

SWOT Analysis



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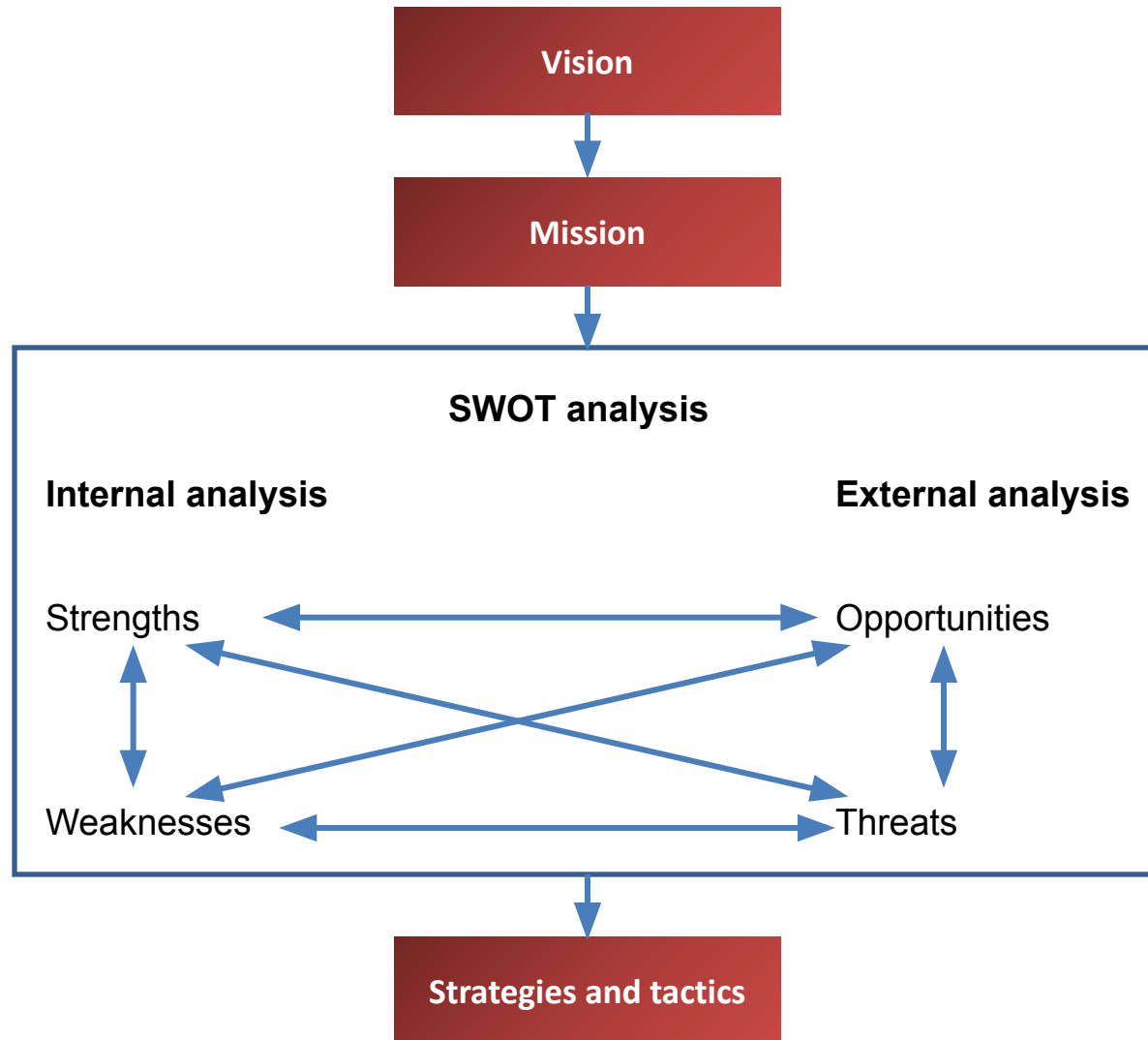


