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# SWOT analysis

**SWOT analysis** (or **SWOT matrix**) is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning.<sup>[1]</sup>

This technique, which operates by 'peeling back layers of the company'<sup>[2]</sup> is designed for use in the preliminary stages of decision-making processes and can be used as a tool for evaluation of the strategic position of organizations of many kinds (for-profit enterprises, local and national governments, NGOs, etc.).<sup>[3]</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. SWOT has been described as the tried-and-true tool of strategic analysis,<sup>[4]</sup> but has also been criticized for its limitations (see § Limitations and alternatives).

## SWOT ANALYSIS



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

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## Overview

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SWOT assumes that strengths and weaknesses are frequently internal, while opportunities and threats are more commonly external.<sup>[2]</sup> The name is an acronym for the four parameters the technique examines:

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics 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 attribute SWOT analysis 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>[5][6]</sup> However, Humphrey himself did not claim the creation of SWOT, and the origins remain obscure.

## Internal and external factors

Internal factors are viewed as strengths or 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 personnel, finance, manufacturing capabilities, and all of the marketing mix's 4Ps.

External factors include macroeconomics, technological change, legislation, and sociocultural changes, as well as changes in the marketplace. Results are often presented in the form of a matrix.

SWOT analysis is a method of categorization for which lists are compiled, uncritically and without prioritization, rather than seeking important factors to achieving objectives; weak opportunities may appear to balance strong threats.

## Use

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SWOT analysis can be used in any decision-making situation when a desired end-state (objective) is defined, not just profit-seeking organizations. 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 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>[7]</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>[8]</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>[9]</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>[10]</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 all results—mapping against plans, taking corrective action, which may mean amending objectives/strategies<sup>[11]</sup>

## Marketing

In many competitor analysis, 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 human resource management (HRM).<sup>[11]</sup>

<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
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 organizations

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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>[12]</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>[13]</sup>

Although SWOT analysis is a part of the planning, it will not provide a strategic plan if used by itself, but a SWOT list can become a series of recommendations.<sup>[14]</sup>

**Strengths and weaknesses** (*internal factors within an organization*):<sup>[12]</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>[12]</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

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

one example of a SWOT Analysis used in community organizing

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>[12]</sup> The SWOT analysis is necessary to provide direction to the next stages of the change process.<sup>[15]</sup> It has been used by community organizers and community members to further social justice in the context of Social Work practice.

Internal		External	
Strengths	Weaknesses	Opportunities	Threats

A simple SWOT Analysis used in Community Organizing

## Preliminaries in community organization

A city can spend a year weighing the Risk-benefits<sup>[16][17]</sup> before they even vote on it. Understanding the particular community can be helped via public forums, listening campaigns, and informational interviews and other data collection.<sup>[12]</sup>

Deciding whether or not an objective is attainable enables organizations to set achievable goals<sup>[18]</sup> and then produce practical, efficient and long-lasting outcomes.<sup>[18][19]</sup>

## Limitations and alternatives

SWOT is intended as a starting point for discussion and cannot, in itself, show managers how to achieve a competitive advantage, particularly in a rapidly changing environment.<sup>[4]</sup>

Menon et al. (1999)<sup>[20]</sup> and Hill and Westbrook (1997)<sup>[21]</sup> suggested "no-one subsequently used the outputs within the later stages of the strategy". Others have critiqued hastily designed SWOT lists.<sup>[22]</sup> Preoccupation with a single strength, such as cost control, they can neglect their weaknesses, such as product quality.<sup>[4]</sup> Domineering by one or two community workers devalues the possible contributions of community members.<sup>[23]</sup>

Michael Porter developed the five forces framework as a reaction to SWOT, which he found lacking in rigor and *ad hoc*.<sup>[24]</sup> Other names include *WOTS-UP* (Gray and Smeltzer, 1989) and *TOWS* (reversing the emphasis, with external first).<sup>[2]</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>[25]</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 / Total Forces	constant <i>k</i>	Opportunities given constraints = 1 / Risks
<b>Negative</b>	Vulnerabilities	Risks given constraints = <i>k</i> / 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).

## SWOT analysis in popular culture

- **Ads:** Coca-Cola has used *SWOT analysis* in targeting television ads<sup>[26]</sup>
- **Television shows:** In the *Silicon Valley* episode "Homicide" (Season 2, Episode 6), 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>[27]</sup>

## See also

- Benchmarking
- Enterprise planning systems
- PEST analysis
- Strategic Management
- Porter's four corners model
- Program evaluation and review technique (PERT)
- Project planning
- Semiotic square (Greimas square)
- Six forces model
- VRIO (Value, Rarity, Imitability, Organization)

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