

Diagnosics vs. SWOT Analysis

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Abstract

Diagnosics and SWOT analysis approach as management methods is a delicate endeavor, as both specialists and beneficiaries of their results have different opinions about their role in management. A considerable part of them consider SWOT the best way of investigation and analysis, as they have on hand, together, strengths, weaknesses or failures, opportunities and vulnerabilities or threats. From this perspective, we believe that it is confusion between SWOT analysis and SWOT matrix, the latter being the result of analysis, with high reflectivity capacity of reference elements of internal potential (strengths and weaknesses) and regional, national and international organization ambient (opportunities and threats). For others, the diagnosis is the most profound way of investigation and analysis, able to capture not only the strengths and weaknesses, but also what causes them, along with the managerial, viability, economic, technical, technological etc. potential, depending on which there are provided strategic-tactical recommendations oriented towards internal potential gain, to the extent that it is below the desired level. The comparison of the two management tools can only be achieved through a detailed methodological applied approach, encompassed by our material.

Keywords: organization diagnostics, SWOT matrix, viability potential, strengths, weaknesses, opportunities, threats.

JEL classification: M10

1. Introduction

Any complex process, aimed at the future, regardless of its nature - managerial, economic, technical or technological etc. - requires, in advance, a detailed analysis of the organization or its procedural components or structural levels on which it will occur. There are two relevant management tools used for this purpose: organization viability diagnosis (also known as due-diligence) and SWOT analysis. Both in Romania and throughout the world, the two methods of management have generous editorial spaces reserved in the last decades (see

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Nicolescu, Verboncu, 1995; Nicolescu, Verboncu, 2008; Verboncu, Popa, 2001; Burduş, 2013 etc.), which proves that they are irreplaceable in managerial practice, when we want to know the "state" of the organization or its future prospects. Referred to as due-diligence or, simply, diagnosis, the diagnosis of the viability of the organization recorded, over time, remarkable progress, especially with methodology, meaning that there have appeared new stages, able to highlight its results - strengths and weaknesses, the causes generating these and recommendations - or to process them properly in what we call "potential viability". In turn, SWOT analysis, treated especially in terms of strategic planning, brings something new in using and interpreting the strengths, weaknesses, opportunities and threats in pairs of strategic solutions worthy of being considered by the organization management.

2. About diagnosis

Diagnosis can be approached in several instances (Verboncu, Popa, 2001, p. 47-50):

- as management method, possible to be used in any organization, by managers placed at different levels for causative investigation of led areas;
- as stage debut in any organizational or management change (restructuring, managerial reengineering, legal reorganization etc.);
- as important foundation of the organization's strategy, along with market study, environmental impact assessment, national strategy and sector strategy.

Diagnosis is the investigation of the organization and its components using a specific toolkit in order to identify the main causes of failures and strengths and, on this basis, making recommendations focused on the causes of the weaknesses and strengths.

They touch therefore, the past and the present of the organization in multiple ways - economic, managerial, technical, technological, social, etc. - resorting to specific instruments of investigation and analysis drawn from various fields of science.

Content diagnosis can be made by the organization as a whole, in which case we refer to a global diagnostic (recommended in the broader context of managerial methodology remodeling or redesign scenario) or one or more procedural or structural and organizational components of its situation, in which the diagnosis is partial.

The diagnostic study, resulting from diagnosis and its managerial valorization is the element of differentiation between empirical, hasty management, focused on the "seeing and doing" (aiming mitigating adverse effects) and scientific management, focused on the "anticipation and preventing", in which the causes of the strengths and weaknesses represent the managerial decisional and operational support.

Using diagnosis is performed under the following conditions:

- whenever the managers of the organization or its organizational subdivision want detailed knowledge of the "state" of the led field, respectively the main malfunctions and positive aspects, the causes that generate them and "areas" in which there will be decisional interventions.
- when initiating large steps with a pronounced tinge of strategy, such as management, privatization, restructuring etc. redesign (remodeling) the organization.
- where, especially in state owned organizations, there is a change in management teams as a result of management selection contests and signing management contracts.
- at the end of important periods (usually at the end of the year) to identify the potential of economic and managerial viability of the organization and management team effectiveness.
- prior to the projection of the organization future, namely its development strategy; the diagnostic study must be accompanied by market research, forecasting and environmental research, as all are important sources of information in outlining the objectives, modalities of implementation and other strategic components.

