Using a SWOT Analysis

I've just returned from the Mortgage Bankers Association's (MBA's) 97th Annual Convention in Atlanta, which was very well attended. A lot of mortgage bankers have enjoyed good profits this year and last, but are wary looking forward, with the daunting amount of regulation to be put in play as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

MBA is tracking some 100 different rule-makings, definitions and constructs that are all on a tight timeline (at least for regulation to be finalized). There will be implications throughout the industry.

At the convention, the panel I participated in discussed the impact of Dodd-Frank at a high level, as well as covering other issues such as capacity, hedging strategies and utilizing business intelligence to visualize the data in your organization to make timely and better-informed decisions.

One strategic tool discussed by our panel was that of a Strengths, Weaknesses, Opportunities and Threats matrix, or SWOT. Most people have heard of a SWOT and many have created and/or used them during their careers, but—at least according to a show of hands in the audience at our panel—not many have employed them recently or on a recurring basis. Credited to Albert Humphrey, then at California's Stanford Research Institute in the 1960s and 1970s, the SWOT is surprisingly simple in construction yet very valuable in operational execution strategies.

In my experience, it has been more important to observe rules during the SWOT meeting: The meeting must be held off-site, cell phones must be turned off, all aspects of the company should be represented in some form. Following a particular specification or philosophical model in the construction of the SWOT is not as important.

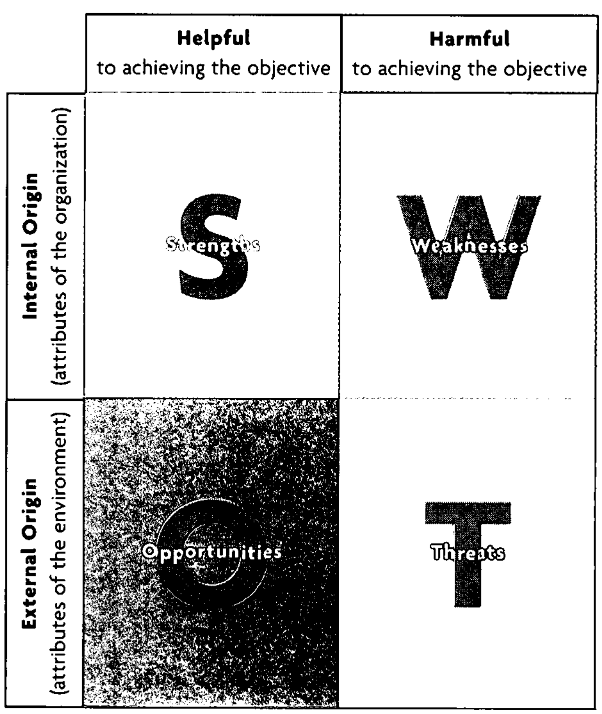
Figure 1 is an example of what a SWOT matrix looks like.

Basically, a SWOT is a standard matrix. Usually it initially takes at least a day to construct one of any value, and less time if the executive team meets regularly to update it. They vary in time frame, usually looking out one to three years, and should be revisited at least annually.

Once your matrix is completed and the executive team has signed off on it, you are ready to incorporate the SWOT into your operational execution strategy. There is nothing off-limits (at least initially) in a SWOT exercise. When identifying threats, direct competitors can be added as threats, all the way up to market forces beyond your company's control. Not only can the organization as a whole look at a SWOT, but departments can create smaller, more narrowly focused SWOTs that take into consideration what they are specifically looking at.

SWOTs can plug and play into each other. There is also a companion analysis—called a Political, Economic, Social and Technological (PEST) analysis—that can be done alongside a SWOT. The goal is to enable proactive thinking rather than relying on habitual or instinctive thinking and/or reactions.

Figure **1** **Strengths, Weaknesses, Opportunities and Threats (SWOT) Matrix**



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Another tool that can be used in creating or in conjunction with a SWOT is a model created in 1979 by Michael Porter, a professor at Harvard University, called the Five Forces of Competitive Position.

The five forces are:

- 1) Rivalry among existing competitors;
- 2) Threat of new market entrants;
- 3) Bargaining power of buyers;
- 4) Bargaining power of suppliers; and
- 5) Threat of substitute products or services (including technology change)

Porter also defined five well-known generic descriptions of industries: fragmented (e.g., specialty gift shops); emerging (for example, three-dimensional [3-D] televisions); mature (e.g., the aircraftmanufacturing industry); declining (e.g., solid fuels); and global (e.g., semiconductors).

Porter's tools help augment developing a competitive strategy or otherwise assessing the industry landscape when performing strategic comparisons between your organization and others.

Once the SWOT is complete, goals can be set on an organization-wide or componentized basis (e.g., region, division, branch, group, etc). It is important to measure and determine if goals are being met or exceeded while the organization observes over time how it performs against its SWOT.

Business-intelligence tools can be used to set and monitor key performance indicators (KPIs) that are configured against the SWOT directly, or indirectly adjusted for corporate goals and targets (e.g., revenue and pull-through ratios). Depending on how goals are being met, the executive team can regroup on a regular basis to make adjustments to its operational strategy and its execution.

The panelists at the MBA Annual Convention agreed that now it is more important than ever to take a step back, think outside the box and determine or re-evaluate your organizational SWOT factors. With the drastically changing regulatory landscape dominated by Dodd-Frank and the impact it will have on most industry participants, there is opportunity to excel and reorient your organization in the months ahead. Product mix; hedging and investment strategies; social media; minimizing operational errors; improving loan data integrity; and knowing your market were secondary factors also discussed that warrant executive focus.

Gabe Minton is chief strategy officer for Motivity Solutions Inc. in Denver, a technology provider specializing in business intelligence and process optimization. He can be reached at gabe@motivitysolutions.com.