

# SWOT analysis

**SWOT analysis** (or **SWOT matrix**) is a strategic planning technique used to help a person or organization identify the *Strengths*, *Weaknesses*, *Opportunities*, and *Threats* related to business competition or project planning.<sup>[1]</sup> It is intended to specify the objectives of the business venture or project and identify the internal and external factors that are favorable and unfavorable to achieving those objectives. Users of a SWOT analysis often ask and answer questions to generate meaningful information for each category to make the tool useful and identify their competitive advantage.

Strengths and Weakness are frequently internally-related, while Opportunities and Threats commonly focus on environmental placement.

- **Strengths**: characteristics of the business or project that give it an advantage over others.
- **Weaknesses**: characteristics of the business that place the business or project at a disadvantage relative to others.
- **Opportunities**: elements in the environment that the business or project could exploit to its advantage.
- **Threats**: elements in the environment that could cause trouble for the business or project.

The degree to which the internal environment of the firm matches with the external environment is expressed by the concept of strategic fit. Identification of SWOTs is important because they can inform later steps in planning to achieve the objective. First, decision-makers should consider whether the objective is attainable, given the SWOTs. If the objective is *not* attainable, they must select a different objective and repeat the process.

Some authors credit SWOT to Albert Humphrey, who led a convention at the Stanford Research Institute (now SRI International) in the 1960s and 1970s using data from Fortune 500 companies.<sup>[2][3]</sup> However, Humphrey himself did not claim the creation of SWOT, and the origins remain obscure.

## SWOT ANALYSIS



A SWOT analysis, with its four elements in a 2×2 matrix.

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## Internal and external factors

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SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. SWOT analysis groups key pieces of information into two main categories:

1. Internal factors — the *strengths* and *weaknesses* internal to the organization
2. External factors — the *opportunities* and *threats* presented by the environment external to the organization

"So it is said that if you know your enemies and know yourself, you can win a hundred battles without a single loss. If you only know yourself, but not your opponent, you may win or may lose. If you know neither yourself nor your enemy, you will always endanger yourself."

*The Art of War* by Sun Tzu"

Analysis may view the internal factors as strengths or as weaknesses depending upon their effect on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses (distractions, competition) for another objective. The factors may include all of the 4Ps as well as personnel, finance, manufacturing capabilities, and so on.

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

SWOT analysis is just one method of categorization and has its own weaknesses. For example, it may tend to persuade its users to compile lists rather than to think about actual important factors in achieving objectives. It also presents the resulting lists uncritically and without clear prioritization so that, for example, weak opportunities may appear to balance strong threats.

It is prudent not to eliminate any candidate SWOT entry too quickly. The importance of individual SWOTs will be revealed by the value of the strategies they generate. A SWOT item that produces valuable strategies is important. A SWOT item that generates no strategies is not important.

## Use

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The usefulness of SWOT analysis is not limited to profit-seeking organizations. SWOT analysis may be used in any decision-making situation when a desired end-state (objective) is defined. Examples include non-profit organizations, governmental units, and individuals. SWOT analysis may also be used in pre-crisis planning and preventive crisis management. SWOT analysis may also be used in creating a recommendation during a viability study/survey.

## Strategy building

SWOT analysis can be used effectively to build organizational or personal strategy. Steps necessary to execute strategy-oriented analysis involve identification of internal and external factors (using the popular 2x2 matrix), selection and evaluation of the most important factors, and identification of relations existing between internal and external features.<sup>[4]</sup>

For instance, strong relations between strengths and opportunities can suggest good conditions in the company and allow using an *aggressive* strategy. On the other hand, strong interactions between weaknesses and threats could be analyzed as a potential warning and advice for using a *defensive* strategy.<sup>[5]</sup>

## Matching and converting

One way of using SWOT is matching and converting. Matching is used to find competitive advantage by matching the strengths to opportunities. Another tactic is to convert weaknesses or threats into strengths or opportunities. An example of a conversion strategy is to find new markets. If the threats or weaknesses cannot be converted, a company should try to minimize or avoid them.<sup>[6]</sup>

## Corporate planning

As part of the development of strategies and plans to enable the organization to achieve its objectives, that organization will use a systematic/rigorous process known as corporate planning. SWOT alongside PEST/PESTLE can be used as a basis for the analysis of business and environmental factors.<sup>[7]</sup>

- Set objectives — defining what the organization is going to do
- Environmental scanning
  - Internal appraisals of the organization's 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 lifecycle
- Analysis of existing strategies — this should determine relevance from the results of an internal/external appraisal. This may include gap analysis of environmental factors
- Strategic Issues defined — key factors in the development of a corporate plan that the organization must address
- 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<sup>[8]</sup>

