

SWOT ANALYSIS FACTSHEET (CIPD)

A SWOT analysis is a planning tool which seeks to identify the strengths, weaknesses, opportunities and threats involved in a project or business. It's a model for matching an organisation's goals, programmes and capacities to the social environment in which it operates.

This factsheet examines the four elements of a SWOT analysis and the process of conducting an analysis of this nature. It also provides tips for conducting a SWOT analysis, such as getting other people involved to gain multiple perspectives and exploiting any expertise and resources already available within the organisation. The factsheet concludes by looking at the particular scenarios when a SWOT analysis is most appropriate, as well as the advantages and disadvantages of a SWOT analysis.

CIPD VIEWPOINT

It's important that organisations take time to reflect on their performance, and to think about the strengths and weaknesses that they have. In today's competitive environment it is also important that management take time to think about the opportunities and threats that exist, and use these as part of the strategic planning process.

Using a SWOT analysis gives a structured approach to such deliberations, and can be very effective in getting contributions from a range of people. This is particularly effective if the SWOT analysis is carried out as a group brainstorm activity. The value of a SWOT analysis can be enhanced when used with other analysis tools such as PESTLE.

SWOT is an acronym for Strengths, Weaknesses, Opportunities, Threats. Occasionally, it may also be found as a 'WOTS up' analysis or the TOWS analysis. The technique is credited to Albert Humphrey who led a research project at Stanford University in the 1960s and 1970s using data from leading companies involved in long range planning processes.

WHAT IS A SWOT ANALYSIS?

A SWOT analysis is a planning tool used to understand the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business. It involves stating the objective of the business or project and identifying the internal and external factors that are either supportive or unfavourable to achieving that objective. SWOT is often used as part of a strategic or business planning process, but can be useful in understanding an organisation or situation and decision-making for all sorts of situations.

Any organisation undertaking strategic planning will at some point assess its own strengths and weaknesses. When combined with an inventory of opportunities and threats in the organisation's external environment, the organisation is effectively making a SWOT analysis establishing its current position.

While at first glance the SWOT looks like a simple model and easy to apply, experience shows that to do a SWOT analysis that is both effective and meaningful, requires time and a

significant resource. It requires a team effort and cannot be done effectively by only one person. The SWOT methodology has the advantage of being used as a 'quick and dirty' tool or a comprehensive management tool, and that one (the quick) can lead to the other (the comprehensive). This flexibility is one of the factors that has contributed to its success.

The term 'SWOT analysis' is in itself a curious term, for a SWOT is not an analysis in itself, but a number of elements when used together form a valuable framework for analysis. It is essentially a summary of a set of previous analyses – even if those were just 15 minutes of mini-brainstorming with yourself in front of your computer although this approach is not recommended! The analysis, or more correctly 'interpretation', comes after the SWOT summary has been produced.

THE SWOT MODEL

A SWOT analysis process generates information that is helpful in matching an organisation or group's goals, programs, and capacities to the social environment in which it operates. The 'SWOT' itself is only a data capture exercise - the analysis follows later.

- **Strengths:** positive tangible and intangible attributes, internal to an organisation and within the organisation's control
- **Weaknesses:** internal factors within an organisation's control that detract from the organisation's ability to attain the desired goal. Which areas might the organisation improve?
- **Opportunities:** external attractive factors that represent the reason for an organisation to exist and develop. What opportunities exist in the environment, which will propel the organisation? Identify them by their 'time frames'.
- **Threats:** external factors beyond the organisation's control which could place the organisation mission or operation at risk. The organisation may benefit by having contingency plans to address them if they should occur. Classify them by their severity and probability of occurrence.

It is important to note the strengths and weaknesses are intrinsic value-creating skills or assets, or the lack of these, relative to competitive forces. Opportunities and threats are external factors which are not created by the organisation, but emerge as a result of the competitive dynamics caused by future gaps in the market.

PESTLE analysis is used to look at opportunities and threats (external environment) parts of the model.

