

What a SWOT Analysis is?

The SWOT analysis, also known as TOWS Matrix, is a planning tool used to evaluate strengths (Strengths), weakness (Weaknesses), opportunities (Opportunities) and threats (Threats) of a project or any other situation where an organization or an individual has to make a decision to reach a goal.

The analysis can concern the internal or external environment of an organization.

The technique is attributed to **Albert Humphrey**, who led a research project at Stanford University between the 1960s and 1970s using data provided by the Fortune 500.

1. SWOT Matrix

The structure of the SWOT analysis model can be better understood through the following **matrix**:

SWOT-analysis		INTERNAL	
		Strengths	Weaknesses
EXTERNAL	Opportunities	<i>S-O Strategies:</i> Develop new methodologies able to exploit the company's strengths.	<i>W-O Strategies:</i> Eliminate weaknesses to activate new opportunities.
	Threats	<i>Strategies S-T Strategies:</i> Take advantage of the strengths to defend against threats	<i>W-T Strategies:</i> Identify defense plans to prevent threats external points of weakness.

2. SWOT Analysis use

The SWOT analysis utility is not limited to for-profit organizations. The SWOT analysis can be used in any **decision-making process** in which a desired final state (objective) has been defined. Examples include: non-profit organizations, governmental units and individuals. The SWOT analysis can also be used in pre-crisis and as a preventive planning in crisis management.

SWOT ANALYSIS



Fig. 1 - Another graphic representation of a SWOT Matrix



A SWOT analysis must begin by defining a desired **final or objective** state.

- **Strengths:** the attributions of the organization that are useful in achieving the goal.
- **Weaknesses:** the attributions of the organization that are harmful to reach the goal.
- **Opportunities:** external conditions that are useful for achieving the goal.
- **Risks:** of external conditions that could damage performance

The identification of SWOTs is essential because the next steps in the planning process for achieving the objectives can be worked out by SWOT.

First of all, the managers must determine **if the objective is achievable**, compared to a given SWOT. If the goal is not reachable, a different goal must be selected and the process repeated.

SWOT analysis is **often** used in universities to highlight and identify strengths and weaknesses, opportunities and threats. It is particularly useful for identifying areas of possible development.

3. Create strategies with SWOT

If, on the other hand, the objective seems achievable, SWOTs are used as input for generating possible creative strategies, through the question and answer given to each of the following four questions:

- How can we use and exploit every Strength?
- How can we improve any Weakness?
- How can you exploit and benefit from every Opportunity?
- How can we reduce each of the Threats?

Ideally, a cross-functional team, or a task force representing a **wide range of perspectives**, should perform the SWOT analysis.

For example, a SWOT team in a commercial company can include an accountant, a salesperson, an executive director, an engineer, and an ombudsman.

4. Internal and external factors

The goal of any SWOT analysis is to identify the main internal and external factors that are important for achieving the goal. These come from a single value chain intrinsic to the company.

Internal factors can be seen as strengths or weaknesses depending on their impact on the organization of its objectives. What can represent a strength with respect to a goal can be a weakness for another goal.



INTERNAL factors can include personnel, finance, production capacities, and so on.

EXTERNAL factors can include macroeconomic issues, technological change, legislation, socio-cultural changes, as well as changes in the market and competitive position.

5. Quantitative Analysis

The results of a SWOT analysis can often be presented in the form of a **quantitative assessment**, that could be very impressive to the stakeholders.

In this case, you will have **to detail** the different elements of each component of the SWOT table, assigning them a **value** on the basis of its influence on the component itself, from a scale you previously decided to adopt (in the sample 0-5).

Summing up the results of the four components (Strengths, Weaknesses, Opportunities and Threats), you could get a global appraisal of your idea, project, undertake.

In the sample:

- S = 44
- O = 35
- W = 35
- T = 14

Positive factors are totalling 79 vs. 49, with a positive difference by 30.

So far, you can also **compare single components** each other (for instance, S with W), to get other useful indications about your ideas.

By this way, you can also better tune your analysis, either introducing new items to your evaluation, or refining the assigned values.

Our suggestion is to operate this evaluation in a group session, so that your estimates and evaluations could be discussed, deepened and improved.

In the following page, you see a realistic sample about the application of this kind of SWOT Analysis.

You can try to copy this structure inside a spreadsheet, putting in the total cells the appropriate sum functions: you could obtain a quick tool to produce your SWOT analysis.

SWOT analysis example

This SWOT analysis example is based on an imaginary situation.

The scenario is based on a business-to-business manufacturing company, who historically rely on distributors to take their products to the end user market. The opportunity, and therefore the subject for the SWOT analysis, is for the manufacturer to create a new company of its own to distribute its products direct to certain end-user sectors, which are not being covered or developed by its normal distributors.

subject of SWOT analysis example: the creation of own distributor company to access new end-user sectors not currently being developed.			
strengths	value 0-5	weaknesses	value 0-5
End-user sales control and direction.	5	Customer lists not tested.	4
Right products, quality and reliability.	3	Some gaps in range for certain sectors.	5
Superior product performance vs competitors.	2	We would be a small player.	3
Better product life and durability.	5	No direct marketing experience.	4
Spare manufacturing capacity.	1	We cannot supply end-users abroad.	3
Some staff have experience of end-user sector.	2	Need more sales people.	3
Have customer lists.	5	Limited budget.	4
Direct delivery capability.	4	No pilot or trial done yet.	2
Product innovations ongoing.	3	Don't have a detailed plan yet.	1
Can serve from existing sites.	4	Delivery-staff need training.	1
Products have required accreditations.	2	Customer service staff need training.	0
Processes and IT should cope.	4	Processes and systems, etc	1
Management is committed and confident.	4	Management cover insufficient.	4
<i>sub-total</i>	44	<i>sub-total</i>	35
opportunities		threats	
Could develop new products.	5	Legislation could impact.	2
Local competitors have poor products.	5	Environmental effects would favour larger competitors.	2
Profit margins will be good.	3	Existing core business distribution risk.	3
End-users respond to new ideas.	3	Market demand very seasonal.	3
Could extend to overseas.	0	Retention of key staff critical.	2
New specialist applications.	5	Could distract from core business.	1
Can surprise competitors.	5	Possible negative publicity.	0
Support core business economies.	4	Vulnerable to reactive attack by major competitors.	1
Could seek better supplier deals.	5		
<i>sub-total</i>	35	<i>sub-total</i>	14
	79		49
FINAL EVALUATION IS POSITIVE			30