

Understanding of SWOT Analysis

By

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Overview - Understanding of S.W.O.T. Analysis

This TQM ebook is a compilation of my 5-series [TQM Ezine \(SWOT Analysis\)](#) for ease of reading, sharing, distribution and give away.

The 5 series is arranged in a logical order for your reading and learning in away make it a smooth flow of thoughts. Extra reading links is made available at the end of each chapter to help you gain extra in-dept knowledge about the chapter or topic. While I tried to provides these useful links and avoid duplicates, these links may contain similar information about the chapter or topic in which I did not have time to screen it or discard it. Therefore, you are advised to make your own decision to accept the extra information in good faith.

A word of caution!

While this ebook is written about SWOT Analysis, it is by no means to repeat what could be found in textbook. It is written such a way that the concepts of SWOT Analysis is interpreted based on my application experience. Of course there are times I have to quote the exact concept made reference to the gurus of the subject matter

Chapter 1 – Basic of S.W.O.T.

SWOT Analysis is widely used in the business world but not exposed to many employees. They are used by high level management staffs. This TQM articles writes about a brief concepts of SWOT Analysis aimed to provide interested parties a basic understanding of SWOT Analysis.

What is S.W.O.T.?

S.W.O.T. is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. As you can see, the S.W.O.T. consists of four factors each clearly has its own identity and purpose.

S.W.O.T is commonly classified an External and Internal Factors. For the External factors, it consists of the Opportunities and Threats, whereas the Internal Factors are Strengths and Weaknesses.

Where is S.W.O.T. being applied?

S.W.O.T. or S.W.O.T. Analysis as it may sometimes being called can be performed in a variety of application or situation. It can be used as a situation analysis as an input into a strategic planning process at corporate of company level. It can also apply to evaluate the situation in terms of its capabilities. We use S.W.O.T. as a situation analysis tool.

When do we perform a S.W.O.T. Analysis

In common practice, S.W.O.T. Analysis is performed during the Strategic Planning or Business budget session normally done at the end of a financial year. But to perform a S.W.O.T. should not be limited to a yearly affair. You may perform a S.W.O.T. Analysis

whenever it is needed to help you to identify causes of a non-conformance and you needed a new solution or strategy.

Who would perform a S.W.O.T. Analysis

In most cases, leaders of an organization perform a S.W.O.T. Analysis. However, it should not be limited to this group of people. In fact, anyone who has an interest and trained can perform a S.W.O.T. Analysis for the situation they are in. I have many situations where heads of a department perform a S.W.O.T. Analysis for their own operation issues because they want to develop solutions based on facts.

Why do you need to perform a S.W.O.T. Analysis

As it can be seen by now, data gathering is an essential part of S.W.O.T. Analysis. Hence, the information collected is likely to be more factual. Any solution derived from S.W.O.T. will be more realistic and reliable.

How to perform a S.W.O.T. Analysis?

As data collection is one of the key activities in S.W.O.T. analysis, it should allow enough time to bring back the data. 1-3 month before a S.W.O.T. Analysis session is conducted. Once the data is collected, it should be grouped into the four factors. This can be done individually or in a team.

In summary, with some basic understanding of S.W.O.T. Analysis, the solution derived from it can be value add to the organization.

Chapter 2 – What consist of S.W.O.T.

As I have briefly pointed out in chapter -1, S.W.O.T. is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. So, what constitute these factors in our real life applications?

As a general guideline, S.W.O.T. May be categorized into two factors. They are the commonly known external and internal factors.

The external factors refer to elements that are normally outside your own control and most of the time deal with external environmental factors. Example factors are: political, economic, societal and technological in short commonly known as P.E.S.T. Within the S.W.O.T., Opportunities and threats belongs to this category.

On the other hand, Internal factor refers to factors that are internal in nature and normally within your own control. Examples of factors are capabilities related factors such as production capability, market knowledge, management of distributors etc. Within the S.W.O.T., Strengths and Weaknesses are internal factors.

In real life application, how do you differential between all the four factors. To explain, let me illustration it with a situation as below:

Situation:

Company A is loosing market share over the last 1 year

Using S.W.O.T., you need to identify as many contributing elements pertaining to “loosing market share” in accordance to the four factors. Of course, if you perform the S.W.O.T. in a team, brainstorming tool is used.