Regardless of the type, it is recommended that diagnostic studies be developed by multidisciplinary teams of specialists, which should not be deprived of economists, engineers, technicians and other socio-professional categories. This ensures the multidimensionality of the diagnosis, for the purpose of highlighting some economic, managerial, technical, etc. aspects in proportions to justify their share in the areas subject to investigations. Simultaneously, it must be ensured a strong participatory dimension in developing diagnostic studies by involving active and effective managers and contractors in providing relevant information and formulating substantive elements of diagnosis: strengths, weaknesses, causes generating recommendations. Accordingly, there may be three situations:

- developing diagnostic studies by specialists within the investigated organization (self-diagnosis), where the subjective elements are crucial, and the substantiation of conclusions level is higher;
- developing diagnostic studies by specialists outside the investigated organization, seconded by the problems it faces. In this way, it ensures a more pronounced objectivity related to treating these problems but its conclusion suffers from insufficient knowledge of the mechanisms of the investigated domain;
- developing diagnostic studies by mixed teams of specialists inside and outside the organization in which roles are well defined; Thus, insiders supply the necessary information, and outsiders interpret it using a specific toolkit and together they formulate strengths, weaknesses, causes that generate them and the necessary recommendations.

Regardless of the manner in which they are developed, the diagnostic studies should be complex and realistic, thus ensuring an adequately realistic projection of the future of organization, in strategy and policy.

From a methodological standpoint, the diagnosis is made according to a scenario structured in seven stages (Verboncu, 2013, p. 233-242): (I) preparing diagnosis - aims at ensuring human, organizational, informational and even material conditions required for the completion of the diagnostic study. Among these we note: shaping the diagnostic team, observing multidisciplinary conditions and provenance of its components (outside and inside the organization subject to investigations); the roles played by each component of the diagnostic team, depending on its origin, training and managerial experience, etc.; specifying the type of diagnosis to be made depending on the scope: global or partial; delimitation of the subject of investigations in the sense of organization or its structural or procedural components; specifying the period to be analyzed (a minimum period of 3 years is recommended to ensure reliable conclusions for the beneficiaries of the diagnostic study); setting instruments for collecting, recording and processing of data and information: questionnaire, interview, direct observation, study of documents; defining objectives of diagnosis related to the deadlines of the study, the degree of inclusion of procedural and structural components, the depth of analysis, etc.; (II) documentation (investigation) involves preliminary typological highlighting of the main features of the organization, namely those elements that define the organization's position better in the macro system; economic and financial situation of the organization, addressed in dynamics, the presentation of dimensional and functional characteristics of the management system and its components; (III) economic and management viability analysis of the organization, stage focused on: economic viability analysis (analysis of competitive position, internal potential analysis, cost analysis, profitability analysis, heritage analysis etc.), managerial viability analysis, highlighting positive and negative symptoms; (IV) and (V) are intended for the causal highlight of the main strengths and shortcomings or weaknesses.

It is recommended that their inclusion in a tabular format like the one shown below meet some requirements, such as:

Table 1

No.	Strengths (weaknesses)	The comparator	Causes	Implication	Observations

- be expressed, as far as possible, quantified;
- be highlighted the term of comparison in one of the following ways: the achievements of previous periods, the expected level for a certain period, competition achievements, requirements of management principles etc.;
- be inserted the causes generating strong or weak point;

- be presented the main implications of the respective event or weakness or strength;
- be considered that any of the causes of the strengths or weaknesses can be treated in case of an extension of the analysis, in an independent weak or strong point. This allows the "entry" in the private mechanisms of the organization and its components and therefore a better use of diagnosis in substantiating major managerial approaches.

