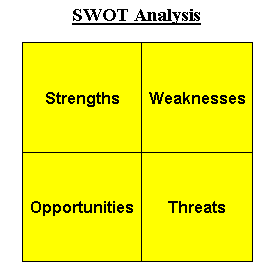
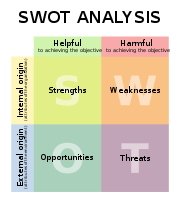
SWOT ANALYSIS

A tool that identifies the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats of an organization.

Specifically, SWOT is a basic, straightforward model that assesses what an organization can and cannot do as well as its potential opportunities and threats. The method of SWOT analysis is to take the information from an environmental analysis and separate it into internal (strengths and weaknesses) and external issues (opportunities and threats). Once this is completed, SWOT analysis determines what may assist the firm in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results.



Strategic Use: Orienting SWOTs to an Objective

[](http://en.wikipedia.org/wiki/File:SWOT_en.svg)

[http://content.answers.com/main/content/wp/style/images/magnify-clip.png](http://en.wikipedia.org/wiki/File:SWOT_en.svg)

Illustrative diagram of SWOT analysis

A SWOT analysis must first start with defining a desired end state or objective. A SWOT analysis may be incorporated into the [strategic planning](http://www.answers.com/topic/strategic-planning) model. An example of a strategic planning technique that incorporates an objective-driven SWOT analysis is Strategic Creative Analysis (SCAN)[[1]](http://www.answers.com/topic/swot-analysis" \l "cite_note-0" \o "). Strategic Planning, including SWOT and SCAN analysis, has been the subject of much research.

* **S**trengths: attributes of the person or company that are helpful to achieving the objective.
* **W**eaknesses: attributes of the person or company that are harmful to achieving the objective.
* **O**pportunities: *external* conditions that are helpful to achieving the objective.
* **T**hreats: *external* conditions which could do damage to the business's performance.

Identification of SWOTs is essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs.

First, the decision makers have to determine whether the objective is attainable, given the SWOTs. If the objective is NOT attainable a different objective must be selected and the process repeated.

The SWOT analysis is often used in academia to highlight and identify strengths, weaknesses, opportunities and threats. It is particularly helpful in identifying areas for development.

Creative Use of SWOTs: Generating Strategies

If, on the other hand, the objective seems attainable, the SWOTs are used as inputs to the creative generation of possible strategies, by asking and answering each of the following four questions, many times:

* How can we Use and Capitalize on each Strength?
* How can we Improve each Weakness?
* How can we Exploit and Benefit from each Opportunity?
* How can we Mitigate each Threat?

Ideally a cross-functional team or a task force that represents a broad range of perspectives should carry out the SWOT analysis. For example, a SWOT team may include an accountant, a salesperson, an executive manager, an engineer, and an [ombudsman](http://www.answers.com/topic/ombudsman).

**Matching and converting**

Another way of utilizing SWOT is **matching** and **converting**.

Matching is used to find *competitive advantages* by matching the strengths to opportunities.

Converting is to apply conversion strategies to convert threats or weaknesses into strengths or opportunities. [[2]](http://www.answers.com/topic/swot-analysis#cite_note-1)

An example of conversion strategy is to find new markets.

If the threats or weaknesses cannot be converted a company should try to *minimize* or *avoid*them.[[3]](http://www.answers.com/topic/swot-analysis#cite_note-2)

Evidence on the Use of SWOT

SWOT analysis may limit the strategies considered in the evaluation. "In addition, people who use SWOT might conclude that they have done an adequate job of planning and ignore such sensible things as defining the firm's objectives or calculating ROI for alternate strategies." [[4]](http://www.answers.com/topic/swot-analysis#cite_note-3)Findings from Menon et al. (1999) [[5]](http://www.answers.com/topic/swot-analysis#cite_note-4) and Hill and Westbrook (1997) [[6]](http://www.answers.com/topic/swot-analysis#cite_note-5) have shown that SWOT may harm performance. As an alternative to SWOT, [J. Scott Armstrong](http://www.answers.com/topic/j-scott-armstrong) describes a 5-step approach alternative that leads to better corporate performance.[[7]](http://www.answers.com/topic/swot-analysis#cite_note-6)

These criticisms are addressed to an old version of SWOT analysis that precedes the SWOT analysis described above under the heading "Strategic and Creative Use of SWOT Analysis." This old version did not require that SWOTs be derived from an agreed upon objective. Examples of SWOT analyses that do not state an objective are provided below under "Human Resources" and "Marketing."

