

APPLICATION OF THE SWOT-ANALYSIS IN PROJECT MANAGEMENT IN BUSINESS ORGANIZATIONS

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Abstract

In today's environment most business organizations realize a substantial part of its activities on the principle of projects. Project is a complex undertaking with a specific goal. The realization of this goal in a planned period and quality of the final product means that it's successfully completed. Innovation and changes in business organizations are typically performed through the implementation of projects. In the rapidly changing economic environment the realization of projects, as a working tool for strategic change, is reasonably necessary. For that reason, the report summarizes the opportunities for application of one of the classic methods for strategic planning – the SWOT-analysis, in the project management process. Some benefits from its use are derived, based on a critical review and analysis. Good practices, applicable to business projects, are resumed.

Keywords: *SWOT-analysis, project management, business organization, project, strategic management*

Introduction

In today's environment most business organizations realize a substantial part of its activities on the principle of projects. Moreover, innovation, structural and organizational change are possible through the implementation of such initiatives. Changes are a logical consequence of the impact of internal and external factors. They determine the dynamics of the environment to which the business has to adapt in a timely manner. Therefore, the implementation of projects often acknowledged as a leading tool for strategic and change management. Response to the economic changes has to be reflected in the development of specific business strategy. In order to fulfill its strategic objectives, the business organizations develop and implement projects. They are based on the organizational strategy and the main areas for growth and development. The successful implementation of projects should help to realize the strategy step by step.

Methods

The aim of the study is to present the application and scope of SWOT-analysis in project management process in business organizations. Its structure is based on view of the project as a management object, the management as a process, the nature and the application of SWOT-analysis as a tool for strategic planning in project management sphere and its priorities. The study is based on general scientific methods and widely recognized research tools. The used methods are analysis, synthesis, abstraction, summary, induction, deduction, observation and comparison. Through them some benefits of using SWOT-analysis in business organization that develop and implement projects are justified.

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Results and discussions

Project as an object of management

There are different definitions for project. For example, the project:

- includes activities that have to be met in due time, costs and quality [7].
- is planning, organizing, monitoring, control and reporting of all project aspects and motivating all people involved in it to achieve the project objectives [5].
- is a temporary endeavor undertaken to develop (create) a unique product or service [8].
- is a temporary organization created by members of this organization in order to fulfill its mission [2].
- is a temporary organization created for the supply of one or more business products according to approved business plan [10].

Based on the cited definitions it's clear that the project initiative is limited in resource, time and quality. The project is complicated and complex activity with a purpose. The realization of this goal in a planned duration and quality of the final product means that it's successfully completed. The project is process-oriented. Its lifecycle goes through six phases - initiation, planning, organizing, implementing, monitoring and control and closure. Unity of many aspects - economic, technical, technological, legal, environmental and social, it involves a multidisciplinary approach and strategic management. This means setting up a specific organization and build a system of interrelated elements. At the entrance of this system are the resources which are required for project implementation. The final product which is the expected result is at the exit. This result varies according to the task and specification. It could be an entirely new or improved product, service, model, organization of activity, structure, process, etc. Regardless of the nature of the intended result, it should contribute to the development of the business organization in the desired direction, having direct and/or indirect benefits. The expected benefits, both economic and non-economic, are the main criterion for the project's consistency. Therefore, the project is a tool for organizing activities that can't be completed as routine operations [8] and through which it's planned to meet the defined goal within the set limits - time, cost, quality.

Project management - theoretical and applied aspects

Project management is a process of controlled impact on the object of management (the project), which involves interaction between its constituent elements. This process, according to the principles of the Methodology of the Project Management Institute (PMI), is defined as "the application of knowledge, skills, tools and techniques to project activities to meet project requirements"[9].

The project process is based on five basics processes [9]:

- Initiating
- Planning
- Executing
- Monitoring and Controlling
- Closing.

On this basis, the knowledge, applicable during the process of project management is concentrated in ten major areas [9]:

- Integration

- Scope
- Time
- Costs
- Quality
- Human Resources / Supplies
- Communications
- Risk Management
- Procurement Management
- Stakeholders Management.

