

IS6640

IS Planning and Strategy

Tools of Analysis 2 – SWOT and Scenario Planning

SWOT analysis

- Use a systematic way to conduct a SWOT analysis
- Identify key opportunities and threats from strategy audit
 - Environmental/external to the organization
- Identify key strengths and weaknesses from capability audit
 - Internal to the firm

SWOT Strategies

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	Strength-Opportunity strategies Which of the company's strengths can be used to maximize the opportunities you identified?	Strength-Threats strategies How can you use the company's strengths to minimize the threats you identified?
Weaknesses (internal, negative)	Weakness-Opportunity strategies What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	Weakness-Threats strategies How can you minimize the company's weaknesses to avoid the threats you identified?

SWOT Strategies – Dimensions to Analyze

S STRENGTHS	W WEAKNESSES	O OPPORTUNITIES	T THREATS
<ul style="list-style-type: none">• Things your company does well• Qualities that separate you from your competitors• Internal resources such as skilled, knowledgeable staff• Tangible assets such as intellectual property, capital, proprietary technologies etc.	<ul style="list-style-type: none">• Things your company lacks• Things your competitors do better than you• Resource limitations• Unclear unique selling proposition	<ul style="list-style-type: none">• Underserved markets for specific products• Few competitors in your area• Emerging need for your products or services• Press/media coverage of your company	<ul style="list-style-type: none">• Emerging competitors• Changing regulatory environment• Negative press/media coverage• Changing customer attitudes toward your company

 WordStream

Example: SWOT Analysis and Strategies

- Starbucks Coffee Company
- **Mission:** *“To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.”*
- **Goal:** *“We’ve always believed in serving the best coffee possible. It's our goal for all of our coffee to be grown under the highest standards of quality, using ethical sourcing practices. Our coffee buyers personally travel to coffee farms in Latin America, Africa and Asia to select high quality beans. And our master roasters bring out the balance and rich flavor of the beans through the signature Starbucks Roast..”*
- **Ref:** <https://www.starbucks.com/about-us/company-information/starbucks-company-profile>

Example: SWOT Strategies for Coffee Company

Coffee Company SWOT Analysis

Strengths

- It is a global coffee brand built upon a reputation for fine products and services. It has almost 9000 cafes in almost 40 countries.
- One of the Fortune Top 100 Companies to Work For in 2005. The company is a respected employer that values its workforce.
- The organization has strong ethical values and an ethical mission statement.

Weaknesses

- The organization has a strong presence in the United States of America with more than three quarters of their cafes located in the home market. It is often argued that they need to look for a portfolio of countries, in order to spread business risk.
- The organization is dependant on a main competitive advantage, the retail of coffee. This could make them slow to diversify into other sectors should the need arise.

Opportunities

- New products and services that can be retailed in their cafes, such as Fair Trade products.
- The company has the opportunity to expand its global operations. New markets for coffee such as India and the Pacific Rim nations are beginning to emerge.
- Co-branding with other manufacturers of food and drink, and brand franchising to manufacturers of other goods and services both have potential.

Threats

- Who knows if the market for coffee will grow and stay in favor with customers, or whether another type of beverage or leisure activity will replace coffee in the future?
- Company is exposed to rises in the cost of coffee and dairy products.
- Since its conception in 1971, it's success has lead to the market entry of many competitors and copy cat brands that pose potential threats.

