

FROM SWOT TO VALUE APPROPRIATION: CAREER IMPLICATIONS

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ABSTRACT

Meeks (2016) argues that while SWOT has been an important part of strategic analysis and strategy education, its usefulness has significantly diminished under ever-changing market conditions. He suggests that “such a model is inappropriate for our current dynamic marketplace, and should only be used as a cursory framework for elementary or preliminary analysis, and then only when its limitations are fully understood” (Meeks, 2016: 1). We agree with Meeks’ (2016) contention that SWOT be used with great caution.

INTRODUCTION

While SWOT can be a good first step (or “preliminary”, Meeks, 2016) of strategic analysis and planning, SWOT users must be aware of its limitations. The popularity of SWOT as a basic strategic analysis framework can be attributed to several factors. SWOT enables managers to simultaneously take both internal and external conditions into their strategic planning process. Using SWOT, managers therefore would be able to proactively identify and respond to opportunities and threats by finding an appropriate match between external and internal conditions (i.e. strengths and weaknesses) (Dess, McNamara, & Eisner, 2016). However, SWOT analysis has five major limitations. While Meeks (2016) criticizes the extant strategic management textbooks for uncritically including SWOT, Dess et al. (2016) explicitly states those limitations. First, strengths do not necessarily provide the focal firm with competitive advantage when those strengths are irrelevant to the firm’s organizational goals. Second, SWOT implicitly assumes that only immediate competitive environment is relevant. Third, as Meeks (2016) notes, SWOT provides managers with merely a snapshot of constantly changing situations. Fourth, SWOT leads firm to have very narrow strategic focus. Fifth, SWOT ignores important relationships among various stakeholders. Thus, SWOT should be used only as the starting point of strategic analysis and planning.

However, it is also worth noting that any strategic analytic framework cannot be perfect but needs to be supplemented by intuition as well as “perceptual acuity” referring to “the ability to sense what is coming before the fog clears” according to Ram Charan (Merio, 2013: 75). For example, the late Steve Jobs emphasized the importance of intuition in order to figure out what customers want even before they know what they want (Byrne, 2012).

Evolution of Strategic Management

SWOT may be viewed as a part—not the entirety—of what may be viewed as the “evolution” of strategic management. Analytic frameworks for strategic management have evolved because of the awareness of and imperfection of the extant frameworks. Let’s look at such an “evolution” of strategic management over the past several decades.

Since SWOT does not discuss how to achieve a competitive advantage, the appearance of strategic analysis frameworks focusing on *competitive advantages* may be a natural consequence. Porter (1985) argues in his seminal book that a firm can be represented as a chain of value-generating activities. If firms can generate value which is more than a cost of conducting those production activities (primary and support), those firms can acquire a competitive position. He proposes two primary strategies for achieving competitive advantage: 1) cost leadership; and 2) differentiation (Porter, 1996). Later, Barney (1991) develops the resource-based view (RBV) and argues that a firm’s competitive advantage depends on resources it possesses. Specifically, a firm having valuable, rare, costly to imitate (due to unique history, causal ambiguity, and social complexity) *resources* efficiently exploited by organization can acquire competitive advantage over competitors. Furthermore, as managers and strategy scholars give more attention to sustainability of competitive advantages, the inimitability and substitutability of a firm’s resources become salient. This sustainability-oriented framework particularly focuses on intangible firm resources such as knowledge. For example, Spender (1996: 46) notes that “so long as we assume markets are reasonably efficient...it follows that competitive advantage is more likely to arise from the intangible firm-specific knowledge which enables it to add value to the incoming factors of production in a relatively unique manner.” In addition, the concept of value appropriation has emerged to recognize the significant influence of stakeholders on business strategy and addresses how value created can be appropriated and allocated among a firm’s stakeholders. This concept emphasizes that it is critical for firms not only to create value but also to capture, protect and efficiently allocate return on value creation activities (Reitzig & Puranam, 2009).

Value chain analysis, RBV’s VIRO framework, sustainability framework derived from RBV, and the value appropriation concept have helped to provide managers and scholars with valuable and relevant concepts for both research and practice.

Career Implications

We discuss the evolution of strategic management because relying on a single analytic framework should be not only inappropriate but also unrealistic. Rather, we believe that each available framework has value. Also, each framework has important implications not only for the practice of management but also for professional careers. The implications of each analysis framework on individuals’ career development are summarized below.

1. **SWOT:** individuals can regularly and briefly assess their own strengths and weaknesses and consider opportunities and threats in their career development. While this may be an elementary level of analysis, individuals will be able to use this idea in their career planning.
2. **The Value Chain:** it helps individuals to not only develop understanding of “what their employers’ activities are most critical for attaining competitive advantage”, but also evaluate how well their own activities align with their career goals (Dess et al., 2015: 102). For example, individuals who can correctly determine the most critical activities of their organizations via the value chain analysis will be more likely to position themselves to affect those activities, add value to the organization, and advance their careers.
3. **Competitive Advantage:** here, individuals can help determine whether their current organizations implement should a cost-leadership strategy or a differentiation strategy or both. Individuals think about whether their current skills and capabilities align with their organizational strategies. Clearly, people with skills which complement their organizational strategies will have a better chance to be successful in those organizations. Moreover, individuals should think themselves as a “business” and about their own sources of “competitive advantage” in promoting their careers.
4. **RBV and sustainability:** individuals should evaluate whether and how their capabilities are valuable, rare, costly to imitate, and hard to substitute. If individuals possess valuable, rare, and inimitable skills and knowledge, they will have competitive advantage over others in pursuing their careers. If their skills and knowledge are extremely costly to imitate and potential employers cannot easily acquire a substitute for those skills and knowledge from strategic factor markets, such individuals will enjoy sustained competitive advantages.
5. **Value appropriation:** individuals should evaluate whether and how value they create actually contributes to their career advancement and develop ways making their efforts and capabilities contribute to their career advancement. Adopting the value appropriation concept, individuals are better able to determine how their current organizations allocate profits generated and resources across organizational stakeholders.

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ADDITIONAL SUGGESTED READINGS

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