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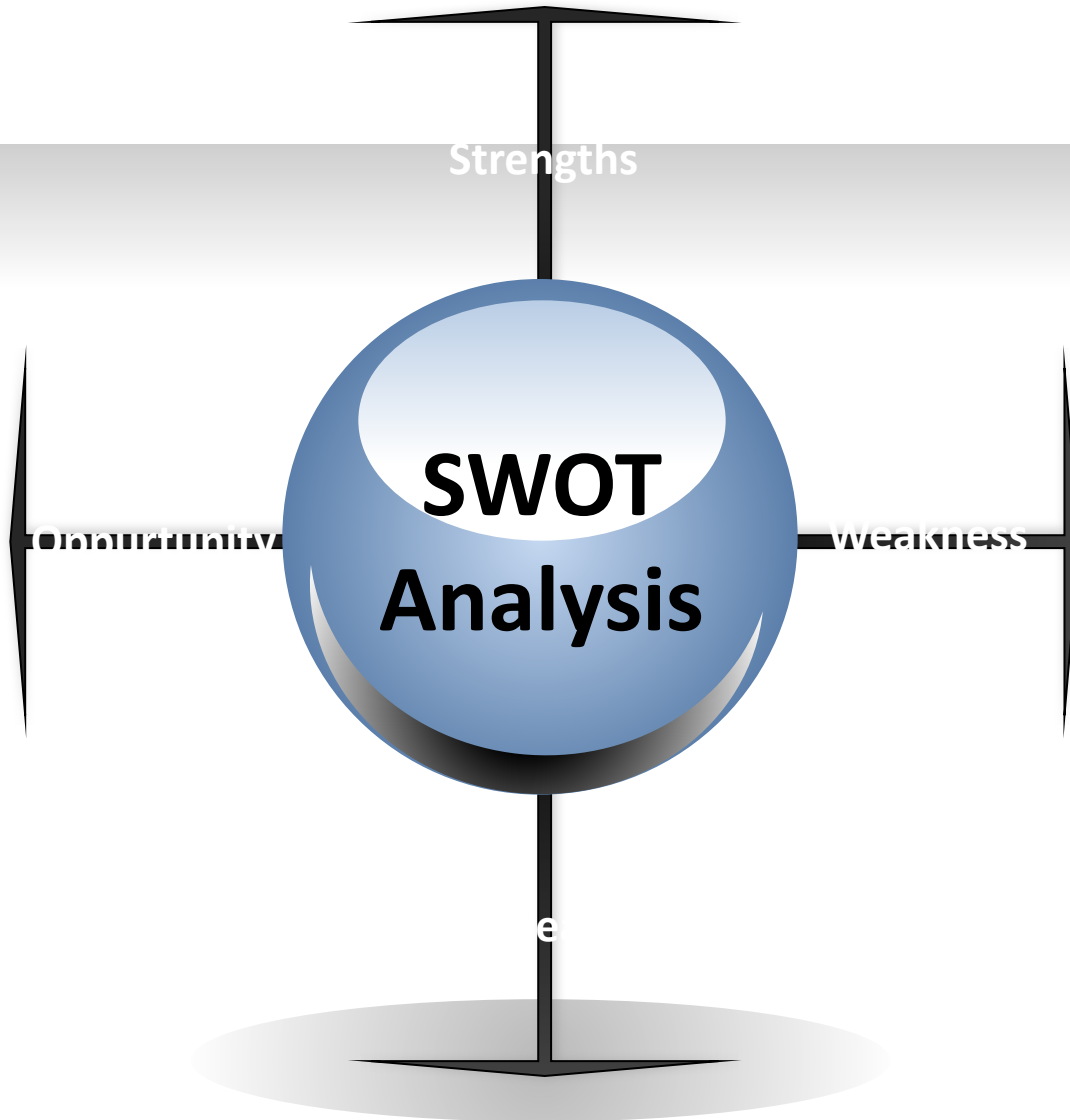


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Process involved in SWOT analysis



What is SWOT Analysis?



- ▶ Acronym for **Strengths, Weaknesses, Opportunities, and Threats**.
- ▶ Technique is created by **Albert Humphrey** who led a research project at 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**.

What is SWOT Analysis?

STRENGTHS

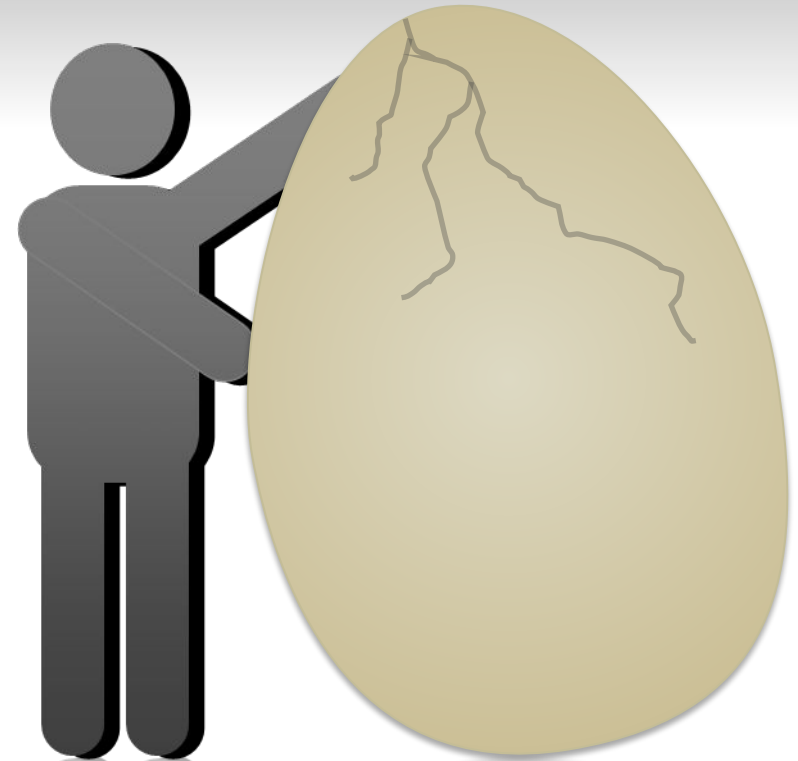
- ▶ Characteristics of the business or a team that give it an advantage over others in the industry.
- ▶ Positive tangible and intangible attributes, internal to an organization.
- ▶ Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process 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.



What is SWOT Analysis?

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, 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.



Evaluating the company's weaknesses



The company's weaknesses also plays a crucial role in the ability to achieve its long term goals, objectives etc. Managers often can more easily describe their business strength and weaknesses, generally because they don't like to admit that they have any weaknesses. Weaknesses are those skills, capabilities that your company lacks and that prevent the company from achieving its goals and objectives. If the organization does not have a critical skill or capability to achieve a goal, there are 3 options

- 1** Modify the goal to something achievable with the skill set the company has
- 2** Raise the capital needed to acquire the skill or capability you needed
- 3** Find another company that has the core competency it needs and outsource that need or collaborate through a strategic partnership

What is SWOT Analysis?

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 .



What is SWOT Analysis?

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.



