

Learning Objectives

What is SWOT Analysis?



Aim of SWOT Analysis

Who needs SWOT Analysis?

How to conduct SWOT Analysis?

Benefits & Pitfalls of SWOT Analysis

Brainstorming & Prioritization in SWOT Analysis



- 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.



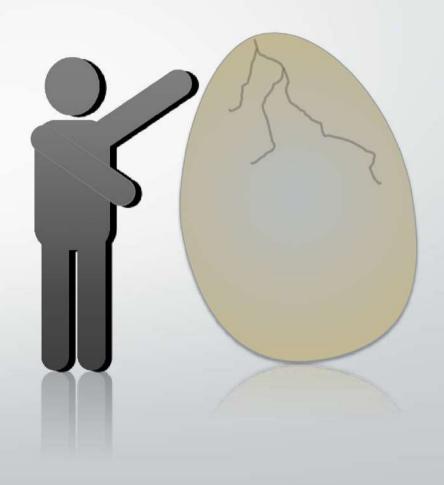
#### **OPPORTUNITIES**

- 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.



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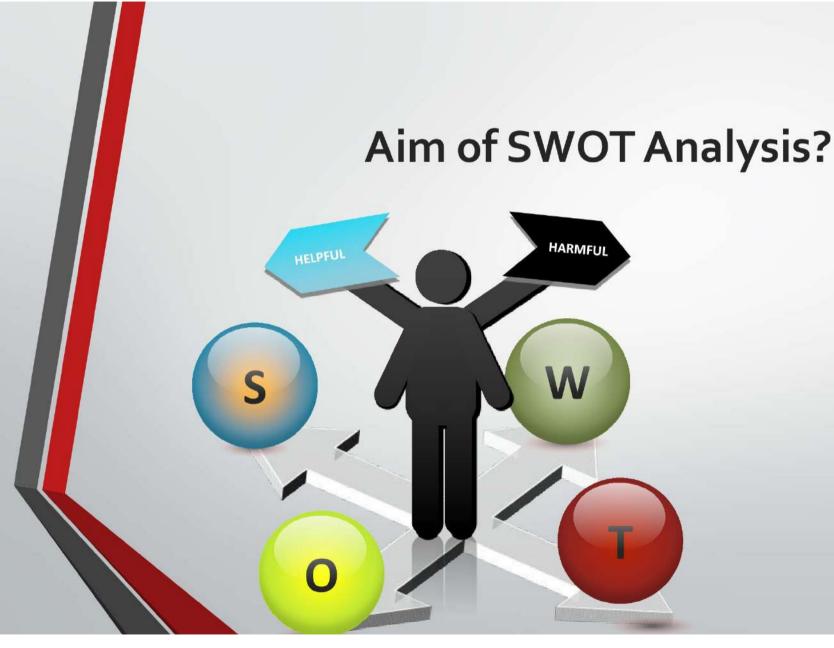


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- To help decision makers share and compare ideas.
- To bring a clearer common purpose and understanding of factors for success.
- To organize the important factors linked to success and failure in the business world.
- To analyze issues that have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

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### Who needs SWOT Analysis?

