

## SWOT Analysis – Old Faithful or Old Hat?

SWOT has been around for years, and it has come in for some criticism in recent times for being superficial, and perhaps overly optimistic. We believe, however, that the shortcomings are more to do with the use of the methodology, rather than the tool itself. This White Paper explains why.

For a new slant on the use of “Two-Way SWOT” as a tool for Key Account Management, and a neat review of its “pros and cons”, [please click here to read our recent blog post](#).

### Sustainable Competitive Advantage

What most of business strategy is about - and what distinguishes it from other areas of business planning and management - is beating the competition. Without competitors there would be little need for strategy, which is intended to enable the company to gain, as efficiently and profitably as possible, a **Sustainable Competitive Advantage** over its competitors.

Your company might choose to strengthen certain capabilities to increase market share or profitability, but if management allocates the company's resources in exactly the same way that your competitors do, there will be no change in its relative position. On the other hand, some organisations possess no more or no better resources than their competitors yet still achieve success by bringing those resources to bear at the crucial point(s).

These points are sometimes called “**Key Success Factors**”, and identifying them is not always easy. We can take the opposition head-on and “Look for a weakness in the leader's defence” ([Sun Tzu, On War, circa 1000 BC](#)), or we can outflank them into uncontested areas and “Make the competition irrelevant” ([Kim and Marboyne, Blue Ocean Strategy, 2005](#)).

We can dissect the market as imaginatively as possible to deliver value to a target segment, (“[CCDVTP](#)”, [Philip Kotler, You Tube, 2010](#)); or we can try to discern what distinguishes winner companies from losers, then analyse the differences between their **Strategic Capabilities** ([Graham Hubbard, The First IX, 2010](#)).

But that's just the start...

Results do not come automatically just because we know where the Key Success Factors are. The business must have the courage to “gamble” and accept the risks involved. This gamble - the strategic decision - is a minefield through which a company must pass if it is to win superiority in the demanding field of competitive business, particularly in head-on competition. And it's tricky to find the right balance.

And that's where SWOT comes in...





## What is a SWOT Analysis?

Originally credited to Albert Humphrey at Stanford, for many years [SWOT Analysis has been a tried and tested tool of strategists](#) wishing to plot their course through the competitive minefield. “SWOT” of course, stands for:

Strengths	..from <b>within</b> , as perceived by the market/customer
Weaknesses	
Opportunities	..existing <b>outside</b> , as perceived by supplier/marketer
Threats	

In its simplest form, the approach takes the form shown in the figure below, where factors are listed in the four quadrants:

	HELPFUL	HARMFUL
INTERNAL	<b>S</b> AVAILABLE CASH RESOURCES TECHNICAL SUPPORT ON HAND ETC.	<b>W</b> SALES TEAM BELOW STRENGTH PLANT TOO FAR FROM MARKETS ETC.
EXTERNAL	<b>O</b> NEW TECHNOLOGY IN MARKET GOVERNMENT CONTROL OF IMPORTS ETC.	<b>T</b> NEW COMPETITOR PLANT IN THE NORTH CHEAP IMPORTS EX PRC ETC.

The four lists of factors are usually generated through a non-judgemental “brainstorming” in the first instance. At a later point, decisions must be made about their significance, and the factors are edited. The benefit of using prompting checklists is perhaps obvious, since it brings rigour and systematic analysis to the process, and avoids aspects being missed. However, it does not mean that every item on the list must be discussed, nor does it mean that the lists are exhaustive. Below are some example checklists developed by one of our clients.

### EXTERNAL FACTORS – CHECKLIST

- Which requirements have we been satisfying?
- Will they continue?
- Which markets requirements are likely to change?
- Can we satisfy them with current range?
- Which requirements do we expect to satisfy through developments already planned?
- How are new or existing requirements being met at present?
- Are there any unsatisfied?
- How can we satisfy requirements more effectively? (through modifying our marketing mix)
- What is the potential (quantify)?
- Which of those requirements do we intend to meet?
- What are our objectives in that segment (penetration)?
- Summarise market opportunities which the company aims to exploit this year/future years



**INTERNAL FACTORS – CHECKLIST**

- Product performance
- Product conformity to specifications
- Product quality/consistency
- Breadth and depth of product line
- Rate and quality of NPD
- Sales and Marketing professionalism
- Marketers with technical appreciation
- Customer relations and service
- Market knowledge, local/global
- Reseller support
- Reseller service
- Channel availability
- Speed of delivery
- Delivery reliability
- Delivery mode
- Packaging flexibility
- Delivery frequency
- Delivery location/flexibility
- Technical support
- Advice and information

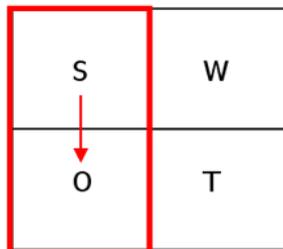
**What SWOT is Designed to Do**

Whether you are in Marketing, Sales Management or Key Accounts, your role is to satisfy consumer requirements profitably, and this can only be achieved if a correct balance is struck between opportunities, company goals, and available resources. SWOT analysis attempts to bridge this gap, so it is potentially one of the most powerful tools at your disposal.

