Weakness ... or Strength

Adam Brandenburger*

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1 Introduction

One of the most enduring business-strategy tools is **SWOT analysis**, where SWOT stands for Strengths, Weaknesses, Opportunities, Threats. The tool was developed at Harvard Business School in the 1960s and can be found in a 1971 book[1] summarizing that work. As originally conceived, this framework was divided into an internal and an external part. The internal part comprised the Strengths and Weaknesses boxes, which ask strategists to decompose and assess elements of their own organizations in this way. The external part comprised the Opportunities and Threats boxes, which ask strategists to scan the elements of the landscape made up of other organizations, even of society as a whole, and assess their nature accordingly.

2 Adding Perceptions

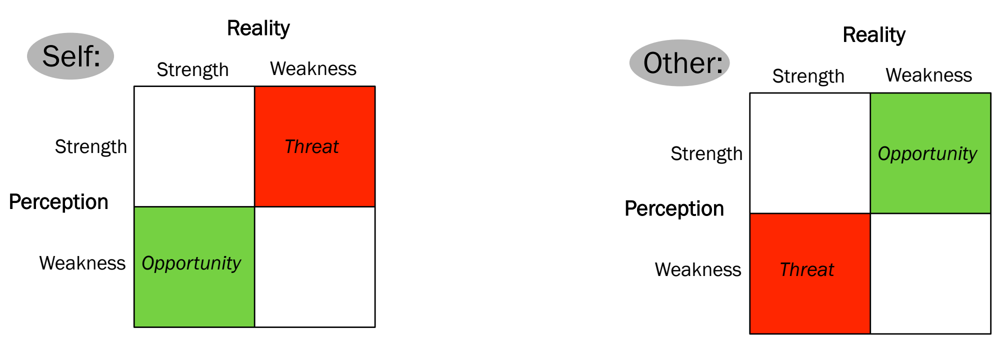

Figure 1

The original SWOT framework did not distinguish between reality as perceived and reality as it is. Yet gaps between **perception** and **reality** can have great strategic significance. There can be a gap between how we perceive some aspect of ourselves or our own organizations to be, and how that aspect really is. There can be a gap between how we perceive some aspect of another entity to be, and how that aspect really is. Figure 1 depicts these possibilities — for "self" and "other" — and links them to opportunities and threats, as we shall now examine.

*Stern School of Business, Tandon School of Engineering, NYU Shanghai, New York University, New York, NY 10012, U.S.A., adam.brandenburger@stern.nyu.edu, adambrandenburger.com.

3 Perceptions of Self

The left-hand matrix concerns "self," and the perceptions are to be thought of as our perceptions of ourselves. The bottom-left and top-right cells in the matrix are the cases where we perceive ourselves to be weak (respectively, strong), while, in fact, we are strong (respectively, weak). Let us now give examples of these two cases, and, in doing so, we will see why we have labeled the cells with "opportunity" and "threat," respectively. We start with the bottom-left cell.

The main theater of World War I (1914-18) was in Western Europe, where, soon after the outbreak of war, the two sides dug in along a long line of trenches extending from the North Sea to Switzerland. A deadly stalemate ensued, with enormous loss of life on both sides. In the Middle Eastern theater, the principal players were Britain on the Allied side (Britain, France, and Russia), and the Ottoman Empire on the Central Powers side (Germany, Austria-Hungary, and the Ottoman Empire). The British looked for ways to knock the Ottoman Empire, the weakest player, out of the war. The Ottoman Turks were facing growing independence movements within their empire, Arab nationalists included, and a British captain, T.E. Lawrence, was dispatched to help the newly formed and poorly equipped Arab armies fight the Turks. Rather than a weakness, Lawrence saw these aspects of the Arab armies as a strength and as offering an opportunity to harass the Turks without giving a clear target for counter-attack:[2]

> "In the Arab case the algebraic factor would take first account of the area we wished to conquer, and I began idly to calculate how many square miles ... perhaps a hundred and forty thousand ... and how would the Turks defend all that ... no doubt by a trench line across the bottom, if we were an army attacking with banners displayed ... but suppose we were an influence (as we might be), an idea, a thing invulnerable, intangible, without front or back, drifting about like gas? Armies were like plants, immobile as a whole, firm rooted, nourished through long stems to the head. We might be a vapor, blowing where we listed. Our kingdoms lay in each man's mind, and as we wanted nothing material to live on, so perhaps we offered nothing material to the killing."
> – T.E. Lawrence[3]

