

## Understanding and Utilizing SWOT Analysis.

### Quick Tips:

- Use to understand strengths
- Use to mitigate weakness
- Identify important trends
- Ideal for strategic planning
- Both internal/external focus
- Valuable for monitoring results



Strength, Weakness, Opportunity & Threat Analysis (SWOT), is a strategic planning tool that may be used to evaluate the factors and conditions present in a particular project or business venture. It involves identifying the key factors that are favorable and unfavorable to achieving an objective. SWOT analysis begins by defining a desired, attainable objective; if the desired outcome is not clearly defined the exercise of conducting SWOT analysis can run the risk of being useless. Your SWOT analysis can be as comprehensive or streamlined, as you deem necessary. It is difficult to overstate the need to take an honest, realistic snapshot of your products, prospects, competitors and organization; this exercise is an indispensable step in the strategic planning process. Ideally, SWOT analysis is conducted by a cross-functional team that represents a broad range of stakeholders and perspectives within the enterprise. For example, a SWOT team will often include an accountant, a salesperson, an engineer, a marketing manager, and a C-Level executive.

### Examining Internal and External Factors

The aim of any SWOT analysis is to identify the key factors that are important to achieving the objective. SWOT analysis segregates all critical pieces of information into two main categories: Internal factors - *the strengths and weaknesses that are internal to the organization*, and external factors - *the opportunities and threats presented by the external environment*.

- **Strengths** identify attributes of the organization that may be helpful to achieving the stated objective and what steps can be taken to successfully leverage each strength.
- **Weaknesses** identify attributes of the organization that are harmful to achieving the stated objective and what steps can be taken to remedy each weakness.
- **Opportunities** identify external conditions that are helpful to achieving the stated objective and what steps can be taken to exploit each opportunity.
- **Threats** identify external conditions that are harmful to achieving the stated objective and what steps can be taken to defend against each threat.

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## Examples of Internal Strengths or Weaknesses

- Adequate or inadequate financial, intellectual, leadership or sales resources
- Cost advantages from proprietary know-how or lack thereof
- Ability or inability to develop and deliver new products quickly
- Valuable intellectual capital versus little to no intellectual capital
- Competitive capabilities and adaptability to trending
- Reputation in marketplace: Good, bad or none.
- Well established position within a defined market or largely unknown

## Examples of External Opportunities and Threats

- Expansion or down-sizing of competitors
- Changing market trends toward or away from your competencies
- Prevailing economic conditions and likelihood of change
- Changing expectations of stakeholders, customers, etc.
- Technology & product life cycles
- Other activities by competitors - growth, A&Ms, technology wins/losses
- New competitors invading the marketplace or competitors leaving

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 a weaknesses for another objective. The strength/weakness analysis may include all of the 4P's (Product, Place, Price & Promotion); as well as personnel, finance, manufacturing capabilities, and so on. External factors may include macroeconomic matters and technological change, as well as changes in the marketplace or competitive position.

## Avoid Common Mistakes

Don't begin a SWOT analysis before defining and agreeing upon an objective. SWOTs should not exist in the abstract. They can exist only with reference to an objective. If the desired goal is not openly defined and agreed upon, the participants may have different results in mind.

Opportunities external to the company are often confused with strengths internal to the company. Be clear about the distinction.

SWOTs are sometimes confused with strategies. SWOTs are descriptions of conditions, while strategies define actions. This error is commonly made with reference to opportunity analysis. Use SWOT as a part of the strategic planning process.

## **SWOT Analysis For a Variety of Tasks**

- Analysis of existing strategies.
- Identifying strategic issues – key factors in the development of a corporate plan which needs to be addressed by the organization.
- Developing new/revised strategies – revised analysis of strategic issues may mean the objectives need to be modified.
- Monitoring results – mapping against plans, taking corrective action which may mean amending objectives/strategies.

## **Research for SWOT Analysis**

In external competitor analysis, marketers build detailed profiles of each competitor in the market, focusing especially on their competitive strengths and weaknesses using SWOT analysis. Marketing managers can examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, historical responses to industry changes, and other factors. To gain this insight the SWOT team often finds it necessary to invest in research to collect the data required for performing accurate marketing analysis. Some of the more common research mechanisms include:

- Qualitative marketing research (focus groups)
- Quantitative marketing research (statistical surveys)
- Experimental programs (test markets)
- Competitive intelligence gathering

## **Common Questions that may be answered through basic SWOT Analysis:**

- What is happening in the market (technology trending)?
- Who are our competitors and where do we rank among them?
- How do customers talk about the products in the market?
- Which product attributes are important to customers?
- Are current products meeting the needs (ours and/or our competitors)?
- Who are our customers, where are they located and how can they be reached?
- What quantity and quality do they want?
- What is the economic and sales environment
- Can the sales cycle be characterized - can it be influenced?