Example: SWOT Strategies of Tesla

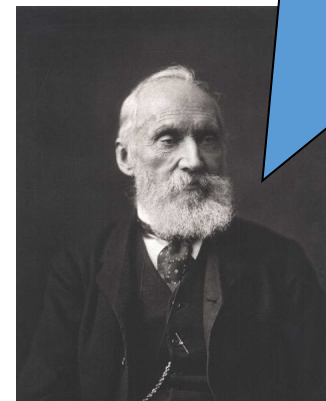
SWOT analysis of Tesla

Tesla SWOT Analysis



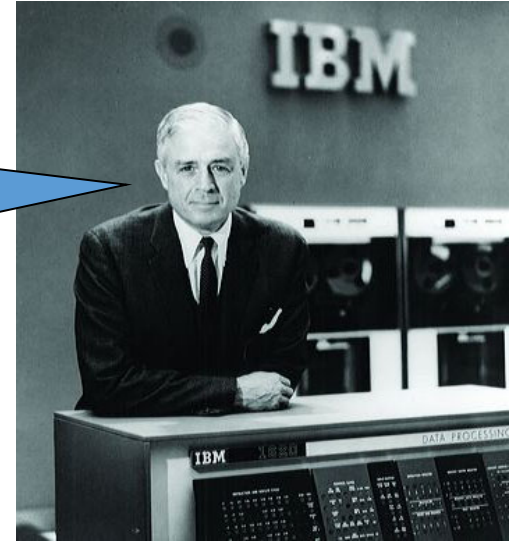
*“Heavier-than-air flying machines
are impossible.”*

Lord Kelvin, President, Royal Society,
1895



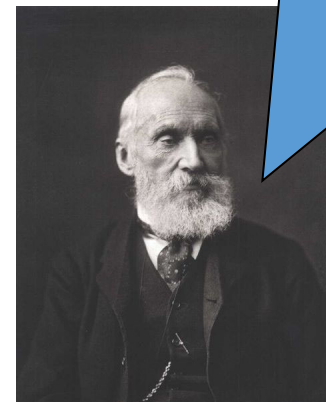
*“I think there’s a world market for
maybe five computers.”*

Thomas Watson, Chairman of IBM, 1943

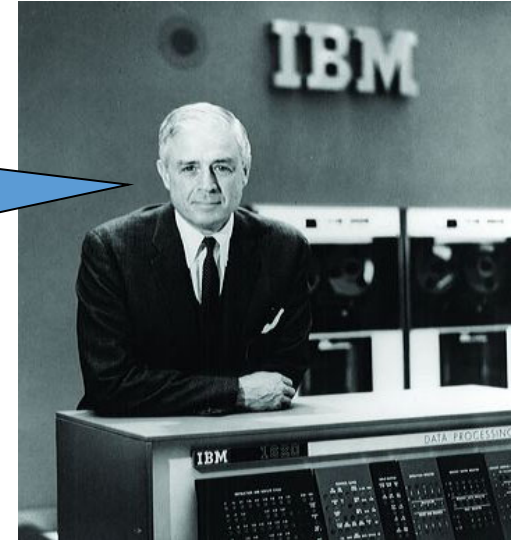


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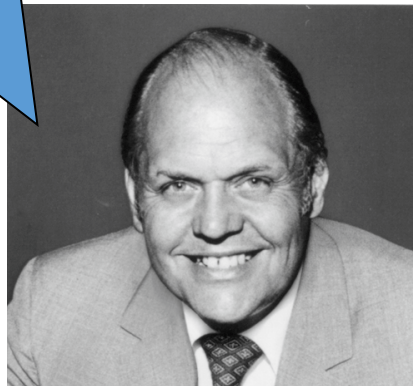


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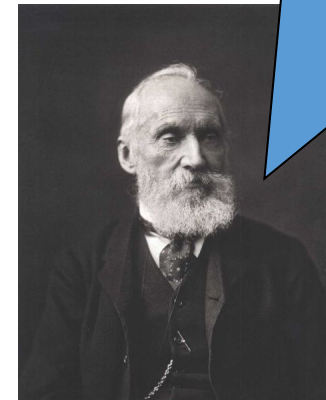


*“There is no reason anyone
would want a computer in
their home.”*

Ken Olson, President,
Chairman and Founder of
Digital Equipment
Corporation, 1977



*“Heavier-than-air flying machines
are impossible.”*
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Why did they believe that?

- The future is not pre-determined or predictable.
- Full information about the future is never available.

Although we cannot predict the future,

- It makes sense to look for ways to understand the future to deal with uncertainty.

Scenario Planning

- Goal:
 - It is a method of **preparing** for the future regardless of what happens. But **NOT** a method for **predicting** the future.
 - It helps make sense of an uncertain future and enable better decisions.
- Strategy Tool Usage
 - SWOT versus Scenario Planning

How to conduct scenario planning?

Stage 1: What is a key focal issue?

Stage 2: What are the driving forces?