All these ten areas have proven their influence on the outcome of the process of project management. The reason for its importance is the nature of the project process and its management which differs from routine activities in the business organization. They have different characteristics, requiring specific management approach.

The framework of the project management process is defined by four key parameters:

- Scope
- Time
- Quality
- Costs.

In this sense, the good results are a coordinated function of these parameters. Project management is a methodical approach that includes established principles, procedures and policies. Their application influences on the project from the moment of its conceptualization to the actual implementation.

According to the methodology PRINCE2 (Project IN controlled environment) project management is determined by planning, delegation, monitoring and control of all aspects of the project and the motivation of those involved in it to achieve the project objectives within the expected performance targets for time, cost, quality, scope, benefits and risks [10]. This methodology is based on seven basic principles that form the structured governance model. They build the methodological framework of the project management process [6].

- First principle "Continued business justification" states that the project should have a business sense, based on return on investment and effective use of time and resources.
- Second principle "Learn from experience" states that the project team should learn from the experience gained in previous projects.
- Third principle "Define roles and responsibilities" states that each team member should know what he/she does and what the others should do, including who makes the decisions.
- The fourth principle "Manage by stages" states that the difficult tasks are carried out more easily if they are divided into parts.
- The fifth principle "Management by exception" states that if the project is progressing well, it doesn't require intervention by the manager who is informed only if there is a problem or this could occur.
- The sixth principle "Focus on products" states that everyone should know in advance what is expected of the product, because the product requirements predetermine the operating activities.
- Seventh principle "Tailor to the environment" states that projects in which the methodology is adapted to the specific project needs, have a greater chance of success than those who don't do it.

These principles refer to the project's economic and technical justification. The process includes adequate allocation of resources, strategic planning, adaptation to the external environment, internal coordination, subordination and structure.

Finally, the results should be classified and analyzed in order to achieve the primary objective. The analysis can be built on the following indicative time axis:

- Where was the business organization in the past?
- Where is the business organization today?
- Where should be the business organization in the future?

In the project management context, its content is framed by the identification and study of four key elements:

- strengths of the business organization connected with the project implementation;
- weaknesses of the business organization connected with the project implementation;
- opportunities for the development of the organization related directly and / or indirectly with the project or the overall organizational strategy;
- threats to the development of the organization, related directly and / or indirectly to the project or the organization itself.

Most often the analysis is presented in form of a matrix. So in the economic literature it occurs under the name SWOT-matrix.

In quadrant "Strengths" (S) are included: activities which the business organization performs well; activities that the business organization is competitive and efficient; available assets; resource security, including security of personnel; capacity and resources to implement the project; skills, knowledge and competencies of the team; project experience; experience in performing routine business operations; network of contacts and communication channels; competitive advantages. The appropriate section could be written if a project team try to determine what are the strengths of the business organization, focusing on a specific project or project proposal. They originate from the organizational characteristics and add value or provide competitive advantages. For this reason it's important to know and carefully examine them. The aim is to clarify all the positives that can be used in the realization of the potential project and to study the capacity of the organization and its resources available to the project.

In quadrant "Weaknesses" (W) are included: activities which the business organization doesn't perform well or has no capacity to perform at all; gaps and lack of resources; unsuccessful past projects; competitive advantages of other organizations. The purpose of this systematization is to clarify any possible weaknesses that have or may be relevant to the project. In this sense, the SWOT-analysis team should seek what is missing to undertake the project and execute it successfully, what are the risk and possibilities to fail. Giving aware of these gaps and deficiencies is the first step for their catching up. Part of the analysis of weaknesses can be made based on a comparison with competitive business organization and their advantages. In practical terms all weaknesses are some kind of business development opportunities. If the project offer is well considered and formulated, the identified weaknesses could turn into strengths for the organization in future plan.

