

Strategic and Creative Use of SWOT Analysis

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Strategic Use: Orienting SWOTs to An Objective

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A SWOT analysis must first start with defining a desired end state or objective. A SWOT analysis may be incorporated into the [strategic planning](#) model. An example of a strategic planning technique that incorporates an objective-driven SWOT analysis is [Strategic Creative Analysis \(SCAN\)](#)^[1]. Strategic Planning, including SWOT and SCAN analysis, has been the subject of much research.

- **Strengths:** attributes of the organization that are helpful to achieving the objective.
- **Weaknesses:** attributes of the organization that are harmful to achieving the objective.
- **Opportunities:** *external* conditions that are helpful to achieving the objective.
- **Threats:** *external* conditions which could do damage to the business's performance.

Identification of SWOTs is essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs.

First, the decision makers have to determine whether the objective is attainable, given the SWOTs. If the objective is NOT attainable a different objective must be selected and the process repeated.

The SWOT analysis is often used in academia to highlight and identify strengths, weaknesses, opportunities and threats. It is particularly helpful in identifying areas for development.



Creative Use of SWOTs: Generating Strategies

[edit]

If, on the other hand, the objective seems attainable, the SWOTs are used as inputs to the creative generation of possible strategies, by asking and answering each of the following four questions, many times:

- How can we Use and Capitalize on each Strength?
- How can we Improve each Weakness?
- How can we Exploit and Benefit from each Opportunity?
- How can we Mitigate each Threat?

Ideally a cross-functional team or a task force that represents a broad range of perspectives should carry out the SWOT analysis. For example, a SWOT team may include an accountant, a salesperson, an executive manager, an engineer, and an ombudsman.

Matching and converting

[edit]

Another way of utilizing SWOT is **matching** and **converting**.

Matching is used to find *competitive advantages* by matching the strengths to opportunities.

Converting is to apply conversion strategies to convert threats or weaknesses into strengths or opportunities.^[2]

An example of conversion strategy is to find new markets.

If the threats or weaknesses cannot be converted a company should try to *minimize* or *avoid* them.^[3]

Evidence on the Use of SWOT

[edit]

SWOT analysis may limit the strategies considered in the evaluation. "In addition, people who use SWOT might conclude that they have done an adequate job of planning and ignore such sensible things as defining the firm's objectives or calculating ROI for alternate strategies."^[4] Findings from Menon et al. (1999)^[5] and Hill and Westbrook (1997)^[6] have shown that SWOT may harm performance. As an alternative to SWOT, [J. Scott Armstrong](#) describes a 5-step approach alternative that leads to better corporate performance.^[7]

These criticisms are addressed to an old version of SWOT analysis that precedes the SWOT analysis described above under the heading "Strategic and Creative Use of SWOT Analysis." This old version did not require that SWOTs be derived from an agreed upon objective. Examples of SWOT analyses that do not state an objective are provided below under "Human Resources" and "Marketing."

Internal and external factors

[edit]

The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's unique value chain. SWOT analysis groups key pieces of information into two main categories:

- **Internal factors** – The *strengths* and *weaknesses* internal to the organization. - Use a PRIMO-F analysis to help identify factors
- **External factors** – The *opportunities* and *threats* presented by the external environment to the organization. - Use a **PEST** or PESTLE analysis to help identify factors

The internal factors may be viewed as strengths or weaknesses depending upon their impact on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses for another objective. The factors may include all of the **4P's**; as well as personnel, finance, manufacturing capabilities, and so on. The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or 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 companies to compile lists rather than think about what is actually important 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 too quickly any candidate SWOT entry. The importance of individual SWOTs will be revealed by the value of the strategies it generates. A SWOT item that produces valuable strategies is important. A SWOT item that generates no strategies is not important.

Use of SWOT Analysis

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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](#).