Modern Peculiarities of SWOT Analysis when Taking Management Decisions by Russian Top Managers

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ABSTRACT

The goal of this article is to comprehensively describe all aspects, factors and stages of researching the internal and external environment of the company based on works of national and foreign researchers, and taking into account practical activity of Russian companies. Now there is no complete guidance on making the multifactorial analysis of strengths and weaknesses of the company, opportunities and threats of the market that would take into account the specificity of Russian conditions, and enable the company top management to choose the most correct area of its business development. The authors describe in detail stages of analyzing and formulating variants of strategic goals of the company development. The article will be useful for practical activity of Russian companies when developing and taking variants of management decisions of strategic development.

Keywords: Taking management decisions, SWOT analysis, development of strategic decisions, analysis of external environment that has an indirect impact, PEST analysis, analysis of internal environment that has a direct impact, researching internal environment, stages of SWOT analysis.

1. INTRODUCTION

The development of variants of management decisions is an important process based on the principle functions of management: research, analysis, planning, organization, control, motivation, and regulation (Batrick R., 2006).

Russian enterprises operate under constantly changing conditions of the internal and external environment that come with a high level of indefiniteness and risk (Kochetkova, 2014). Such conditions
are explained by the effect of political, financial, commercial and production factors that influence the company. Thus, the problem related to developing alternative variants of management decisions in the context of indefiniteness and risk is urgent because the company activity depends on the impact of factors of the internal and external environment. It is necessary to take into account their impact to decrease the level of the accepted risk when taking management decisions (Kataeva et. al., 2015).

Taking management decisions based on the results obtained when analyzing opportunities and threats, strengths and weaknesses will protect the company from wasting funds, resources, and forces and allow to avoid wrong decisions (Caden, 2010).

2. METHODOLOGY

The goal of this research is to make a methodology of comprehensive and multi-factorial analysis of opportunities and threats, strengths and weaknesses to formulate goals and tasks of the company strategic development based on the obtained information (Bazzel et. al., 2011).

The aggregate of methods of this research is defined by the initial concept of the work, its objectives and tasks. It aims at studying the essence and structure of analyzing the external and internal environment, general methodic focus on practical activity of Russian economic entities. In particular, general research methods were applied. They are based on general principles in order to apply general regularities to specific factors associated with the activity of specific companies, special and deep study of aspects related to analyzing external and internal environment. The research also uses method of analogues, generalization and extrapolation.

The empiric base of the research is based on the comprehensive study and description of all aspects and factors of analyzing weaknesses and strengths of the company, market opportunities and threats (SWOT analysis) represented in the works of national and foreign researchers.

3. RESULTS

3.1. SWOT Analysis as the Basis of Developing Strategic Development Areas

No due consideration is given to SWOT analysis in the practice of Russian companies (Tokarev, 2004). It is senseless to take strategic decisions only based on the data from financial reports because such analysis will characterize the structure of financial resources, and sufficiency of investment resources (Maradanova, 2007). It is necessary to study not only a set of internal indicators of the company activity, but also parameters of the external environment that have an impact on the company functioning, i.e. on the basis of the comprehensive multi-factorial analysis that results in the SWOT analysis matrix (Kotler, 1984).

Before making a matrix of analyzing strengths and weaknesses, opportunities and threats, it is necessary to make an analysis of the external and internal environment. The information obtained as a result of the analysis is the basis for further stages of SWOT analysis.

The external environment can be analyzed by using a method of PEST analysis and Porter’s five-factorial model (Porter, 1998). This analysis is classified into the analysis of the external environment that has an indirect impact (far external environment), and the analysis of the internal environment that has a direct impact (close internal environment). The external environment that has an indirect impact includes the
following factors the company cannot influence: political, economic, technological, and socio-cultural. The external environment that has a direct impact includes such factors as suppliers, consumers, competitors, local surrounding (self-governing authorities, trade unions, etc.)

### 3.2. Areas of Analyzing External Environment that has Indirect Impact

In order to analyze the internal environment that has an indirect impact, it is reasonable to make a PEST analysis (according to initial letters of the full denomination Policy - Economy - Society – Technology).

**Political factors** of the external environment have an important impact on the activity of the company. It is necessary to analyze those political factors that have an impact on the company activity. Such factors may include the change of the Russian position on the international market, amending the legislation, forms and methods of state regulation of the entrepreneurial activity.

