

Impact of Strength, Weakness, Opportunities, Threats (SWOT) Analysis on Realizing Sustainable Competitive Advantage in Banking Industry Sector in Iraq

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Abstract- The SWOT model is a successful strategic analytical model and many writers and specialists had agreed on it. The study aimed to measure the impact of Environmental analysis on the Sustainable Competitive Advantage of the Banking Industry operating in Iraq.

Index Terms- (SWOT) Analysis, Sustainable Competitive Advantage, Iraqi Banks, Banking Industry in Iraq.

There is a big gap in the present literature with regard to Banking Industry in Iraq and it is a big shortcoming given the economic stature of Iraq in the Middle-east region. To fill this void in the literature, this study makes a modest attempt to:

- 1) Explain the Strength, Weakness, Opportunities, Threats (SWOT) Analysis.
- 2) Find out the sustainable competitive advantage of different Banking Industry in Iraq.

I. INTRODUCTION

Business world nowadays witnesses a lot of developments and events in all administrable and financial aspects which affect organizations in general and specially the bank sector. Particularly these organizations are facing challenges and obstacles and in particular those organizations which pursue to attain the sustainable competitive advantage and the superiority in one or more of competition fields.

despite their significant importance, (SWOT) Analysis in the developing world have hardly been studied. Whatever attention has been devoted to sustainable competitive advantage has been given with reference to the Banking Industry in Iraq.

Banking Industry in Iraq stands no exception to this. Once a slowly-growing economy, Iraq in the last few decades has grown consistently and is now one of the countries with impressive growth rate. This growth rate is noticeable Banking Industry.

However, there is hardly a study about competitive priorities of Banking Industry in Iraq that too despite the important role of Banking Industry in Iraq economy.

III. THE STUDY PROBLEM, OBJECTIVES AND IMPORTANCE

Literature review as well as previous studies of competitive advantage reveal that this subject is not yet wholly explained nor deeply verified, which makes it difficult to study the relationship between organizational competitive attributes and desired strategic outcomes.

This difficulty is evident when organizations tend to define the right strategic move once they possess specific competitive qualities. Accordingly, the current study focuses on a theoretical

II. IRAQI BANKING SECTOR

The banking sector plays an important role in the growth of the economy in any country.

Banking services are considered one of the most important sources of financing for various projects and investments, especially with companies and individuals (ALHUSSEINI, 2017).

Iraqi Banks Sector offer a set of services to their customers, including deposits, loans and financing for various projects.

The banking system in Iraq, according to the Central Bank of Iraq report (2017) consists of 69 banks, which are divided into 7 state-owned banks and 43 private banks, 4 Islamic foreign banks including 15 foreign banks. The private banks were established as an independent entity in the private sector, offering banking services to the Iraqi market.

problem where management disability is widely evident in observing the relationship between the cycles of the organization's strategic track, namely competitive advantage and SWOT analysis (Al-Rousan & Qawasmeh, 2009).

Many years ago large developments happened in philosophical visions and thoughts, through which banks administrations see their performance efficiency, as a result of globalization effects,

international changes, sever competition and environmental changes for which these banks started to employe their core competencies represented by the organizational learning, technology management, and the human capital in orienting their processes and activities on the basis of efficient integrity which those competencies participate in achieving distinguish either in quality of bank services or their costs or the delivery times (Kawan, 2017).

Literature review as well as previous studies of competitive advantage reveal that this subject is not yet wholly explained nor deeply verified, which makes it difficult to study the relationship between organizational competitive attributes and desired strategic outcomes.

This difficulty is evident when organizations tend to define the right strategic move once they possess specific competitive qualities. Accordingly, the current study focuses on a theoretical problem where management disability is widely evident in observing the relationship between the cycles of the organization's strategic track, namely competitive advantage and SWOT.

A. The objectives of the study

Clarifying the main concepts of the SWOT Analysis and sustainable competitive advantage and formalizing them in theoretical and philosophical framework explaining the nature of the relationship of the effect and connection between the SWOT Analysis and sustainable competitive advantage in the Banking Industry in Iraq.

