

QuickTip – SWOT Analysis

SWOT analysis is a popular tool for situational analysis. SWOT is an acronym for “strengths, weaknesses, opportunities, and threats.” It looks at both internal and external factors (figure 1).

When to Use

Use a SWOT analysis when you want a structured way to help a group think through the current environment they face and how that should affect planning for the future. SWOT is often used during strategic planning.

Procedure

SWOT’s external analysis examines both opportunities and threats from factors such as competitors, suppliers, economic trends, and regulations. Then it looks for ways to take advantage of (capture) the opportunities and counter the threats.

The internal performance analysis looks at the organization’s strengths and how to exploit them, as well as weaknesses and how to mitigate them. Examples of internal areas to evaluate are financial performance, development capabilities such as engineering expertise, technology, and service and operations capabilities.

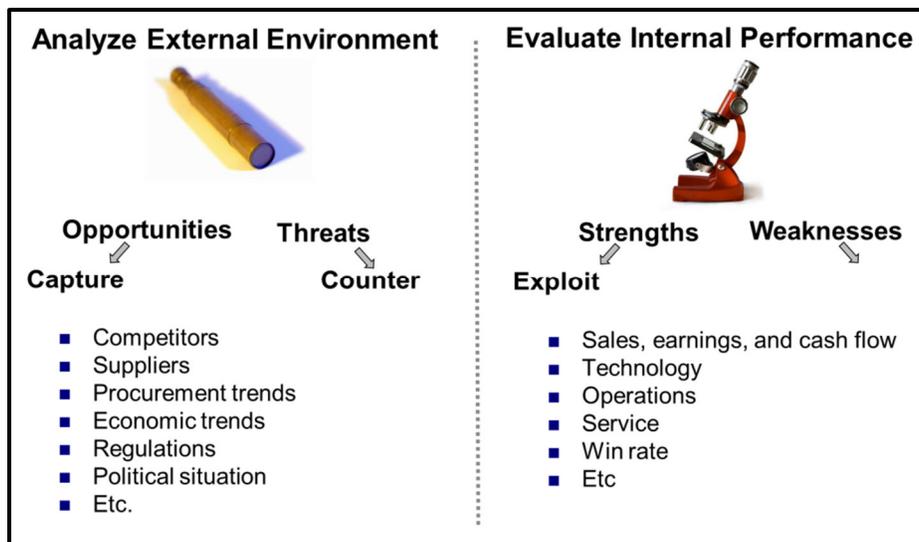


Figure 1: SWOT does internal and external analysis.

All of this gives a good understanding of the current state of the organization, as well as some ideas on how to change that state to get to the desired state.

Considerations

1. The strongest strategic actions emerge from external opportunities that intersect with an organization’s internal strengths (upper left quadrant of figure 2). These are chances for an organization to “lead the charge,” moving forward as a leader leveraging its strengths.
2. The most dangerous situations for an organization are in the lower right quadrant, where external threats intersect with internal weaknesses. This puts the organization in a defensive position right where it is weak.

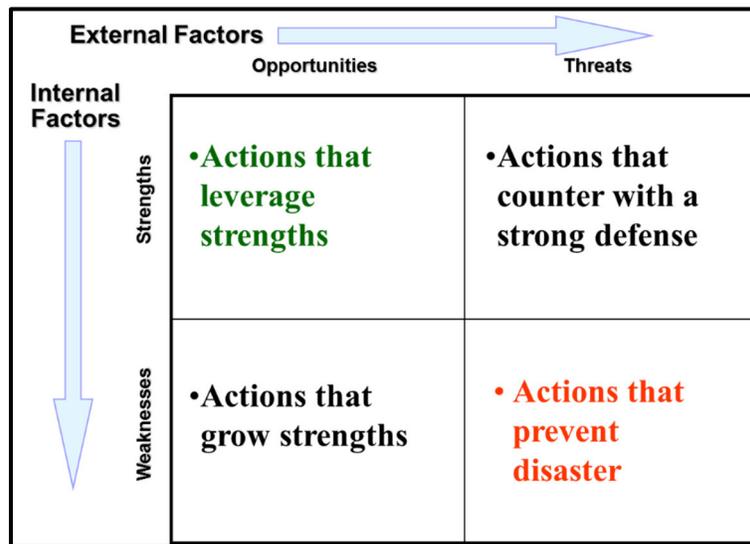


Figure 2: Develop actions based on SWOT analysis.