Performing a SWOT Analysis Checklist 005

Introduction

SWOT analysis emerged in the 1960s from research at Stanford Research Institute into the failure of current corporate planning methods. The technique evolved, became widely used during the 1980s and remains popular, although critics have pointed out weaknesses in its application, including a lack of analytical depth. It provides a simple framework for analysing the market position of an organisation and can be applied in a range of planning and strategic contexts including strategy development, marketing planning, and the evaluation of strategic options for a whole business or an individual department. It may be used in conjunction with tools such as PEST analysis (or one of its variants) or five forces analysis (see Related Checklist and Models under Additional Resources below) which can provide a deeper understanding of the external environment and help to assess potential risks and threats to the profitability and survival of the organisation. SWOT analysis is also used by individuals to assess personal career prospects, but this checklist focuses on its use by organisations and departments and does not cover the individual aspect.

Definition

SWOT analysis is a diagnostic tool for strategic planning which involves the identification and evaluation of Strengths, Weaknesses, Opportunities and Threats. This framework facilitates the assessment of internal capabilities and resources which are under the control of the organisation and of external factors which are not under organisational control. SWOT analysis involves the collection of information, rather than the framing of recommendations, which can only be considered once the facts have been confirmed. The analysis may be carried out by a single manager, but usually involves the participation of a wider group, so that insights can be gained from across the organisation or department.

Action checklist

1.   Establish the objectives

The first step in any management project is be clear about what you are doing and why. The purpose of conducting a SWOT analysis may be wide or narrow, general or specific - anything from getting staff to think about and understand the business better, to re-thinking a strategy or the overall direction of the business. SWOT analysis usually focuses on the present situation. In the context of scenario planning, however, it could be used to look into the future and, using Appreciative Inquiry methods to assess what factors have made the organisation successful in the past.

2.   Select appropriate contributors

This is important if the final recommendations are to result from consultation and discussion, not just personal views, however expert. If conducting an organisation-wide analysis, it is important to include people from different departments so as to ensure that information is gathered from across the business.

- Pick a mix of specialist and "ideas" people with the ability and enthusiasm to contribute.

- Consider including a mix of staff from different grades, if appropriate.
- Think about numbers. Six to ten people may be enough, especially in a SWOT workshop. Up to 25 or 30 can be useful if one of the aims is to help staff see the need for change but it will be necessary to split into smaller groups for the more active parts of the process.

3.   Allocate research and information gathering tasks

Background preparation is vital if the subsequent analysis is to be accurate, and should be divided among the SWOT participants. Preparation can be carried out in two stages: exploratory, followed by data collection; and detailed, followed by a focused analysis.

- Gathering information on Strengths and Weaknesses should focus on the internal factors of skills, resources and assets, or the lack of them.
- Gathering information on Opportunities and Threats should focus on the external factors over which you have little or no control, such as social, market or economic trends.

However, you will need to be aware of and take account of the inter-relationships between internal and external factors.

4.   Create a workshop environment

If the compilation and recording of SWOT lists takes place in meetings, make sure that you exploit the benefits of workshop sessions. Foster an atmosphere conducive to the free flow of information and encourage participants to say what they feel is appropriate, without fearing or attributing blame. The leader or facilitator has a key role and should allow time for thought, but not so much as to let the discussion stagnate. Half an hour is often enough to spend on Strengths, for example, before moving on. It is important to be specific, evaluative and analytical at the stage of compiling and recording the SWOT lists - mere description is not enough.

5.   List strengths

It is often harder to identify strengths than weaknesses. Questions such as the following can be helpful:

- What do we do better than anyone else?
- What advantages do we have?
- What unique resources do we have?
- What do others see as our strong points?

Strengths may relate to the organisation, its market share, reputation and to people - including the skills and knowledge of staff, - as well as reasons for past successes. Try to be as specific as possible when collecting facts. For example, it is not sufficient to say that the level of profit is good. If the profit margin is 10% but the industry average is 30%, for example, there is clearly room for improvement.

Other people strengths include:

- Friendly, cooperative and supportive staff
- A staff development and training scheme
- Appropriate levels of involvement through delegation and trust.

Organisational strengths may include:

- Customer loyalty, 90% repeat customers for example.
- Capital investment and a strong balance sheet, with a higher profit margin than other organisations in the sector.
- Effective cash management resulting in, say, 25 days accounts receivable as opposed to a norm of 36 days in the same industry
- Efficient procedures and systems showing, for example, a 3% reduction in expenses over the last five years
- Well-developed corporate social responsibility policies.

6.   List weaknesses

This session should not be seen as an opportunity to criticise the organisation but as an honest appraisal of the way things are. Be careful not to take weaknesses at face value, but to identify the underlying causes.