B. The importance of the study

The importance of the banks in the researched sectors since they represent one of the most important business organizations which were able to exist in accelerated environmental circumstances and changes and responded to them, as a result this study adds an economic importance to enable the banks to offer distinguished and updated services.

IV. LITERATURE REVIEW

In this section of the study we present the literature review of the study and the definitions of SWOT analysis and Sustainable Competitive Advantage.

A) SWOT Analysis

SWOT analysis has its origins in the 1960s (Salar & Salar, 2014). In addition to this, The key tool used presently in planning the national sustainable development is Strengths, Weaknesses, Opportunities and Threat (SWOT) analysis, which originates from the business management literature and was adopted in the 1980s by public administration across such areas as regional development and municipal planning (Markovska, Taseska, & Pop-Jordanov, 2009). SWOT analysis is an important decision-making support tool, and is commonly used to systematically analyze the strategic situations and identify the level of organizations from their internal and external environments (Gao & Peng, 2011). Having identified these factors strategies are developed which may build on the strengths, eliminate the

weaknesses, exploit the opportunities or counter the threats (Salar & Salar, 2014).

One of the early strategy models proposed by Albert Humphrey (SWOT Analysis) helped discover the basic elements of competitive advantage. This used very simple concepts and tried to distinguish in the first order between the impact of internal and external factors on a firm's ability to compete. In order to identify potential product and market strategies the SWOT technique forced companies to look systematically at the following aspects of their industry and their firm: Strengths: Attributes of an organization that help to achieve a competitive position; Weaknesses: Attributes of an organization that are harmful to a firm's competitive position; Opportunities: External environmental conditions that help achieve a competitive position; Threats: External environmental conditions which could damage a firm's competitive position (Srivastava, Franklin, & Martinette, 2013).

The aim of a "SWOT" analysis is to identify the key factors that are important to the achievement of the firm's objectives. One of the weaknesses of SWOT analysis is that it can be used to generate a "brainstormed" list of opportunities rather than a thoughtful list of what is strategically important in helping a firm achieve its objectives (Srivastava et al., 2013).

B) Strengths, weaknesses, opportunities and threats

Every company is confronted with a variety of internal and external forces which, on the one hand can comprise potential stimulants, or on the other hand can compromise potential limitations as regards the performances of the company or the objectives the company wishes to achieve (Houben, Lenie, & Vanhoof, 1999).

As a first step in the development of a strategic planning system, business managers should therefore commence with the identification and evaluation of these strategic factors which assist or hinder the company in reaching its full potential. Because every company is confronted with a dynamic environment, the relative importance of a strategic factor will change constantly, so this analysis is accordingly to be of a permanent nature (Houben et al., 1999). Figure 1. below explains the mechanism of Strengths, weaknesses, opportunities and threats.

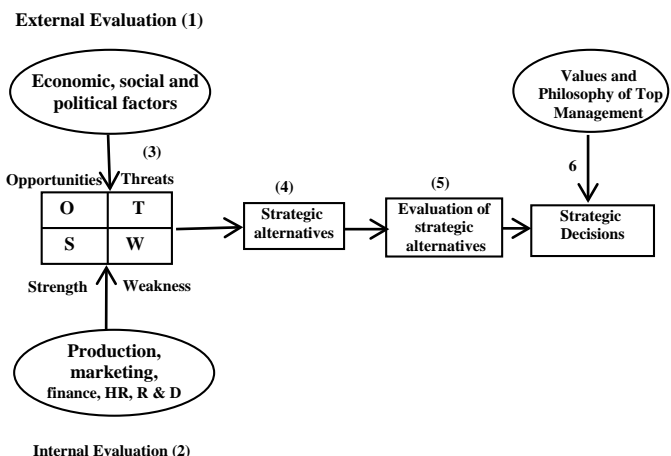


Figure 1.: Exploring Corporate Strategy

Source: Johnson, Gerry, & Scholes, Kevan (1997)

This list of strategic factors can be used as a point of departure for the actual strategic plan within a small or medium sized enterprise. It is a flexible instrument. The greatest advantage is that it helps managers of small and medium sized enterprises survey the different management areas, gain insight into the significance within the framework of the company, and accordingly initiate suitable actions (Houben et al., 1999).

