

Course title: Digital Strategy and Action

Transformational opportunities and
threats

Dr. Shakhlo Ergasheva

SWOT Analysis

Learning Objectives

What is SWOT Analysis?



Aim of SWOT Analysis

Who needs SWOT Analysis?

How to conduct SWOT Analysis?

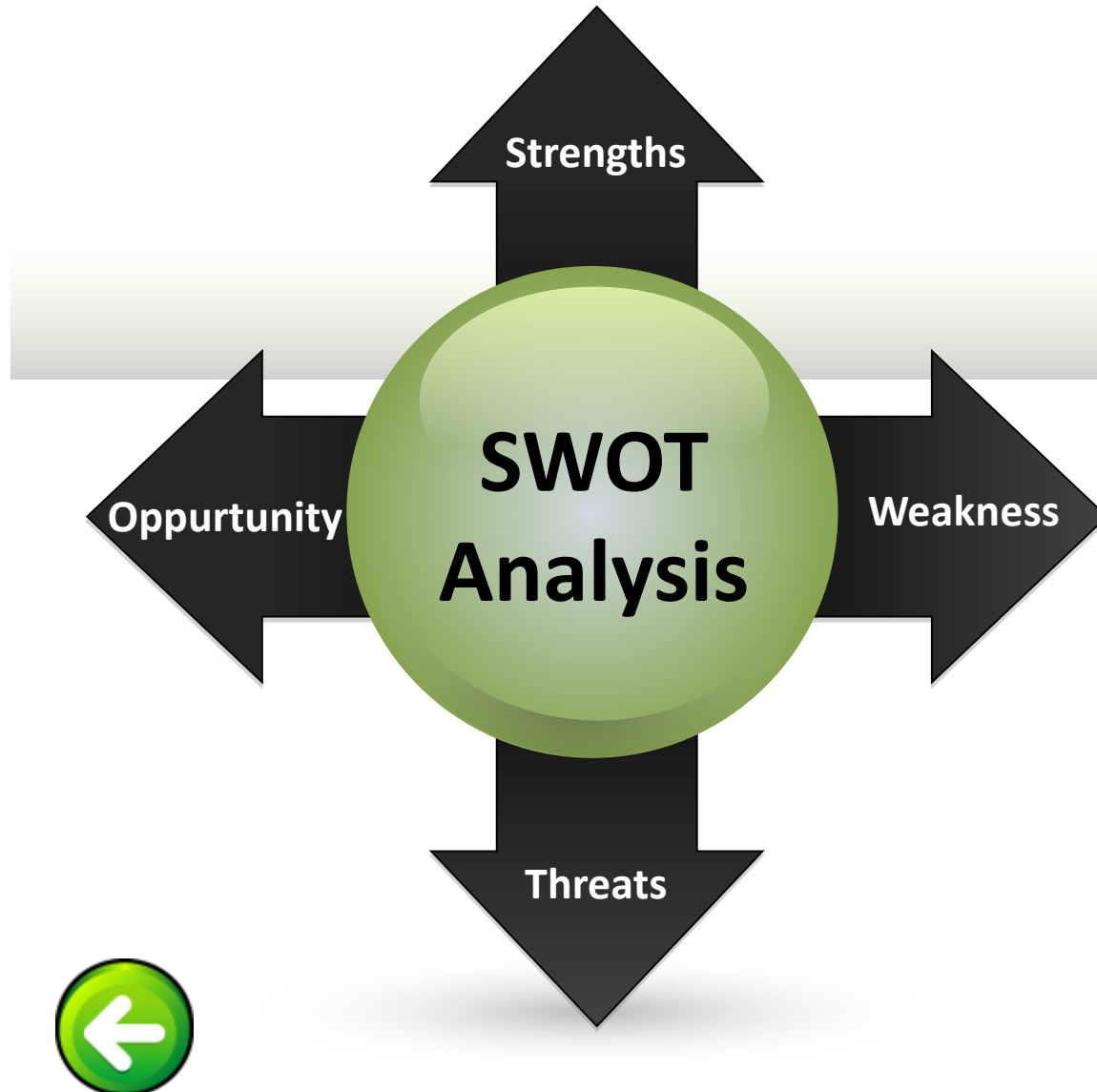
Benefits & Pitfalls of SWOT Analysis

Brainstorming & Prioritization in SWOT Analysis

Tips & Exercise for SWOT Analysis



What is SWOT Analysis?