## Marketing

In many competitor analyses, marketers build detailed profiles of each competitor in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often finds it necessary to invest in research to collect the data required to perform accurate marketing analysis. Accordingly, management often conducts market research (alternately marketing research) to obtain this information. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

- Qualitative marketing research such as focus groups
- Quantitative marketing research such as statistical surveys
- Experimental techniques such as test markets
- Observational techniques such as ethnographic (on-site) observation

- Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

Below is an example SWOT analysis of a market position of a small management consultancy with specialism in HRM.<sup>[8]</sup>

Strengths	Weaknesses	Opportunities	Threats
Reputation in marketplace	Shortage of consultants at operating level rather than partner level	Well established position with a well-defined market niche	Large consultancies operating at a minor level
Expertise at partner level in HRM consultancy	Unable to deal with multidisciplinary assignments because of size or lack of ability	Identified market for consultancy in areas other than HRM	Other small consultancies looking to invade the marketplace

## In community organization

The SWOT analysis has been used in community work as a tool to identify positive and negative factors within organizations, communities, and the broader society that promote or inhibit successful implementation of social services and social change efforts.<sup>[9]</sup> It is used as a preliminary resource, assessing strengths, weaknesses, opportunities, and threats in a community served by a nonprofit or community organization.<sup>[10]</sup> This organizing tool is best used in collaboration with community workers and/or community members before developing goals and objectives for a program design or implementing an organizing strategy. The SWOT analysis is a part of the planning for social change process and will not provide a strategic plan if used by itself. After a SWOT analysis is completed, a social change organization can turn the SWOT list into a series of recommendations to consider before developing a strategic plan.<sup>[11]</sup>

### Strengths and weaknesses (*internal factors within an organization*):<sup>[9]</sup>

- Human resources — staff, volunteers, board members, target population
- Physical resources — your location, building, equipment
- Financial — grants, funding agencies, other sources of income
- Activities and processes — programs you run, systems you employ
- Past experiences — building blocks for learning and success, your reputation in the community

### Opportunities and threats (*external factors stemming from community or societal forces*):<sup>[9]</sup>

- Future trends in your field or the culture
- The economy — local, national, or international
- Funding sources — foundations, donors, legislatures
- Demographics — changes in the age, race, gender, culture of those you serve or in your area
- The physical environment — is your building in a growing part of town? Is the bus company cutting routes?
- Legislation — do new federal requirements make your job harder...or easier?
- Local, national, or international events

Although the SWOT analysis was originally designed as an organizational method for business and industries, it has been replicated in various community work as a tool for identifying external and internal support to combat internal and external opposition.<sup>[9]</sup> The SWOT analysis is necessary to provide direction to the next stages of the change process.<sup>[12]</sup> It has been used by community organizers and community members to further social justice in the context of Social Work practice.

SWOT ANALYSIS		
	Strengths 1. 2. 3. 4.	Weaknesses 1. 2. 3. 4.
Opportunities 1. 2. 3. 4.	Opportunity-Strength strategies Use strengths to take advantage of opportunities 1. 2.	Opportunity-Weakness strategies Overcome weaknesses by taking advantage of opportunities 1. 2.
Threats 1. 2. 3. 4.	Threat-Strength strategies Use strengths to avoid threats 1. 2.	Threat-Weakness Strategies Minimize weaknesses and avoid threats 1. 2.

one example of a SWOT Analysis used in community organizing

## Application in community organization

As mentioned above, SWOT can be crucial to determining the success of a project, while factoring in funding, as well as accessibility and logic. Often, a city will spend a year weighing the Risk-benefits<sup>[13][14]</sup> of a project before they even vote on it.

### Elements to consider

Elements to consider in a SWOT analysis include understanding the community that a particular organization is working with. This can be done via public forums, listening campaigns, and informational interviews. Data collection will help inform the community members and workers when developing the SWOT analysis. A needs and assets assessment is tooling that can be used to identify the needs and existing resources of the community.

When these assessments are done and data has been collected, an analysis of the community can be made that informs the SWOT analysis.<sup>[9]</sup>

### Steps for implementation

A SWOT analysis is best developed in a group setting such as a work or community meeting. A facilitator can conduct the meeting by first explaining what a SWOT analysis is as well as identifying the meaning of each term.<sup>[9]</sup>

One way of facilitating the development of a SWOT analysis includes developing an example SWOT with the larger group then separating each group into smaller teams to present to the larger group after set amount of time.<sup>[9]</sup> This allows for individuals, who may be silenced in a larger group setting, to contribute. Once the allotted time is up, the facilitator may record all the factors of each group onto a large document such as a poster board, and then the large group, as a collective, can go work through each of the threats and weaknesses to explore options that may be used to combat negative forces with the strengths and opportunities present within the organization and community.<sup>[9]</sup> A SWOT meeting allows participants to creatively brainstorm, identify obstacles, and possibly strategize solutions/way forward to these limitations.