Stage 3: What are scenarios?

Stage 4: What are strategies?

Stage 1: Key Focal Issue/Question

- Identify a focal issue
 - Question that is critical to the future of your company **now**
 - Today's major challenges
- Set time frame (5 years, 10 years)

Example:

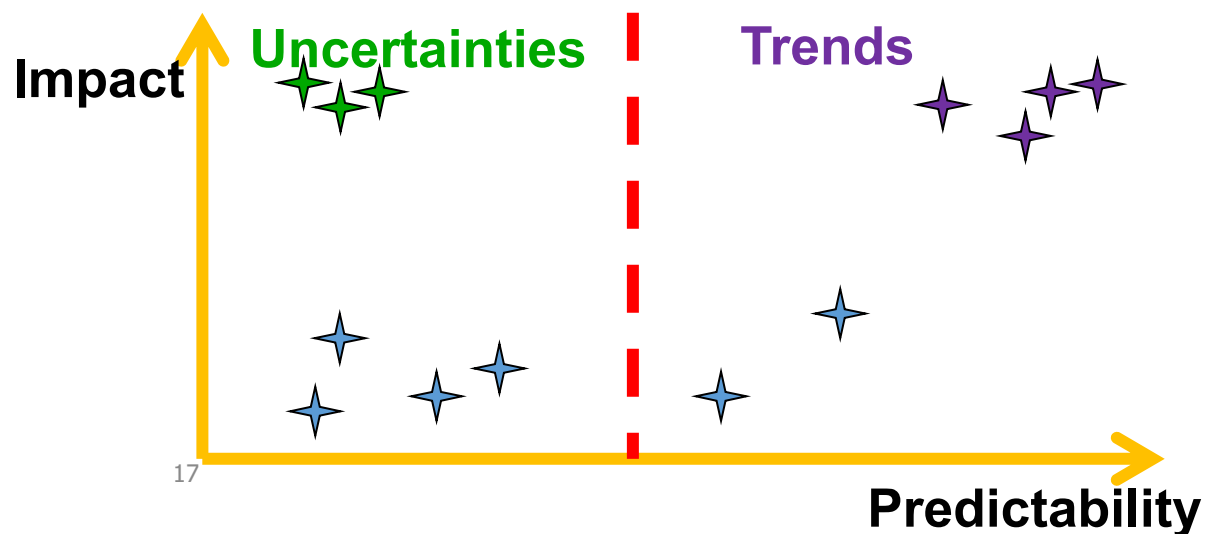
- In the late 90's, the manager of a newspaper company was asking the question, "How the newspaper are affected by the Internet over the next 10 years?".
- How might AR affect my company within the next five years?
- How might Linux affect my company over the next 10 years?
- Should we invest in new customer-based technology within the next five years?
- Should we introduce a completely new product or service over the next 6 years?
- Should we buy a certain competitor?
- Should we enter (or exit) a geographical market?

Stage 2: Driving Forces Identification

- Major Categories of Drivers
 - Social (e.g., changes in population, demographics, consumer demands ...)
 - Economic (e.g., changes in industry structure)
 - Political (e.g., changes in regulations)
 - Technology (e.g., changes in hardware, software, communication devices, and applications)

Stage 2: Driving Forces Identification

- Driving forces are further divided into
 - Trend (inevitable, and highly predictable)
 - E.g., requirement for Internet security, development of new energy resources.
 - Uncertainty
 - Others
 - E.g., government regulation



Example: Uncertainty

How might Linux-based server affect my company over the next 10 years?

