

SWOT ANALYSIS – A STRATEGIC PLANNING TOOL IN SERVICE PROVIDER COMPANIES

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Abstract: *The paper analyzes the role of SWOT analysis as an essential tool of strategic planning in service provider companies. The method offers an integrated view of the organization’s internal and external environment, facilitating the formulation and implementation of appropriate strategies. The study highlights the importance of the continuous adaptation of service companies to changes in the competitive environment and the use of SWOT as a mechanism for decision-making and strategic learning. In conclusion, SWOT analysis contributes to improving performance and strengthening the competitive advantage of service firms.*

Key words: *SWOT analysis; strategic management; strategic planning; service firms; competitive advantage.*

INTRODUCTION

One of the defining characteristics of contemporary society is change, manifested in all areas of human activity. It directly affects the operations of economic organizations, which are forced to reorganize frequently and to continuously adapt in order to cope with internal and external transformations. These changes are mainly driven by scientific and technological progress, intense national and global competition, changing consumer needs and preferences, as well as broader economic and social trends.

Strategic management is one of the modern forms of leadership, focused on the changes and adjustments that must be made within an organization and in its interactions with the environment in which it operates, to avoid situations in which the goods and services it provides, its production and sales processes, and overall activities become outdated and misaligned with current developments [7].

There are various definitions of strategic management in the literature, some more complex than others. Essentially, however, strategic management can be defined as the process of developing, implementing, and controlling a company’s strategy (or strategies) to achieve its mission and ensure competitive advantage.

As a set of actions undertaken by the organization’s top management to establish its future direction and ensure the necessary resources, strategic management belongs to the category of processes that require high creativity and a tolerance for risk, based on a study of internal potential correlated with close and continuous monitoring of the external environment [4].

The concept of strategic planning in marketing management evolved from the interaction between marketing, strategy, and planning. Most companies — especially large corporations composed of multiple divisions or strategic business units — have developed a hierarchical system of interdependent strategies. Each strategy is formulated at a different level within the organization and addresses a distinct set of issues [3].

MATERIALS AND METHODS

The main objective of this research is to highlight the importance and applicability of SWOT analysis as an essential tool in the strategic planning process of service companies, and to demonstrate how it contributes to improving organizational performance.

The study of strategic management involves the use of multiple scientific methods designed to ensure a rigorous and objective analysis of the phenomenon under investigation. In this paper, the bibliographic study method was chosen — a scientific documentation technique through which existing information from specialized literature is collected, analyzed, and synthesized.

RESEARCH RESULTS

In the context of the modern economy, characterized by fierce competition, accelerated innovation, and continuous changes in the external environment, organizations must adopt a strategic vision of their activities [1]. Strategic management provides this framework, and SWOT analysis is one of its essential supporting tools.

SWOT analysis is one of the best-known strategic diagnostic instruments. The term originates from the English acronyms: S – Strengths, W – Weaknesses, O – Opportunities, and T – Threats.

The concept was introduced by Albert S. Humphrey in the early 1960s during a research project at Stanford University, designed to analyze the causes of failure in corporate planning among large American companies.

SWOT analysis is one of the most important strategic evaluation methods used in contemporary management, offering an integrated picture of an organization's position within its operational environment. It is based on identifying and correlating internal factors — strengths and weaknesses — with external factors — opportunities and threats — that can influence the company's performance and direction of development [8].

SWOT analysis relies on a dual perspective: an internal orientation, examining how resources and capabilities support objectives, and an external orientation, analyzing how the business environment influences organizational activity [10].

a) Internal Analysis – Organizational Diagnosis

- Strengths (S): competencies, solid financial resources, strong market image, skilled personnel, modern technology, effective leadership.

- Weaknesses (W): lack of resources, high employee turnover, inefficient processes, weak marketing, rigid management.

b) External Analysis – Environmental Diagnosis

- Opportunities (O): growing demand, new markets, digitalization, European funding, ecological trends.

- Threats (T): high competition, legislative changes, inflation, political instability, rapid technological changes.

By combining these two dimensions, a comprehensive image of the company's strategic position is obtained.

SWOT analysis and strategic management should not be viewed as separate processes, but as interdependent elements of the same planning and decision-making system. SWOT analysis goes beyond a simple listing of factors; it requires a systematic approach that enables the formulation of strategies adapted to the organization's internal and external context. Applying this method facilitates strategic planning by aligning available resources with environmental requirements, thereby improving decision-making efficiency and institutional performance [14].

