

Making SWOT Analysis Relevant

Is your organization extracting the most from SWOT analysis or is this strategic analysis tool treated as a necessary, but useless technique. A SWOT analysis can be a valuable tool for any organization, large or small. This article will help your organization avoid the pointless SWOT analyses that are all too common today and obtain the intended benefits from this strategic tool. A new SWOT analysis approach will be introduced that can build significant business value of for your organization.

SWOT Explained

Albert Humphrey developed the SWOT analysis technique in the 1960's. The SWOT provides a structure to analyze a company's planned objective. It identifies areas internal and external to the company that will affect attainment of the objective, either positively or negatively.

The classic SWOT diagram is a two by two matrix. The x-axis is divided into positive and negatives factors and the y-axis is divided into internal and external factors. The four quadrants in the SWOT matrix are: strengths, weaknesses, opportunities, and threats. Strengths are defined as internal capabilities that will help the organization achieve the objective, while weaknesses are internal attributes that harm the organization's achievement of the objective. Opportunities are external forces that will help the organization achieve the business objective, while threats are outside factors that will negatively impact objective achievement. The organization is expected to identify and analyze significant factors in each quadrant.

Strengths Factors	Weaknesses Factors
Opportunities Factors	Threats Factors

Figure 1: The SWOT analysis matrix

Reengineering Your SWOT

A proper SWOT analysis goes further than listing factors that will impact attainment of an objective. A SWOT will only prove valuable if it contains information that the organization can act upon. The main detriment for many SWOT analyses today is that they play no role in guiding decision-making. If you

are not going to do anything as a result of your analysis, why waste time developing it?

There are a number of techniques that you can utilize to make SWOT analysis more valuable to the organization. One useful approach is to analyze each SWOT factor for its impact on the objective. Examine the strengths and identify in detail how key strengths will support objective achievement. Ensure that each corporate function plays their part. For example, if manufacturing to tight tolerances is a leverageable strength, ensure that manufacturing understands this is important to the organization's success. Get the manufacturing team committed to build on this capability or establish greater process controls to guarantee this strength is maintained so the corporation's strength remains a key leverage point. Other questions to examine include: how important is a given strength to the objective, does the strength carry enough weight that it can ensure success, or, are additional resources required to maximize leverage?

A second approach is to conduct an analysis of the weaknesses identified. Prioritize them according to degree of negative impact on the objective. For those with high negative impact and high degree of likelihood, develop a plan to correct the weakness before it has a major detrimental effect on your objective.

The same approach should be applied to the external factors that have been identified in the SWOT analysis. Rather than just list the opportunities, prioritize and identify how the key opportunities can be exploited in order to achieve the objective. What innovative approaches are required to ensure that the opportunity delivers the expected positive impact? Remember that an opportunity only exists, if acted upon. To the extent the company can leverage the opportunity, the more likely the corporation will succeed. For example, if expert clinical opinion has the potential to support a successful launch of a product, make sure to leverage your strong relationship with thought leaders to explain the benefits to patient care.

Threats come in many forms other than the competition, though certainly this is a primary threat. As with other factors, identify how these negative external factors will affect the company and develop approaches that can mitigate the threat or possibly even turn a threat to the company's favor. If a threat is important enough to be prioritized, it is important enough to warrant organization focus. An ignored threat is more dangerous than a managed threat.

Advanced Analyses

One advanced analytical approach is to match a company's strengths to an opportunity. In today's marketplace companies need every edge they can obtain. Rather than rely on luck or hope that the environment will be conducive to your objective, act upon the opportunities by utilizing your strengths to drive attainment of the objective. It's only an opportunity if acted upon.

Another analytical approach is to compare a company's weakness to its threats. There may be situations where a threat and weakness align against the company, resulting in even greater negative impact. Once identified, it is important to initiate contingency planning to minimize the impact of a threat exploiting an organization's weakness. Ignoring the implications and failing to act upon this "stacked deck" sets the organization up for failure.