- External push/Acceptance
- Total cost of ownership
- Government regulation



Windows Server

48.33%

Linux Server

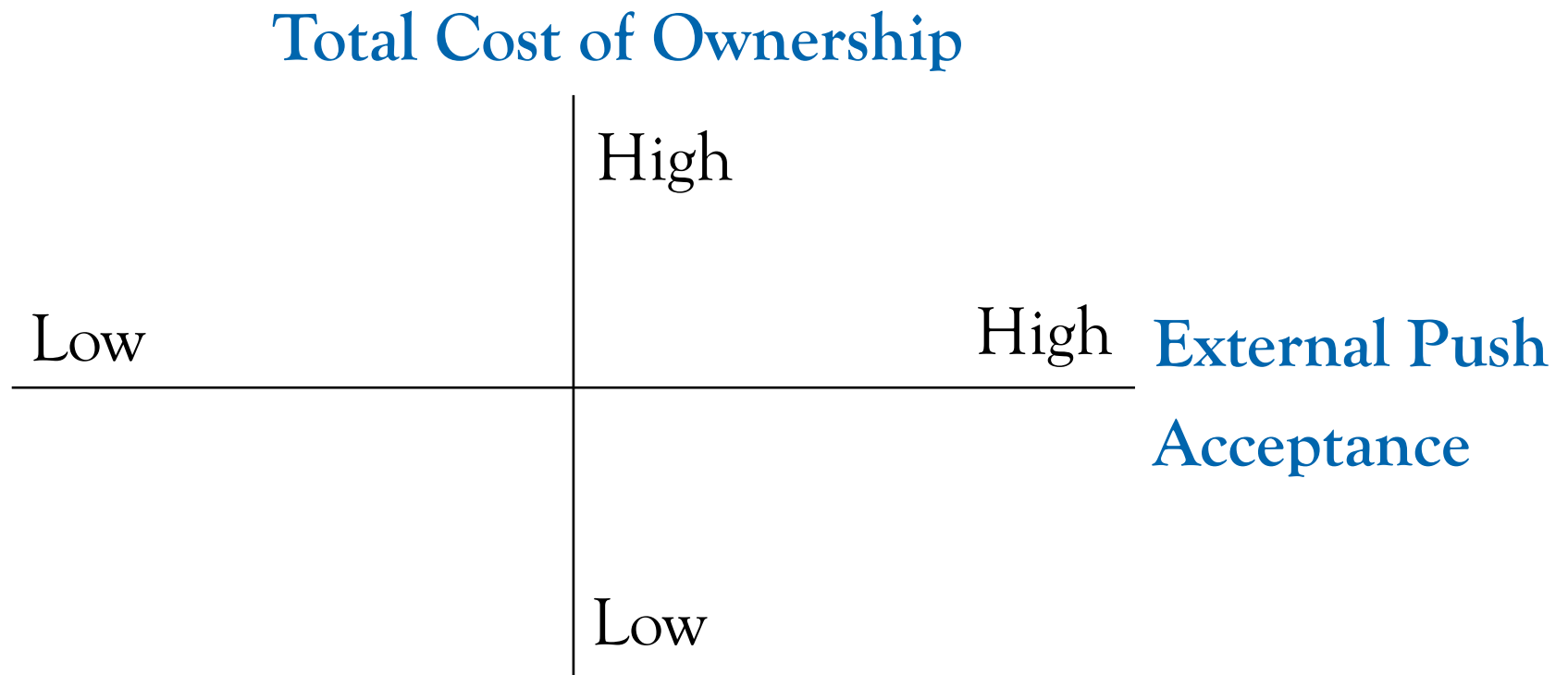
28.82%

Stage 3: Scenario Framework

- Construct scenarios
 - Select two most important uncertainties
 - 2 x 2 matrix
- Check for consistency and plausibility
 - Must be very low correlation between pair of uncertainties

