

SWOT Analysis

Identifying strengths, weaknesses, opportunities and threats to assist in understanding and decision-making

The SWOT (strengths, weaknesses, opportunities, threats) analysis technique can be utilised in various ways to assist in understanding and as an input to decision-making.

The BABOK (Business Analysis Body of Knowledge) Guide v2.0 suggests the following uses of the SWOT technique :

- When assessing capability gaps for an organisation, SWOT analysis can be utilised to identify how current capabilities and limitations (Strengths and Weaknesses) match up against the influencing factors (Opportunities and Threats). The SWOT analysis will assist in the identification of gaps in the capability of the organisation.
- When determining the solution approach this technique provides a useful method of comparing possible approaches. Solutions which, for the organisation, maximise the strengths, take advantage of the opportunities, address the weaknesses and avoid the threats can be identified and compared.
- When developing the business case the output of the SWOT analysis will demonstrate how the recommended solution will help the organisation maximise their strengths and minimise their weaknesses.
- When assessing the organisation's readiness for the new solution, SWOT analysis can be used to assess strategies developed to respond to identified issues.

How to Use the Tool:

The first step of SWOT analysis is to establish the objective of the analysis. This must be unambiguous and agreed by those partaking in the analysis.

An example of an objective when using SWOT analysis as part of a software development project could be "Reduce the time to process an invoice from 5 days to 1 day". You might use SWOT analysis to determine how well the recommended solution meets this objective. In this case the SWOTs are :

- Strengths – attributes of the recommended solution that are helpful to achieving this objective
- Weaknesses – attributes of the recommended solution that are harmful to achieving this objective
- Opportunities – external conditions that are helpful to achieving this objective
- Threats – external conditions that are harmful to achieving this objective.

The clear definition of an objective ensures that people contributing to the analysis, and those seeing the finished SWOT analysis, properly understand the purpose of the SWOT analysis and its implications.



Draw a grid or matrix – a suggested template is shown in the figure below.

Objective:	
Strengths	Weaknesses
Opportunities	Threats

Identify the contributors to the SWOT analysis. Advise each participant of the objectives of the SWOT analysis and advise them of any background preparation to be carried out.

Invite the contributors to a workshop session where each section of the grid will be completed. The workshop will be organised and facilitated by the business analyst. It is important that the atmosphere of the workshop is conducive to the free flow of information and allows the participants to say what they feel to be appropriate.

The content of the lists developed for each of the four SWOT sections will vary depending on the objective of the SWOT – looking for capability gaps of the organisation requires consideration of different factors than determining the SWOT for a recommended solution.

Strengths

List the strengths. The strengths to be included should be those positive attributes internal to the organisation, business unit or solution, that are helpful to achieving the objective. Strengths may be any internal factor that leads to success.

Consider the following:

- Capabilities
- Competitive advantages
- Unique selling points
- Advantages of proposition
- Resources, assets, people
- Experience, knowledge, data
- Processes, systems, information technology, communications
- Financial reserves, likely returns
- Reach, distribution, awareness
- Innovative aspects
- Location
- Price, value, quality
- Accreditations, certifications, qualifications
- Philosophy and values
- Customer satisfaction

Weaknesses

List the weaknesses. Weaknesses are also internal and, therefore, within your control, and are the factors that the organisation, business unit or solution does poorly or not at all. These could include lack of expertise, limited resources, lack of access to skills or technology or inferior service offerings.

These are the areas you need to consider for enhancement to strengthen the organisation, business unit or solution.

Consider the following:

- Gaps in capabilities
- Lack of competitive strength
- Reputation, presence and reach
- Financials
- Vulnerabilities
- Timescale, deadlines and pressures
- Cashflow, start-up cash drain
- Continuity, supply chain robustness
- Effects on core activities, distraction
- Reliability of data, plan predictability
- Morale, commitment, leadership
- Accreditations, certifications, qualifications
- Processes, systems, information technology, communications
- Customer dis-satisfaction

Opportunities

Opportunities are external factors that would be helpful in achieving the objective.

Consider the following:

- Market developments
- Competitors' vulnerabilities
- Industry or lifestyle trends
- Technology development and innovation
- Global influences
- New markets, vertical, horizontal
- Niche target markets



- Geographical, export, import
- Tactics: eg, surprise, major contracts
- Business and product development
- Information and research
- Partnerships, agencies, distribution
- Volumes, production, economies
- Seasonal, weather, fashion influences
- Political changes

Threats

Threats are those negative factors than can negatively impact the organisation, business unit or solution. Threats are external factors and you have no control over them. There would be benefit in developing contingency plans to deal with threats in the event that they occur.

Consider the following:

- Political effects
- Legislative effects
- Environmental effects
- IT developments
- Competitor intentions – various
- Negative media coverage
- A shift in consumer behaviour
- Market demand
- New technologies, services, ideas
- Vital contracts and partners
- Sustaining internal capabilities
- Obstacles faced
- Insurmountable weaknesses
- Loss of key staff
- Sustainable financial backing
- Economy - home, abroad
- Seasonality, weather effects

Further analysis

The output of the workshop session are the potential characteristics of the problem. Further analysis is required to validate the actual characteristics. Ideally these should be confirmed with data.

Once the characteristics have been validated, identify the most important issues and develop the strategic options. One approach is to compare the internal strengths and weaknesses against the external opportunities and threats and develop strategies for each aspect.

Consider :

- how the strengths listed can be used to exploit potential opportunities
- how the strengths listed can be used to reduce vulnerability to threats. Can the threats be turned into opportunities?
- how a weakness can be overcome to pursue an opportunity.
- how to establish a defensive plan to prevent a weakness from making the organisation, business group or solution susceptible to external threats. What actions can be taken to avoid the threat?
- What can be done to maintain, build and leverage on the strengths listed?
- Prioritising the listed opportunities and select those opportunities to be taken further
- Development of mitigation strategies to counter the threats listed