

Reassessing the SWOT Analysis Framework: Theory, Application, and Strategic Relevance in Business and Entrepreneurship

DOI: <https://doi.org/10.5281/zenodo.18365324>

ORCID:  <https://orcid.org/0009-0006-6170-5532>

Citation: Virgen, M. (2026). Reassessing the SWOT Analysis Framework: Theory, Application, and Strategic Relevance in Business and Entrepreneurship. Reassessing the SWOT Analysis Framework: Theory, Application, and Strategic Relevance in Business and Entrepreneurship. <https://doi.org/10.5281/zenodo.18365324>

Few strategic management tools have achieved the enduring recognition and widespread adoption of the SWOT Analysis framework. Despite its apparent simplicity, SWOT analysis continues to be taught in leading business schools, applied in corporate boardrooms, used by entrepreneurs, and referenced in academic research across disciplines including strategy, entrepreneurship, public policy, and international business. SWOT's originator, Robert Franklin Stewart, emphasized the crucial role that creativity plays in the planning process. The SOFT/SWOT approach curbs mere top-down strategy making to the benefit of strategy alignment and implementation; Introducing digital means to parts of SWOT's original participative, long-range planning process, could boost the effectiveness of organizational strategizing, communication and learning (Puyt, et al., 2023). The framework's longevity raises an important scholarly question: why does SWOT analysis persist as a dominant strategic tool despite frequent criticism regarding its rigor, subjectivity, and lack of predictive power Studies have found that SWOT analysis in conjunction with important performance models (IPA) is a highly effective and appropriate method for developing a market-driving strategy in the banking industry. It can be carried out without a complex analytical framework and conducted internally by banks solely by relying on customer surveys. Although IPA is often overlooked, using this tool in conjunction with SWOT can enhance its effectiveness in developing behavior-focused marketing strategies (Puteri, et al., 2025).

This paper argues that SWOT analysis remains relevant not because it is a complete theory of strategy, but because it serves as a powerful boundary-spanning framework that integrates internal and external perspectives into a single cognitive and analytical structure. By situating SWOT analysis within the broader landscape of strategic management theory, this paper examines its origins, conceptual foundations, methodological applications, critiques, and evolving role in contemporary business and entrepreneurship research.



The Historical Origins and Intellectual Foundations of SWOT Analysis

The SWOT framework emerged during the mid-twentieth century as part of the early strategic planning movement in the United States. Although its precise authorship is debated, the framework is commonly associated with research conducted at Harvard Business School and Stanford Research Institute during the 1950s and 1960s. Its development coincided with the rise of corporate long-range planning and the growing recognition that organizational performance depends on both internal capabilities and external environmental conditions. Looking into the future of SWOT with the presence of AI, automated SWOT analysis holds the potential to release cognitive resources for more challenging tasks and mitigate subjectivity—a commonly raised critique regarding traditional SWOT analysis. It turns out that AI-generated SWOT analysis yields meaningful content, which should be of interest for industry stakeholders concerned with the future of AI (Klophaus, R., 2025).

At its core, SWOT analysis reflects a synthesis of two foundational perspectives in strategic management. The internal dimension of strengths and weaknesses aligns with early resource-based thinking, which later evolved into the Resource-Based View of the firm. The external dimension of opportunities and threats reflects industrial organization economics and environmental scanning traditions that emphasize industry structure, competition, and macro-environmental forces. By combining these perspectives, SWOT analysis offered managers a structured yet flexible way to assess strategic fit between the organization and its environment.

Conceptual Logic and Structure of the SWOT Framework

The conceptual logic of SWOT analysis rests on the assumption that effective strategy emerges from alignment. Organizational strengths must be leveraged to exploit external opportunities, while weaknesses must be mitigated to avoid or withstand external threats. This alignment perspective positions SWOT analysis as a diagnostic framework rather than a prescriptive model. It does not dictate strategic choices, but instead structures managerial thinking around critical dimensions that influence performance.

From a theoretical standpoint, SWOT analysis functions as an integrative framework rather than a standalone theory. It does not explain causality in the way that formal theories do, nor does it generate testable hypotheses on its own. Instead, it provides a cognitive map that allows decision-makers to organize information, identify tensions, and surface strategic trade-offs. This characteristic explains why SWOT analysis is frequently used at the early stages of strategic decision-making, opportunity evaluation, and entrepreneurial ideation.

SWOT Analysis in Strategic Management Research

Within strategic management research, SWOT analysis has been used primarily as a pedagogical tool and a descriptive analytical device rather than as a core explanatory framework. It is commonly employed in case study research, teaching cases, and qualitative strategy analyses to summarize firm-level conditions and contextual factors. In this sense, SWOT analysis often serves as a bridge between rich empirical description and more formal strategic frameworks such as Porter's Five Forces, the VRIO framework, or dynamic capabilities theory.

