

SWOT Analysis - A Great Strategic Planning Tool

How to Evaluate Your Organization

By Pamela Millar

One of the most fundamental tools for strategic market planning is the use of SWOT analysis template to evaluate potential business success.

This simple tool, developed at Stanford University in the late 1960's, is an extremely powerful ingredient in the recipe for business success.

Used by most Fortune 500 companies in strategic planning, the SWOT matrix involves a frank evaluation of a business' Strengths, Weaknesses, Opportunities and Threats:

STRENGTHS:

Attributes of the organization that are HELPFUL to achieving the objective. These are the company's core competencies, and include proprietary technology, skills, resources, market position, patents, and others.

WEAKNESSES:

Attributes of the organization that are HARMFUL to achieving the objective. Weaknesses are conditions within the company that can lead to poor performance, and can include obsolete equipment, no clear strategy, heavy debt burden, poor product or market image, long product development cycle, weak management, and others.

OPPORTUNITIES:

External conditions that are HELPFUL to achieving the objective. Opportunities are outside conditions or circumstances that the company could turn to its advantage, and could include a specialty niche skill or technology that suddenly realizes a growth in broad market interest.

THREATS:

External conditions that are HARMFUL to achieving the objective. Threats are current or future conditions in the outside environment that may harm the company, and might include population shifts, changes in purchasing, serious competitive barriers, changes in governmental or environmental regulations, and others.

SWOT analysis provides an efficient way to evaluate the range of factors that influence your operation, and can give you valuable guidance in making decisions about what to do next. It also provides a highly productive way to get your key personnel involved in the management decision-making process.

The exercise of going through the SWOT analysis matrix can be a great opportunity to do management team building. If you have a large team, break into 4 teams for each of the quadrants and each team can prepare and report its findings. Make sure to include not only your market planners, but also finance, operations, product development and others.

How to Define Strategy

Creating a Shared View of Objectives

By Pam Kennett

A business's strategy should be evolving and changing to keep pace with environmental, political and economic changes. A key skill for any business consultant working with a top team is the ability to help them clarify and define this strategy.

Opportunities, Threats and Risks

As a starting point, focus on the external factors facing the business or part of the business you are working with ' that is, what are the opportunities, threats and risks to the business. An example might be a change in mortgage lending which presents an opportunity for your business as a property developer. Or it could be a major home builder moving into your geography which directly threatens your business. This should be done as a brainstorm exercise to generate as much contribution and engagement as possible.

After this, prioritize each issue using a 2 x 2 matrix with "What is potential likelihood" on the vertical axis (low to high) and "How relevant is it?" (low to high) on the horizontal axis.

Once the highly relevant issues which have a high potential of occurring (that is, the top right hand corner of the matrix) have been prioritized by the group, discuss each in terms of: What is it? How relevant is it? Why is it relevant? What is the potential likelihood?

Strengths, Weaknesses and Gaps

Now move to the internal factors impacting the business. Brainstorm the major internal factors facing the business or part of the business. An internal strength might be the technical skills of your team or your well established sales processes.

Next, prioritize each factor again using a 2 x 2 matrix with the "How strong or weak" (low to high) on the vertical axis and "How important is it?" (low to high) on the horizontal axis.

Once the important, 'strong' factors have been identified discuss each in terms of: What is it? Why is it relevant? What is its' potential impact?

The first two steps are very like a SWOT analysis except that each factor is prioritized and each of the top priority factors discussed. This discussion enables the team to share their concerns and expectations for the future, something which gets missed if you merely brainstorm.

Critical Success Factors

After the prioritized SWOT focus on the critical success factors, that is, what must we as a business get right over the next 2 to 3 years to be successful. At this stage, to ensure that the focus is still a strategic one, it is important to address the external threats and opportunities (that is, step 1) when thinking about the CSFs.

After brainstorming, discuss each CSF ' why people see it as important and the implications to the business of each. After the discussion undertake some prioritization exercise such as nominal group technique (NGT). NGT usually consists of allocating 3 votes to each individual and they are free to allocate those votes as they see fit. They can allocate 3 to one factor or distribute one vote for to each of three factors.

Values

A critical component of a strategy workshop must also address 'how' people will work together, not just what they will work on. Where the CSF's are aligned to the external factors, the Values tend to be aligned to the internal factors (no. 2). These values are what unites top teams during difficult or stressful times.

To do this, brainstorm the following: "in your opinion, what must we value (believe in) as a business to achieve this success?"

Discuss each value: What does this mean? Why is it important? What does it look like? ' how would you role model this to others

Agree and prioritize the top half dozen or so values using a prioritization technique such as NGT.

Ask the group, how do these values match current values? What do we need to do differently to achieve these values?

Key Organisation Design Criteria

As part of a strategy workshop it is important to think through how resources should be organized to exploit opportunities, fight off threats from competitors and make best use of our strengths. Although designing an organization usually requires technical expertise in job design, the responsibility for defining what type of organization we want to create and work within belongs with the top team.

Brainstorm the following question: "in your opinion, what are critical organization design issues re structure, processes, roles, performance management, reporting, etc.?"

At this stage it is important to think about the ideal future organization and not the existing organisation. Think about the major work processes and how this work should be organized ' e.g. if we need to be more customer-focused should we organize our teams around our major customers and their concerns.

Discuss each criterion: Why? Implications?

Prioritize if needed, identifying the major enablers.

Key Strategic Drivers

As a summary, ask the following question: "What are the 2 to 4 key strategic drivers for the organization over the next 2 to 3 years?"

This is best done in silence as it gives individuals a chance to reflect over what has been before ' the SWOT, the CSFs, the Values, the Organization Design criteria.

List everyone's first driver, then discuss implications List everyone's second driver then discuss.

Generate a summary statement: shared view of objectives (goals) over next 2 to 3 years by the individual or as a group.