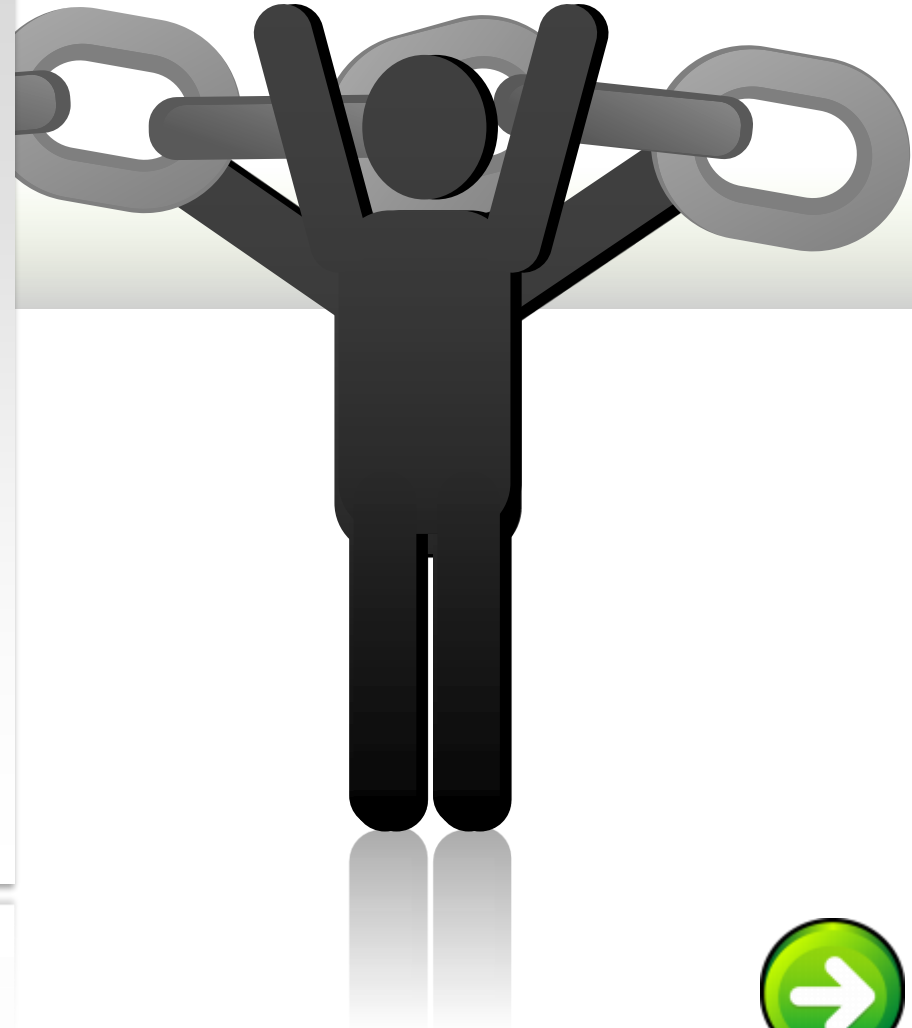


- ▶ Acronym for **Strengths, Weaknesses, Opportunities, and Threats**.
- ▶ Technique is credited to Stanford University in the 1960s and 1970s.
- ▶ **Planning tool** used to understand Strengths, Weaknesses, Opportunities, & Threats involved in a project / business.
- ▶ Used as **framework for organizing** and using data and information gained from **situation analysis** of internal and external environment.
- ▶ Technique that enables a group / individual to move from everyday problems / traditional strategies to a **fresh perspective**.