### When to use SWOT analysis

The uses of a SWOT analysis by a community organization are as follows: to organize information, provide insight into barriers<sup>[15]</sup> that may be present while engaging in social change processes, and identify strengths available that can be activated to counteract these barriers.

*A SWOT analysis can be used to:*

- Explore new solutions to problems <sup>[9]</sup>
- Identify barriers that will limit goals/objectives <sup>[9]</sup>
- Decide on direction that will be most effective <sup>[9]</sup>
- Reveal possibilities and limitations for change<sup>[9]</sup>
- To revise plans to best navigate systems, communities, and organizations
- As a brainstorming and recording device as a means of communication<sup>[15]</sup>
- To enhance "credibility of interpretation" to be used in presentation to leaders or key supporters.<sup>[10]</sup>

SWOT ANALYSIS			
Internal		External	
Strengths	Weaknesses	Opportunities	Threats

A simple SWOT Analysis used in Community Organizing

## Benefits and advantages

The SWOT analysis in social work practice framework is beneficial because it helps organizations decide whether or not an objective is obtainable and therefore enables organizations to set achievable goals, objectives, and steps to further the social change or community development effort.<sup>[16]</sup> It enables organizers to take visions and produce practical and efficient outcomes that effect long-lasting change, and it helps organizations gather meaningful information to maximize their potential.<sup>[16]</sup> Completing a SWOT analysis is a useful process regarding the consideration of key organizational priorities, such as gender and cultural diversity and fundraising objectives.<sup>[17]</sup>

## Limitations

Some findings from Menon et al. (1999)<sup>[18]</sup> and Hill and Westbrook (1997)<sup>[19]</sup> have suggested that SWOT may harm performance and that "no-one subsequently used the outputs within the later stages of the strategy".

Other critiques include the misuse of the SWOT analysis as a technique that can be quickly designed without critical thought leading to a misrepresentation of strengths, weaknesses, opportunities, and threats within an organization's internal and external surroundings.<sup>[20]</sup>

Another limitation includes the development of a SWOT analysis simply to defend previously decided goals and objectives. This misuse leads to limitations on brainstorming possibilities and "real" identification of barriers. This misuse also places the organization's interest above the well-being of the community. Further, a SWOT analysis should be developed as a collaborative with a variety of contributions made by participants including community members. The design of a SWOT analysis by one or two community workers is limiting to the realities of the forces, specifically external factors, and devalues the possible contributions of community members.<sup>[15]</sup>

## The SVOR alternative

In project management, the alternative to SWOT known by the acronym SVOR (Strengths, Vulnerabilities, Opportunities, and Risks) compares the project elements along two axes: internal and external, and positive and negative. It takes into account the mathematical link that exists between these various elements, considering also the role of infrastructures. The SVOR table provides an intricate understanding of the elements at play in a given project.<sup>[21]</sup>

Forces	Internal	Mathematical link	External
<b>Positive</b>	Total Forces	Total Forces given constraints = Infrastructures / Opportunities	Opportunities
<b>Mathematical link</b>	Vulnerabilities given constraints = $1 / \text{Total Forces}$	constant $k$	Opportunities given constraints = $1 / \text{Risks}$
<b>Negative</b>	Vulnerabilities	Risks given constraints = $k / \text{Vulnerabilities}$	Risks

Constraints consist of: calendar of tasks and activities, costs, and norms of quality. The " $k$ " constant varies with each project (for example, it may be valued at 1.3).<sup>[a]</sup>

## SWOT analysis in popular culture

### Television shows

In Season 2 Episode 6 of *Silicon Valley*, Jared Dunn (Zach Woods) introduces the Pied Piper team to SWOT analysis. Later in that episode Dinesh (Kumail Nanjiani) and Gilfoyle (Martin Starr) employ the method when deciding whether or not to inform a stunt driver that the calculations for his upcoming jump were performed incorrectly.<sup>[22]</sup>

## Ads

Many reports have gone out about the use of SWOT by real life companies, and how the idea is spreading. *Coca-Cola* has used this in their television ads<sup>[23]</sup> in order to effectively target a customer, such as appeal to senses.

## See also

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- [Benchmarking](#)
- [Strategic planning](#)
- [Project planning](#)
- [Enterprise planning systems](#)
- [Six Forces Model](#)
- VRIO – (Value, Rarity, Imitability, Organization)
- [Porter's Four Corners Model](#)
- [Programme Evaluation and Review Technique](#)
- [Greimas square](#)

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