Recognizing the company's opportunities and threats

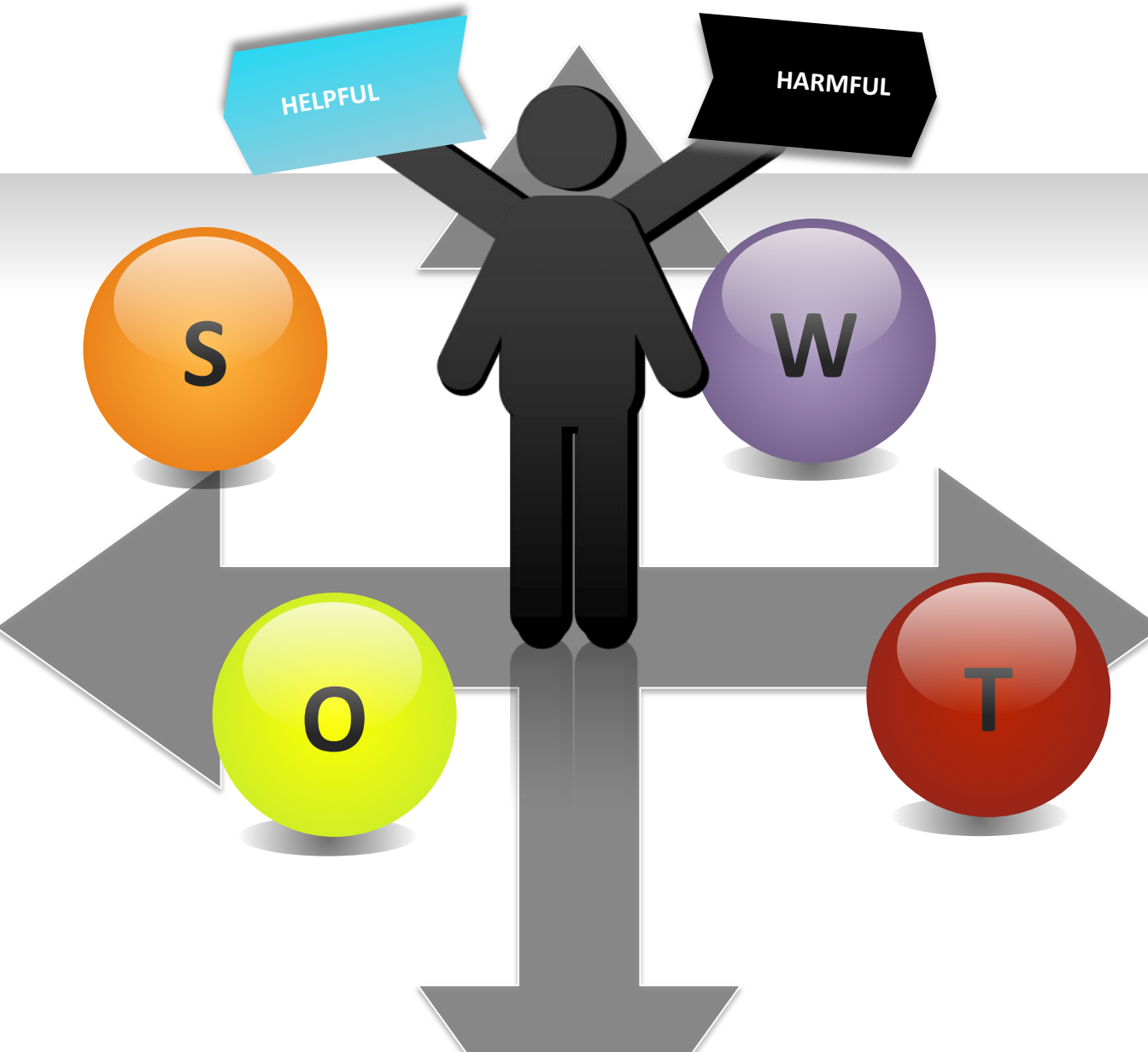


Opportunities are those things that help the company and its business grow to new levels. Whenever we see a threat or barrier, it means that there is an opportunity to move forward in the market. Various opportunities are available like market developments, competitor's weaknesses, global influences, major contracts or tenders, seasonal weather or fashion influences etc.



Threats are barriers to the growth. These threats or barriers may be in the form of – Threat of new entrants, threat from substitute products, threat from buyer's bargaining power, threat from suppliers bargaining power, threat from rivalry among existing industry firms

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?