Some Helpful Hints

By now it should be apparent that a SWOT analysis can be a useful tool for identifying factors that can positively or negatively impact the outcome of your organization's plans. Here are a few considerations that should help you to get the most out of this analysis.

First, don't make lists for each quadrant. Make sure that each strength, weakness, opportunity or threat factor is defined in sufficient detail to prioritize, and potentially, to act upon. "Our technology" is a terribly worded strength. Phrasing this in greater detail could be useful in many ways. For instance it may provide marketing with an important benefit that can be communicated to customers. Or stating the technology's impact on the customer could stimulate R & D to develop additional features that fully address a customer need, meet the needs of customers in an adjacent market, or evaluate how a competitor's technology fails to meet the customers' needs. Table 1 provides additional examples of poorly written factors and well-defined factors.

<u>SWOT Characteristic</u>	<u>Poorly defined factors</u>	<u>Well-defined factors</u>
Strengths	Sales coverage	Ability of our sales team to translate complex messages into easy-to-understand customer benefits to close sales.
	Technology	The <i>abc</i> approach of our technology provides acceptable accuracy while allowing treatment at a significantly lower cost per treatment than the competition.
Weaknesses	Customer service	Our reticence to establish leasing options reduces our ability to capitalize on a growing market segment, which is currently being aggressively pursued by the competition.
Opportunities	Green movement	Aligning our products with environmental group objectives can provide credence to our unique positioning versus the competition.
	Customer awareness	Building on the existing and growing customer awareness on the clinical and economic impact of medication errors could stimulate customers to give preference to our products.

Threats	Reimbursement	The impending reimbursement ruling can significantly limit the types of patients that can be treated with our products.
	Industry consolidation	The vertical integration resulting from the acquisition of the Smith Company by Jones Inc. will reduce our effective market by 15%.

Table 1: SWOT characteristics for a product launch plan

Second, prioritize each SWOT factor. No organization has the capability or resources to act upon the ten or twenty SWOT factors typically identified. In order to drive business value, the SWOT factors need to be reduced to a manageable few. Prioritization could occur for each SWOT factor, or across the entire SWOT matrix. The key is to reduce the number of factors that the organization will analyze in detail to five or less.

Adding A New Technique To The Classic SWOT Analysis

I prefer to prioritize based upon positive factors and negative factors. This gives me two distinct lists. The top 3 positive factors are labeled as Key Leverage Factors (KLF). These three KLF's are the areas where I focus my energies. By their nature, KLF's are those strengths or opportunities that will drive attainment of the business objective. However, KLF's cannot be left to chance, so as a result, a plan is developed for each KLF, looking in particular for programs that will allow the company to fully leverage the situation for success. This is why it is so important to prioritize and limit your SWOT characteristics. Who would have the time or resources to develop twenty plans?

The top 3 negative factors are labeled as Key Vulnerability Factors (KVF). KVF's are those weaknesses or threats that contain the highest likelihood or most significant impact of preventing attainment of the business objective. As with KLF's, KVF's the organization needs to develop a plan of action so that the KVF impact can be mitigated.

When planning for either KLF's or KVF's, a common approach will work. A proposed action plan is as follows:

- Define the problem or opportunity.
- Assemble the organization functions necessary to scope the problem or opportunity.
- Collect the data.
- Develop a plan of action.
- Resource and implement the plan of action.

Integrating your KVF's and KLF's into your business plan will assist the organization in achieving the business goal.

Conclusion

The SWOT analysis is a valuable strategic tool for any organization if it is performed correctly. It can efficiently package the key drivers for success or failure of many different business objectives. While the SWOT is commonly used to analyze strategic activities, it is useful for product or service launches, major resources investments, or key R & D technology decisions. To make the SWOT analysis useful, remember to state your strengths, weaknesses, opportunities and threats in enough detail to allow you to develop KVF's and KLF's. Once completed, develop a plan of action to ensure your objective's success.

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