

USING THE SWOT MODEL IN ESTABLISHING THE STRATEGY AT AUTOMOBILE DACIA GROUPE RENAULT COMPANY

Puiu GRĂDINARU¹, Doruleț GRĂDINARU²

¹Faculty of Economics, University of Pitești
gradinarupuiu@yahoo.com

²Faculty of Economics, University of Pitești
gradinaru_dorulet@yahoo.com

***Abstract:** SWOT analysis is a tool of the strategic management and it is used by the companies in the following situations: when they want to make ultimate decisions based on a complete analysis, in the strategic forecasting on three – five years, in the annual planning, when the company want a renewal or a radical change in its activity, or, each time when the company faces major difficulties which has to be solved as fast as possible. The SWOT model is also known as the Great strategy or the main strategy, being a part of the corporative strategies.*

***Keywords :** strategy, evaluation matrices, strategic management, strengths, weaknesses, opportunities, threats*

JEL Classification Codes : M10, M20, M21

1. SWOT ANALYSIS – THEORETICAL ASPECTS

SWOT analysis highlights the strengths and the weaknesses of a company, as the opportunities and threats presented by its environment of activity. The strengths and the weaknesses refer to the internal environment of the institution, the opportunities and threats result from the action of the external factors. The opportunities are related to the agents that ease the exploitation of the challenging benefits of the institution, while the threats come from the external agents, which could produce the company’s collapse.

	Positive	Negative
Internal environment	Strengths	Weaknesses
External environment	Opportunities	Threats

Fig 1 SWOT Invention matrix

Source: Russu, C., Albu, M.- Diagnosis and the Company’s Strategy, Tribuna Economică Publishing House, Bucharest, 2005, page 103 [5][9]

SWOT matrix can be used in two ways [4]:

- the qualitative model, which allows a faster and more intuitive use, being applied at the level of the small companies;

- the quantitative model, which carries some scores which, brought together, result a coordinate pair in a certain quadrant. A group of persons with power of decision will establish a strategy on the ground of this quadrant.

2. THE IMPLEMENTATION OF SWOT ANALYSIS FOR A CAR PRODUCER

The use of the quantitative model involves two stages [1][2]

- A. identification of SWOT quadrant
- B. specification of the concrete strategy

Stage A. *The elaboration of the evaluation matrix of the internal agents (MEFI)* involves the following steps:

1. Identification of the internal factors (the strengths and the weaknesses).

2. The attribution of indices of importance K_j to the factors with values between 0 and 1 in accordance with the influence of the factors on the company's success, so that:

$$\sum (K_j) = 1$$

3. The attribution of a grade N_j to each factor with values between 1 and 4:

- $N_j = 1$ □ very weak factor
- $N_j = 2$ □ weak factor
- $N_j = 3$ □ strong factor
- $N_j = 4$ □ major factor

4. The establishment of the global internal power of the company (PGIF)

$$PGIF = \sum (K_j \times N_j)$$

If PGIF is: $1 < PGIF < 1,5 \Rightarrow$ company's potential is very small

$1,5 < PGIF < 2 \Rightarrow$ company's potential is small

$2 < PGIF < 2,5 \Rightarrow$ company's potential is between small and medium

$2,5 < PGIF < 3 \Rightarrow$ company's potential is between medium and high

$3 < PGIF < 3,5 \Rightarrow$ the company's potential is high

$3,5 < PGIF < 4 \Rightarrow$ the company's potential is very high

Table no.1: Internal factors evaluation matrix (MEFI)

Crrt. No.	Internal factor name	Importance coefficient C_i	Awarded Note N_j	Average score $P = \sum C_i * N_j$
1.	Offered product's quality	0,15	4	0,60
2.	Market section owned	0,15	4	0,60
3.	Distribution network	0,05	3	0,15
4.	Price policy	0,1	4	0,4
5.	Products promotion	0,05	3	0,15
6.	Lucrativeness	0,05	3	0,15