1

- 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

Job Holder

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

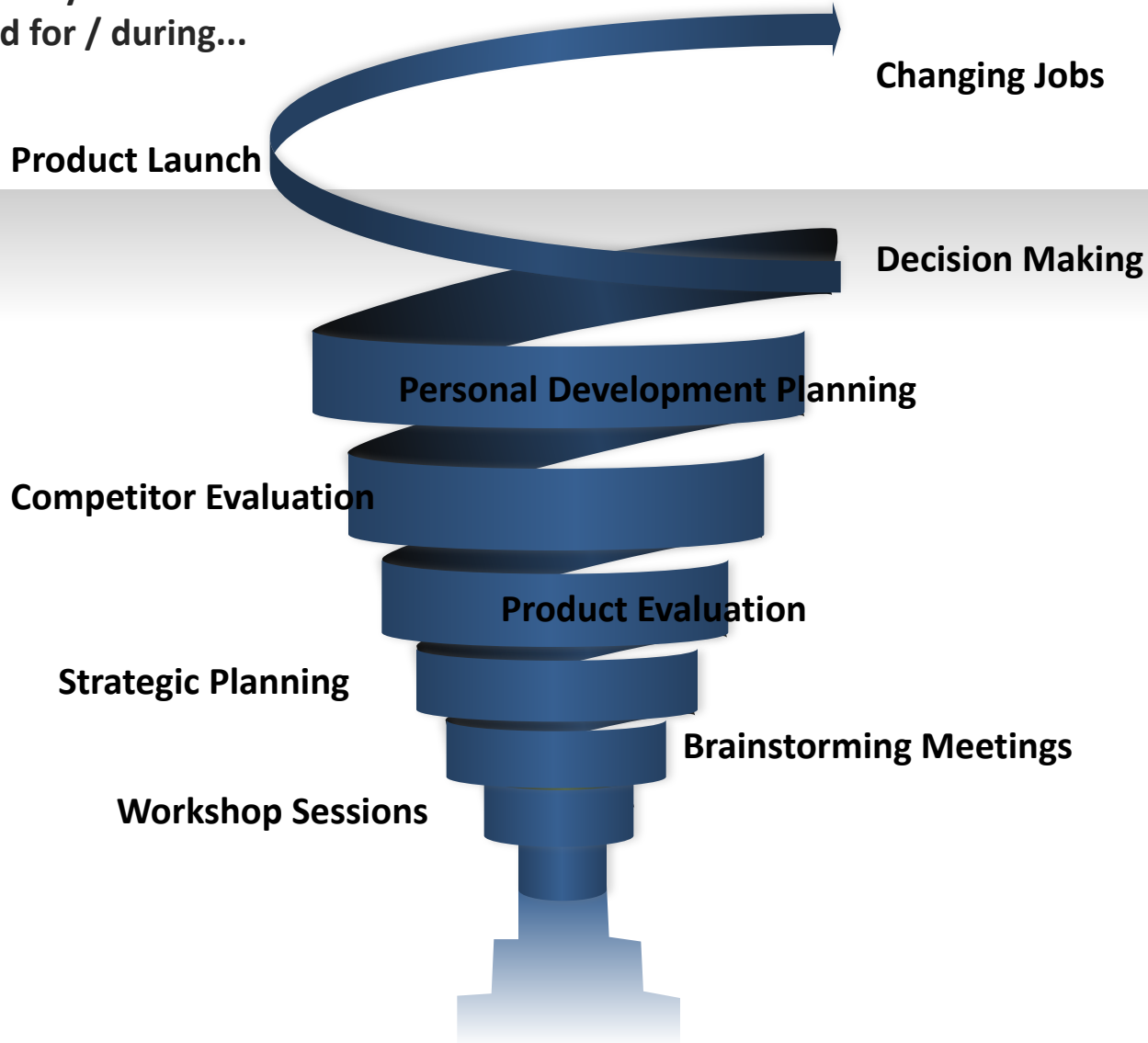
3

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

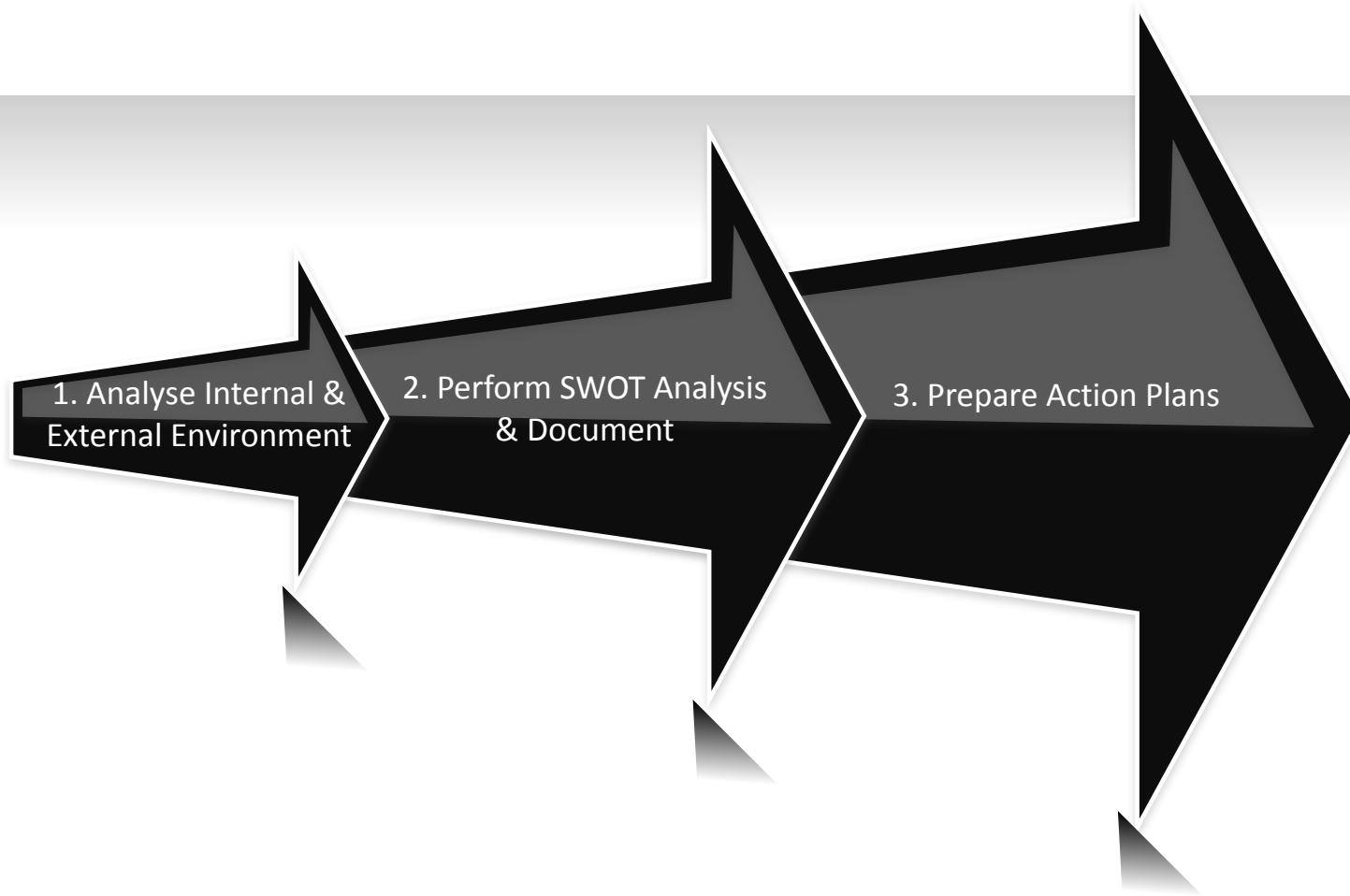
Company

Who needs SWOT Analysis?

