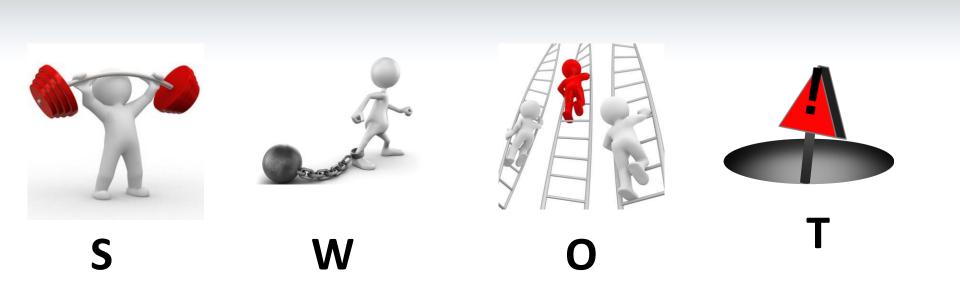
# **SWOT Analysis**



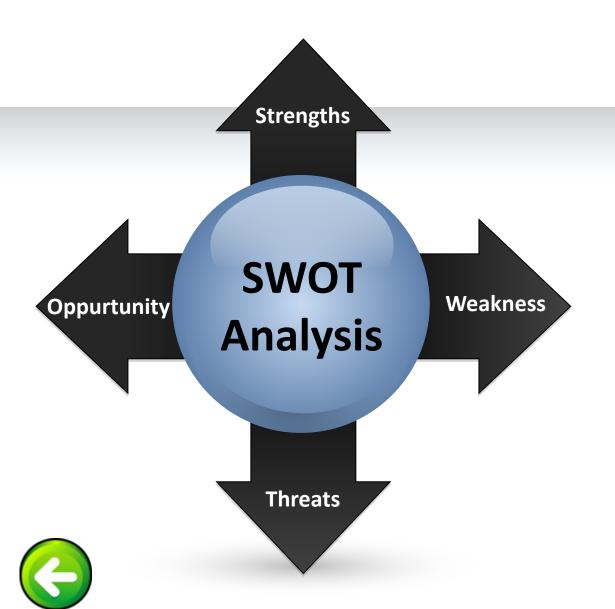
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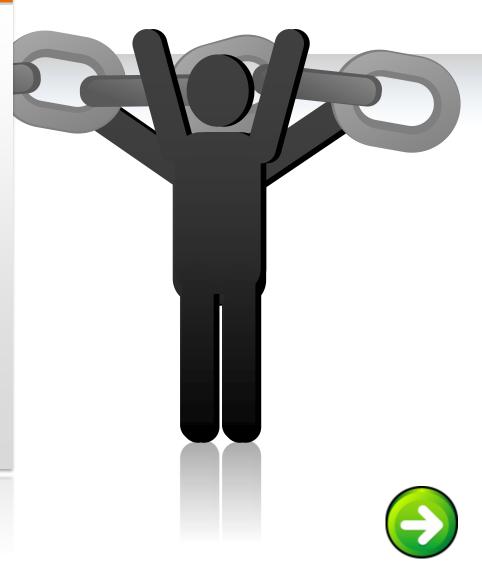




- Acronym for Strengths,
  Weaknesses, Opportunities, and
  Threats.
- Technique is credited to Stanford University in the 1960s and 1970s.
- Planning tool used to understand Strengths, Weaknesses, Opportunities, & Threats involved in a project / business.
- Used as framework for organizing and using data and information gained from situation analysis of internal and external environment.
- Technique that enables a group / individual to move from everyday problems / traditional strategies to a fresh perspective.

#### **STRENGTHS**

- Characteristics of the business or a team that give it an advantage over others in the industry.
- Positive tangible and intangible attributes, internal to an organization.
- Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.
- Examples Abundant financial resources, Well-known brand name, Economies of scale, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.





#### **OPPORTUNITIES**

- Chances to make greater profits in the environment External attractive factors that represent the reason for an organization to exist & develop.
- Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- Organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.
- Examples Rapid market growth, Rival firms are complacent, Changing customer needs/tastes, New uses for product discovered, Economic boom, Government deregulation, Sales decline for a substitute product.

