

SWOT ANALYSIS OVERVIEW

A Word On Strategic Management

Strategic management, which is critical to the success of all organizations, is a process that combines three major interrelated activities:

- 1) Strategic Analysis
- 2) Strategic Formulation
- 3) Strategic Implementation

Basically, strategic analysis is the homework required to develop an appropriate strategy. Strategy formulation is the process that transforms this homework into a plan. Strategy implementation is the process of putting the plan into action.

What Is SWOT Analysis

Strategic analysis is the foundation for the strategic management process. It consists of three parts. The first is a consideration of an organization's goals. The second is the identification of opportunities and threats present in the external environment. The third is the identification of the organizations internal strengths and weaknesses.

SWOT analysis is an efficient and effective approach for conducting a strategic analysis – the front end of the strategic management process.

SWOT analysis refers to the identification of Strengths, Weaknesses, Threats, and Opportunities relative to a specific goal.

SWOT analyses should be conducted at both functional and business levels. A functional level SWOT analysis might be a SWOT analysis conducted for the sales function or the marketing function of an organization, for instance.

A business level SWOT analysis is conducted for the business as a whole, and should be conducted relative to the business's overall strategic intention or goal.

STEPS INVOLVED IN SWOT ANALYSIS

Step 1: Identification of the strategic intention or goal of the business (Complete prior to session)

The organization's basic goal or strategic intention has to be understood before conducting the SWOT analysis. It may be revised as a result of the analysis, but it must exist at least at some basic level because SWOT analysis is a relative process. That is, it is conducted relative to some goal or objective.

Step 2: Identification and Prioritization of Strengths

SWOT analyses are best conducted in groups ranging in size from four to twelve individuals.

The facilitator asks the group what it believes its greatest strengths are relative to achieving a particular goal. A series of questions may be asked to elicit responses. Each strength mentioned is recorded onto a flipchart until all are identified.

Time permitting, these strengths may be prioritized.

Step 3: Problem (Weaknesses and Threats) Identification

A problem is anything that could prevent you from achieving your company's strategic intention/goal and requires your attention and correction.

Prior to attempting to identify problems, someone within the organization should have presented a history of performance and identified significant variations from previous goals.

- a. Decreases in market share, sales, or profit margin
- b. Decreases in proposals won or jobs won
- c. Inability to penetrate new markets
- d. Etc.

Once the significant variances have been presented, the group will attempt to identify the major weaknesses and external factors that have contributed to the variances.

Likewise, the group will identify any threats to achievement of future goals.

Step 4: Problem Analysis

Once the problems are identified they're ranked in terms of importance to the firm, and evaluated as solvable or unsolvable.

Potential solutions/solution steps are brainstormed for the solvable problems.

Viability of solutions may be discussed relative to the significance of the problems.

Step 5: Opportunity Identification

The group identifies significant opportunities to expand the business. The types of opportunities considered often relate to new market or product opportunities, applications, significant account strategies, and to a lesser degree, significant cost reduction strategies.

Once the opportunities are identified, they are evaluated and plotted onto an opportunity matrix categorizing each opportunity into one of four quadrants that will indicate whether or not action will be taken on the opportunity.

Step 6: Brainstorm prospective strategies/actions to be taken to realize the opportunities selected.