The **economic situation** in the country has an impact on all companies and organizations. That is why it is necessary to pay a special attention to the analysis of economic indicators (Lukasevich, 2015). When analyzing economic factors, the dynamics of changes in economy is analyzed, including the change of the key rate of the Central bank of the Russian Federation, inflation, level of GDP, rate of ruble, real income of the population, unemployment, etc.

The analysis of **socio-cultural factors** allows to see the changes that take place in consuming because they are considerably related to changes of the basic parameters of the target audience, for example: the change of the level and style of life, ecological changes, demographic changes, changes of the structure of the population’s income and expenses (Gusareva et. al., 2016).

When estimating the impact of **technogenic factors** on the activity of the company, it is necessary to note that it is manifested in the wish of the company to obtain a competitive advantage due to timely implementation of results of the research and technical progress in its activity.

The PEST analysis must be made constantly in particular periods of time. The results of the analysis must be available for the company top management to develop and take management decisions. The company management defines a detailed list of key factors of the external environment. Mass media and Internet monitoring are resources of the information for the PEST analysis.

### 3.3. Analysis of Factors of the External Environment that has Direct Impact

The analysis of the external environment that has a direct impact means the research of the close surrounding of the company that has a direct impact on the company: suppliers, consumers, competitors, and the local surrounding.

When analyzing the impact of suppliers, it is necessary to define the number of basic, perspective and alternative suppliers in the area, as well as to forecast changes of prices for raw materials and products.

The **analysis of consumers** is the most important one when defining the strategy of marketing and products sale. The source of information for the analysis may include buyers’ databases, polling of the target audience, forums on the company official websites, etc. (Turin, 2013). The analysis of consumers enables the company to see promising opportunities.
Analysis of the competitors’ impact is one of the most important areas of the environment analysis (Ilyshev et. al., 2010). The study of the market position and opportunities of the company on the market is based on analyzing the area and situation on the market, estimating the level of competition, and structure of competitive forces, and anticipated the research of the production, research and technical, personnel, organizational, and marketing potential of competitors. The enumerated groups of factors of the analysis related to the competitors’ impact are only the most important areas. Depending on the specificity of its activity, every company can specify, detalize, and supplement the list of information about competitiveness of products and efficiency of the marketing activity (Fleisher et. al., 2009; Gusareva, 2016).

The analysis of the local surrounding means researching the level of the local community’s organization, impact on changes of the ecological situation, reputation of the company among the population, and social focus of the company.

3.4. Researching Internal Environment of the Company

Studying the internal environment of the company aims at revealing strengths and weaknesses of the company (Uchitel et. al., 2011). Strengths are the basis the company may use as advantages in the competitive struggle. Weaknesses are vulnerable business processes of the company that need the company’s active actions on eliminating them (Jenster et. al., 2008).

The foreign literature (Pierce et. al., 2013) singles out a list of internal factors that under a different impact can have a multidirectional effect, i.e. be a source of power or weakness of the company: personnel, organization of the general management, production, marketing, finances and accounting.

The analysis of these factors allows to form a comprehensive idea about the internal environment of the company, its weaknesses and strengths.

When analyzing the first area, “Personnel”, the management personnel of the company, qualification, experience and education of employees, the level of the company employees’ labor payment as compared to the salary in competing companies and the average sectorial payment, personnel policy, labor discipline, the flow of personnel, and employment conditions are researched (Ilina et. al., 2016).

The next group of factors of the internal environment, “Organization of general management”, studies the organizational structure (Evstratova et. al., 2016), interrelation and communications between the company subdivisions, organizational culture and climate, system of control over the achievement of the set goals (Kotler et. al., 2016).

Then it is necessary to analyze the production process (operational activity) and to reveal the compliance of the production capacities with the requirements of modern production realities and products issue, degree of the morally obsolete equipment and technologies, to define the efficiency of using production capacities to reveal the reserves of increasing production scales and extending the production and technical base, to determine the rationality of the applied research works on creating new products (Svetlov, 2015).

Then the marketing activity of the company is analyzed. This analysis researches the products made by the company, including the life cycle, image, reputation and quality of the product, channels of allocating by defining the share and structure, organization of selling products taking into account the measures on promoting goods on the market, price policy, including the system of discounts, analysis of interrelations with clients, feedback and after-sales service (Yenner, 2010).
Then the company financial and economic activity is analyzed. It includes considering the opportunities to attract capital, liquidity and payment capacity indicators, taxation burden, dividend policy of the company, level of expenses, profit and profitability.