SWOT Analysis is also required for / during...



How to conduct SWOT Analysis?

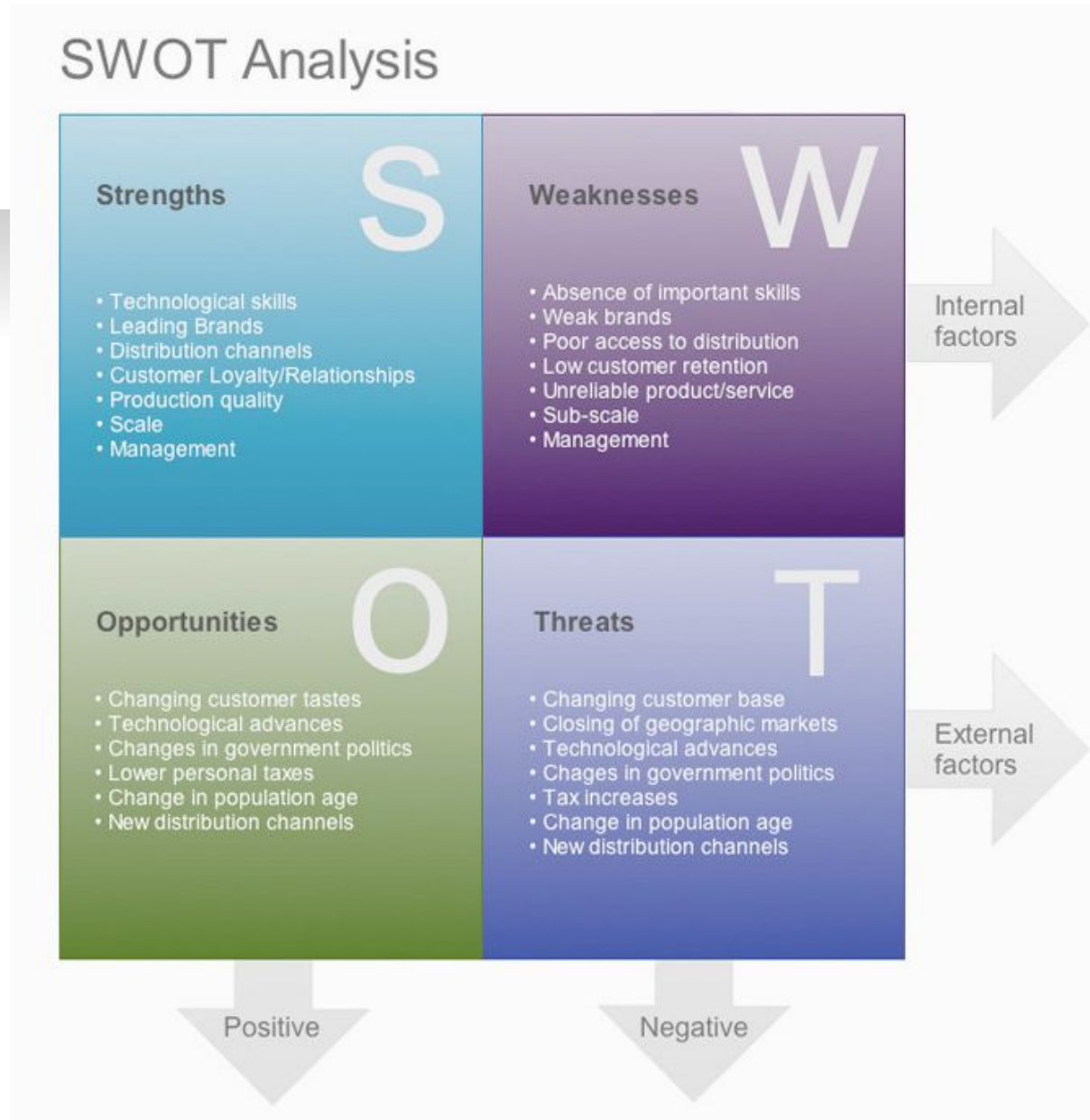


How to conduct SWOT Analysis?

1. Analyse Internal & External Environment



How to conduct SWOT Analysis?



How to conduct SWOT Analysis?

2. Perform SWOT Analysis & Document

Carry your findings forward - Make sure that the SWOT analysis is used in subsequent planning. Revisit your findings at suitable time intervals.

Evaluate listed ideas against Objectives - With the lists compiled, sort and group facts and ideas in relation to the objectives.