PRIMO-F provides a consistent framework to look at strengths and weaknesses (the internal environment). The acronym PRIMO-F stands for:

- **People:** what do they do, do they have the skills the organisation needs?
- **Resources:** does the organisation have the right and adequate resources?
- **Innovation:** are new ideas important to us in all parts of the organisation?
- **Marketing:** how do they know what the organisation does?
- **Operations:** how is all this managed?

- Finance: what are the prices, costs and investments?

THE SWOT PROCESS

Doing a SWOT analysis can be very straight forward, but its strengths lie in its flexibility and experienced application.

- Decide how the information is to be collected and by whom (often a team approach is much more powerful than one person's view).
- Identify appropriate sources of information.
- Gather the information - it is useful to use a template as the basis for exploring the factors and recording the information.
- Plot the findings.
- Identify the most important issues.
- Identify strategic options.
- Write a discussion document.
- Disseminate and discuss the findings.
- Decide which activities are a priority in the context of the organisations goals and values.

SWOT analysis tips

Some useful tips for carrying out a SWOT analysis include:

- DO get other people involved to gain multiple perspectives.
- DO exploit any expertise and resources that are already available within the organisation.
- DO use SWOT analysis in conjunction with other techniques, such as PESTLE, PRIMO-F analysis, Porter's five forces, competitor analysis or scenario planning etc.
- DO incorporate your analysis within an ongoing process for monitoring changes in the business environment.

- DON'T do this in isolation - a more effective result is obtained with multiple views.
- DON'T jump to conclusions about the future based on the past or the present.
- DON'T get bogged down in collecting vast amounts of detailed information without analysing your findings appropriately.

When to use a SWOT analysis

A SWOT analysis can be used for:

- workshop sessions
- brainstorm meetings
- problem solving

- planning
- strategic planning (with PESTLE & PRIMO-F)
- product evaluation
- competitor evaluation (with Porter's five forces).
- personal development planning
- decision-making (with Force field analysis).

For example, using SWOT in a team meeting might include the following steps:

- Invite contributors to participate in the SWOT process.
- Explain the process and establish ground rules.
- Identify strengths using the PRIMO-F framework.
- Identify weaknesses using the PRIMO-F framework.
- Identify or list the opportunities and threats – this may well have been identified from a PESTLE analysis previously.
- Establish priorities from your mission, vision and values work.
- Question each list.
- Plan for action.

ADVANTAGES AND DISADVANTAGES

There are a number of advantages and disadvantages of using the SWOT approach to analysis.

Advantages include:

- It is a simple four box framework.
- It facilitates an understanding of the strengths and weaknesses of the organisation.
- It encourages the development of strategic thinking.
- It enables a management team to focus on strengths and build opportunities.
- It can enable an organisation to anticipate future business threats and take action to avoid or minimise their impact.
- It can enable an organisation to spot business opportunities and exploit them fully.
- It is flexible.

Disadvantages include:

- Some users over-simplify the amount of data used for decisions – it is easy to use scant data.
- To be effective this process needs to be undertaken on a regular basis.
- The best reviews require different people being involved, each having a different perspective.
- Access to quality internal data sources can be time consuming and politically difficult (especially in more complex organisations – parent company, etc.).
- The pace of change makes it increasingly difficult to anticipate developments that may affect an organisation in the future.
- The risk of capturing too much data is that it may make it difficult to see the wood for the trees and lead to 'paralysis by analysis'.

- 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.

The value of SWOT lies mainly in the fact that it constitutes a self-assessment for management. The problem, however, is that the elements appear deceptively simple. Actually deciding what the strengths and weaknesses of an organisation are, as well as assessing the impact and probability of opportunities and threats, is far more complex than appears at first sight.

The inherent risk of making incorrect assumptions when assessing the SWOT elements often causes management to procrastinate when it comes to deciding between various strategic alternatives, frequently resulting in unnecessary and undesirable delays.