Example: Scenario Matrix

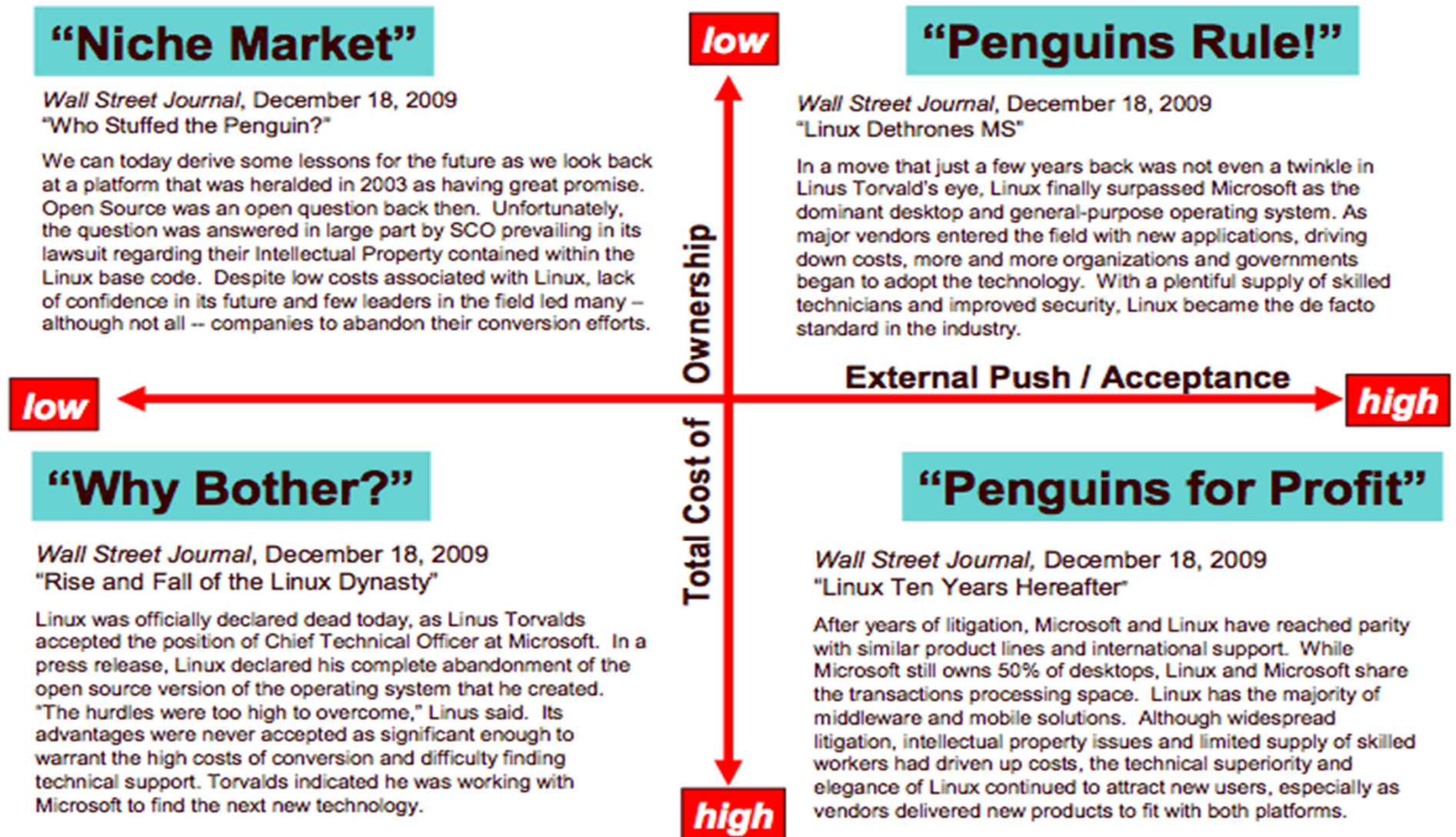
How might Linux-based server affect my company over the next 10 years?



Stage 3: Scenario Framework

- Write narratives/stories for each of the four scenarios.
 - A story needs a title and an ending.
 - The difference in scenarios should be clear

Example: How might Linux server affect my company over the next 10 years?



Example: Story for High Acceptance & Low Total Cost

“Penguins Rule!” Linux Dethrones MS.

In a move that just a few years back was not even a twinkle in Linus Torvald's eye, **Linux finally surpassed Microsoft as the dominant desktop and general-purpose operating system.** As major vendors entered the field with new applications, **driving down costs, more and more organizations and governments began to adopt the technology.** With a plentiful supply of skilled technicians and improved security,

Linux became the de facto standard in the industry.

Stage 4: From Scenarios to Strategy

- What are the main opportunities and threats that each scenario poses for your organization?
- How well prepared are you (or can you be) to seize these opportunities and avert or minimize the threats?

Stage 4: From Scenarios to Strategy

How well prepared?