- 1) Strengths: It represents the internal power that an organization possesses to compete against its rivals (Al-Rousan & Qawasmeh, 2009).
- 2) Weaknesses: Represent organizational aspects that negatively impact product and/or service value with regards to customers or competitive environment (Al-Rousan & Qawasmeh, 2009).
- 3) Opportunities: Opportunities are defined as a set of conditions suitable for achieving goals at the right time (Al-Rousan & Qawasmeh, 2009).
- 4) Threats: A threat is defined as any improper event or force in the external environment that causes harm to the organization's strategy. It also can be viewed as a challenge caused by a negative attitude inconsistent with the organization's common norms (Al-Rousan & Qawasmeh, 2009).

V. SUSTAINABLE COMPETITIVE ADVANTAGE

As the global competition becomes increasingly fierce, how to sustain competitive advantage or achieve sustainable competitive advantage starts obtaining more attention (Mahdi & Almsafir, 2014).

Barney and Hesterly, (2008) distinguished two types of competitive advantage: temporary and sustainable competitive advantage, and according to them, competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore most competitive advantage is temporary.

Furthermore, some competitive advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Mahdi & Almsafir, 2014).

Reed and DeFillippi, (1990) refers the sustainable competitive advantage as to create some barriers that make firm's performance imitation difficult.

Sustainable competitive advantage as a goal of the strategy, resulted from the superior performance results in a competitive advantage derived from the core resources of the organization, which are sustained by strategic management through preservation and prevention of imitation (Chutkaew, 2006).

Considering all those definitions, there are four points that can be extracted.

- 1) The subjects of sustainable competitive advantage are resources and skills according to resources-based view (Jay Barney, 1991).
- 2) The objectives for sustainable competitive advantage to achieve can be in forms of financial returns in the accounting viewpoint, or capability gaps, or the value protection part in

the value chain viewpoint, or customer recognition from business operation field (Coplin, 2002).

- 3) The subject-media-objective process of sustainable competitive advantage needs to be kept updated in order to adapt to the fast-changing environment (Mahdi & Almsafir, 2014).

VI. CONCLUSION

This SWOT strategies analysis helps Iraqi banks sector, projects, organizations or even individual about systematic thinking and comprehensive diagnosis of factors. In addition to this, the Iraqi banks can identify their positive and negative factors and then develop and adopt a strategy resulting in a good fit sustainable competitive advantage.

The strengths and weaknesses are identified by an internal evaluation of the organization and the opportunities and threats by an external evaluation.

The Iraqi banks sector must be depending SWOT analysis and the steps are built on strengths, eliminate weaknesses, exploit opportunities and mitigate the effect of threats. The SWOT analysis is used to identify the advantages, disadvantages, threats and opportunities of franchising for Iraqi banks sector to get sustainable competitive advantage for maintain and develop it.

RECOMMENDATIONS FOR IRAQI BANKS

A conclusion section is not required. Although a conclusion may review the main points of the paper, do not replicate the abstract as the conclusion. A conclusion might elaborate on the importance of the work or suggest applications and extensions.

The use of (SWOT) Analysis could lead to much better results, Iraqi banks can utilize (SWOT) Analysis to better reduce cost and to improve the flexibility, improve the quality and reduce delivery time as well.

A non-governmental organization (NGOs) advices and consultation may be needed. Governmental and Central bank regulations could facilitate the adoption of (SWOT) Analysis in the working environment. Further, the managers of the banks should place additional emphasis on (SWOT) Analysis as it is an important driver for realizing sustainable competitive advantage. Improved (SWOT) Analysis depends highly on the degree of its implementation as well.

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