7.	Debts payment	0,05	3	0,15
8.	Technologies used	0,05	3	0,15
9.	Production capacity	0,05	4	0,2
10.	Staff experience	0,05	4	0,2
11.	Labor qualification level	0,05	3	0,15
12.	Decisional system	0,05	3	0,15
13.	Informational system	0,05	3	0,15
14.	Motivation and innovation capacity	0,05	3	0,15
15.	Structural organization	0,05	3	0,15
Total		1		3,50

Source: Stăncioiu, I., Militaru, Gh. - Management. Basic Elements, Teora Publishing House, Bucharest, 1998, page 243

From the analyzes results we conclude that Automobile Dacia Groupe Renault Company at the 3,50 value, is considered a company that has a strong internal strategy.

The elaboration of the matrix for the assessment of the external factors (MEFE) involves the following steps [3][7]:

1. The identification of the main external factors;

2. The allocation of the indices of importance K_j to the factors in accordance to their influence on the company's. The bigger indices are given to the factors that are more important, no matter if they are opportunities or threats for the company's activity.

$$\sum (K_j) = 1$$

3. The allocation of a grade N_j to each factor with values between 1 and 4:

$N_j = 1$ □ the factor represents great danger

$N_j = 2$ □ medium exposure to that factor

$N_j = 3$ □ company's feedback under the average

$N_j = 4$ □ the company behaves adequate to the factory that is given

4. The establishment of the global external power of the company (PGEF)

$$PGEF = \sum (K_j \times N_j)$$

If PGEF is:

a) $1 < PGEF < 1,5$ => very low possibilities for the company to adapt to the environment

b) $1,5 < PGEF < 2$ => low possibilities for the company to adapt to the environment

c) $2 < PGEF < 2,5$ => marks out a capacity of adaptation to the requests of the external environment

d) $PGEF = 3$ => high possibilities for the company to respond to the requests of the external factors

e) $PGEF = 4$ => major possibilities for the company to respond to the requests of the external factors, taking advantage of the opportunities for development and avoiding the dangers.

Table no. 2: External factors evaluation matrix (MEFE)

Crrt. No.	External factor name	Importance coefficient Ci	Awarded Note Nj	Average Score P = $\Sigma Ci * Nj$
1.	Product diversification	0,15	4	0,6
2.	Increased demand on internal market	0,05	3	0,15
3.	Market expansion	0,1	4	0,4
4.	Decreased purchasing power	0,05	2	0,1
5.	Highly skilled labor migration	0,1	2	0,3
6.	Danger of competing products	0,05	3	0,15
7.	New competitors appearance	0,1	3	0,3
8.	Wages and taxes level	0,1	4	0,4
9.	Economic development level	0,1	4	0,4
10.	Habits, beliefs, values, standards of living	0,2	3	0,6
Total		1		3.40

Source: Stăncioiu, I., Militaru, Gh. - Management. Basic Elements, Teora Publishing House, Bucharest, 1998, page 244

Score 3.40, means that Automobile Dacia Groupe Renault Company has great possibilities which help to answer to external environment requests, meaning evaluate the opportunities and avoid dangers, threats.

Stage B. *The elaboration of the concrete strategy*

SWOT model and the global strategies:

Quadrant I - growth strategies;

Quadrant II – propulsive strategies in conditions of risk;

Quadrant III – limitation strategies;

Quadrant IV – strategies to overcome the weaknesses;

Identification of Automobile Dacia Groupe Renault Company in strategic quadrant(fig. 2) gives the possibility to formulate a concrete strategy, related to growth strategy, this one refers focusing on specific market segments, launching new products and services, penetration of new market.