Ideally, the SWOT will help you to identify strategic options based on:

- exploiting strengths
- converting weaknesses into strengths
- avoiding areas of intractable weakness
- capitalising on opportunities
- laying contingency plans to deal with threats

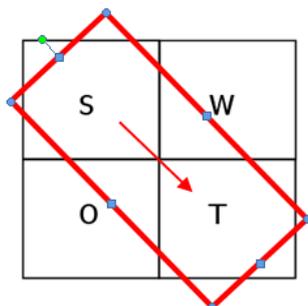
Overall, this detailed approach harnesses the "wish list" brainstorming approach with objectivity, and allows rational decisions to be made. It is important to validate your list of key factors on a regular basis, and be prepared to justify your weights and ratings. Use facts, backed up by research, wherever you can, and the quality of your strategic decisions and recommendations will improve enormously.



**SWOT Quadrant I - Strengths/Opportunities (SO)**

**Offensive Strategies:**

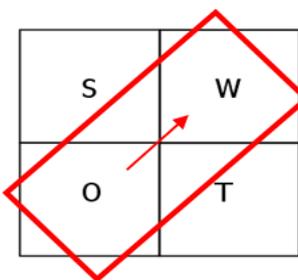
This quadrant focuses on goals and strategies that take advantage of your core strengths to aggressively pursue the best opportunities at your disposal. This is particularly important if the opportunities are short-lived. An example would be to utilize a temporary competitive advantage to gain market share in your business.



**SWOT Quadrant II - Strengths/Threats (ST)**

**Defensive Strategies**

This quadrant focuses on goals and strategies that utilize your strengths to actively eliminate or reduce threats you are facing.



**SWOT Quadrant III-Weaknesses/Opportunities (WO)  
Improvement Strategies**

This quadrant focuses on goals and strategies that can help you open up opportunities down the road (not currently there due to weaknesses) by working to reduce some of your weaknesses. You can use this quadrant to help you prepare a long-term improvement plan.

**Where SWOT has Sometimes Failed**

Sadly, despite its latent utility, SWOT analysis remains one of the most mis-used techniques in business. Many otherwise sound marketing plans fail because strengths and weaknesses have been analysed from an internal perspective. Although these strengths and weaknesses emanate from within, they must be assessed from the customer's perspective; only what the customer perceives to be true really counts. In a very real sense...

*“Perception is reality”*

The net results of such a failure can easily include:

- overestimated strengths
- ignored or underestimated weaknesses
- weaknesses expected to become strengths overnight
- weaknesses becoming failure points due to stress

**Market Place Reality Check**

This really is a trap for young players! You may honestly believe your products to have superior technical performance, but if the market perceives no difference, then your belief is not only misplaced, but potentially damaging. Your so called "strength" cannot be translated into a competitive advantage.

Because of this need for objectivity in defining market requirements, the role of market research of some sort is vital. Research can help in all three decision areas:

market:	geography, structure, size, trends segmentation, attitudes, perceptions etc.
product:	requirements, competitive comparisons, positioning etc.
marketing:	what is most effective, communication methods, competitive methods etc.

A lack of objectivity can also result in:

- failure to recognise strengths, or pre-occupation with weaknesses
- assumption that strengths are automatically transferable
- under-estimated (or over-estimated) threats
- SWOT analysis being seen as a cosmetic exercise, or even subject to bias or “lip-service”
- SWOT analysis conducted well, but not being used for strategic decision making
- The sequence S-W-O-T suggesting that the start point is internal rather than external

It is true that the above shortcomings in application have led some authors to opine that SWOT analysis has outlived its usefulness. However, in and of itself, the technique of SWOT analysis is valuable, provided it is applied correctly, which means:

1. A robust and objective approach to the methodology itself
2. A disciplined application of the output to generate strategy

## Editing SWOT Priorities for Strategy Synthesis

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Your lists of SWOT factors probably include some “wild and crazy ideas”, so you can probably start to edit the factors down by excluding some of those. Next, you should address the following questions for each and every item left on the lists.

### Opportunities

- how big?
- when will it occur?
- is it really an opportunity for us?

### Threats

- how big? with what impact?
- how likely?
- when?
- can we do anything about it anyway?

### Strengths

- significant vs. competition?
- truly a strength in the eyes of the market?
- how do we know?
- is it exploitable?

### Weaknesses

- significant vs. competition?
- truly a weakness in the eyes of market?
- how do we know?
- can we do anything about it?
- is there a weakness in our own strength?

Finally, you might consider using an objective or numerical tool to rank, rate or “prioritise” the items, so that you can decide the “Key Success Factors” which you will synthesise into your strategy. [Watch this space for a free paper or a blog post on Harrison Consulting’s proprietary SWOTGRID® tool.](#)

[Click here to read our blog post on the innovative “Two-Way SWOT Analysis”](#), a powerful relationship building tool for Key Account Management and Consultative Selling Skills.