What is SWOT Analysis?

STRENGTHS

- ▶ Characteristics of the business or a team that give it an advantage over others in the industry.
- ▶ Positive tangible and intangible attributes, internal to an organization.
- ▶ Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.
- ▶ **Examples** - Abundant financial resources, Well-known brand name, Economies of scale, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.



What is SWOT Analysis?

OPPORTUNITIES

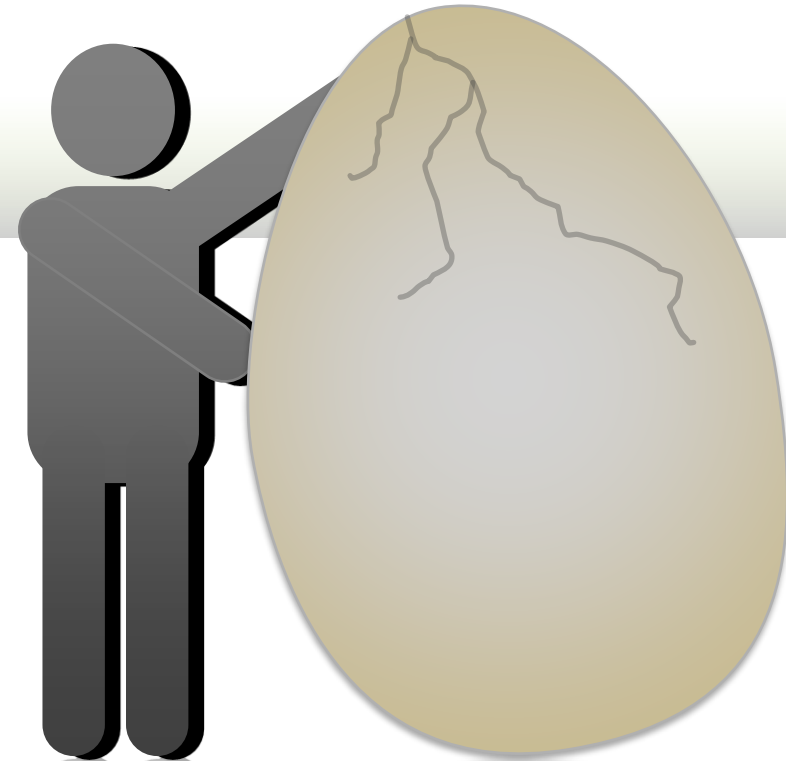
- ▶ Chances to make greater profits in the environment - External attractive factors that represent the reason for an organization to exist & develop.
- ▶ Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- ▶ Organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.
- ▶ **Examples** - Rapid market growth, Rival firms are complacent, Changing customer needs/tastes, New uses for product discovered, Economic boom, Government deregulation, Sales decline for a substitute product .



What is SWOT Analysis?

WEAKNESSES

- ▶ Characteristics that place the firm at a disadvantage relative to others.
- ▶ Detract the organization from its ability to attain the core goal and influence its growth.
- ▶ Weaknesses are the factors which do not meet the standards we feel they should meet. However, weaknesses are controllable. They must be minimized and eliminated.
- ▶ **Examples** - Limited financial resources, Weak spending on R & D, Very narrow product line, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills, Under-trained employees.



What is SWOT Analysis?

THREATS

- ▶ External elements in the environment that could cause trouble for the business - External factors, beyond an organization's control, which could place the organization's mission or operation at risk.
- ▶ Arise when conditions in external environment jeopardize the reliability and profitability of the organization's business.
- ▶ Compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake.
- ▶ **Examples** - Entry of foreign competitors, Introduction of new substitute products, Product life cycle in decline, Changing customer needs/tastes, Rival firms adopt new strategies, Increased government regulation, Economic downturn.