Critically, SWOT analysis has also influenced the development of more sophisticated strategic tools. The emphasis on internal strengths contributed to the rise of resource-based and capability-driven strategy research, while the focus on external threats reinforced the importance of environmental turbulence, uncertainty, and competitive dynamics. Thus, even when SWOT analysis is not explicitly cited, its underlying logic is embedded in much of contemporary strategy scholarship.

The Role of SWOT Analysis in Entrepreneurship and New Venture Research

In entrepreneurship research, SWOT analysis plays a particularly prominent role due to the inherent uncertainty and resource constraints faced by new ventures. Entrepreneurs frequently operate without complete information, making heuristic and framework-based decision tools especially valuable. SWOT analysis provides a structured yet adaptable method for assessing venture feasibility, opportunity attractiveness, and strategic positioning during the early stages of venture creation.

From an academic perspective, SWOT analysis aligns closely with opportunity evaluation research and entrepreneurial cognition studies. It reflects how entrepreneurs mentally categorize information about themselves, their ventures, and their environments. Strengths and weaknesses often correspond to human capital,

social capital, and resource endowments, while opportunities and threats capture market gaps, institutional conditions, and competitive pressures. As such, SWOT analysis offers insight into how entrepreneurs interpret and act upon perceived opportunities rather than objective market conditions alone.

Methodological Applications and Variations of SWOT Analysis

Over time, scholars and practitioners have adapted SWOT analysis in numerous ways to enhance its analytical rigor. These adaptations include weighted SWOT analysis, which assigns relative importance to different factors, and integrated SWOT approaches that combine the framework with quantitative tools such as the Analytic Hierarchy Process or scenario analysis. In research settings, SWOT analysis is often embedded within mixed-method designs, where qualitative insights inform quantitative modeling or vice versa.

Despite these methodological enhancements, SWOT analysis remains fundamentally qualitative in nature. Its value lies less in precise measurement and more in structured sensemaking. This characteristic makes it particularly suitable for exploratory research, strategic foresight exercises, and early-stage strategic planning, while limiting its usefulness for hypothesis testing or predictive modeling.

Critiques and Limitations of the SWOT Framework

The widespread use of SWOT analysis has attracted substantial criticism in academic literature. One of the most common critiques concerns its susceptibility to subjectivity and bias. The identification of strengths, weaknesses, opportunities, and threats often depends on managerial perceptions, which may be influenced by cognitive biases, incomplete information, or organizational politics. As a result, SWOT analyses can reinforce existing beliefs rather than challenge strategic assumptions.

Another limitation relates to the framework's static nature. SWOT analysis captures a snapshot in time, whereas competitive environments and organizational capabilities are dynamic and evolving. This limitation reduces its effectiveness in highly turbulent contexts unless it is updated continuously or complemented by dynamic frameworks. Additionally, SWOT analysis does not prioritize factors or indicate causal relationships, making it difficult to translate analysis directly into actionable strategy without further interpretation.

SWOT Analysis in the Context of Modern Strategic Thinking

Despite these criticisms, SWOT analysis continues to evolve alongside modern strategic thinking. In contemporary research, it is increasingly used in conjunction with dynamic capabilities theory, entrepreneurial orientation, and institutional analysis. When embedded within broader theoretical models, SWOT analysis enhances rather than constrains strategic insight by providing an accessible entry point into complex strategic discussions.

In entrepreneurship education and practice, SWOT analysis also retains pedagogical value. Its intuitive structure makes it an effective tool for teaching strategic awareness, systems thinking, and environmental scanning. For early-stage entrepreneurs and small firms lacking sophisticated analytical resources, SWOT analysis offers a pragmatic starting point for strategic reflection and planning.

Conclusion: Reframing SWOT Analysis as a Strategic Sensemaking Tool

This paper has argued that SWOT analysis should not be evaluated solely on its ability to predict outcomes or generate testable theory. Instead, its enduring relevance lies in its role as a strategic sensemaking framework that integrates internal and external perspectives into a coherent analytical structure. While it lacks the rigor of formal models and the explanatory power of theory, SWOT analysis excels at organizing complexity, facilitating dialogue, and supporting strategic cognition. For scholars, SWOT analysis serves as a valuable complementary tool that can enhance qualitative research, case analysis, and theory development when used thoughtfully and critically. For entrepreneurs and practitioners, it remains a practical and adaptable framework that supports strategic awareness under conditions of uncertainty. Reframed in this way, SWOT analysis is not an outdated relic of early strategic planning, but a foundational framework whose value lies in its simplicity, flexibility, and integrative logic.

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Keywords:

SWOT analysis framework in strategic management, SWOT analysis in entrepreneurship research, strengths weaknesses opportunities threats framework, strategic planning tools in business research, limitations of SWOT analysis academic review

Publisher Note

Miguel Virgen, PhD Student. I have no known conflict of interest to disclose.

Correspondence concerning this article should be addressed to

Miguel Virgen, Email: support@doctorsinbusinessjournal.com