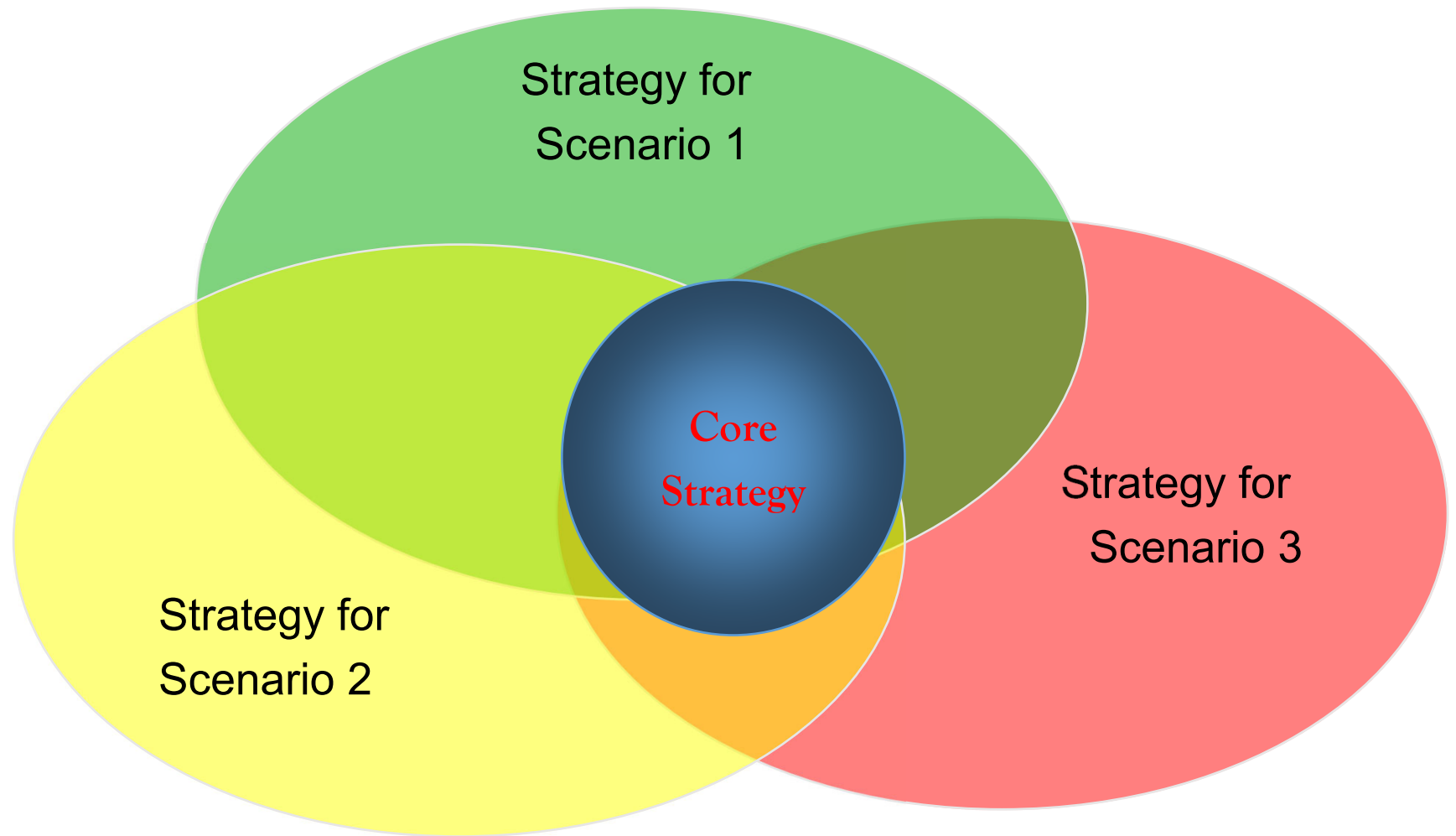
- Identify your company's advantages.
- Differentiate assets (resources) and capabilities.
- Select core capabilities.
- Identify company beliefs and assumptions.

Stage 4: From Scenarios to Strategy

- Define key success factors for each cell in the matrix.
- Compare key success factors to existing capabilities and identify gaps.
- Determine size of gaps and ability to reduce gaps.
- Determine ways to remove gaps (initiatives).
- Develop your strategies.