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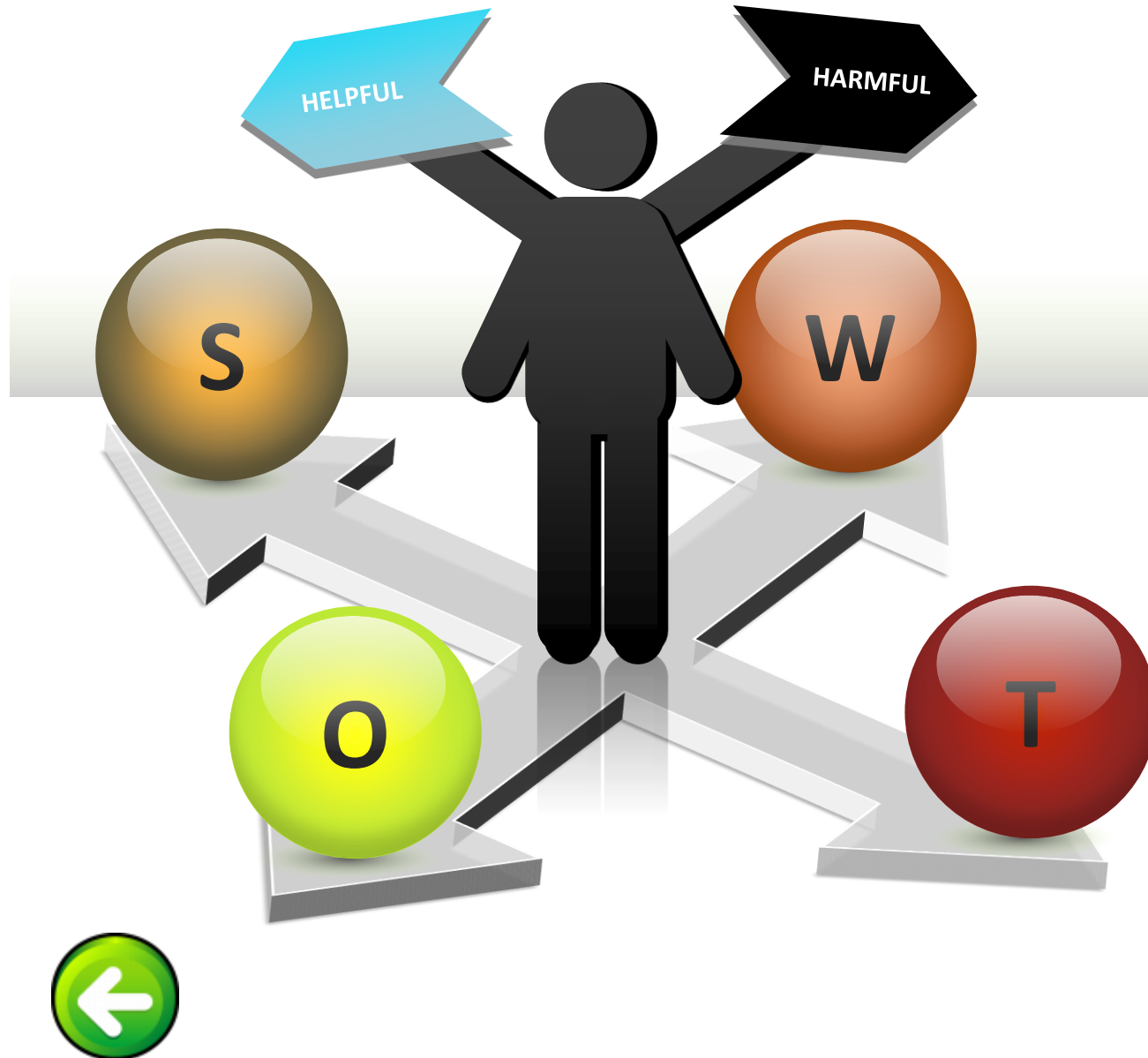