Turning now to the top-right cell of the left-hand matrix, we are looking at cases where what we perceive to be a strength of ours is, in fact, a weakness. This is a big theme in the study of organizations, especially in the form of the proposition that a perceived strength may indeed be that today, but can very rapidly — as soon as tomorrow, so to speak — become a weakness. The notion of an organization's "core competencies"[4] is a staple of strategic discussions in business. But while often seen, by definition, as strengths, core competencies can easily become weaknesses. Business strategist Dorothy Leonard-Barton coined the memorable term "core rigidity" to prompt us to be aware of this possibility:[5]

> "Values, skills, managerial systems, and technical systems that served the company well in the past and may still be wholly appropriate for some projects or parts of projects, are experienced by others as core rigidities — inappropriate sets of knowledge. Core rigidities are the flip side of core capabilities. They are not neutral; these deeply embedded knowledge sets actively create problems. While core rigidities are more problematic for projects that are deliberately designed to create new, nontraditional capabilities, rigidities can affect all projects — even those that are reasonably congruent with current core capabilities."

Andrew Grove, CEO of Intel from 1987 to 1998, went as far as to suggest that the biggest core rigidity of all can be the top management itself.[6] He argued that there is an evolutionary process by which people who rise to the top of an organization are those whose skills and mindsets are positively selected for in the prevailing business environment. The implication is that the moment the environment changes, the people at the top are precisely the wrong people to be there. Rather than a source of strength, they are now a source of weakness.

This section was about whether a purported weakness (respectively, strength) of oneself or one's own organization is that, or is, in fact, a strength (respectively, weakness). It can be summed up by the ancient Greek saying inscribed on a stone in the Temple of Apollo at Delphi ("Know yourself"):

ΓΝΩΘΙ ΣΕΑΥΤΟΝ

4 Perceptions of Other

The right-hand matrix in Figure 1 concerns "other," and the perceptions are to be thought of as our perceptions of other people or organizations. Here is a scenario that fits in the lower-left cell of this matrix. There is a competitor which we perceive to be weak — say, in terms of its technology. This may lull our own organization into a false sense of security. Business strategist Clay Christensen[7] has alerted people to the possibility that a rival with a weaker technology today may, nevertheless, be a mortal threat to one's own business. To use the term that has become famous, a technology, even if inferior right now, can be highly "disruptive."[8] We misperceive another player to be weak, whereas, in fact, it is strong or about to become strong.

The term "judo strategy" has been used in connection with the upper-right cell of the right-hand matrix in Figure 1.[9] The metaphor is apt since the Japanese art of judo teaches how to use an opponent's weight against him, to turn his strength into weakness. The idea itself can be found in various cultures. Here is an instance from Yuan Dynasty China (1279-1368 A.D.):[10]

> During the final days of the Yuan dynasty, rebellion had broken out throughout the empire. Initially, there were several contenders vying to be the first to found a new dynasty on the imminent fall of the house of Yuan, but the field was narrowed to two: Chu Yuanchang and Chen Yifu. The two armies met at Poyang Lake where a naval engagement was to take place. General Chen had the advantage of both troops and ships. His ships were large and sturdy and he had them lined up side by side across the entire expanse of the lake. He furthermore had the ships joined together with iron chains so as to create an impenetrable barrier. General Chu sent his ships to attack but they were defeated, having failed to break through the cordon. Fortunately for Chu, the next day a violent northwest gale began to blow. Since Chen's flotilla was situated downwind, Chu took advantage of the situation to launch fireboats against the barrier. Soon Chen's troops were in a frenzy to save their ships from both the rising storm and the fire that was fanned into a blazing fierceness by the wind. Taking advantage of the panic and confusion that ensued, Chu launched his own fleet into the attack and they completely defeated Chen's forces.

5 Relativity of Strengths and Weaknesses

There is a tight relationship between the left-hand and right-hand matrices in Figure 1. This is because it is often the case that strengths and weaknesses are not definable in absolute terms, but only relative to each another. For example, the competitive mechanism says that a product of one business is not good in an absolute sense, but only relative to the next-best product in the marketplace. (To be more formal, if we assume that a business and its competitor both have adequate capacity, then the price the first business receives is bounded above by the willingness-to-pay of the customer for the competitor's product.) Relativity of strengths and weaknesses is already evident in some of our examples. In Section 3, we told the story of the Arab revolt in terms of a supposed Arab weakness that was, in fact, a strength. But, to be complete, we should have also talked about the Turkish situation and why exactly certain aspects of the Arab armies were strengths. Indeed, a key Turkish asset was the Hejaz Railway, which ran seven hundred miles from Damascus to the Turkish garrison at Medina. But this asset became a expensive liability when Lawrence began to launch frequent hit-and-run raids on the line, and many Turkish troops were tied up in defending it.[11] Supposed Arab weakness was, in fact, a strength in executing hit-and-run raids. A supposed Turkish strength, the Hejaz Railway, was, in fact, a weakness for the same reason. Lawrence explained his approach in exactly these terms:

