

SWOT Analysis

by Angel Rodriguez

The SWOT Analysis is a tool used for assessing the competitive position of a business. The matrix is a data capture exercise and the analysis follows completion. The acronym SWOT stands for Strengths, Weaknesses, Opportunities and Threats.

The first variation was introduced in the 1960's by Albert Humphrey of Stanford Research Institute, California, and has since become an essential component of strategic planning.

By analyzing internal and external factors valuable information on the current situation and future outlook is gained. The objective is to leverage the strengths while reducing the weaknesses and to capitalize on the opportunities while addressing the threats.

The SWOT Analysis is one of the first tools used for strategic planning and when combined with other marketing tools can help support a business plan, marketing plan or corporate strategy.

SWOT Analysis

The SWOT Analysis, first introduced in the 1960's by Albert Humphrey, is often the first tool used to assess the current competitiveness of a business by measuring its Strengths, Weaknesses, Opportunities and Threats (SWOT). The analysis that follows helps create and support key strategic objectives. The matrix has four quadrants, as shown in *Figure 1*. The top two, Strengths and Weaknesses, focus on internal factors and the bottom two, Opportunities and Threats, focus on external factors. The flexibility of the matrix also allows for the left to represent positive influences and the right negative influences. Collecting the data for each quadrant enables completion of the matrix and provides a snapshot of the current and future outlook. It begins with an internal evaluation of the current Strengths and Weaknesses within control of business. This is followed by an external evaluation of the future Opportunities and Threats. These are forward looking external views of the environment in which the business operates, and as such where there is less control, if any.

STRENGTHS

*Internal Evaluation - Positive Influence **

These are the resources and capabilities that need to be leveraged and put to best use. They also help capitalize on the Opportunities, hence why it is above Opportunities in the matrix. They are measured in relation to the competition. These internal characteristics have a positive effect on the business. The business has direct control over these characteristics and they can be tangible or non tangible. Examples of strengths may include Management, Price, Quality, Resources, People, Capabilities and Innovation.

WEAKNESSES

Internal Evaluation - Negative Influence !

Again internal, but these characteristics will hinder performance. The business has a high degree of control over them and can take actions to reduce the negative effect they have. Reducing the consequences of weaknesses can limit the severity of the threats, hence why they are above them in the matrix. Examples of weaknesses may include Management, Finances, Reputation, Process, Marketing and Strategy.

OPPORTUNITIES

*External Evaluation - Positive Influence **

These are forward looking and where future growth lies. As with Strengths, these have a positive effect and where the value for the business is achieved. Examples of opportunities may include Change in trends, Competitor Weaknesses, Technological Development, New Markets, Import, Export and untapped Customer Needs.

THREATS

External Evaluation - Negative Influence !

Like Weaknesses these have a negative effect. Whilst not under direct control of the business they still need to be addressed in some way. If a threat becomes too severe a change in strategy may be required. Examples of threats may include Society, Technology, Economy, Environment, Politics, Changing Markets and Competitor Activity.

The true value of the SWOT matrix is revealed after completion and when measured in relation to the environment in which the business operates. Further questions will arise, prompting further analysis. This flexible data capture transformed in to information is why it has stood the test of time and is still used by some of the most successful companies.

Making it happen ✓

SWOT Analysis

The analysis and interpretation of the matrix requires some skill. A long list of strengths and a short list of threats can be misleading. Consider how the apparently unimportant threat of social media has changed the advertising and print industry.

Some degree of significance should be attributed to each item. It must be more than a list of characteristics and be analytical in nature. Some suggest completing the matrix in reverse order (TOWS) will produce more meaningful information as it considers the external environment first. A review of the analysis when completed in the standard order may achieve the same results.

The matrix provides both a current view of the Strengths and Weaknesses with a forward looking view of the Opportunities and Threats. It can be completed in relatively little time and will produce the basis for further analysis. For these reasons completion of the SWOT Analysis is highly recommended.

As with any business tool, the value of the information gained is directly related to the quality of the data used. Resist the urge to complete the matrix and act on the initial findings. As mentioned earlier, the matrix itself is really a tool for gathering data and the analysis should begin after completion. With the constantly changing environment of business in these fast paced modern times, periodic reviews are essential.

“**ENDEAVOUR-Notes**” on the *Ansoff Matrix*, *The Product Life Cycle*, *The Boston Matrix* and more can be found by visiting www.endeavourconsulting.ca where you can also book a “Consultation” today.

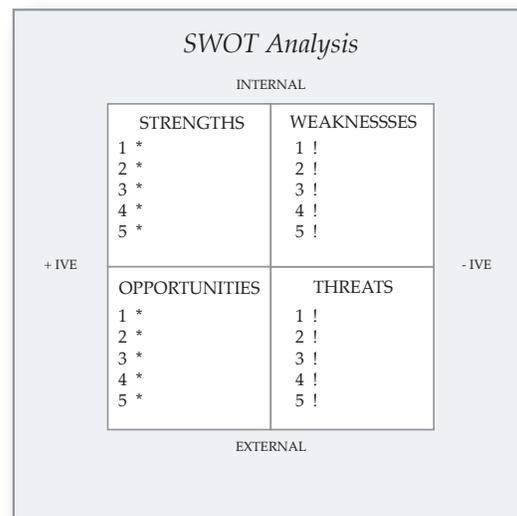


Figure 1. SWOT Analysis