After some market research GAMA Company managed to meet the target market with a wide range of models for 2012, such as:

- SANDERO STEPWAY 2: is generally preferred by young people, 18-25 years old, with average income; this model being on the low-cost level.
- LOGAN 2: is preferred by older people, with families, this model being on the middle level;
- SANDERO 2: is designed for females because it is a small and stylish car.
- DOKKER and DOKKER Van: for mixed use having a boot volume and modularity at the best level of category.

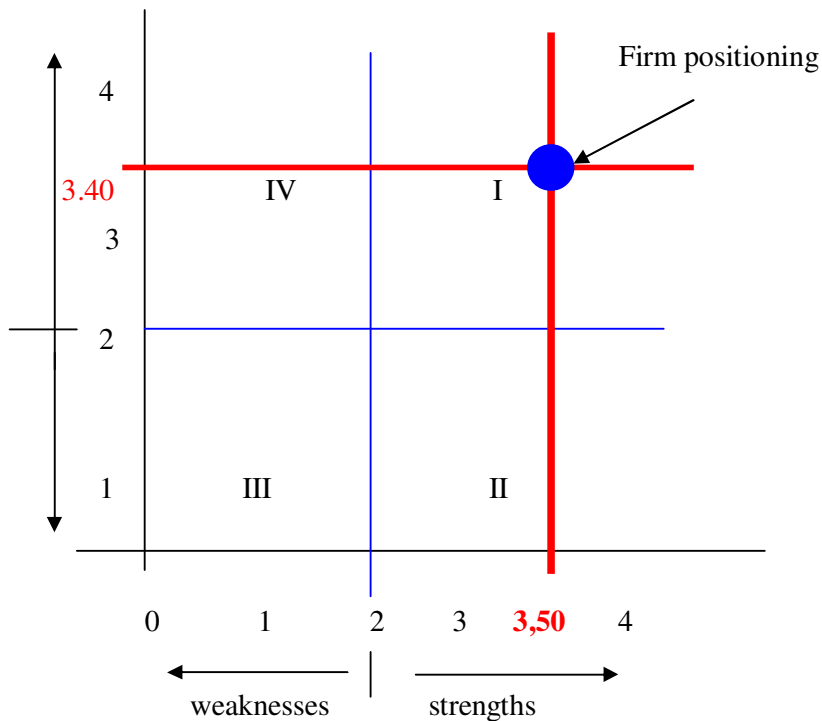


Fig. 2 The identification of the SWOT strategic quadrant

Source: Stăncioiu, I., Militaru, Gh.- Management. Basic Elements, Teora Publishing House, Bucharest, 1998, page 244

3. CONCLUSIONS

The SWOT model is in the scope of the strategic management which analyzes both the action of the external factors to notice the changes that produce within it, and the internal environment, in order to realize if the company is competitive on the market.

The company must develop a system for the search and systematic exploitation of the external pieces of information, which may have a significant influence on its future on short, medium or long term. These elements are used by the company to establish the strategy and to plan its activities in order to have a successful activity on the existing and potential markets.

The SWOT analysis determines a company to be both an introvert entity, centered on itself, and an extrovert one, being open to the global environment where it has to adapt quickly through permanent feedbacks. This analysis gives to the company a status of wakefully economic actor [8].

According to the placing of the point located in one of the four quadrants, settled by the two coordinates associated with the external and internal global power, the concrete strategies are established. The concrete strategies are a part of the generic strategies. The strategies start from the quadrant I which provides to the companies a position of expansion on the market, reaching to quadrant IV, where the companies activate in unfavourable market positions.

In order to apply the SWOT analysis, the company must have a mission as clear as possible, highly detailed, and a very precise and exhaustive assessment of the external and internal environment.

While the qualitative model of the SWOT analysis is based on a specification of the external and internal factors and a combination between them which allows the establishment of an aggregated strategy by a sole individual policy maker, the quantitative model involves the use of some indices of importance and grades, which, through their aggregation, will give as a result the pair of coordinates that places the company in one of the four quadrants, giving to a group that make decisions the possibility to choose the strategy [4].

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