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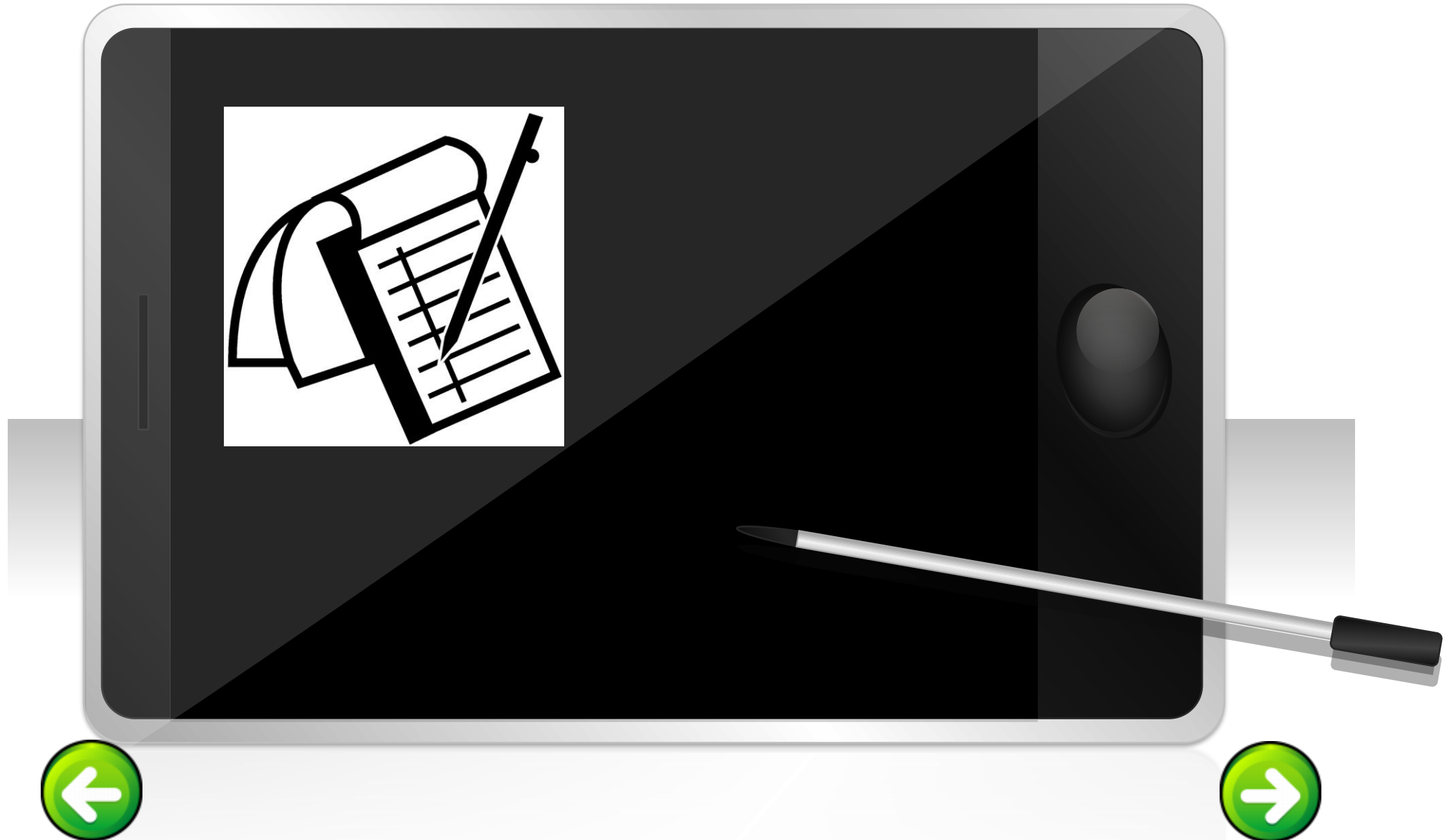


