APPLICATION OF SWOT TECHNIQUE IN BUSINESS MANAGEMENT

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ABSTRACT: *The best-known diagnostic analysis tool, both in practice and in theory, is the SWOT diagnostic technique, also known as the SWOT matrix. This technique consists of diagnostic evaluation and analysis oriented towards both the activities of the organization (its internal environment - the first part of the matrix consists in knowing the strengths and weaknesses) and to its external environment (by evaluating and analysing external opportunities and threats). This type of analysis, along with other valuation techniques, can be used to successfully obtain the necessary information in strategic business management. In this paper I will present the methodology for applying this technique with exemplification at the company level and how it can be used for establishing strategic objectives in business.*

KEY WORDS: *analyze, business, diagnostic, strengths, weaknesses, threats opportunities, strategy.*

JEL CLASSIFICATIONS: *M10, M11.*

1. INTRODUCTION

In our times, companies operate in highly competitive environments both in internal and external markets. In order to achieve their objectives, they must operate on the basis of a well-founded business strategy, relying on strong internal ans external analysis of the environment in which they carry ot their activity.

Moreover, in the last two years, there have been profound transformations and critical situations in the business environment, generated by the Covid-19 pandemic. Many companies have been in the situation: either to change their business, or to adapt, or even to interrupt their activities. In this regard, in order to face these external challenges, and for the business to work, the company management staff must know

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very well and realistically, both the internal situation and the reality of the business environment at branch, national level or even global.

A SWOT diagnostic analysis technique can be used to obtain a complete report of data and information. This report is useful at management level and helps developing viable strategic business solutions, as it contains a rich database and information, as well as a plan of action established for each component.

2. SWOT METHODOLOGY

The presentation of the SWOT technique application methodology is the result of the study of several sources such as management, strategic management, diagnostic analysis, business management. The most representative sources can be found in the bibliographical references belonging to the authors: Nicolescu O., Verboncu I., Căprărescu Gh., Popa I., Zorlețan T., Russu C., Etc.

The acronym SWOT comes from technique comes from the abbreviation of the English words: strenghts – S, weaknesses –W, oportunitățile – O, threats –T.

SWOT as stated by Nicolescu "must be placed at the diagnostic-strategy interface", because on one hand, it centralizes information on the influence of external environmental factors on the company's activity, and on the other hand, it provides information about the strong points and internal shortcomings. Based on these data, strategies that can combine several variants can be formulated: taking advantage of opportunities and eliminating weaknesses; amplification of strengths; capitalizing on internal potential and protection measures related to external dangers, etc.

	Positive aspects / pluses +	**Negatives / minuses -**
Internal source and potential	**S –** Strengths, strong elements positive internal aspects of the business, which can be the engine of the business	**W –** Weaknesses, negative aspects of the business, for which measures can be taken to eliminate or transform into strengths
External source and opportunities	**O –** Opportunities, favorable opportunities and situations that can be capitalized for the development, recovery or optimization of the business	**T –** Threats, combinations of external factors with an unfavorable impact on the business

Figure 1. SWOT matrix

S – Strengths refers to the public recognition of an organization, its ability to be effective in a field. The company's strengths are its distinctive features or competencies, which are maintained at a higher level compared to other firms, especially competitors. These give the company a certain advantage over them.

Business strengths are competitive advantages, such as cost, quality, speed of product or service delivery, benefits of access to resources, access to funding sources, experienced and qualified employees, high-performing managers, and more. In other words, the strong points are the elements in which the business has excellence.

The key strengths to consider in business analysis are:

- adequacy of available financial resources;
- the existence of a distinctive competence on one or more levels - managerial, organizational, research-development, production;
- quality of products and / or services;
- professional training and staff experience;
- the level of production and commercial costs;
- competitive advantages determined by quality, product price, related services, speed of delivery to customers;
- possession of patents for inventions of products and / or technologies that give the company a competitive advantage;
- possessing special skills in product and / or technology innovation;
- holding the position of leader or market leader;
- possessing special commercial skills;
- the existence of a favorable image about the company, gained over time;
- the possibility to practice economies of scale - savings on production costs, in relation to suppliers, banks, etc.;
- the existence of a well-organized and effective system of strategic business planning;
- the speed of decisional reaction to the changes produced in the internal or external environment;
- the quality of the enterprise culture, etc.

W - The weaknesses of the business are the characteristics or aspects that will cause it a disadvantage in carrying out activities or compared to competing companies. In other words, the weaknesses refer to what is not good in the organization, to its outdated size and structure, to the disadvantages it manifests in the competitive system (unskilled labor, inflexibility, outdated technical system, lack of information or lack of financial resources or disadvantages linked to the employees. Just as the elements inside the business can be positive, in some cases they can be weaknesses or downsides. The weaknesses of a business are the components that can be improved or need to be changed.