Say, you are able to establish these elements, you need to categorized them into the four S.W.O.T. listed below:-

Strengths

- High product quality
- wide marketing network
- sound financial support

Weaknesses

- slow in delivery
- pricing is not competitive
- product range is limited

Opportunities

- strong market demand
- increasing quality conscious end-user
- Consolidation of small players

Threats

- Rising raw material cost
- Free import of goods from China
- Price war among local supplier

In summary, with some basic understanding of S.W.O.T. Analysis, the chances is for you to develop a strategy or solution to this above situation will be value add to your organization

Chapter 3 -- SWOT is an essential tool for Strategic Planning

SWOT Analysis is one of the effective analytical tools to evaluate a situation. The situation may be strategic related or capabilities related. SWOT Analysis is often used along with Strategic planning and it forms one of the key critical success factors in a Strategic Planning Process.

There are many ways how a SWOT analysis is used. This TQM article aimed to share how SWOT analysis can be used as an essential tool to Strategic Planning Process as I practiced in my workshop conducted over the years.

While detail Analysis is performed, it can become a complex process because it entails several data analysis involves external factors such as Political, Economical, Societal and Technological in short called P.E.S.T. Besides, it also examines internal factors such as operational capabilities as compared to the competitors.

To recap, S.W.O.T. is an abbreviation for Strengths-Weaknesses-Opportunities-Threats. It represents a group of four factors which data are collected to reflect each of these four factors. These four factors are categorized into Internal and External Factors.

How to collect relevant data for the S.W.O.T.?

In order to use the SWOT Analysis for the Strategic Planning, you need to understand how to collect the data for the SWOT factors. Lets start with the Strengths. To collect data for the Strengths in relation to your competitor, you may use the following guides:-

- What are the advantages of your company over your competitor?
- What are some of the customer benefit you can offer?
- What are some your customer relationship?
- What are some of the offers to customer your can fulfilled?
- What are some of the low cost operation capabilities?
- What are your financial strengths?

Similar to the Strengths, Weaknesses is another internal factor that deals with the weaknesses of the operation. The impact of these weaknesses is more urgent when compared it with the competitors who are ahead of you. Below is the guideline you can use to identify weaknesses:-

- What are some of the setback with your company or operation
- What are some of the “out-dated” or inefficient equipment?
- What are some of the bad customer experience?
- What are some of the repeated operation failure?
- What are some of the escalated cost components?

In the area of Opportunities, it is an external factor. When dealing with external factors, you have to be objectives. Keep focus on external factors that has an influence to the market and your sales opportunity and those are not within your control. You may use the following guidelines to help you to generate the list of opportunities:-

- Political or Policy changes that may spur development
- Economic situation that encourage spending.
- Societal stability that may encourage harmony (more spending)
- Technological advancement that can accelerate your operation

In the area of Threats, it is another external factor you must deal with realistically and that the information has great impact to your business. Keep focus on external factors that has an influence to the market and your sales opportunity and those are not within your control. You may use the following guidelines to help you to generate the list of opportunities:-

- Any new entrance to your industry?
- Any form of substitutions or alternatives
- What are some of the Political changes that influence the economy?
- Policy imposed that cost more in the long run
- Economic downturn in your own targeted market
- Societal instability
- Obsolete technology that hinder speed to market

Once you have completed the data collection for the four factors, you need to study the list to ensure they are clearly understood. You need to keep your list short probably within 10 items. You may make use of some TQM tools to help you. Examples of some of the TQM tools are selection grid, you and competitor matrix,

With the finalized list the S.W.O.T. factor then it is ready be used to generate strategies options. I will cover this step in my next distribution

Tips: When generate the list of S.W.O.T., try to write the statement as precise and concise as possible. Ensure all members understand and interpret them correctly.

Chapter 4 – How SWOT analysis is used to formulate strategies

This is perhaps the most powerful usage of SWOT Analysis in the Strategic Planning Process. I am going to show you how to use the four factors of SWOT to develop Strategies

By now, you would have collected several data pertaining to the Strengths, Weaknesses, Opportunities and Threats. Then you will use them to formulate strategy. Not sure how to do it? Don't worry, I take you through the steps.

Step 1 – Evaluate the surrounding

Let's take a moment to think about both of us as the coach for two teams of football teams.

Before the game starts, you and I have certain strategies that we want the team to follow. As the game progresses, there is sign of difference between the two teams in terms of the game as well as the condition of the team members.

Step 2 – Identify the Strengths, Weaknesses, Opportunities and Threats

Now, it is time to evaluate the teams in the four factors of SWOT. Let's take the following examples as the result of the evaluation:-

Strengths - Your team full of fighting spirit

Weaknesses - One of your team members is hurt

Opportunities - Your opposition team seems to lose stamina

Threats - Your opposition team is full of energy

Note: Some of these factors seem to be conflicting each other. For the purpose of this step, this conflict is ignored.

Step 3 - Pair the SWOT factors to formulate strategies

Now, you would start to formulate strategies in the four categories.

