

SWOT ANALYSIS

SWOT Analysis

“SWOT Analysis is a Strategic Planning tool used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture or in any other situation requiring a decision”.

The technique is credited to Albert Humphrey, who led a research project at Stanford University in the 1960s and 70's, using data from the Fortune 500 companies.

Getting Started

The required first step in SWOT analysis is the definition of the desired end state or objective.

The definition of objective must be explicit and approved by all participants in the process.

This first step must be performed carefully because failure to identify correctly the end state aimed for leads to wasted resources and possibly failure of the enterprise. In relation to objectives the following terms have been used in the literature: desired end states, plans, policies, goals, objectives, strategies, tactics and actions.

Once the objective has been identified, SWOTs are discovered and listed. SWOTs are defined precisely as follows:

- Strengths are attributes of the organization that are helpful to the achievement of the objective.

Definitions of SWOTs

	Helpful to achieving the objective	Harmful to achieving the objective
Internal (attributes of the organization)	Strengths	Weaknesses
External (attributes of the environment)	Opportunities	Threats

Weaknesses are attributes of the organization that are harmful to the achievement of the objective.

- Opportunities are external conditions that are helpful to the achievement of the objective.
- Threats are external conditions that are harmful to the achievement of the objective.

Correct identification of SWOTs is essential because subsequent steps in the process are all derived from the SWOTs.

First, the decision makers have to determine whether the objective is attainable, in view of the SWOTs. If the objective is NOT attainable (in view of the SWOTs) a different objective must be selected and the process is repeated.

If, on the other hand, the objective seems attainable, the SWOTs are used as inputs to the creative generation of possible strategies, by asking and answering the following four questions many times:

1. How can we use each strength?
2. How can we stop each Weakness?
3. How can we exploit each Opportunity?
4. How can we defend against each Threat?

A SWOT team may include an accountant, a salesperson, an executive manager, an engineer, and an ombudsman.

Alternative Viewpoint

Typically seen by managers as being the most useful planning tool of all, SWOT groups some of the key pieces of information into two main categories (internal factors and external factors) and then by their dual positive and negative aspects (Strengths and Opportunities, as the former aspects, with Weaknesses and Threats representing the latter):

- Internal factors - The 'strengths' and 'weaknesses' internal to the organization, its strategies and its position in relation to its competitors.

- External factors - The 'opportunities' and 'threats' presented by the external environment and the competition.

The internal factors which may be viewed as strengths or weaknesses depending upon their impact on the organization's positions (for they may represent a strength for one organization but a weakness, in relative terms, for another), may include all of the 4 Ps; as well as personnel, finance and so on.

The external factors, which again may be threats to one organization while they offer opportunities to another, may include matters such as technological change, legislation, sociocultural changes and so on, as well as changes in the marketplace or competitive position.

The aim of any SWOT analysis should be to isolate the key 'issues' that will be important to the future of the organization; and that subsequent marketing planning will address.

To offset the difficulty of evaluating ahead of time the importance of each proposed SWOT, it may be prudent not to eliminate too quickly any candidate SWOT entry and to proceed to the next step of generating possible strategies for using the SWOTs.

Assumptions

It is essential to spell out assumptions. However, most companies do not even realize that they make such assumptions. IBM's key product marketing document was titled "Forecast Assumptions"; and the agreement on what the assumptions are is often the key to understanding the marketing plan. You should, however, make as few assumptions as possible and very carefully explain those you do make.

As an extension to this process, when you estimate the results expected from your strategies, you should also explore a range of alternative assumptions, in the same way that there might be a range of forecasts, each meeting different needs. The most useful component of this part of the exercise may well be a

"sensitivity analysis," since this determines which factors have the most influence over the outcomes - and hence which factors should be most carefully managed.

Strengths and Weaknesses

- Resources: financial, intellectual, locational
- Customer Service
- Efficiency
- Competitive Advantages
- Infrastructure
- Quality
- Staff
- Management
- Price
- Distribution Channels and Hours of operations
- After sales service and Sales promotion techniques
- Transportation and Delivery time
- Diversified fields, Product line and multiple services/offers (Technical, Commercial, Designing & Turnkey Projects etc)

Opportunities and Threats

- Competitors' actions
- Economic conditions
- Interest rates
- Increasing market saturation
- Changes in laws and regulations

Errors to Be Avoided

The following errors have been observed in published accounts of SWOT Analysis. Making these errors can result in serious losses.

1. Conducting a SWOT Analysis before defining and agreeing upon an objective (desired end state). A moment of reflection will reveal an indisputable truth: SWOTs cannot exist in the abstract. They can exist only with reference to an objective. If the desired end state is not openly defined and agreed upon, each participant may have a different end state in mind and the outcome is confusion.
2. Opportunities [external to the company] are often confused with strengths [internal to the company]. Keep them separate.
3. Another error is to confuse SWOTs with possible strategies. This error is made especially with reference to Opportunities. To avoid this error, it may be useful to think of Opportunities as "Auspicious Conditions." It may also be useful to keep in mind that SWOTs are descriptions of conditions. Possible strategies define actions.