

# Stages of Strategic Targeting Based on SWOT-Analysis of the Enterprise

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**Abstract - The article is devoted to the consideration of the stages of strategic targeting based on the SWOT analysis. The article discusses the shortcomings of the classical matrix and coordinate approaches to conducting a SWOT analysis. The author proposes the introduction of a targeted approach to increase the practical value of this type of analysis.**

*Keywords-stages, SWOT analysis, enterprise*

## I. INTRODUCTION

The relevance of the topic of this study is due to the processes that occur in the global economy at the present time. Exhaustion of extensive sources of development of the modern market economy and the need to find new drivers of economic growth leads to the need to improve the methodological basis of strategic planning. One of the key methods of strategic management is the SWOT analysis, which was developed in the 60s of the 20th century and still continues to develop, despite the presence of a number of serious shortcomings [2]:

- high level of abstraction
- the lack of differentiation of factors by value and analysis of inter-factorial relationships;
- static analysis;
- lack of quantitative estimates;
- subjectivity;
- labor intensity.

In the process of refinement and transformation, SWOT-analysis has undergone many modifications, the concept of advanced SWOT-analysis, express-analysis and others has appeared. All this speaks of the universality of this method and causes certain problems with the definition of the concept "SWOT-analysis", which is reflected in many scientific publications on this topic.

According to the definition of Maysak, OS "SWOT analysis is a method of strategic planning, which consists in identifying the factors of the internal and external environment of an organization and dividing them into four categories: Strengths (strengths), Weaknesses (weaknesses), Opportunities (opportunities), Threats (threats)" [1]. This definition mixes two concepts: "analysis" and "planning". Analysis cannot be a planning method, since these are two different management functions. At the same time, analysis and planning are closely interrelated functions of management, since without a preliminary analysis it is impossible to make an economically sound plan, and the results of planning can also be the object of analysis. Based on this, we can consider SWOT analysis as a stage of strategic planning, but not as a method.

Foreign sources define SWOT analysis as "a form for identifying and analyzing internal and external factors of a project's viability, product, person, or location" [3], "a form that is used to assess a company's competitive position and deploy strategic planning" [4], "a planning process that allows a company to overcome challenges and determine directions for further development" [5]. As can be seen from the presented definitions, the concept of "SWOT-analysis" is interpreted quite widely, which leads to the emergence of many methods of its implementation.

## II. STRATEGIC FACTORS

Summarizing the presented definitions, we can propose the following classification of strategic factors (F) according to the SWOT analysis:

a) by content:

- strengths (s);
- weaknesses (W);
- opportunities (O);

- threats (T);
- b) by source:
- internal factors (E - Ego):  $\Delta E = S - W$ ;
  - external factors (M - Media):  $\Delta M = O - T$ ;
- c) by value:
- positive factors (+):  $+\Delta = S + O$ ;
  - negative factors (-):  $-\Delta = W + T$ .

For the analysis of the presented factors, the matrix or coordinate approach is used, as a rule. Consider two possible forms of the SWOT analysis matrix:

1) matrix [E,M ✕ +,-] with the elements +E, -E, +M, -M (see Table I).

TABLE I. THE MATRIX OF THE SWOT ANALYSIS OF THE FIRST FORM

Matrix 1	+	-
E	+E=S	-E=W
M	+M=O	-M=T

2) matrix [S,W ✕ O,T] with the elements: SO, ST, WO, WT (see Table II)

TABLE II. THE MATRIX OF THE SWOT ANALYSIS OF THE SECOND FORM

Matrix 2	O	T
S	SO	ST
W	WO	WT

As can be seen from the presented matrices, the first of them simply streamlines the presentation of strategic factors, and the second indicates the potential presence of links between factors. However, the second matrix is not accurate, since it does not take into account all inter-factorial interrelations, therefore it must be presented in a different form (see Table III).

TABLE III. THE MATRIX OF THE SWOT ANALYSIS OF THE THIRD FORM

Matrix 3	S	W	O	T
S	SS	SW	SO	ST
W	WS	WW	WO	WT
O	OS	OW	OO	OT
T	TS	TW	TO	TT

Analysis of Table 3 allows us to conclude about the duplication of strategic factors located along the main diagonal of this matrix. But this fact does not contradict the theory of SWOT-analysis, since each variable is a whole set of lower-level factors between which certain forms of connections can also be observed. In addition, there is a mirror image of some pairs of factors, for example, [TS; ST], which will allow to determine the mutual expression of factors through each other.

Considering the previously presented classification of factors, it can be concluded that the classical matrix approach is not the best option for a full-fledged SWOT analysis, since it involves analysis in two dimensions (two-dimensional analysis), and the classification of strategic factors according to SWOT analysis assumes the presence of three classification groups (three-dimensional analysis).

The coordinate approach to the SWOT analysis, when strategic factors are analyzed within the framework of the Cartesian coordinate system, in which the abscissa axis is represented by a pair of SW, and the ordinate axis - OT, is also not without drawbacks. The main problem is that as a result of the analysis, we obtain four points of the coordinate plane, which do not provide an unambiguous quantitative assessment of the analysis results.

Based on the foregoing, it becomes obvious the need to find new approaches to conducting SWOT analysis. In this regard, the author proposes to introduce a targeted approach to this type of analysis, which is to link the results of the SWOT analysis to its goals. This will reduce the degree of abstractness of this method and increase the practical value of the results. This raises the problem of defining the concept of "strategic goal" and differentiating strategic goals.