Key questions include:

- What is hindering progress?
- What needs improving?
- Where are complaints coming from?
- Are there any weak links in the chain?

The list might include:

- customers looking for more products or services
- declining sales of the main or most popular products or services
- poor competitiveness, as demonstrated by figures showing the percentage of market share lost over the last three years and higher price increases as compared with competitors
- non-compliance with, or ignorance of, appropriate legislation
- financial or cash-flow problems
- employees not aware of the organisation's mission, objectives and policies
- high levels of staff absence compared to average levels in the sector or rising levels of absence
- no processes in place for monitoring success or failure.

It is not unusual for "people" problems - poor communication, inadequate leadership, lack of motivation, too little delegation, absence of trust - to feature among the major weaknesses.

7.   List opportunities

This step is designed to assess the socio-economic, political, environmental and demographic factors which affect organisational performance. The aim is to identify circumstances which the organisation can exploit and to evaluate their possible benefits to the organisation.

Examples include:

- technological developments
- new markets
- change of government
- changes in interest rates
- demographic trends
- strengths and weaknesses of competitors.

Bear in mind that opportunities may be time-limited and consider how the organisation may make the most of them.

8.   List threats

Threats are the opposite of opportunities - all of the factors listed above may, with a shift of emphasis or perception, also have an adverse impact.

Here the questions to ask include:

- What are our competitors doing?
- What changes are there in the market for our products?
- What resource problems do we have?
- What is the impact of the economy on our bottom line?

Threats may include:

- unemployment levels

- skills shortages
- environmental legislation
- new technologies which will make our products or services obsolete.

It is important to look at a worst-case scenario. However, this should not be allowed to foster pessimism; it is rather a question of assessing risks and considering how potential problems may be limited or eliminated. Most external factors are in fact challenges, and whether staff perceive them as opportunities or threats is often a valuable indicator of morale.

9.   Evaluate listed ideas against objectives

With the lists compiled, sort and group facts and ideas in relation to your objectives. Consider which of the factors listed are of major importance and which are negligible. It may be necessary for the SWOT participants to select their five most important items from the list in order to gain a broad perspective. The key to this process is clarity of objectives, as evaluation and elimination will be necessary to separate the wheat from the chaff. Although some aspects may require further investigation or research, a clear picture should start to emerge at this stage.

10.   Carry your findings forward

Once the SWOT analysis is complete, you need to address the question of how the potential of strengths and opportunities can be maximised and how the risks implicit in weaknesses and threats can be minimised. Bear in mind that much of the information you have collected will represent symptoms rather than root causes so further consideration of the underlying issues may be needed. However good or bad the results of the analysis, make sure that they are integrated into subsequent planning and strategy development. Revisit the findings at suitable intervals to check that they are still valid.

Managers should avoid

- giving undue weight to opinions which are not based on hard evidence
- ignoring the ideas of participants at lower levels in the organisational hierarchy
- succumbing to "paralysis by analysis"
- allowing the process to become an exercise in blame laying or a vehicle for criticism and recrimination
- seeing SWOT analysis as an end in itself and failing to integrate the results into subsequent planning.

National Occupational Standards for Management and Leadership

This checklist has relevance for the following standards: B: Providing direction, units 1, 2

Additional resources

Books

Change, strategy and projects at work, Roger James and Neil Murray
Oxford: Butterworth Heinemann, 2008

Business plans instant manager, David Lloyd
London: Hodder Education, 2007

Guide to business planning, Graham Friend and Stefan Zehle
London: Economist in association with Profile Books, 2004

Company analysis: determining strategic capability, Per Jenster and David Hussey
Chichester: John Wiley, 2001

This is a selection of books available for loan to members from CMI's library. More information at: www.managers.org.uk/library

Related checklist

PEST Analysis (296)

Related models

Porter's five forces
SWOT analysis organisational

Internet resources

Mind Tools: www.mindtools.com
SWOT analysis is included in the Toolkit under Strategy Tools: Core Strategy Tools

Business Balls: http://www.businessballs.com/swotanalysisfreetemplate.htm
Provides information on the origins of SWOT analysis and has a template for the analysis.

This is one of many checklists available to all CMI members. For more information please contact

t: 01536 204222   **e**: enquiries@managers.org.uk   **w**: www.managers.org.uk

Chartered Management Institute
Management House, Cottingham Road, Corby NN17 1TT.

This publication is for general guidance only. The publisher and expert contributors disclaim all liability for any errors or omissions. You should make appropriate inquiries and seek appropriate advice before making any business, legal or other decisions. Where legal or regulatory frameworks or references are mentioned these relate to the UK only.

Revised May 2011