SWOT
(STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS)
A BUSINESS TOOL FOR SPOTTING OPPORTUNITIES
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A SWOT analysis is one of the most valuable tools for reviewing the opportunities and the headwinds facing an organization. The SWOT analysis provides a platform for developing future strategy to take advantage of market opportunities, based on an understanding of the company's assets and its shortcomings, as well as threats facing the company which may prevent the realization of opportunities.

Assets and liabilities are the foundation of the balance sheet, a concept which translates well to strategy. An organization has strengths and weaknesses and it faces opportunities and threats. SWOT is a summary statement of a thorough external and internal analysis, usually done in point form, and is one of the cornerstone analytical tools with the capacity to enable an organization to understand itself. To respond effectively to changes in the environment, the company's external and internal must be understood in order to develop a vision and strategy. The purpose of the SWOT analysis is to provide the company with information on its strengths and weaknesses in relation to the opportunities and threats it faces.

The SWOT analysis and subsequent summary statement does not provide value unless a rigorous discussion takes place with background insight, and unless the statement reflects the consensus views of the organization. A major purpose of any strategic discussion is to arrive at a deeper level of insight, and any response to threats and opportunities must be based on knowledge and understanding of the organization's strengths and weaknesses. One outcome that should follow a SWOT analysis is the identification of distinctive competencies (a distinctive competency is something the company does better than the competition, which could be as simple as a lower cost operation or a superior product/service).

Guidelines for the SWOT Analysis
- Keep it simple.
- Focus on your organization.
- Look for patterns.
- Look for action that can be taken within a year.
- Don't get lost in the future.
- Be rooted in the now.

The SWOT Analysis
The first step is identifying the organization's **strengths**, which are activities the organization does well, such as a resource or a capability. Strengths must be sustainable. Some illustrations are:
- Know-how, IP
- Employees

- Location (especially for a retailer)
- Alliances, joint ventures
- Financial resources
- Operations, costs, scale
- Products/service

The second step is identifying the organization's **Weaknesses**, which are activities the organization does poorly or lacks. For example:

- Deficiencies in product line, people, capital
- Too much debt
- High cost
- Poor image, reputation
- Obsolete facilities

The similarity to the balance sheet should be clear. Although a ratio analysis can't be done, it's safe to say that it's better to have more strengths (assets) than weaknesses (liabilities).

The third step is identifying the opportunities available to the organization, evaluating these opportunities and whether the organization has the strengths to capitalize on the identified opportunities. Opportunities come in many different forms and they are not all equal. Each opportunity must be evaluated and the potential returns calculated. The idea is to match the opportunities that have good returns with the organization's capabilities. For example:

- Increasing demand
- Same product/service, different markets
- New product/service, innovation
- New executions, such as dynamic pricing
- Change in laws (e.g., cannabis)
- Acquisitions

The fourth step, and probably the most difficult, is identifying the **Threats**. Disruptive companies are always around the corner, but it's difficult to see around the corner. Some macro threats, such as inflation, rising costs (trickle down from commodity prices), demographic changes, trade policies (can be positive or negative), demand trends (online shopping), are easy to identify. Micro threats, such as mergers, new market entries (foreign or domestic), exits (suppliers), innovation, are more difficult to identify.

The SWOT process is an analysis and conclusions should be drawn, but the value is if the conclusions lead to actions which will create a brighter future for the organization; that is, improve the weaknesses, enhance the strengths, take advantage of the opportunities, and mitigate the threats. Ideally, the strategy-critical issues should be surfaced, establishing the way forward. The analysis does not develop priorities and forces information into four spaces, which may not always be ideal. SWOT helps to identify the organization's core competencies, those factors that eventually lead to the organization's key sustainable competitive advantages (some advantages are fleeting, some can be easily copied, and some can be defended and will be lasting).

The SWOT analysis should be done with a group of managers/employees in order to stimulate reflection and build consensus on how to move the organization forward. In other words, get everybody rowing in the same direction. SWOT is not an end in itself, but a way station to success, providing a systemic framework for discussion. One benefit of a SWOT analysis is that the outcome can be summarized on a large sheet of paper.

Augmentation

The SWOT analysis can be augmented by discussing the implications of the factors found and then listing a set of options for each. For example, if there is a weakness of insufficient investment in the organization's channel structure, it could be a good idea to look at the growth of this channel. Is it increasing or declining in volume? The options might be to close down the channel, or to invest to bring it up to date. The process could also be augmented by introducing some research or other facts of interest that are pertinent to the organization, introducing factual data to an otherwise subjective process with a reliance on management opinion and experience. These discussions can be held effectively on Zoom, but a moderator is a must to guide the flow.

Practice

Here is a real-life illustration: A one-day meeting with a mid-size company and 20 managers started off with a presentation from the President on the current financial situation of the company, setting out financial projections for the next year. The financial situation, especially free cash flow, often puts boundaries on actions because of what is available and what could be borrowed, if necessary, and provides clarity on the robustness of the company. Subsequently, the group went into a discussion on the four SWOT factors and a consensus was developed which was distributed to everyone for further discussion. The meeting was facilitated by a moderator from outside the company.

The results from the SWOT analysis were varied, including short term results and more durable long term results. The meeting broke down the silo effect that exists in most companies by creating an awareness of the way forward. Better decisions were made and inter-department cooperation improved, with an increased team feeling among the participants. Many of the participants were unaware of the company's financials and a better understanding of this area added to better decision-making. The very fact that the group was helping to build the company's future increased morale. The financial discussion also added clarity regarding the financial resources available to grow the company.

The most sensitive area of the SWOT analysis was the discussion of weaknesses. Unfortunately, it's easy to get into finger-pointing, but this is where a good moderator can benefit the discussion. They should be able to help stick-handle the discussion so that no-one feels singled out for blame. The company is working as a team, everyone is aware of the overarching goal and strategy, creating more focused actions by all departments in support of the goal.