- 2
- 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

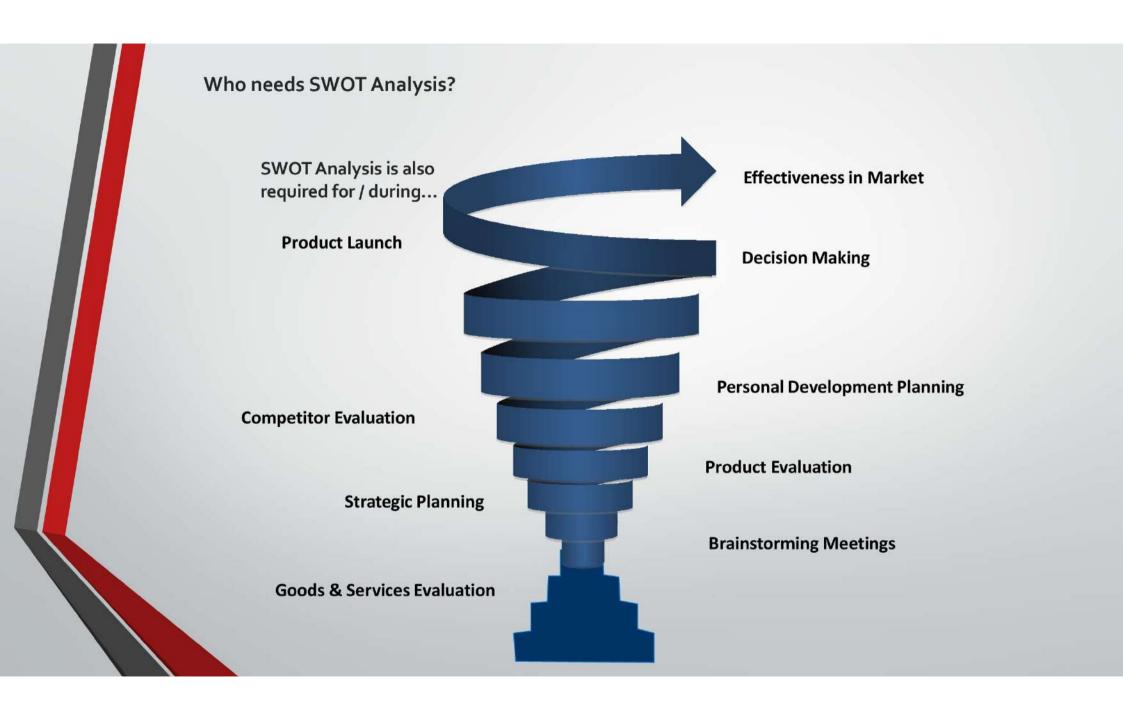
## **Business Unit**

## 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

- 3
- When revenue, cost & expense targets are not being achieved
  - · Market share is declining
  - Industry conditions are unfavorable
  - · Launching a new business venture



