



BUSINESS ANALYSIS TECHNIQUE:

SWOT ANALYSIS

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INSIGHT

The SWOT framework is credited to Albert Humphrey, who developed the approach at the Stanford Research Institute in the 1960s and early 1970s. The goal of SWOT analysis is to reinforce your business strategy by assessing your business's strengths and weaknesses, as well as potential opportunities and threats within your marketplace.

What Is SWOT?

SWOT stands for:

- **Strengths**
- **Weaknesses**
- **Opportunities**
- **Threats**

Strengths

Strengths are the internal factors of your business that are satisfactory and performing well. Identifying strengths allows the business to focus on these factors to improve and build on them. Here are two examples:

- Our customer retention rate is increasing
- We have the latest business intelligence technology

Weaknesses

Weaknesses are internal factors that could serve as obstacles to achieving your goals and objectives. SWOT analysis should be used to identify and limit weaknesses in your business. Here are two examples:

- Employee satisfaction survey results show a decline compared to last year
- Our profits are down from last year

Opportunities

Opportunities refer to favourable external factors that may provide a competitive advantage to your business. SWOT analysis can be used to identify and explore opportunities. Here are two examples:

- Tariffs are being cut on our exported products
- Artificial intelligence (AI) could help our decision-making process

Threats

Threats can potentially cause problems. They are external and out of your control, distinguishing them from internal weaknesses. SWOT analysis helps you identify and counteract threats. Here are two examples:

- Unemployment is increasing and people have less money to spend
- Our major competitor is taking market share away from us



When to Choose This Technique

There are several situations in which SWOT analysis can be used, including when:

- Conducting strategic planning
- Developing a business plan
- Developing a business roadmap
- Analyzing a specific initiative

SWOT analysis is typically used to plan future implementations or evaluate current business performance. It can also be applied to personal situations, such as exploring a career change.

Steps for Success



1. Determine the Objective

SWOT analysis will be more valuable and productive if a specific, measurable, and realistic objective is identified. The objective provides guidance on what the exercise should achieve. For example:

- We want to increase customer retention by 20% across our telecommunication business this year
- We want to develop a strategic five-year plan to increase growth by 20% each year
- We want to perform a wide-ranging SWOT analysis on our current operations



2. Elicit Resources

Decisions and ideas require data backup. Ensure the team has access to reliable data to confirm assumptions. For example, accurate sales and customer retention data will help back up strengths or weaknesses.

The mix of participants in the analysis is important. They should be selected for their broad perspectives on internal and external factors affecting the organization and alignment with the identified objective.



3. Generate Ideas

Determine the questions for each SWOT quadrant. The below matrix may be used as a template.

The questions must be tailored to align with the SWOT objective. Participants then populate each quadrant with their answers.

Strengths (Internal)	Weaknesses (Internal)
<p>What line(s) of business are performing well and how can we build on them?</p> <p>What part of our organization is superior to our competitors and how can we build on it?</p> <p>What do our customers like about our organization and how can we build on it?</p>	<p>What areas of the business are performing below expectations?</p> <p>Which initiatives are underperforming and why?</p> <p>In which areas of our business is technology underperforming?</p>
Opportunities (External)	Threats (External)
<p>What market trends can we leverage?</p> <p>How can we harness AI to enhance our business?</p> <p>Can we leverage consulting companies for advice?</p> <p>Will improved relations between our country and China provide opportunities for our organization?</p>	<p>Where are our competitors outperforming us?</p> <p>Will certain legislation be passed that may adversely affect our business?</p> <p>Has the government changed monetary and fiscal policy?</p>



4. Group, Refine, and Prioritize the Ideas

Group and refine the ideas generated within each quadrant.

Strengths (Internal)	Weaknesses (Internal)
<p>We are market leaders in our retail clothing division</p> <p>Except for Customer Relationship Management (CRM), we have the latest technology and superior data analysis to support our initiatives</p> <p>Our customers have ranked our overall customer service first</p>	<p>Our employee satisfaction rating and employee retention decreased last year by 30% and 10%, respectively</p> <p>Our existing CRM technology is unreliable and failing our Service Level Agreements (SLAs)</p> <p>Our major marketing project is behind schedule by 10 months</p>
Opportunities (External)	Threats (External)
<p>We can outsource our inefficient CRM technology stack</p> <p>We can hire an external consulting organization to investigate the reasons behind the decline in employee satisfaction</p> <p>We can investigate how AI can help our business expand</p> <p>Lower tariffs have been negotiated between our country and China, covering our product lines</p>	<p>ABC LTD has consistently outperformed us in sales over the last five years</p> <p>The government is planning legislation to increase taxation on our domestic operations</p> <p>Interest rates have risen, affecting demand for our products</p>

With the objective in mind, prioritize a maximum of three to five issues from each quadrant.

Quadrant	Priority
Strengths	We are market leaders in our retail clothing division
Weaknesses	Our employee satisfaction rating and employee retention decreased last year by 30% and 10%, respectively Our existing CRM technology is unreliable and failing our SLAs
Opportunities	We can outsource our inefficient CRM technology stack We can hire an external consulting organization to investigate the reasons behind the decline in employee satisfaction
Threats	ABC LTD has consistently outperformed us in sales over the last five years Interest rates have risen, affecting demand for our products



5. Develop a Strategy/Action Plan

The action plan should contain the following elements:

- The goal or strategy
- The action(s) to support it
- The budget for the actions
- The resources and timeframes allocated

Regularly review the action plan to ensure that any connections between issues are addressed and actions are coordinated across the business.

Example

Objective: We want to perform a wide-ranging SWOT analysis on our current operations.

What	Action	Budget	Who/When
Increase retention in organization by 5% and overall employee satisfaction to 90% over the next year	Market scan and develop a Request for Proposal (RFP)	150K for RFP	Resource name, dd/mm/yyyy
Migrate from our CRM platform to an industry-standard software-as-a-service (SaaS) solution	Market scan and develop an RFP	2M budget for implementation	Resource name, dd/mm/yyyy
Exceed ABC LTD sales by 10% in two years	Identify what our main competitor is doing right Identify inefficient processes/blockers to increasing our sales	100K	Resource name, dd/mm/yyyy
Reduce costs by 10% over the next year to offset the impact of increased interest rates	Identify company-wide cost-saving measures	100K	Resource name, dd/mm/yyyy

Pros and Cons

Pros	Cons
<ul style="list-style-type: none">✔ Simplicity: SWOT analysis is easy to learn and use✔ Versatility: It can be used in different scenarios, from a business performing strategic analysis to individuals assessing their career path✔ Meaningful analysis: It includes internal and external factors affecting performance✔ Strategy and action plan: It facilitates valuable strategy formulation and time-based action plans	<ul style="list-style-type: none">✘ Bias and assumptions: Participants may overestimate or underestimate strengths and weaknesses; supporting the analysis with data and facts is valuable✘ Too high level: Ideas may be too dispersed across the organization, weakening focus; for example, citing “inefficiency” lacks the detail needed to address the issue✘ Potential for confusion: Mixing up internal strengths with external opportunities and internal weaknesses within external threats leads to inaccurate/misleading results and recommendations✘ Lack of prioritization: Failing to prioritize or rank ideas results in a lack of focus on the objective

References

1. Raeburn, Alicia. "SWOT Analysis: Examples and Templates." 2023.
2. Queensland Government. "SWOT Analysis." 2022.
3. LinkedIn. "What Are the Common Pitfalls of SWOT Analysis?" 2023.