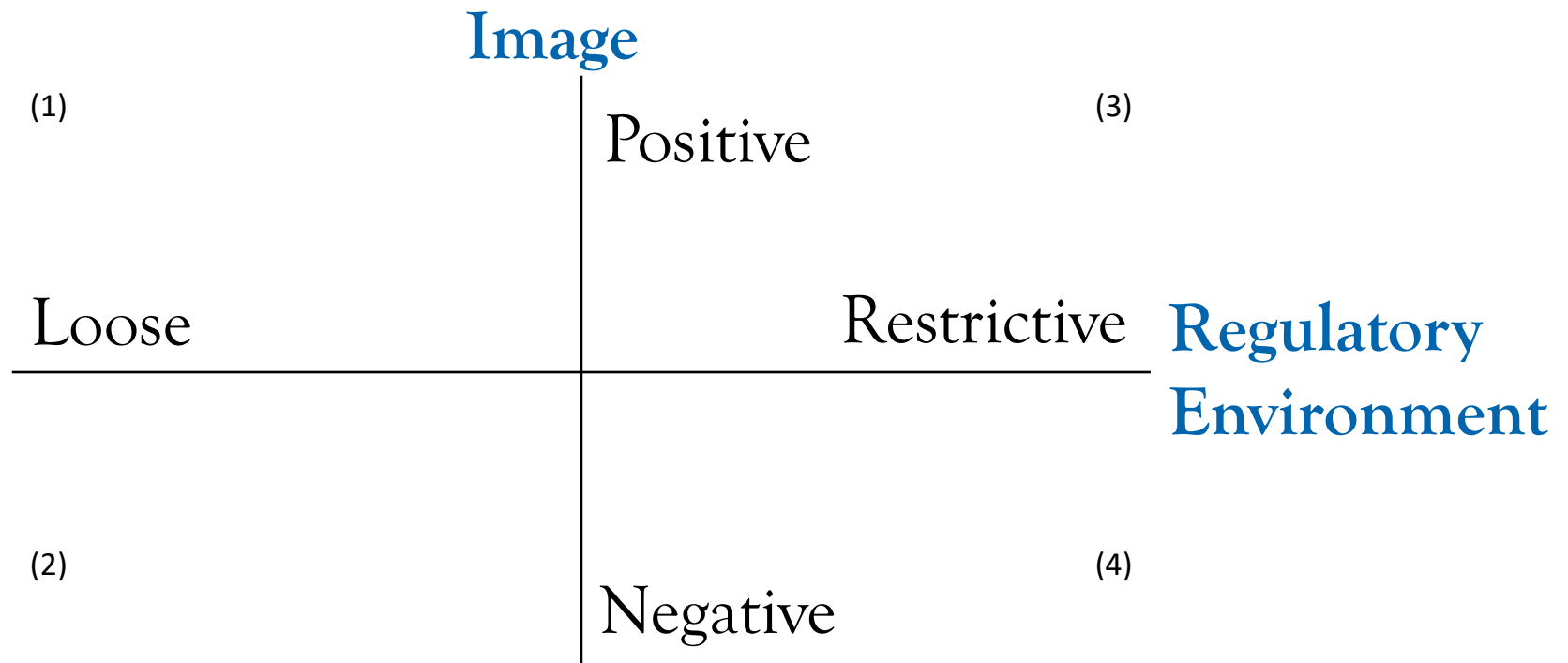
Example: Strategies for High Acceptance & Low Total Cost

- Since the price of Linux system is lower,
 - Strategy: Migrate most of systems to Linux environment.
- Since IT must respond to high demand for Linux-based systems,
 - Strategy: Re-evaluate applications architecture



Example: Strategy for Tingyi (Cayman Islands) Holding Corp.

Focal Issue: *Should we increase the supply of the instant noodles over the next 5 years?*



Group Discussion

- For a company of your choice:
 - Perform Scenario Planning
 - Identify possibilities for strategic actions

How/When to Use?

- 5 Forces
- Value Chain
- Network Analysis
- IT Impact Map
- Business Model
- SWOT
- Scenario Planning