Weaknesses can be:

- lack of a clear strategic direction;
- lack of funding or overly expensive sources of funding;
- lack of investment or insufficient investment in technology, in quality, in employees;
- lack of special skills or competencies of employees or manager;
- the existence of inadequate infrastructure, physically or morally worn out - outdated machinery and equipment;
- lack of a clear policy in relation to customers or suppliers;
- eroding the company's image in the perception of customers or collaborators;

- reducing the market share;
- reduced or delayed delivery of the product or service to the customer;
- the existence of competitive disadvantages (technological handicap, high costs);
- maintaining an inadequate nomenclature (too wide or too narrow) of products and / or services, etc.

O - Opportunities are positive external environmental factors for the company. In other words, there are opportunities offered to the company by the environment, in order to establish a new strategy or to reconsider its existing strategy in order to profitably exploit the opportunities presented. Opportunities exist for every business and must be identified in order to establish in time the strategy needed to capitalize on them. Most of the time, capitalizing on opportunities involves adaptations, major or minor changes in business, accompanied by investments and new projects. Opportunities can be anticipated or they already exist, it is important that they are identified and exploited. Depending on the speed of reaction to these opportunities and the skill of the management to use them, a business can remain profitable and lasting on the market.

The opportunities materialize in:

- the emergence or identification of new markets for existing products and / or services;
- macroeconomic factors of growing demand (such as rising incomes, reduced taxes, tax breaks, subsidies, low interest rates, favorable exchange rates, trained and skilled labor, etc.);
- possibilities to extend the nomenclature of products and / or services on existing or new markets;
- possibilities to conclude alliances, advantageous agreements with various business partners from other areas;
- the emergence of a new manufacturing technology;
- diversification of production, marketing and marketing methods, etc**.**

T - Threats, are negative external environmental factors for the company, situations or events that can adversely affect, to a significant extent, the company's ability to fully achieve its objectives, reducing its economic and financial performance and market position. As in the case of opportunities, threats of various kinds and causes are constantly lurking in the business. Therefore, anticipating, predicting or reporting them in time allows the business management to reconsider their strategic plans so as to avoid, prepare for them or minimize their impact. Moreover, when an imminent threat is notified in time, it can be turned into an opportunity by taking appropriate measures. (Căprărescu, 2005). Threats can be political, social, legislative, natural, economic, technical, financial, commercial, etc.

The threats consist of:

- entering a period of economic recession at national or international level;
- restrictive international, national or regional barriers;
- adoption of legislative or normative regulations with unfavorable impact;
- unfavourable demographic changes;
- decrease in customer revenue

- increase the cost of resources
- difficulty in supply and sale
- depletion of resources
- changes in customer needs, tastes or preferences;
- slower growth, stagnation or even market recession;
- entry of new competitors on the market;
- growing demand for substitute products;
- increasing competitional pressure, bargaining power of suppliers and / or customers, etc.

3. EXAMPLE OF APPLYING THE SWOT TECHNIQUE

3.1. General presentation data of the company

In the following example, X is a limited liability company of pastry and confectionery. We will only present some of its data, but the SWOT analysis is assumed to have been conducted based on a well-documented report on the entire business of Company X.

Taking in consideration the number of employees and fiscal value, the company is part of the micro-enterprise category. according to the criteria for classifying the regulations in force according to the number of employees and turnover. It is a company with a history of approximately 12 years in this business and has its own production laboratory two confectioneries in two nearby towns. The company produces and sells a wide range of products, as well as confectionery products at the customer's request (cakes and pies for weddings, christenings, holidays and other events).

From the analysis based on the accounting data, we can deduce that the company is in a good situation, it has been profitable since the first year of operation, because most of the investments were made from own funds, and so far the turnover has increased, but the net profit has decreased from one year to another in the last 3 years and so far by almost 3 times. Expenditures have grown at a much faster rate than revenues. It has a main competitor in the area where it operates, but also products from bakeries and markets; Relationships with suppliers, the community and local government are good.

3.2. Internal situation analysis - Strengths and weaknesses

Strengths capture the positive insights of the X business and add value or gain an advantage over the competition

Weaknesses. In determining the weaknesses of company X, the most significant negative aspects resulting from the available data related to its activity were taken into account. The weaknesses highlighted are those that may be under the control of the business administrators or decision makers. Respectively, those areas or situations that can be or even need to be improved.