**Internal and external factors**

The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's unique value chain. SWOT analysis groups key pieces of information into two main categories:

* Internal factors – The *strengths* and *weaknesses* internal to the organization. - Use a PRIMO-F[[*citation needed*](http://en.wikipedia.org/wiki/Wikipedia:Citation_needed)] analysis to help identify factors
* External factors – The *opportunities* and *threats* presented by the external environment to the organization. - Use a [PEST](http://www.answers.com/topic/pest-analysis) or PESTLE analysis to help identify factors

The internal factors may be viewed as strengths or weaknesses depending upon their impact on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses for another objective. The factors may include all of the [4P's](http://www.answers.com/topic/marketing-mix); as well as personnel, finance, manufacturing capabilities, and so on. The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or competitive position. The results are often presented in the form of a matrix.

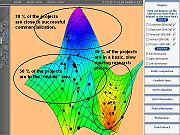
SWOT analysis is just one method of categorization and has its own weaknesses. For example, it may tend to persuade companies to compile lists rather than think about what is actually important in achieving objectives. It also presents the resulting lists uncritically and without clear prioritization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

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

**Use of SWOT Analysis**

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) has been defined. Examples include: [non-profit organizations](http://www.answers.com/topic/nonprofit), governmental units, and individuals. SWOT analysis may also be used in pre-crisis planning and preventive [crisis management](http://www.answers.com/topic/crisis-management). SWOT analysis may also be used in creating a recommendation during a [viability study](http://www.answers.com/topic/viability-study).

**SWOT-landscape analysis**

[](http://en.wikipedia.org/wiki/File:SWOT-landscape.jpg)

[http://content.answers.com/main/content/wp/style/images/magnify-clip.png](http://en.wikipedia.org/wiki/File:SWOT-landscape.jpg)

The SWOT-landscape grabs different managerial situations by visualizing and foreseeing the dynamic performance of comparable objects according to findings by Brendan Kitts, Leif Edvinsson and Tord Beding (2000).[[8]](http://www.answers.com/topic/swot-analysis#cite_note-7)

Changes in relative performance are continuously identified. Projects (or other units of measurements) that could be potential risk or opportunity objects are highlighted.

SWOT-landscape also indicates which underlying strength/weakness factors that have had or likely will have highest influence in the context of value in use (for ex. capital value fluctuations).

**Corporate planning**

As part of the development of strategies and plans to enable the organization to achieve its objectives, then that organization will use a systematic/rigorous process known as corporate planning. SWOT alongside [PEST](http://www.answers.com/topic/pest-analysis)/[PESTLE](http://www.answers.com/topic/pest-analysis) can be used as a basis for the analysis of business and environmental factors.[[9]](http://www.answers.com/topic/swot-analysis#cite_note-8)

* **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 life cycle
* **Analysis of existing strategies**, this should determine relevance from the results of an internal/external appraisal. This may include [gap analysis](http://www.answers.com/topic/gap-analysis) which will look at environmental factors
* **Strategic Issues** defined – key factors in the development of a corporate plan which needs to be addressed by the organization
* **Develop** new/revised strategies – revised analysis of strategic issues may mean the objectives need to change
* **Establish** [critical success factors](http://www.answers.com/topic/critical-success-factor) – 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.[[10]](http://www.answers.com/topic/swot-analysis#cite_note-9)

Marketing

Main article: [Marketing management](http://www.answers.com/topic/marketing-management)

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.

Using SWOT to analyse the market position of a small management consultancy with specialism in HRM.[[11]](http://www.answers.com/topic/swot-analysis#cite_note-10)

|  |  |  |  |
| --- | --- | --- | --- |
| **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 multi-disciplinary 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 |
| Track record – successful assignments |  |  |  |

strength- market related , finance related , operational related , research and development related, hr related

market related- product quality, packaging , advertisement, service, distribution channel finance related- optimum debt/equity ratio, number of share holders, inventory size , optimum use of the financial resources, low cost of borrowings proper investment of the financial products

operational related- low cost , higher productivity , excellent quality , modernized technology,