### III. STRATEGIC GOAL

Lets regard different definitions of the notion "strategic goal" in order to articulate its core attributes:

1. "The planned objectives that an organization strives to achieve. Most senior managers will take the time to develop and articulate appropriate strategic goals for their business in order to demonstrate to subordinate employees what their plans and vision for the company are" [6].

2. "Goals created to identify the intended accomplishment of a business strategy. When companies create strategic goals, they directly identify what they see as the outcome of their business efforts" [7].

3. "Strategic goals are the specific financial and non-financial objectives and results a company aims to achieve over a specific period of time, usually the next three to five years" [8].

4. "Strategic objectives are statements that indicate what is critical or important in your organizational strategy.

In other words, they're goals you're trying to achieve in a certain period of time—typically 3-5 years" [9].

5. "Strategic goals are defined as the objectives which the firm/enterprise/organization aims to achieve over a stipulated period of the strategic plan (yearly, biyearly plan etc.). It is based on the company's mission and vision reflecting the way forward to achieve both in a planned manner" [10].

Analysis of the above definitions allows us to highlight the following core attributes of a strategic goal:

- planned character;
- the need to achieve;
- senior status;
- long term nature;
- reflection of strategic vision;
- indicative character;
- critical for organization.

Based on the core attributes we can articulate composite notion: strategic goal is the planned indicator critical for organization which reflects its strategic vision on a senior level and has to be achieved in a long term.

Regarding core attributes listed above it is absolutely clear that strategic goals are highly differentiated. Peter Drucker defined eight main strategic goals [11]:

- (1) Market standing: desired share of the present and new markets;
- (2) Innovation: development of new goods and services, and of skills and methods required to supply them;
- (3) Human resources: selection and development of employees;
- (4) Financial resources: identification of the sources of capital and their use;
- (5) Physical resources: equipment and facilities and their use;
- (6) Productivity: efficient use of the resources relative to the output;
- (7) Social responsibility: awareness and responsiveness to the effects on the wider community of the stakeholders;
- (8) Profit requirements: achievement of measurable financial well-being and growth.

Ted Jackson offers the following list of Strategic Objectives [9]:

- (1) Financial Objectives (Grow shareholder value, Increase revenue, Manage cost, Maintain appropriate financial leverage, etc.);

- (2) Customer Objectives (Best value for the cost, Broad product offering, Reliable products/services, Cross-sell more products, etc);

- (3) Internal Objectives (innovation, customer service, operational excellence, regulator);

- (4) Learning&Groth Objectives (Improve technical and analytical skills, Create a performance-focused culture, Invest in tools to make staff more productive, etc.).

Another approach suggests division of strategic goals into two categories [8]:

- (1) Hard goals which can be measurable;
- (2) Soft goals which can't be measurable.

And each type of these goals is also divided according to business subjects: customers, employees, communities and shareholders.

Summarizing the above approaches to differentiating the strategic goals of an enterprise, we can conclude that it is advisable to consider it not as a single goal, but as a system of goals. Elements of this system are subjects, objects, processes and indicators.

Subjects of strategic goals system (SGS) can be typically divided into insiders and outsiders. Objects of SGS include financial, material and intellectual assets. Processes of SGS include main processes and subsidiary processes. Indicators of SGS include quantitative and quality indicators.

Except element to form SGS we need to add connections between those elements. The connection can be simple or complicated, temporary or permanent, stable or unstable, direct or indirect, etc. So, it requires additional research activities in order to form clear SGS. But this task is crucial for any enterprise because it stipulates its market perspectives in long term period of time.

It is important to notice that the more detailed SGS the more precise the result of SWOT-analysis. That's why it is much better to computerize the process of strategic targeting. So, we will try to define the stages of this process in order to create theoretical basis for the development of computer algorithm and further automation by software engineers.

#### IV. CONCLUSION

To simplify the situation, we consider the second form of the matrix of the SWOT-analysis and the ternary structure of the strategic goals, which has significant practical value: growth, stabilization, rehabilitation. Suppose also that the main parameters of a quantitative assessment of strategic factors include two indicators:

- factor value for organization (W - weight);
- the level of influence of the factor on the organization (L - level).

Then, based on the matrix of the second form (see Table 2), the evaluation of each of its elements has the form (1):

$$e_{ij} = (F_i + F_j) \times (1 + r_{FiFj}), F = \sum W_k L_k, \quad (1)$$

where  $r_{FiFj}$  - correlation coefficient between compared strategic factors;  $k$  - strategic factors of the second order.

The criterion for choosing a strategic goal can be represented using the system of equations (2):

$$\begin{aligned} \max e_{ij} &= \text{esoGrowth} \\ \max e_{ij} &= \text{ewo} \quad \max e_{ij} = \text{est Stabilization} \\ \max e_{ij} &= \text{ewtRehabilitation} \end{aligned} \quad (2)$$

Based on the above, the strategic targeting stages based on the SWOT analysis can be represented as follows:

1. Analysis of financial and economic activity of the enterprise.
2. Identify the strengths and weaknesses of the enterprise based on a comparative analysis of competitors.
3. Identify opportunities and threats of the enterprise based on an analysis of the external micro and macro environment.
4. Formation of a set of alternative strategic objectives of the enterprise.
5. Conduct a quantitative assessment of the main parameters of strategic factors (level and value).
6. The study of the nature of the correlation links between strategic factors.
7. The calculation of the values of the elements of the matrix SWOT-analysis for the formula (1)
8. The choice of the strategic goal of the enterprise based on the system of equations (2), reflecting the relationship between the values of the elements of the matrix of SWOT-analysis and the strategic goals of the enterprise.

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