Table 1. Internal factors

STRENGTHS	WEAKNESSES
1. Adequate quality of pastry and confectionery products 2. Diversified range of pastries, cakes and a wide variety of pies 3. A qualified and experienced confectioner 4. New showcase furniture in the grocery stores arranged suggestively and attractively for customers, the company being relatively new 5. The laboratory equipped with modern machinery and equipment that favors an increases productivity 6. The possibility of the production of cakes and other specialties in the category of delicacies to adapt to the customer's request, on the occasion of various important events in his life: wedding, baptism, birthdays, graduation, retirement, holidays or other events 7. Some homemade cake recipes which are area specific, many passed down from generation to generation 8. Use of high-quality raw materials, with as few food additives as possible, by capitalizing on agricultural and animal products from local producers 9. Production flexibility 10. Good economic results 11. Prices correctly dimensioned and established in relation to the quality, the degree of complexity of execution of a product and the number of ingredients used, etc. 12. Popularity among loyal customers and in the area of the city in which they operate, in particular	1. Low interest in using modern methods and techniques to substantiate managerial decisions 2. Poor communication between employees and administrator in debating various issues; 3. Lack of research activity and reduced production capacity 4. The general objectives and those derived from the company are not made known to the employees and then they do not know how to act and carry out their activity in this regard (to achieve them) 5. The reduced shelf life for some confectionery products, due to the fact that the company uses as many natural ingredients as possible; 6. High degree of perishability, when the demand is not estimated and work is not done on firm orders 7. There are no market studies and the external environment of the company is not analyzed very well, especially related to competition.

3.3. Analysis of the external environment: opportunities and threats

Table 2. External factors

Opportunities	Threats
1. Possibility to expand the activity by opening grocery stores surrounding cities 2. Another possibility would be the opening of a Transylvanian restaurant 4. The possibility for the staff to specialize by taking up pastry and confectionery courses or public catering worker courses offered through the POSDRU programs offered by the trainers or by AJOFM 5. The possibility of diversifying the forms of cakes with the help of innovative technologies that have appeared in the field of pastry industry 6. Diversification of marketing and selling techniques	1. Poor living conditions in the business area 2. The instability of the Romanian macroeconomic and regional business environment 3. The threat mass produced pastry products selled in supermarkets 4. Threat from the main competitors in the area, in particular related to the taste of the products, their appearance and variety 5 Threats from imposed restrictions

7. Identifying the latest trends in this type of business	and changes in business

3.4. Identifying the strategy and developing the action plan

After performing the diagnostic analysis using the SWOT method, in which the most important internal factorswere highlighted with their pluses and minuses, but also by presenting the external factors, through dangers and opportunities, one can identify the future strategy and the plan of measures.

Analyzing the threats, opportunities, strengths and weaknesses of company X, it is found that it is in an advantageous position in which the environmental opportunities can be exploited through its strengths using the good position that the the company already has in this field of activity. Thus, the company can approach a growth strategy and formulate the following strategic objectives and directions of action:

- **Diversification strategy** - diversification of confectionery products and assortments according to certain events: wedding testimonials, creams for cakes or cakes for sale, and the customer to assemble his own cake or cake, different figurines made at the request of customers It is found that the market demandi s high and many confectioneries do not make decorations and figurines on request from sugar in various colors, marzipan or chocolate of different colors. For example: decorative flowers for cakes, in case the customer wants only the decorations for the cake, choosing to make his own cake and only needs decorination, figurines or even cream.
- Company identity - Highlighting the company's customers by creating special products bearing the X company logo: such as: Cream X., liqueur X., muffin X., coffee X cake X or cake X. , etc. These products are clearly differentiated by taste, appearance and quality of in general;
- Diversification of services associated with the commercial act - development of the company's activity by providing services related to the sale of confectionery-pastry products, such as: consulting services, tasting services, transportation of products purchased from the store in larger quantities; organizing surprise events for loyal customers who have had very large orders, etc .;
- Expansion - opening of a public food store in the confectionery-pastry regime in sorrounding cities; participation in fairs and festivals organized both at county level (city days) and outside the county;
- Improving the packaging and even producing it by investing in the necessary technology - making your own, customized packaging;
- More active marketing - developing a marketing strategy with a stronger impact on customers and improving the image of the business through investments in this regard. This strategy will consist of defining a representative brand and customized uniforms for sellers in their own stores;
- Visibility - participation in various social events with donations of confectionery products to old people's homes, social homes, for children, etc.
- Extending the collaboration relations with other stores or even supermarkets;

- Better marketing by creating a website - creating a website to present the company's products and the possibility of placing online orders - with confirmation.

4. CONCLUSION

Applying SWOT analysis involves identifying and highlighting the positive aspects of a business in order to extrapolate these pluses and identify weaknesses or downsides, in order to reduce or eliminate them through concrete measures. SWOT analysis also involves identifying and understanding the opportunities on the market and taking action or preparing in advance for external threats or risks in the existing business environment. If the analysis is done correctly, realistically, in a timely manner and with concrete data, the information obtained and the measures that can be formulated can be of great help in strategic business management.

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