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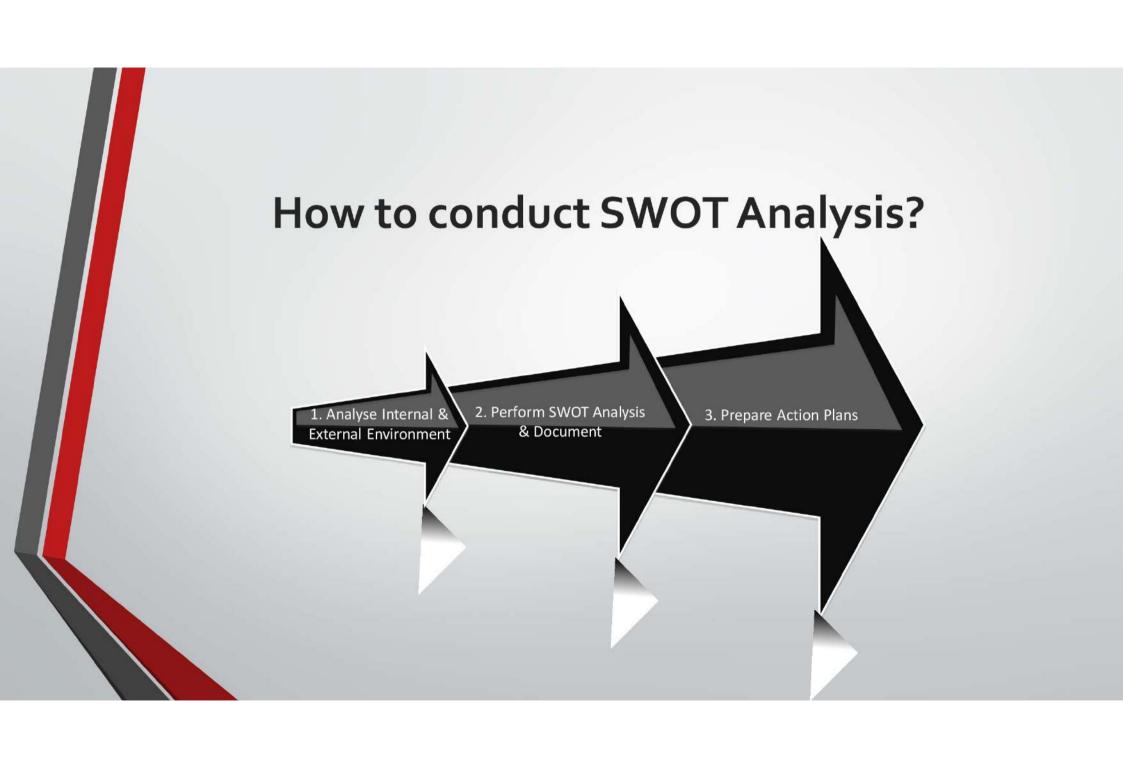
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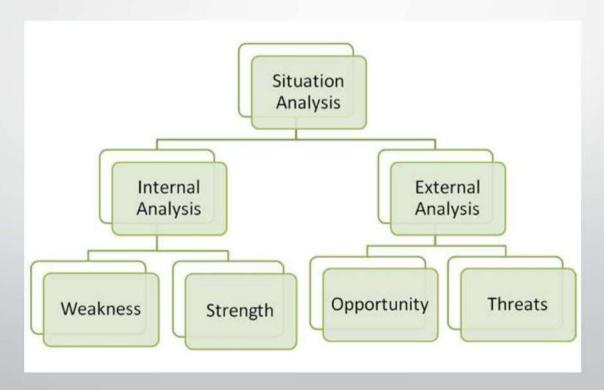
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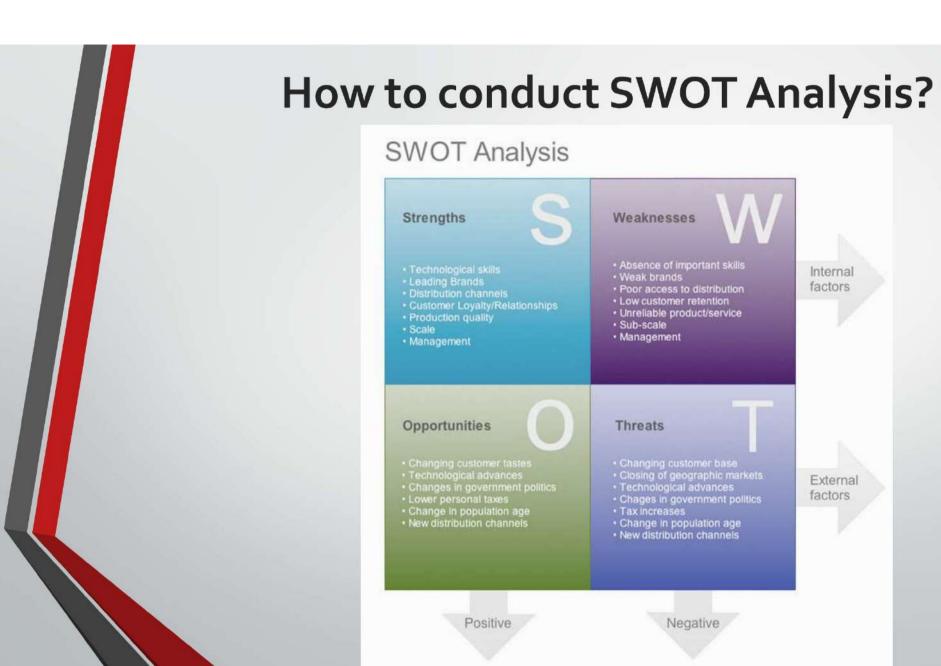
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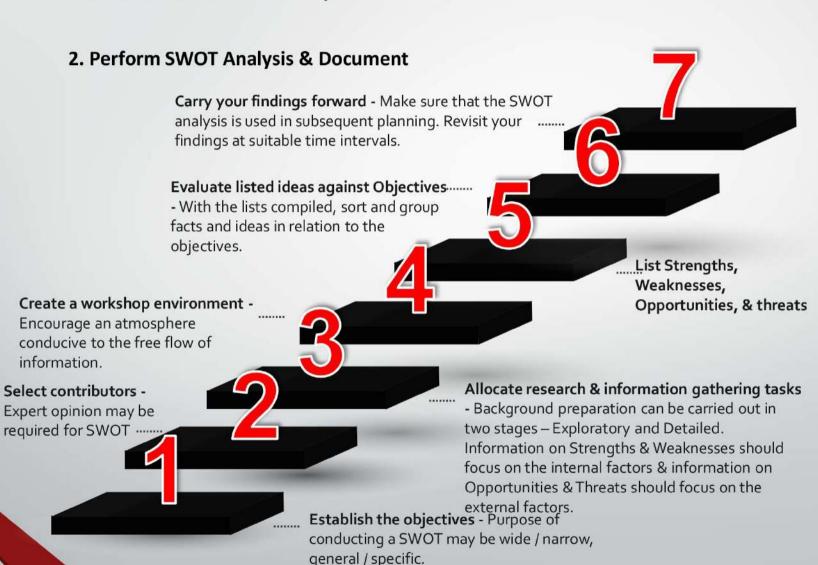
## How to conduct SWOT Analysis?