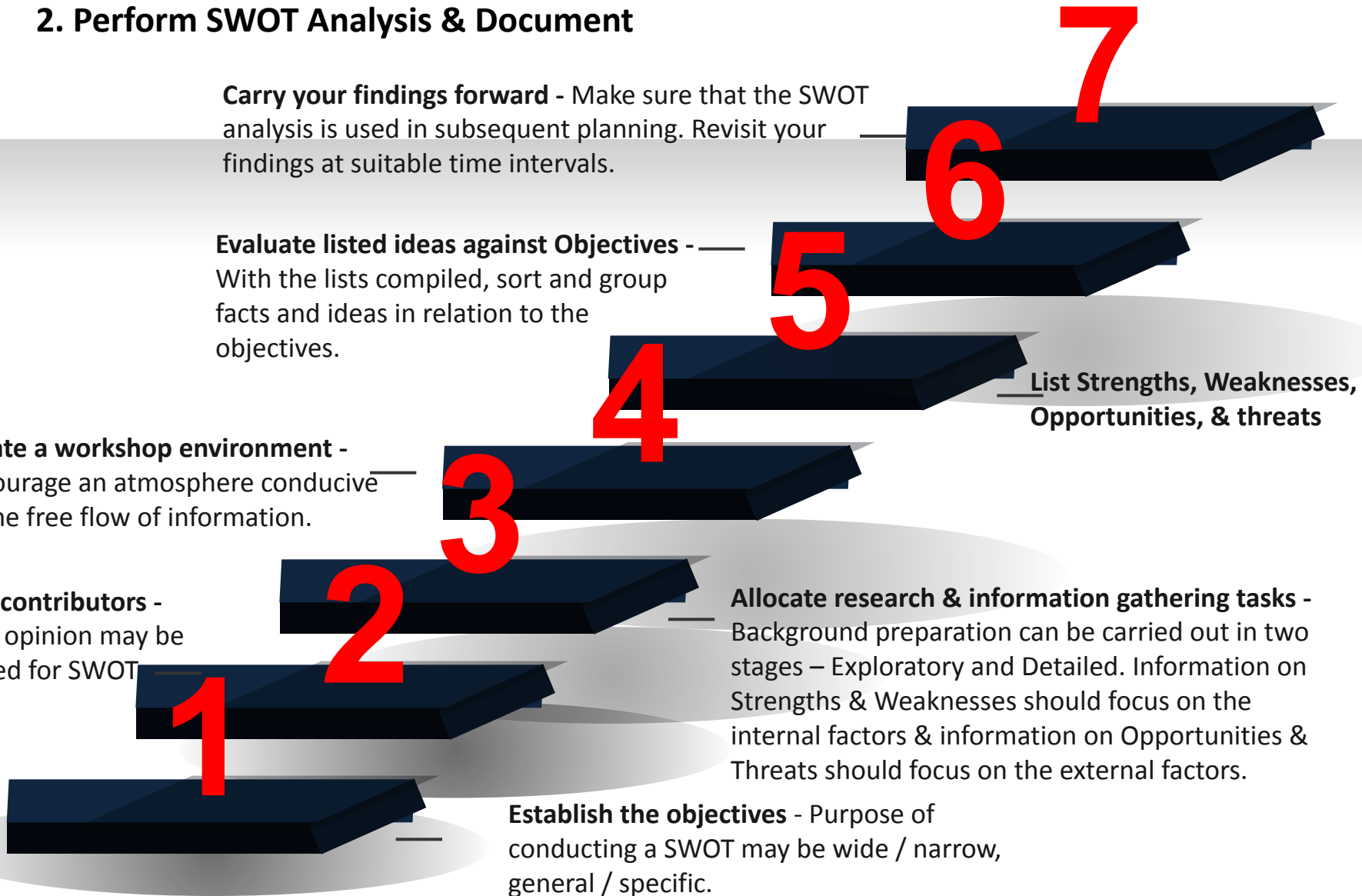
Create a workshop environment - Encourage an atmosphere conducive to the free flow of information.

List Strengths, Weaknesses, Opportunities, & threats

Allocate research & information gathering tasks - Background preparation can be carried out in two stages – Exploratory and Detailed. Information on Strengths & Weaknesses should focus on the internal factors & information on Opportunities & Threats should focus on the external factors.

Select contributors - Expert opinion may be required for SWOT

Establish the objectives - Purpose of conducting a SWOT may be wide / narrow, general / specific.



