

## THE USE AND ABUSE OF SWOT ANALYSES

Quite simply, strategy formulation is the response of an organisation - be it in the public or private sector - to external opportunities, threats and challenges.

Determining external threats and opportunities, as well as identifying the internal factors which create competitive 'muscle' - or even suppress or limit it - is a key aspect of strategic analysis.

A SWOT Analysis consists of a candid compilation and appraisal of an organisation's Strengths, Weaknesses, Opportunities and Threats. This technique is typically used (especially by Consultants) in formulating and evaluating strategy. Unfortunately it is not often applied well and as a result, organisations rarely reap the full benefit of this process.

When conducting a SWOT Analysis, the emphasis should not be on listing any kind of Strength, Weakness, Opportunity or Threat, but rather on identifying those that are strategy-related.

A SWOT Analysis must be more than a set of four lists:

- Some strategy-related strengths are more important than others and may count for more in the market place and in building a successful strategy
- Some strategy-related weaknesses can be fatal, whilst others might not matter as much or can be easily remedied
- Some opportunities may make more sense to pursue than others
- An organisation may be much more vulnerable to some threats than to others.

So it is essential to evaluate the SWOT in terms of what the implications are for strategy and what adjustments may need to be explored.

The tables (below) suggest some of the key considerations. Undertaking a SWOT Analysis can be a painstaking and difficult process - even for those with many years of experience. Nevertheless it is a powerful tool and, conducted effectively, will give a clear picture of an organisation's overall competitive position.

### THE SWOT ANALYSIS - WHAT TO LOOK FOR

#### Internal

Strengths	Weaknesses
Adequate financial resources?	No clear strategy direction?
Good competitive skills?	Obsolete facilities?
Well thought of by customers?	Poor profitability?
Cost advantages?	Lack of managerial depth or talent?
Product/service innovation abilities?	Absence of key skills or competencies?
Proven management?	Too narrow a product/service line?
Acknowledged market leader?	Below average marketing skills?
Access to economies of scale?	Insufficient funds?
Barriers of entry?	Poor knowledge of competitors?

## External

Opportunities	Threats
Serve additional customer groups?	Entry of new competitors?
Enter new markets or segments?	Rising demand for substitute products / services?
Expand product/service line to meet broader range of customer needs?	Slow market growth or market decline?
Diversify into related products/services?	Adverse government policies?
Add complementary products/services?	Growing competitive pressures?
Faster market growth?	Changing customer needs and tastes?
Favourable currency movements?	Unfavourable currency movements?
Adopt new technology?	Technology obsolescence?