



## SWOT ANALYSIS

Source: <http://en.wikipedia.org/wiki/Business>

**SWOT analysis** (alternatively **SWOT Matrix**) is a structured planning method used to evaluate the **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats involved in a project or in a business venture.

A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieving that objective. The technique is credited to Albert Humphrey, who led a convention at the Stanford Research Institute (now SRI International) in the 1960s and 1970s using data from Fortune 500 companies. The degree to which the internal environment of the firm matches with the external environment is expressed by the concept of strategic fit.

Setting the objective should be done after the SWOT analysis has been performed. This would allow achievable goals or objectives to be set for the organization.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the team at a disadvantage relative to others
- **Opportunities:** elements that the project could exploit to its advantage
- **Threats:** elements in the environment that could cause trouble for the business or project

Identification of SWOTs is important because they can inform later steps in planning to achieve the objective.

First, the decision makers should consider whether the objective is attainable, given the SWOTs. If the objective is *not* attainable a different objective must be selected and the process repeated.

Users of SWOT analysis need to ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful and find their competitive advantage.

SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. The factors come from within a company's unique value chain. SWOT analysis groups key pieces of information into two main categories:

1. internal factors – the *strengths* and *weaknesses* internal to the organization
2. external factors – the *opportunities* and *threats* presented by the environment external to the organization

Analysis may view the internal factors as strengths or as weaknesses depending upon their effect on the organization's objectives. What may represent strengths with respect to one objective may be



weaknesses (distractions, competition) for another objective. The factors may include all of the 4Ps; as well as personnel, finance, manufacturing capabilities, and so on.

The external factors may include macroeconomic matters, technological change, legislation, and sociocultural changes, as well as changes in the marketplace or in competitive position. The results are often presented in the form of a matrix.

SWOT analysis is just one method of categorization and has its own weaknesses. For example, it may tend to persuade its users to compile lists rather than to think about actual important factors in achieving objectives. It also presents the resulting lists uncritically and without clear prioritization so that, for example, weak opportunities may appear to balance strong threats.

It is prudent not to eliminate any candidate SWOT entry too quickly. The importance of individual SWOTs will be revealed by the value of the strategies they generate. A SWOT item that produces valuable strategies is important. A SWOT item that generates no strategies is not important.

## Use

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The usefulness of SWOT analysis is not limited to profit-seeking organizations. SWOT analysis may be used in any decision-making situation when a desired end-state (objective) has been defined. Examples include: non-profit organizations, governmental units, and individuals. SWOT analysis may also be used in pre-crisis planning and preventive crisis management. SWOT analysis may also be used in creating a recommendation during a viability study/survey.