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



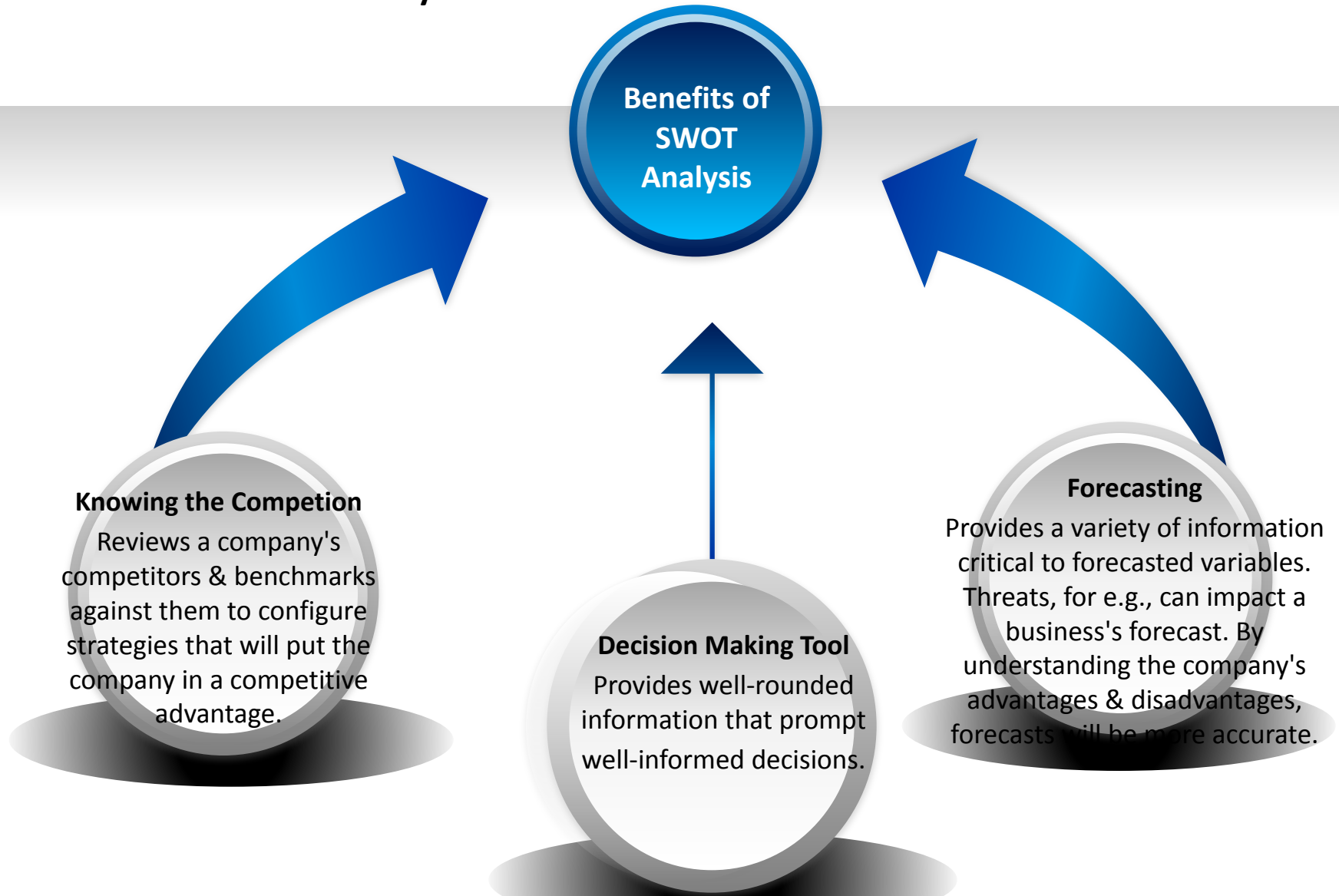
Things that should be researched further



Things that should be planned for the future

Benefits & Pitfalls of SWOT Analysis

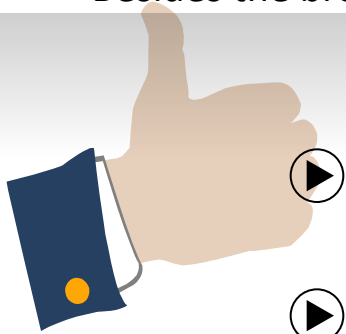
Benefits of SWOT Analysis



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



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 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.

Brainstorming & Prioritization in SWOT Analysis



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.