SWOT analysis is one of the most widely used methods in the strategic management process, being considered a fundamental tool in the formulation, implementation, and evaluation of organizational strategies. The relationship between these two concepts is profound and continuous: strategic management provides the overall planning and decision framework, while SWOT analysis provides the essential information needed for those decisions. In essence, SWOT serves as a “mirror” through which an organization can evaluate its current position and future potential before establishing its development directions [6].

According to Popa (2013), SWOT analysis is not only an initial diagnostic tool but also a support mechanism for the entire strategic activity, being used in all phases of the managerial process — formulation, implementation, and evaluation [12].

1. SWOT analysis in the strategy formulation stage

The formulation stage is undoubtedly the one in which SWOT analysis plays the most important role. In this phase, the organization establishes its vision, mission, and strategic objectives. To define these realistically, it is essential to have a clear understanding of both the internal and external environments. SWOT analysis synthesizes all the data obtained from preliminary research and provides a logical basis for selecting the optimal strategy [5].

Internal analysis identifies the organization’s strengths and weaknesses — resources, competencies, and competitive advantages — while external analysis highlights opportunities and threats arising from market developments, technological trends, legislative changes, or consumer behavior [9].

SWOT connects these two dimensions — internal and external — into a unified framework. By confronting them, management can decide which development directions are most appropriate. For example, a company that identifies a strength in employee quality and an opportunity in a growing market may choose a growth strategy, while a company with limited resources facing competitive threats might adopt a consolidation or niche specialization strategy.

Thus, SWOT analysis is not merely a list of factors but a strategic decision-making tool, allowing the identification of possible courses of action and the selection of the most realistic and profitable one. Based on SWOT, detailed strategies can be developed through the TOWS matrix, which correlates strengths and weaknesses with opportunities and threats, resulting in four main strategic types: growth, adaptation, defense, and vulnerability reduction.

In conclusion, during the strategy formulation stage, SWOT analysis serves as a compass, providing management with the information needed to define objectives, set priorities, and determine the organization’s direction of development.

2. SWOT analysis in the strategy implementation stage

Although mainly associated with formulation, SWOT analysis remains relevant during implementation as well. At this point, the theoretical strategy must be transformed into a series of concrete actions, and SWOT information can guide resource allocation and organization.

The efficiency of using SWOT depends on managers’ ability to integrate it into a coherent strategic thinking process [2]. The previously identified strengths become pillars supporting implementation — for instance, a well-trained and motivated workforce can be leveraged through involvement in strategic projects or innovation processes. Likewise, awareness of weaknesses helps managers prevent execution errors, plan corrective measures, and allocate additional resources where vulnerabilities exist.

Meanwhile, the opportunities identified earlier translate into concrete action directions, while threats become risk indicators that must be constantly monitored. Implementing a strategy without considering external risks would be incomplete and potentially harmful, especially in an unstable economic environment.

Thus, SWOT analysis helps operationalize the strategy, transforming it from an abstract formulation into a coherent action plan. In a broader sense, SWOT becomes an active management tool, supporting resource allocation and operational decision-making.

SWOT analysis is therefore a comprehensive diagnostic method that underpins the strategic decision-making process [13].

3. SWOT analysis in the evaluation and strategic control stage

The evaluation and control stage closes the strategic process, yet SWOT analysis continues to play an important role here. A strategy is never final — the environment changes, consumer preferences evolve, and new technologies can radically alter the competitive context. In this sense, SWOT becomes a continuous monitoring tool.

Evaluation involves more than measuring financial indicators; it also requires a reassessment of internal and external factors. Strengths may lose relevance over time, and some opportunities may disappear. For instance, a company whose success relied on an innovative technology may later find that the technology has become industry standard, losing its competitive edge. Similarly, an initial threat may be transformed into an opportunity if management adapts effectively.

By periodically revising the SWOT analysis, the organization maintains its strategic vigilance—its ability to detect changes and respond rapidly. In many high-performing companies, SWOT is updated annually or even semi-annually as part of strategic planning. Thus, it becomes not only a diagnostic exercise but also a self-evaluation and adjustment tool.

Strategic evaluation based on SWOT provides a holistic perspective: not only whether objectives were achieved, but also *why* they were or were not achieved, which internal factors contributed to success, which external threats were underestimated, and what lessons can be learned for the next planning cycle.