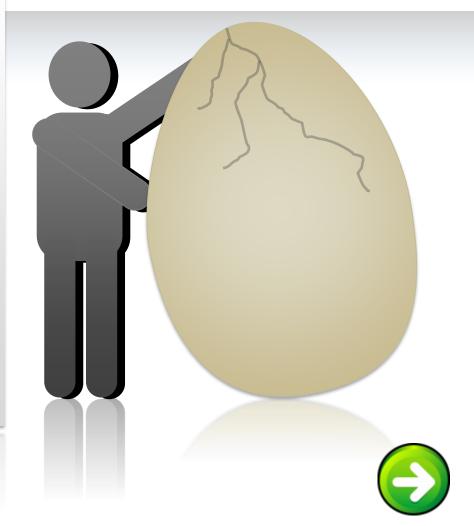






#### **WEAKNESSES**

- Characteristics that place the firm at a disadvantage relative to others.
- Detract the organization from its ability to attain the core goal and influence its growth.
- Weaknesses are the factors which do not meet the standards we feel they should meet. However, weaknesses are controllable. They must be minimized and eliminated.
- Examples Limited financial resources,
  Weak spending on R & D, Very narrow
  product line, Limited distribution, Higher
  costs, Out-of-date products / technology,
  Weak market image, Poor marketing skills,
  Limited management skills, Under-trained
  employees.





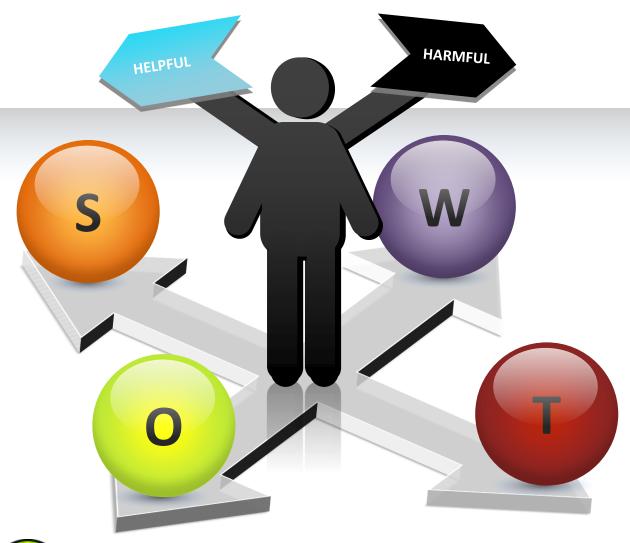
#### **THREATS**

- External elements in the environment that could cause trouble for the business External factors, beyond an organization's control, which could place the organization's mission or operation at risk.
- Arise when conditions in external environment jeopardize the reliability and profitability of the organization's business.
- Compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake.
- Examples Entry of foreign competitors, Introduction of new substitute products, Product life cycle in decline, Changing customer needs/tastes, Rival firms adopt new strategies, Increased government regulation, Economic downturn.





### **Aim of SWOT Analysis?**



- To help decision makers share and compare ideas.
- To bring a clearer common purpose and understanding of factors for success.
- To organize the important factors linked to success and failure in the business world.
- To analyze issues that have led to failure in the past.
- To provide linearity to the decision making process allowing complex ideas to be presented systematically.





### Who needs SWOT Analysis?

When the team has not met its targets

- Customer service can be better
- Launching a new business unit to pursue a new business
- New team leader is appointed

### **Business Unit**

### Management

- When supervisor has issues with work output
- Assigned to a new job
- New financial year fresh targets
- Job holder seeks to improve performance on the job

### Company

- When revenue, cost & expense targets are not being achieved
- Market share is declining
- Industry conditions are unfavorable
- Launching a new business venture



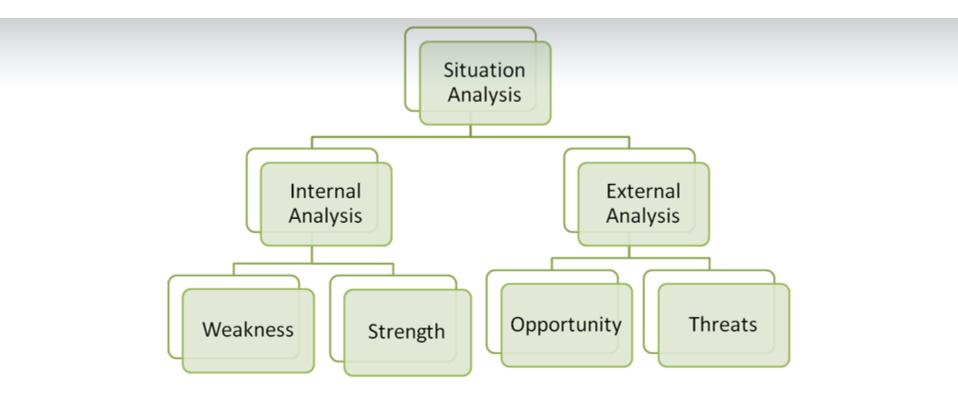


### Who needs SWOT Analysis?



### **How to conduct SWOT Analysis?**

#### 1. Analyse Internal & External Environment





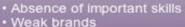


### **How to conduct SWOT Analysis?**

### **SWOT Analysis**

#### Strengths

Weaknesses



- · Poor access to distribution
- · Low customer retention
- Unreliable product/service
- Sub-scale
- Management

