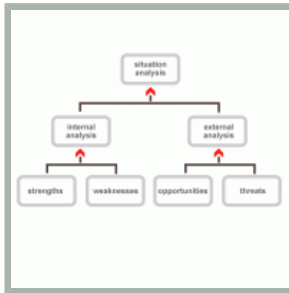


swot analysis



characteristics

author:	Learned, Edmund P., Christensen, C. Roland, Andrews, Kenneth R. and Guth, William D.
country:	United States
period:	1966
type:	model
role:	consultant and manager
activity:	analyse, design and implement
topic:	strategic management and marketing & sales
abstr. level:	environment
perspective:	living
status:	final
module:	classics I
comments:	3

description:

SWOT analysis was developed by the middle of the 1960s for large organisations to determine the strategic fit between an organisation's internal, distinctive capabilities and external possibilities and to prioritise actions. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. In the early 1950s, two professors of business policy at Harvard, George Albert Smith and C. Roland Christensen, began questioning whether a firm's strategy matched its competitive environment.

In 1960, a number of large American enterprises commissioned a long range study at Stanford Research Institute to investigate why their long range planning efforts were unsuccessful. SRI's research team -- Marion Doshier, Otis Benepe, Albert Humphrey, Robert Stewart and Birger Lie -- interviewed 5,000 managers at 1,000 companies over nine years. They found that the difference between what an organisation planned to do and what they actually accomplished was about 35%. The problem was not the management team's quality of information, but their ability to reach a committed agreement on constructive objectives rather than settling for feeble compromises.

Part of the team's methodology to make strategic decision making more explicit was to determine what the interviewees found positive and negative about the present and the future. The team developed SWOT for this purpose. The SWOT framework was first described in detail in the late 1960's by Edmund P. Learned, C. Roland Christiansen, Kenneth Andrews, and William D. Guth in Business Policy, Text and Cases (Irwin, 1969).

The acronym's definitions are:

1. *Strengths*

those potential factors that make a firm more competitive than its direct competitors;

2. *Weaknesses*

both potential limitations and defects ingrained in an organisation and/or weak factors relative to direct competitors;

3. *Opportunities*

future factors that allow the organisation to improve its relative competitive position;

4. *Threats*

those future factors that reduce the firm's relative competitive position.

The steps in the common three phase SWOT analysis process are:

Phase 1: *Detect strategic issues*

1. Identify external issues relevant to the firm's strategic position in the industry and the general environment at large with the understanding that opportunities and threats are factors that management cannot directly influence.
2. Identify internal issues relevant to the firm's strategic position.
3. Analyse and rank the external issues according to probability and impact.
4. List the key strategic issues factors inside or outside the organisation that significantly impact the long-term competitive position in the SWOT matrix.

Phase 2: *Determine the strategy*

5. Identify firm's strategic fit given its internal capabilities and external environment.
6. Formulate alternative strategies to address key issues.
7. Place the alternative strategies in one of the four quadrants in the SWOT matrix.

Strategies that combine:

- internal strengths with external opportunities are the most ideal mix, but require understanding how the internal strengths can support weaknesses in other areas;
 - internal weaknesses with opportunities must be judged on investment effectiveness to determine if the gain is worth the effort to buy or develop the internal capability,
 - internal strengths with external threats demand knowing the worth of adapting the organisation to change the threat into opportunity;
 - internal weaknesses with threats create an organisation's worst-case scenario. Radical changes such as divestment are required.
8. Develop additional strategies for any remaining "blind spots" in SWOT matrix.
 9. Select an appropriate strategy.

Phase 3: *Implement and monitor strategy*

10. Develop action plan to implement strategy;
11. Assign responsibilities and budgets;
12. Monitor progress;
13. Start review process from beginning.

assets:

**refined swot analysis**

ProvenModels • editor PM • version 0.1 • 60 KB

**SO interaction matrix**

ProvenModels • editor PM • version 0.1 • 54 KB

**swot analysis**

ProvenModels • editor PM • version 0.1 • 180 KB

**swot strategy framework**

ProvenModels • editor PM • version 0.1 • 47 KB

pros:

- SWOT analysis makes the solution space explicit; it provides a tool to coordinate direction and action and external events that are related to internal capabilities.
- The analysis can be executed as a quick scan and used as an early warning system.
- The model can be used for any complex situation that requires explicit decision making: on an individual, team, departmental or organisational level.

cons:

- The model is process based. It provides no insight into what each of the SWOT categories should contain, or which alternative strategies are appropriate. An accurate analysis of the firm's weaknesses requires self-knowledge and discipline. External opinions may be required to provide input or to validate findings.
- The model mixes qualitative and quantitative data. It can be dangerous to derive conclusions based on these two types of data.
- Using SWOT as a strategic planning tool often results in creating excessive lists of factors without prioritising issues. The assignment of impact and likelihood is a difficult and time-consuming task.
- The analysis helps only when the key decision makers agree that activities need to be better coordinated and an explicit decision making process is required.
- The analysis needs to be conducted for each business or product market.

references:

- Business Policy, Text and Cases
<http://www.amazon.com/gp/product/B0006BWS9E?ie=UTF8&tag=provenmodels-20&linkCode=as2&camp=1789&creative=9325&creativeASIN=B0006BWS9E>
Edmund P. Learned, C. Roland Christensen, Kenneth R. Andrews and William D. Guth • 1969 • McGraw Hill
• United States • ISBN B0006BWS9E
- Strategic and Competitive Analysis
<http://www.amazon.com/gp/product/0130888524?ie=UTF8&tag=provenmodels-20&linkCode=as2&camp=1789&creative=9325&creativeASIN=0130888524>
Craig S. Fleisher and Babette E. Bensoussan • 2002 • Prentice Hall • United States • ISBN 0130888524
- The concept of Corporate Strategy
<http://www.amazon.com/gp/product/0870949837?ie=UTF8&tag=provenmodels-20&linkCode=as2&camp=1789&creative=9325&creativeASIN=0870949837>
Kenneth R. Andrews • 1971 • McGraw Hill • United States • ISBN 0870949837