3.5. Stages of SWOT Analysis

After analyzing the internal environment, a detailed list of parameters to estimate the company is made. Strengths and weaknesses are defined for every criterion (Didenko et. al., 2013).

(Ryhtikova, 2014). After making a specific, and maximum complete list of strengths and weaknesses, every parameter must be estimated according to the degree of its importance for the company.

Marketing opportunities and threats are revealed analogously. They are defined based on the analysis of the external environment that has a direct and indirect impact. Then probabilities of the defined opportunities and threats must be estimated for components of the external environment.

As a result, all estimated elements within each of four groups must be ranged successively in descending order according to the degree of importance for the company. According to its results, 7-10 most important elements from every group are chosen and transferred to the next stage.

After that it is necessary to make four SWOT matrix cross-tables. The task of the first table is to reveal the areas of taking into account the market opportunities by using the company strengths. Strengths are specified vertically, and opportunities are recorded horizontally. At the opportunity and strength cross, it is necessary to answer the question: What strengths will help to use opportunities? The answer to the question will be the basis of the development strategy – applying strengths for using all provided opportunities.

The second table will answer the question: What strengths can neutralize threats? For this purpose, threats are specified horizontally, and strengths vertically. At the parameters cross there is an answer to the question – to form a strategy of internal transformations – use of strengths to minimize threats.

In the third table at the cross of weaknesses vertically and opportunities horizontally we will answer the question: How (why) do weaknesses prevent the company from using opportunities? This table defines the strategy of potential advantages – minimizing weaknesses by using the provided opportunities.

Finally, the fourth table includes weaknesses vertically and threats horizontally. At the cross, we find answers to the questions: How do weaknesses increase threats from the market? What are the risks in combination of weaknesses and threats? Working out the strategic development limitation is the minimization of weaknesses and threats.

It is necessary to divide answers for the interrelated thematic groups that will be used when developing variants of management decisions at the next stages of forming the company development strategy.

4. DISCUSSION

Actual aspects of making researches for information provision of developing and taking strategic management decisions were repeatedly discussed at research and practical conferences and congresses of representatives of Russian companies’ top management.
In November 2016 the XVIth International Social Congress “Estimation of Citizens Social Servicing Quality: Experience, Problems, and Results” included a round table “Quality of Social Servicing Organizations Personnel: Consumers’ Level of Satisfaction” where the research authors made a report on “Information Provision of Developing and Taking Management Decisions”.

During the discussion typical mistakes were revealed. They are made during SWOT analysis and can bring all efforts to zero. In order to get the maximum profit and avoid mistakes, it is necessary to follow these rules:

1. *To focus SWOT analysis on a specific segment.* It allows to reveal the most important strengths and weaknesses, opportunities and threats.

2. *To know differences between SWOT elements:* strengths, weaknesses, opportunities and threats. Strengths and weaknesses are internal characteristics of the company activity that are controlled by the company management. Opportunities and threats are the external environment that is not affected by the company. They are related to characteristics of the market environment.

3. *To define estimates in terms of the market.* Strengths and weaknesses are defined in terms of the target audience’s perception. *Decreasing subjective estimates.* The analysis must be based on objective facts and information resting on the data of the researches of the internal and external environment.

4. *To accurately formulate elements of SWOT analysis avoiding spatial and equivocal interpretations.*

**5. CONCLUSION**

The modern Russian practice of developing and taking management decisions does not always rest on actual information based on researches and analysis. It often causes wrong strategic areas of activity.

SWOT analysis is an efficient tool aiming at structuring information to develop variants of management decisions. Such procedure does not offer any specific answers, qualitative estimates or accurate recommendations. This analysis is important because basic factors are adequately estimated, and the development of specific events is forecasted with a definite percent of probability. Analysts and heads of structural subdivisions of the company must develop variants of management decisions and specific recommendations. The development strategy is selected at the board of directors on the basis of the offered variants.

The objectivity of the result is defined by the completeness and quality of providing the information. In order to obtain the maximum real data, objectively estimate the current state, and define the probable vector of further market development, it will be necessary to involve experts and consultants. If when filling in the matrix table, errors were made, it would be impossible to reveal them during the analysis. That is why if an odd factor was added, or, on the contrary, an important element was lost, conclusions can be erroneous.

In conclusion we would like to note that this research did not consider in detail strategic and tactic marketing researches aiming at providing the efficiency of implementing the taken strategic goals. This area will be described in further researches.
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References