Exercise

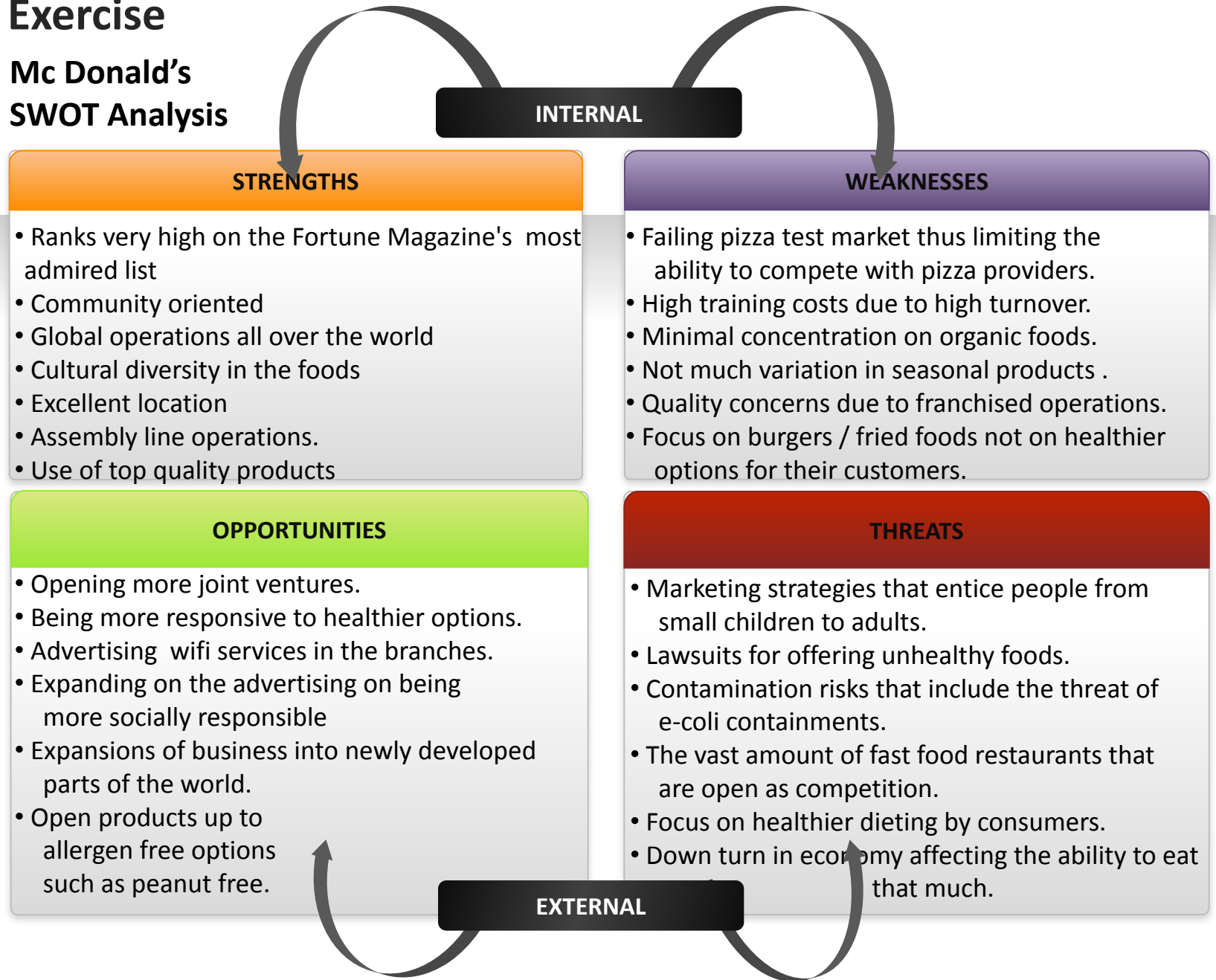
EXAMPLE

Mc Donald's SWOT Analysis



Exercise

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

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.

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.

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 economy affecting the ability to eat that much.

EXTERNAL

Brainstorming



Brainstorming is a popular method of group interaction in both educational and business settings. Even though there have been arguments about its productivity, brainstorming is still a widely used method for developing creative solutions. It's an area that is under research and improvements or variations are still developing. Many of these methods claim to be more efficient than the original brainstorming; however, there are too many factors that can alter the outcome of brainstorming.

Types of brainstorming

Electronic

Electronic brainstorming outperforms both regular brainstorming and nominal group brainstorming. It is a computerized version of the manual brainstorming technique typically supported by an electronic meeting system (EMS) but simpler forms can also be done via email and may be browser based, or use peer-to-peer software.

Directed

Directed brainstorming is a variation of electronic brainstorming. It can be done manually or with computers. In directed brainstorming, each participant is given one sheet of paper (or electronic form) and told the brainstorming question. They are asked to produce one response and stop, then all of the papers (or forms) are randomly swapped among the participants. The participants are asked to look at the idea they received and to create a new idea that improves on that idea based on the initial criteria. The forms are then swapped again and respondents are asked to improve upon the ideas, and the process is repeated for three or more rounds.

Guided

A guided brainstorming session is time set aside to brainstorm either individually or as a collective group about a particular subject under the limits of perspective and time. This type of brainstorming removes all cause for conflict and limits conversations while stimulating critical and creative thinking in an engaging, balanced environment. Innovative ideas consistently emerge.

Participants are asked to adopt different mindsets for pre-defined period of time while contributing their ideas to a central mind map drawn by a pre-appointed scribe. Having examined a multi-perspective point of view, participants seemingly see the simple solutions that collectively create greater growth. Action is assigned individually.

Types of brainstorming

Individual

"Individual brainstorming" is the use of brainstorming in solitary. It typically includes such techniques as free writing, free speaking, word association, and drawing a mind map, which is a visual note taking technique in which people diagram their thoughts. Individual brainstorming is a useful method in creative writing and has been shown to be superior to traditional group brainstorming. Research has shown individual brainstorming to be more effective in idea-generation than group brainstorming.

Question

This process involves brainstorming the questions, rather than trying to come up with immediate answers and short term solutions. Theoretically, this technique should not inhibit participation as there is no need to provide solutions. The answers to the questions form the framework for constructing future action plans. Once the list of questions is set, it may be necessary to prioritize them to reach to the best solution in an orderly way. "Questorming" is another phrase for this mode of inquiry

Pareto analysis – An introduction

Pareto analysis was coined after Vilferdo Pareto, an economist who postulated this theory. It uses statistical methods and techniques to solve various problems and find the optimum solution. Pareto analysis commonly called as 80:20 rule, suggests that 80% of the problems arise because of 20% of the causes. According to this rule, if we address 20% of the issues, it can lead to 80% advantage in overall performance. The underlying idea is that by doing 20% of the work we can generate 80% of the advantage of doing the entire job.

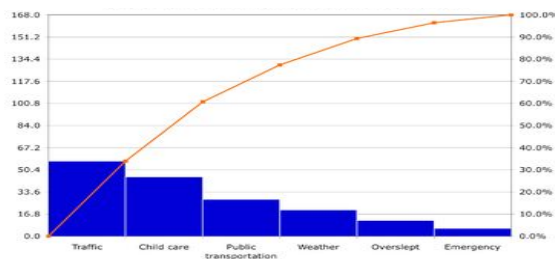
How to use it

List the causes for problems you face, or the options you have available. Group options where they are facets of the same larger problem. Go through the list and apply an appropriate score to each group. Work on the group with the highest score, or the group whose score adds up to 80%.

Pareto analysis – Guidelines and challenges

Guidelines and instructions

- Form a table listing the causes and their frequency as a percentage.
- Arrange the rows in the decreasing order of importance of the causes, the most important cause first.
- Add a cumulative percentage column to the table.
- Plot with causes on x-axis and cumulative percentage on y-axis.
- Join the above points to form a curve.
- Plot (on the same graph) a bar graph with causes on x-axis and percent frequency on y-axis.
- Draw a line at 80% on y-axis parallel to x-axis. Then drop the line at the point of intersection with the curve on x-axis. This point on the x-axis separates the important causes on the left and less important causes on the right.



Challenges

- Misrepresentation of the data.
- Inappropriate measurements depicted.
- Lack of understanding of how it should be applied to particular problems.
- Knowing when and how to use Pareto Analysis.
- Inaccurate plotting of cumulative percent data.



Thank You!