1. Analyse Internal & External Environment









## How to conduct SWOT Analysis?

### 3. Prepare Action Plan

Once the SWOT analysis has been completed, mark each point with:

- Things that MUST be addressed immediately
- Things that can be handled now
- Things that should be researched further
- Things that should be planned for the future

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## **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.

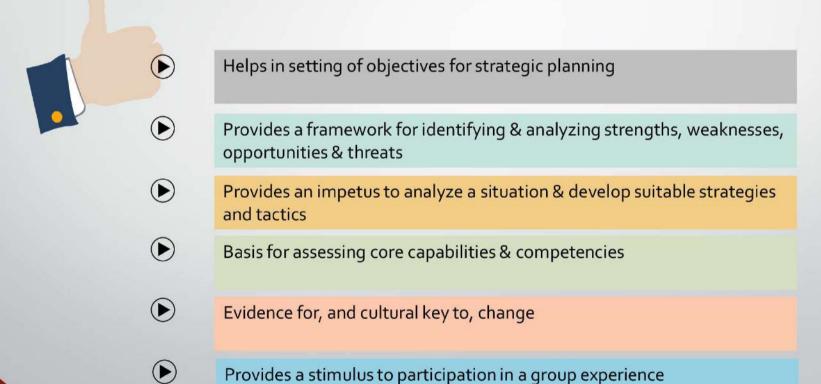
### Forecasting

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:



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

### **Pitfalls of SWOT Analysis**



- Can be very subjective. Two people rarely come up with the same final version of a SWOT. Use it as a guide and not as a prescription.
- 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
- 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.

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## **Brainstorming & Prioritization in SWOT Analysis**

### **Brainstorming**



### Prioritization

Output from Brainstorming exercise is Prioritized

Begin brainstorming by asking the following questions:

- What opportunities exist in our external environment?
- What threats to the institution exist in our external environment?
- What are the strengths of our institution?
- What are the weaknesses of our institution?

At the end of the Brainstorming exercise:

- Reduce the list of strengths & weaknesses to no more than five distinctive competencies and debilitating weaknesses
  - Strengths that are distinctive competencies
  - · Weaknesses that are debilitating
- Reduce threats and opportunities to the five most critically important of each.

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Tips & Exercise



### **TIPS**

#### Do's

- ✓ Be analytical and specific.
- ✓ Record all thoughts and ideas.
- ✓ Be selective in the final evaluation.
- ✓ Choose the right people for the exercise.
- ✓ Choose a suitable SWOT leader or facilitator.
- √ Think out of the box
- √ Be open to change



#### Don'ts

- x Try to disguise weaknesses.
- **x** Merely list errors and mistakes.
- x Lose sight of external influences and trends.
- x Allow the SWOT to become a blame-laying exercise.
- x Ignore the outcomes at later stages of the planning process.





**TIPS** 

When conducting a SWOT analysis, designate a leader or group facilitator. Introduce the SWOT method and its purpose in your organization to gain acceptance.

Be willing to breakaway from traditional methods.

While doing a SWOT analysis for your job, invite someone to brainstorm with you.

Discuss and record the results. Prepare a written summary of the SWOT analysis to give to participants.



### **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
- \* Hypothetical figures

#### WEAKNESSES

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

#### **THREATS**

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

### Harmful

# External

## **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 promy affecting the ability to eat that much.

**EXTERNAL** 

#### **Points to Ponder**

- Keep your SWOT short and simple, but remember to include important details. For example, if you think your communication skills is your strength, include specific details, such as verbal / written communication.
- When you finish your SWOT analysis, prioritize the results by listing them in order of the most significant factors that affect you / your business to the least.
- Get multiple perspectives on you / your business for your SWOT analysis. Ask for input from your employees, colleagues, friends, suppliers, customers and partners.
- Apply your SWOT analysis to a specific issue, such as a goal you would like to achieve
  or
- a problem you need to solve. You can then conduct separate SWOT analyses on individual
- issues and combine them.