In quadrant "Opportunities" (O) are included the chances for identification of the strengths and for overcoming the weaknesses. Potential question that can be used for this purpose is what are the opportunities for future development. This approach is based on the view that behind every problematic situation in the business stands untapped opportunity. Many organizational weaknesses can be transform into strengths through the implementation of projects and programs, consistent with the overall organizational strategy. The opportunities are results of complex influence of some internal and external factors. The combination of the effects of these two groups of factors determines the existing project potential. In brief, this quadrant is devoted to conditions analysis but also to the barriers that are the basis for future business development. The environmental dynamics and changes in the influence of external factors suggests dynamics in the influence of internal factors. Therefore the need for changes is an indispensable condition for the development of a modern business organization. The previous experience shows that if it does not change in the current highly competitive

environment, the economic challenges can not be overcome. This is a reason to claim that there are various opportunities for development in the context of the overall organizational strategy that could be utilized through the implementation of various projects.

In quadrant "Threats" (T) are included the unfavorable influences of factors of the external environment and problems arising from the external environment behavior of competitors. Possible question which is used is what are the threats to the organization. Certain direct and indirect risks should be base for future projects with which to overcome and, if possible, to turn the weaknesses into strengths. In order to do this it's obligatory to study the tendencies and perspectives for development in conjunction with the influence of different factors.

SWOT-analysis examines the business organization and its project from the point of view of the external and internal environment. The strengths and weaknesses are connected with the internal environment, the opportunities and threats are connected with the external. So it can be compared to the influence of internal and external factors on the business organization. PEST analysis may apply for the purpose of the study of the impact of the external factors. Through its application the political, economic, social and technical environment could be determined because it will concern the project development and management. For example, the economic factors that influence the organizational activities and operations should be seen as both constraints and opportunities. The four parts of the final analysis are analyzed separately and as a whole, because they are interlinked.

Benefits of SWOT-analysis in project management in business organizations

The latest data shows that 30% of started business projects are interrupted in the middle, 50% of all started projects spends twice bigger budget than expected and twice as much time [3]. These data indicate the need to pay more attention to the strategic planning process, using adequate analyzing tools. Within the project management process SWOT-analysis is applicable to many purposes, which are a subject of further analysis. In short it's a technique for strategic management of the project and for build organizational strategy associated with its implementation. SWOT-analysis found a place in selection of proposals in business organizations with various activities. This selection is based on the study of strengths, weaknesses, opportunities and threats for the organization for each particular project case. It can be used as a tool for evaluation of the most promising proposal. After making a choice and a project proposal is approved in an organizational level, the project team can start the project officially.

SWOT-analysis is an analytical tool, which is relatively easy for application. Moreover, it's acknowledged as an evaluation tool with great potential because it can be used both for a specific project or for an entire organization and business. It's suitable for decision-making on different issues, allowing implementation of a strategic approach, without spending special resources. SWOT-analysis is a base for starting a project by which to avoid some threats, take new opportunities, develop strengths and overcome weaknesses in business organizations. It can also be used as a tool to analyze the critical success factors (CSF) in project management. This is its advantage because it helps their identification and generalization, allowing effective management process.

The objectivity requires to mention that many scientists and economists criticize the SWOT-analysis and its capacity as a management tool [11, 12]. One of the main critics is for its possibility to identify organizational problems without giving solution to them. However,

any SWOT-analysis ends with summaries, which could be used for searching for solutions and for preparation of a plan and a project road map. Another criticism is for the difficulties in data collection and compilation. The interpretation of this information may be wrong, incomplete or one-sided and the result could be a distortion of the analysis and summaries. Some analysts point out that behind the SWOT-analysis there is robust theoretical basis. Although longstanding business practice confirms that it could help to develop a strategy and a plan for project's execution and it's applicable in real business terms. One of the legitimate criticisms of the SWOT-analysis is that it doesn't allow comparison with competing organizations. However, such an element may be included in the analysis in determining the strengths and weaknesses. Another criticism is justified by the lack of a specific quantitative measure in carrying out the analysis. However, quantitative values, however, may be included in each quadrant, so it becomes reliable framework for subsequent specification in quantitative terms.

Conclusion

In recent decades, SWOT-analysis is emerging as a powerful tool for sizing a resource capacity, organizational weaknesses, market opportunities and external threats [11]. It shall apply for situational analysis, through which it can adapt its internal structure, activities and processes to the economic environment in the selection and project management process. The studied tool is not definitive, but rather flexible and adaptive to different requirements. Its advantages make it particularly valuable and useful in the selection process and in project management process in every business organization.

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