4. The synthesis of the SWOT–strategic management relationship

Overall, SWOT analysis is present in all phases of the strategic management process, though in different forms. In the formulation stage, it plays a diagnostic and decision-making role; in the implementation stage, it becomes an operational tool; and in the evaluation stage, it functions as a learning and improvement mechanism.

This continuity makes SWOT an essential tool for any organization seeking not only to plan but also to understand and continuously adjust its strategic path. The relationship between SWOT and strategic management is not static but cyclical: SWOT feeds into the strategic process, and the results of strategic management provide new data for updating the SWOT.

Therefore, SWOT is not only a starting tool but also a permanent barometer of strategic performance, helping organizations maintain balance between internal resources and external demands.

The results obtained from SWOT analysis do not represent an end in themselves but a starting point for formulating coherent and realistic strategies. Based on this principle, Heinz Wehrich (1982) proposed a model for interpreting SWOT data, known as the TOWS Matrix [1].

Table 1.

Types of strategies resulting from SWOT analysis (TOWS model)

Type of Strategy	Description	Example
SO (Strengths– Opportunities)	Using strengths to capitalize on opportunities.	Expanding into new markets by leveraging the existing brand.
WO (Weaknesses– Opportunities)	Overcoming weaknesses to take advantage of opportunities.	Providing professional training for underqualified staff.
ST (Strengths–Threats)	Using strengths to counteract threats.	Diversifying products to reduce dependence on a single market segment.
WT (Weaknesses–Threats)	Reducing weaknesses and avoiding threats.	Cutting costs and optimizing internal processes.

Source: Wehrich Heinz, 1982

Through this model, the analysis is not limited to identifying internal and external factors but also seeks to correlate them, highlighting how the organization can leverage its resources and competencies while simultaneously responding to environmental challenges.

The TOWS matrix is based on the logic that the success of a strategy depends on the company's ability to use what it has (strengths) to benefit from what it is offered (opportunities), while also managing vulnerabilities in relation to external risks. Based on these correlations, four fundamental strategic directions can be formulated: SO, WO, ST, and WT strategies [15].

SWOT analysis, complemented by TOWS interpretation, becomes a comprehensive strategic formulation tool, capable of guiding managerial decisions in accordance with the organization's real conditions. It is not limited to a simple inventory of internal and external factors but helps identify concrete development scenarios, evaluate alternatives, and select the optimal strategy adapted to each firm's specific context.

The management of modern organizations is based on their ability to continuously adapt to economic, technological, and social changes through an integrated strategic approach. In a context characterized by uncertainty and globalization, the managerial function can no longer be viewed merely as an internal coordination process but rather as a set of strategic activities that ensure a balance between stability and change. Modern management therefore involves long-term planning, innovation, customer orientation, and the valorization of human capital.

The success of an organization depends on management's ability to identify opportunities in the environment, anticipate risks, and build sustainable competitive advantages through the efficient use of available resources [11].

CONCLUSIONS

SWOT analysis proves to be one of the most useful and versatile tools of modern strategic management, with particularly high applicability in service companies. In an economic environment marked by uncertainty, growing competition, and rapid technological change, an organization's ability to correctly understand both its internal resources and external conditions becomes essential for survival and development. SWOT provides this integrated perspective, serving as the starting point for the formulation, implementation, and evaluation of organizational strategies.

The practical value of SWOT analysis lies not only in identifying favorable or unfavorable factors but in correlating them in a way that supports managerial decisions. Thus, the method directly contributes to the formulation of realistic and context-specific strategies. In the case of service firms—where the relationship with the client, the quality of human resources, and the capacity for innovation play a decisive role—SWOT analysis offers a solid foundation for strategic planning and competitive differentiation on the market.

Moreover, the effective use of SWOT analysis depends on management's ability to integrate it into a coherent process of strategic thinking, not merely as a diagnostic tool but as a mechanism for continuous learning and adaptation. SWOT results must be updated regularly to reflect the dynamics of the external environment and internal resources, allowing the organization to maintain its strategic vigilance.

In conclusion, SWOT analysis complemented by the TOWS model represents a comprehensive and indispensable instrument in the strategic management process. By correlating internal strengths and weaknesses with external opportunities and threats, organizations can formulate coherent, flexible, and market-adapted strategies. For service companies, where success largely depends on adaptability, human resource quality, and customer relationships, SWOT analysis becomes not only a planning method but a true strategic orientation system that ensures long-term sustainability and competitiveness.

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