Step VI is designed to determine the managerial and economic viability potential, using either the matrix model evaluation of internal and external factors or the criteria of influence model. The most common way is to determine the potential viability with assessment matrix by means of internal factors (strengths and weaknesses) and external factors (opportunities and threats). Finally, it determines the global viability potential, which varies within a predetermined range (between 1 and 4 points). Simultaneously, depending on the score obtained, the organization is assigned to different "classes" of viability:

- very low (1 – 1,6)
- low (1,6 – 2,2)
- medium (2,2 – 2,8)
- high (2,8 – 3,4)
- very high (3,4 – 4)

A diagnostic study concludes by recommendations (Phase VII). As the doctor completes its consultation on the patient by prescribing therapeutics or indications to which the patient would respond with his/her own will, so the team of diagnostics develops recommendations, that is, ways to be followed to mitigate or eliminate the causes of weaknesses and to generalize some cases generating strong points. Note that:

- recommendations are not decisions;
- recommendations highlight some areas where decisional and operational intervention of managers is expected
- recommendations should focus on causes rather than effects (i.e. strengths and weaknesses) that these generate
- recommendations are therefore triggers of some complex management approaches; simultaneously, most strategic options or resources that give consistency strategies, global or partial, are based on them.

3. What is a SWOT analysis and how to do it?

SWOT is a method based on internal and external environment of the organization analysis or a procedural or structural components analysis thereof embodied in establishing the main strengths, weaknesses, opportunities and threats (Nicolescu, gen. coord., 2011, p. 54). The method name comes from the four categories of the internal environment analysis results - Strengths, Weaknesses - and external environment - Opportunities and Threats. Strengths, weaknesses, opportunities and threats are inserted in a SWOT matrix, as seen below:

S Strengths (S)	W Weaknesses (W)
O Opportunities (O)	T Threats (T)

Figure 1. SWOT Matrix

Moreover, SWOT matrix is considered by some experts (*see Helfer, Kalika, Orsoni, 2010, p.128-129*) as a result of internal and external diagnosis, under which proposals of strategic decisions may be formulated depending on the combination of the four quadrants of the table.

The method, often used in modern, professional management, plays a major role in the foundation and design of strategies and policies, in regular evaluation of the organizations and of major components (Todoruț, 2014, pp. 148-173).

SWOT analysis - is a method of analyzing multiple internal and external factors that involves understanding the company's main strengths, weaknesses, opportunities and constraints (threats), capitalized in the strategic process.

The combination of the four elements defining this model (the model of "fitting" or the model of "alignment") generates, according to experts, four modes of analysis of internal and external factors, as the basis of specific strategies.

	S (strengths, strong points) 1. 2. 3.	W (weaknesses, weak points) 1. 2. 3.
O (opportunities) 1. 2. 3.	SO STRATEGIES (max.-max.) 1. 2. 3.	WO STRATEGIES (min.-max.) 1. 2. 3.
T (threats, constraints) 1. 2. 3.	ST STRATEGIES (max.-min.) 1. 2. 3.	WT STRATEGIES (min.-min.) 1. 2. 3.

Figure 2 SWOT Matrix

(adaptation after Helfer, Kalika, Orsoni, cited work p. 129)

Such matrix is an important source of information for managers and contractors involved in the foundation and development of the strategy. Difficulties in the understanding of the four variables that give consistency to this table are significantly improved if the SWOT analysis is developed after a specific methodology or:

- setting analysis goals;
- analysis of internal potential;
- detecting and defining strengths;
- detecting and defining weaknesses;
- analysis of external potential;
- highlighting opportunities;
- highlighting constraints (threats);
- ensuring combinations of strengths - opportunities (SO strategies);
- conducting coupling of strengths - threats (ST);
- combining weaknesses with environmental opportunities (WO); and
- coupling organization's weaknesses and environmental threats (WT strategies).

