high strengths, high threats and low strengths. In case a different strategy is needed, as situation varies.

- It guides the strategist in Strategy Identification: It is natural that a strategist faces a problem when his organization cannot be matched in the four patterns. It is possible that the organization may have several opportunities and some serious threats. It is equally, true that the organization may have powerful strengths coupled with major weaknesses in the light of critical success factors. In such situation, SWOT analysis guides the strategist to think of overall position of the organization that helps to identify the major purpose of the strategy under focus.

SWOT analysis helps managers to craft a business model *(or* models) that will allow a company to gain a competitive advantage in its industry *(or* industries). Competitive advantage leads to increased profitability, and this maximizes a company's chances of surviving in the fast-changing, global competitive environment that characterizes most industries today.

Faced with a constantly changing environment, each business unit needs to develop a marketing information system to track trends and developments, which can be categorized as an opportunity or a threat. The company has to review its strength and weakness in the background of environment's opportunities and threat, i.e., an organization's SWOT analysis.