- · Technological skills
- Leading Brands
- · Distribution channels
- Customer Loyalty/Relationships
- · Production quality

Opportunities

- Management

#### Threats

- · Changing customer tastes
- Technological advances
- Changes in government politics

Positive

- · Lower personal taxes
- · Change in population age
- · New distribution channels

- · Changing customer base
- Closing of geographic markets
- Technological advances
- Chages in government politics
- Tax increases
- · Change in population age
- · New distribution channels

Internal factors

External factors





### **Benefits & Pitfalls of SWOT Analysis**

#### **Benefits of SWOT Analysis**



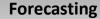


Reviews a company's competitors & benchmarks against them to configure strategies that will put the company in a competitive advantage.



#### **Decision Making Tool**

Provides well-rounded information that prompt well-informed decisions.



Provides a variety of information critical to forecasted variables. Threats, for e.g., can impact a business's forecast. By understanding the company's advantages & disadvantages, forecasts will be more accurate.





### **Benefits & Pitfalls of SWOT Analysis**

#### **Benefits of SWOT Analysis**

Besides the broad benefits, here are few more benefits of conducting SWOT Analysis:



Helps in setting of objectives for strategic planning



Provides a framework for identifying & analyzing strengths, weaknesses, opportunities & threats



Provides an impetus to analyze a situation & develop suitable strategies and tactics



Basis for assessing core capabilities & competencies



Evidence for, and cultural key to, change



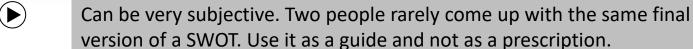
Provides a stimulus to participation in a group experience



### **Benefits & Pitfalls of SWOT Analysis**

#### **Pitfalls of SWOT Analysis**





- May cause organizations to view circumstances as very simple due to which certain key strategic contact may be overlooked.
- Categorizing aspects as strengths, weaknesses, opportunities & threats might be very subjective as there is great degree of uncertainty in market.
- To be effective, SWOT needs to be conducted regularly. The pace of change makes it difficult to anticipate developments.
- The data used in the analysis may be based on assumptions that subsequently prove to be unfounded [good and bad].
- It lacks detailed structure, so key elements may get missed.





#### **EXERCISE**

Assume that a car manufacturing company has recently launched its products. Perform a SWOT analysis for the

same.







#### **EXERCISE**

#### Helpful

#### **STRENGTHS**

- No Competition in the EV Segment.
- Environment friendly
- Economic to Drive [Rs. 0.4 per km] \*
- Government subsidies [8% excise duty] \*

#### **OPPORTUNITIES**

- Huge untapped EV market
- Growing demand of green technologies
- · Rising fuel costs
- Growing road congestion in urban cities

#### **WEAKNESSES**

- High Price
- Low aesthetic appeal
- Small driving range [up to 80 KM1
- Competition from gasoline vehicles

#### **THREATS**

- Government incentives to gasoline vehicles
- Entry of competitors
- Stringent safety requirements anticipated
- Availability of hybrid vehicles

External



Hypothetical figures





Internal

**EXAMPLE** 

### Mc Donald's SWOT Analysis







## Mc Donald's SWOT Analysis

#### **INTERNAL**

#### **STRENGTHS**

- Ranks very high on the Fortune Magazine's most admired list
- Community oriented
- Global operations all over the world
- Cultural diversity in the foods
- Excellent location
- Assembly line operations.
- Use of top quality products

#### **OPPORTUNITIES**

- Opening more joint ventures.
- Being more responsive to healthier options.
- Advertising wifi services in the branches.
- Expanding on the advertising on being more socially responsible
- Expansions of business into newly developed parts of the world.
- Open products up to allergen free options such as peanut free.

#### **WEAKNESSES**

- Failing pizza test market thus limiting the ability to compete with pizza providers.
- High training costs due to high turnover.
- Minimal concentration on organic foods.
- Not much variation in seasonal products .
- Quality concerns due to franchised operations.
- Focus on burgers / fried foods not on healthier options for their customers.

#### **THREATS**

- Marketing strategies that entice people from small children to adults.
- Lawsuits for offering unhealthy foods.
- Contamination risks that include the threat of e-coli containments.
- The vast amount of fast food restaurants that are open as competition.
- Focus on healthier dieting by consumers.
- Down turn in conomy affecting the ability to eat that much.



**EXTERNAL** 

### Ready for your Exam?