4. Comparative approach (diagnostic vs. SWOT analysis)

The comparisons between the two management tools are based on the content and the role they have in the performance of management processes development or in increasing the effectiveness of organization management. Regarding "similarities", we observe the following:

- both can be considered important cornerstones of the organization's strategy, providing valuable information on the functioning, efficiency and effectiveness, or regarding procedural or structural and organizational components investigated and analyzed;
- both can be considered important bases for the design and operationalization of organizational and managerial changes, such as restructuring, privatization, management redesign, retrofitting, etc., with major impact on the future economic, commercial and managerial level;
- both provide an overview of the configuration and functionality of the organization at the time "t", requested by its top management;
- both are made in a specific typology, depending on the socio-professional configuration and the origin of the study developers, the mixed ones, the result of the involvement of professional teams from inside and from outside the investigated organization being more attractive in terms of content;
- both involve using a variety of tools for collecting, recording, processing and interpretation of data and information relating to the investigation, such as questionnaires, interviews, direct observation, study of documents (information situations) etc.;
- both use methods to stimulate brainstorming-type creativity for identifying and defining strengths, weaknesses, opportunities and threats;

- both highlight the organization's competitive advantage.
- The major difference between diagnosis and SWOT analysis are, in our opinion, the following:
 - the much higher complexity of a diagnostic study, compared to the SWOT analysis;
 - the causal highlighting of the main strengths and weaknesses is specific to diagnosis; moreover, a serious diagnosis, carried out by professionals, deepens the cause-effect analysis to the smallest detail. We thus call such a diagnosis "in cascade", extremely beneficial for study users (organization managers);
 - the SWOT analysis is completed by a matrix, in which strengths, weaknesses, opportunities and threats are inventoried; a diagnostic study is completed by strengths and weaknesses, causally addressed, by determining the organization viability potential regarding domestic, foreign and global aspects and making recommendations related to increasing its focus on the causes of the strengths and shortcomings. From this perspective, the diagnosis detaches from the SWOT analysis in complexity and value for managers and other stakeholders.
 - strengths and weaknesses are defined, characterized in quantified diagnostic study by specifying the period of comparison, the causes and implications of their manifestation; in the case of SWOT analysis, strengths and weaknesses are highlighted as such without substantiation likely to bring additional elements of understanding;
 - a diagnostic study may "suffer" regarding external diagnostics, where its makers focus only on internal environment;
 - the recommendations focused on the reasons causing strengths and weaknesses in the strategy are found mainly in the form of strategic options, while the strategic dimension of SWOT analysis is provided by the combination of the strengths, weaknesses, opportunities and threats (see figure # 2);
 - frequently, SWOT analysis summarizes the SWOT matrix, whose recovery and interpretation does not say much for an unprofessional manager; a diagnostic study highlights the appropriate tabular forms, strengths and weaknesses of a causal manner, much easier to interpret, including insufficient managerial competence of managers; also, the recommendations developed on causes facilitate the decisional intervention of managers and their transformation into solutions to the problems faced by the organization or a component thereof at the time of the analysis;
 - the combinations of the inventories of the four quadrants in figure no. 2 are, indeed, more suggestive of the types of strategies to be adopted and promoted in the "life" of the organization compared to the findings of a diagnostic study; suitable answers to questions like "how can we use strengths to capitalize on identified opportunities?" or "how can we take advantage of opportunities to overcome weaknesses?" cannot be discovered only by harnessing the SWOT matrix; for diagnosis, the choice for a certain type of strategy can only be given by the potential for global sustainability, whose size allows a choice between a strategy for recovery, consolidation or development;

5. Conclusions

The brief overview of the contents of both managerial methods of analysis and their comparative approach provides, in our view, sufficient indications in favor of one or the other, both in terms of highlighting the situation of managerial, economic and financial, commercial etc. aspects of the organization and the substantiation of any strategy or organizational or management changes to be promoted by it. Even though specialty literature does not give the due importance to diagnosis and SWOT analysis, we consider that without their presence in managerial practice, the functionality, efficiency and effectiveness of the organization and its management would suffer. Acquiring and capitalizing on specific methodological elements, along with the science to capitalize the results offered by each of these two ways of managerial systematization are prerequisites for the professionalization of managers and organization management.

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