Namely:-

- SO Strategies (Strengths and Opportunities Strategy)
- ST Strategies (Strengths and Threats Strategy)
- WO Strategies (Weaknesses and Opportunities Strategy)
- WT Strategies (Weaknesses and Threats Strategy)

In this case, your strength is "your team is full of fighting spirit " and paired with your opportunities is " Opposite team is loosing stamina" . With this scenario, what would you do? Perhaps you formulate a strategy to " ATTACK ". There it goes, you just formulate a attacking strategy.

Then you do the same procedure for SW Strategies, WO strategies and WT strategies.

Step 4 – Evaluate the strategic options

At the end of this paring of SWOT factors, you would have end up several strategic options. Do a quick evaluation of each of these strategies to the extent of meeting the company objectives.

Step 5 – Selecting Strategic Options

At this step, you would have a long list of strategic options. Too many strategies to implement may not be practical. Therefore, you need to shorten the list to perhaps maximum three strategies.

After you have completed all the 5 steps to use SWOT Analysis to Formulate Strategies, you have a list of strategies for you to implement to your business.

Chapter 5 – Pros and cons of using SWOT in Strategic Planning

You may have gained some basic understanding of SWOT Analysis. You like to start using it for your work or your personal objectives. Whichever way you do it, it will bring about a your desired outcome because the data you collected for the Four factors of S.W.O.T. is objective and relevant.

If you have put the SWOT Analysis into real life practice, you could have faced with some difficulties in using it. But don't worry too much, as more practice would gain better experience with SWOT Analysis.

In this article, I will point out some of the Pros and Cons of using SWOT Analysis in Strategic Planning so you are aware of it. The sample list below should help you to reinforce your understanding of the SWOT Analysis.

PROS

- 1) Factual data are available to understand external factors as well as internal capabilities
- 2) Get a chance to evaluate the external opportunities and threats
- 3) A factual evaluation of own strengths and Weaknesses as compared with competitors
- 4) Open up a new dimension of competitive position

CONS

- 1) Time consuming
- 2) Data collected may not be current (member may take past single even to make conclusion)
- 3) Differences in opinion due to difference understanding of the SWOT process
- 4) Form own opinion of an event instead of base on factual information

While you go through the SWOT Analysis yourself, you may encounter various different experiences. Feel free to add your experience into the list above. More importantly, it is for you to take advantage of the PRONS and avoid the CONS

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WRAP UP

Series 1 – Basic of SWOT

You have learned some basic concept SWOT factors and SWOT Analysis. This series would prepared you to have a fresh look at the SWOT Analysis and it could be used in your work or personal life.

Series 2 - What consist in SWOT

This series would bring you into a deeper understanding of SWOT and some of the elements or factors term within the boundary of SWOT It highlights some guidelines of the external and internal factors.

Series 3 - SWOT Analysis as an essential tool in Strategic Planning

More understanding of the SWOT factors were discussed in this series. it covers several examples of the four factors of SWOT.

Series 4 - How to use SWOT Analysis to formulate strategies

This is perhaps the most crucial steps in the SWOT Analysis. it demonstrated a football match scenario where you can relate how to use the SWOT Analysis to formulate strategies.

Series 5 - Pro and Cons of using SWOT in Strategic Planning

Like in everything else, you have learn the Pros and Cons which are the positive and negative aspect of SWOT in conjunction with a Strategic Planning.

In summary, this 5 series TQM Ezine for SWOT Analysis is an ideal TQM knowledge in SWOT Analysis and how it could be used as part of the Strategic Planning Process. When it is mastered, it can be utilized in your own operation if you took a fresh look at your own capabilities. It is a common tool that is guided by templates for ease of application.

Once you are comfortable with this basis understanding of SWOT Analysis, you may start to put it into practice and explore the power of it.

As I may not have covered enough depth for your learning, You are welcome to visit my TQM Case Studies & Articles Directory at <http://tqmcasestudies.com/tqm-case-studies-directory.html>

This series conclude your 5-series TQM Ezine for SWOT Analysis. I hope you enjoy the knowledge and seek you feedback for further improvement. Please drop me a note to give me your comments at dr.lmfoong@tqmcasestudies.com

You are invited to be part of the [TQM Ezine Community](#) and receive a FREE ebook titled: “Articulated Baldrige Values and Concepts”. Click to [Subscribe Now](#) !

While I am aware this ebook has limited information about SWOT Analysis, I am in the progress to write a ebook titled:

[Application of SWOT Analysis](#)

This ebook will cover more comprehensive explanation of SWOT Analysis, include additional information such as graphic illustrations, templates and case studies.

I invite you to check on the link regularly for its launch.