> "Against this enemy, the Arab campaign was conducted on an applied theory which inverted the conventional military doctrine in such a way as to convert Arab weaknesses into strength and Turkish strength into a weakness . . . ."
> – T.E. Lawrence[12]

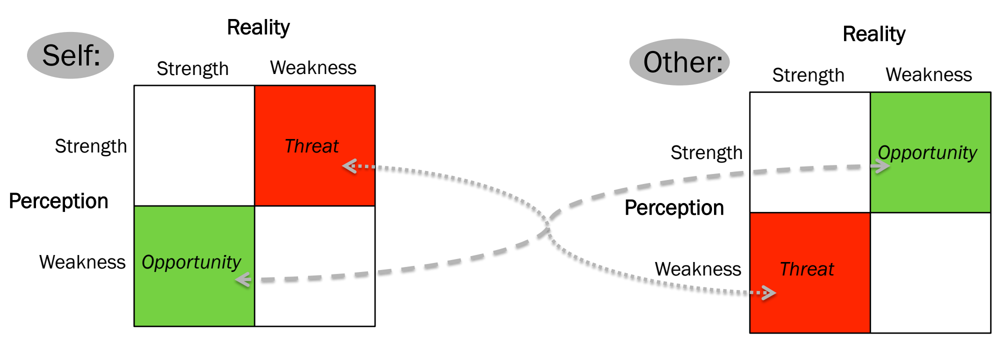

Figure 2

Figure 2 adds arrows to Figure 1, to make the point that weaknesses and strengths are often meaningful only relative to each other. This noted, it does still seem valuable to think explicitly in terms of the two matrices. Setting the problem out this way, we are given four explicit prompts to question our assumptions about strengths and weaknesses and, given the general importance of questioning our assumptions, having more prompts seems better than having fewer.

6 Exercises

- Choose a person or other entity (organization, nation, . . .) and argue that what is usually seen as a strength of that entity is actually a weakness.
- Choose a person or other entity (organization, nation, . . .) and argue that what is usually seen as a weakness of that entity is actually a strength.

Notes

[1]Andrews, K., *The Concept of Corporate Strategy*, Irwin, 1971. See also Learned, E. C.R. Christensen, K. Andrews, and W. Guth, *Business Policy: Text and Cases*, Irwin, 1965.

[2]Lawrence went on to lead the Arab Revolt, which contributed to the end of the Ottoman Empire in the Middle East. He became world famous under the name "Lawrence of Arabia."

[3]Quoted in Liddell Hart, B., *Lawrence of Arabia*, Da Capo, 1989, p.134; republication of the 1935 *Colonel Lawrence: The Man Behind the Legend*. From Lawrence, T.E., *Seven Pillars of Wisdom*, 1926, Book 3.

[4]Prahalad, C.K., and G. Hamel, "The Core Competence of the Corporation," *Harvard Business Review*, 68, 1990, 79-91.

[5]Leonard-Barton, D., "Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development," *Strategic Management Review*, 13, 1992, 118.

[6]Grove, A., *Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company*, Doubleday, 1996.

[7]Christensen, C., *The Innovator's Dilemma*, Harvard Business School Press, 1997.

[8]Of course, the claim is not that every inferior technology is disruptive. For an analysis, see Adner, R., "When are Technologies Disruptive? A Demand-Based View of the Emergence of Competition," *Strategic Management Journal*, 23, 2002, 667-688. This paper also contains an excellent summary of the disruption argument (op.cit., p.669). The first step of the argument is: "[R]esource dependence of incumbents on their most demanding customers guides investments towards enhancing focal mainstream performance features." The second step is: "[E]ntrant firms, whose decisions are not constrained by an existing customer base and whose technology offers inferior performance on the focal mainstream dimensions, are forced to identify customers who value the new features offered by the new technology and support its further development." The third step is: "The principle of performance oversupply states that once consumers' requirements for a specific functional attribute are met, evaluation shifts to place greater emphasis on attributes [offered by the new technology] that were initially considered secondary or tertiary." At this point, incumbents run into trouble as mainstream consumers switch to buying from entrants.

[9]This usage originates in Gelman, J., and S. Salop, "Judo Economics: Capacity Limitation and Coupon Competition," *The Bell Journal of Economics*, 14, 1983, 315-325. The notion was developed further in Brandenburger, A., and B. Nalebuff, *Co-opetition*, Doubleday, 1996, pp.237-245.

[10]Verstappen, S., *The Thirty-Six Strategies of Ancient China*, China Books, 1999, p.57.

[11]Anderson, S., *Lawrence in Arabia: War, Deceit, Imperial Folly and the Making of the Modern Middle East*, Doubleday, 2013, p.306.

[12]Quoted in Liddell Hart op.cit., p.380; from Lawrence, op.cit..