

SWOT Analysis

Strengths, Weaknesses, Opportunities, Threats

History of SWOT

In the 1960's and 70's, Albert Humphrey is said to have developed this strategic planning tool using data from the top companies in America at the time. A **SWOT Analysis** looks at the strengths, weaknesses, opportunities and threats that are rele-

vant to an organization in a new venture. A SWOT Analysis is a tool which allows users to look at the direction a company or organization may wish to move towards in the future. A SWOT Analysis is a useful tool, which in conjunction with oth-

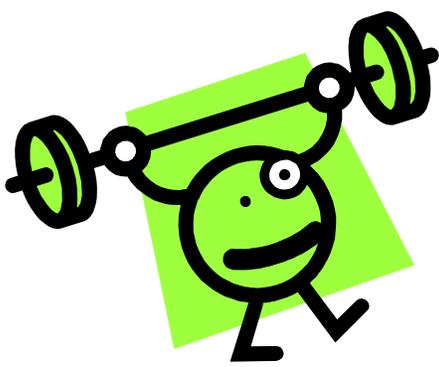
ers can help make informed decisions.



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Definition of SWOT

By specifying clear objectives and identifying internal and external factors that are either helpful or not, a short and simple SWOT analysis is a useful resource which may be incorporated into an organizations strategic planning model.



Strengths- Internal attributes that are helpful to the organization to achieving its objective

Weaknesses - Internal attributes that are harmful to the organization to achieving its objective

Opportunities - External factors that help the organization achieve its objective

Threats - External factors that are harmful to the organization to achieving its objective

- A SWOT Analysis Can be Used for:**
- ◆ Workshop sessions
 - ◆ Brainstorming meetings
 - ◆ Problem solving
 - ◆ Product evaluation
 - ◆ Strategic planning
 - ◆ Competitor evaluation
 - ◆ Personal development planning

After identifying the SWOT's, identification of the factors and their interdependence helps clarify the steps needed to achieve the ending objectives.

Internal and External Factors

The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. SWOT analysis groups key pieces of information into two main categories:

- ◆ Internal factors - The *strengths* and *weaknesses* internal to the organization.
- ◆ External factors - The *opportunities* and *threats* presented by the external environment.

The internal factors may be viewed as strengths or weaknesses depending upon their impact on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses for another objective. The factors may include all of the 4P's; as well as personnel, finance, manufacturing capabilities, and so on.

The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or competitive position. The results are often presented in the form of a matrix.

SWOT ANALYSIS



Figure 1: SWOT Analysis Matrix
Source: Wikipedia



Guidelines

Before carrying out a SWOT analysis, consider the following guidelines...

- ◆ Be realistic about strengths and weaknesses. When performing a SWOT analysis on your business, be neither modest nor overly optimistic.
- ◆ Consider answers from the company's point of view and from the point of view of customers, vendors, distributors, and others who do business with them.
- ◆ Distinguish between where the organization is today and where it could be in the future.
- ◆ Note that the SWOT is subjective. No two people will come up with the same SWOT.

Potential Uses of SWOT Analysis

- ◆ **Set Objectives**- defining what the organization is intending to do
- ◆ **Environmental Scanning**- internal appraisals of the organizations SWOT, this needs to include an assessment of the present situation as well as a portfolio of products/ services and an analysis of the product/ service life cycle
- ◆ **Analysis of existing strategies**, this should determine relevance from the results of an internal/external appraisal. This may include gap analysis which will look at environmental factors.
- ◆ **Strategic issues defined**- key factors in the development of a corporate plan which needs to be addressed by the organization
- ◆ **Develop new/revised strategies**- revised analysis of strategic issues may mean the objectives need to change
- ◆ **Establish critical success factors**- the achievement of objectives and strategy implementation
- ◆ **Preparation** of operational, resource, projects plans for strategy implementation
- ◆ **Monitoring results**- mapping against plans, taking corrective action which may mean amending objectives/strategies

- ◆ Low cost
- ◆ Simplicity
- ◆ Flexibility
- ◆ Collaborative
- ◆ Quickness
- ◆ Since its qualitative, it can be used as a discussion tool
- ◆ A good first step before a more in-depth analysis or a good summary of detailed findings
- ◆ Takes into consideration of external business environment as well as internal capabilities

Strengths



- ◆ It may tend to persuade companies to compile lists rather than think about what is actually important in achieving objectives
- ◆ No suggestions for solving disagreements
- ◆ Can become too focused on the short term
- ◆ No obligation to verify statements or aspects based on the data or the analysis
- ◆ It also presents the resulting lists uncritically and without clear prioritization

A Guide to Research Tools

Vancouver Island
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Research Institute



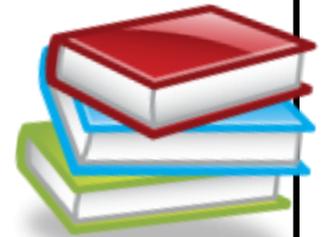
▶ Paul Brunski
Eva Chen

Example

British Airways SWOT Analysis

Strengths <ul style="list-style-type: none">◆ International operation◆ Employee productivity◆ Strong presence at London Heathrow International Airport	Weaknesses <ul style="list-style-type: none">◆ Declining profitability◆ Unfunded employee post retirement benefits◆ Sluggish revenue growth from key geographic region
Opportunities <ul style="list-style-type: none">◆ Global airline market◆ Increase in trans-pacific cargo◆ Growing Asia Pacific market	Threats <ul style="list-style-type: none">◆ Rising aviation fuel prices◆ Increasing competition from low cost airlines◆ Weak economic outlook for the US and Eurozone <p>(Source: British Airways PLC)</p>

References and Additional Resources



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