Aim of SWOT Analysis?



- ▶ To help decision makers share and compare ideas.
- ▶ To bring a clearer common purpose and understanding of factors for success.
- ▶ To organize the important factors linked to success and failure in the business world.
- ▶ To analyze issues that have led to failure in the past.
- ▶ To provide linearity to the decision making process allowing complex ideas to be presented systematically.

Take Excellent Notes!



SWOT Analysis

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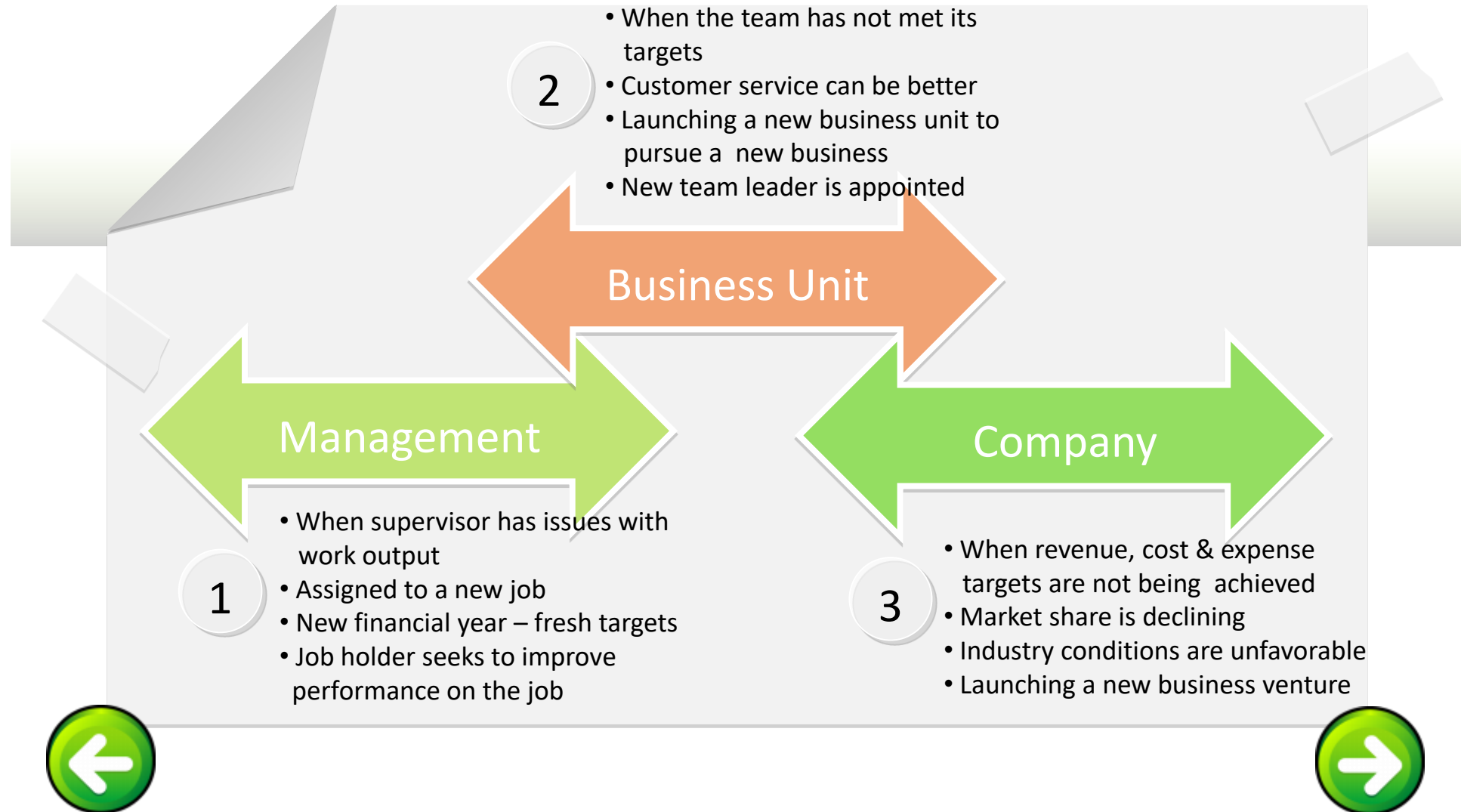
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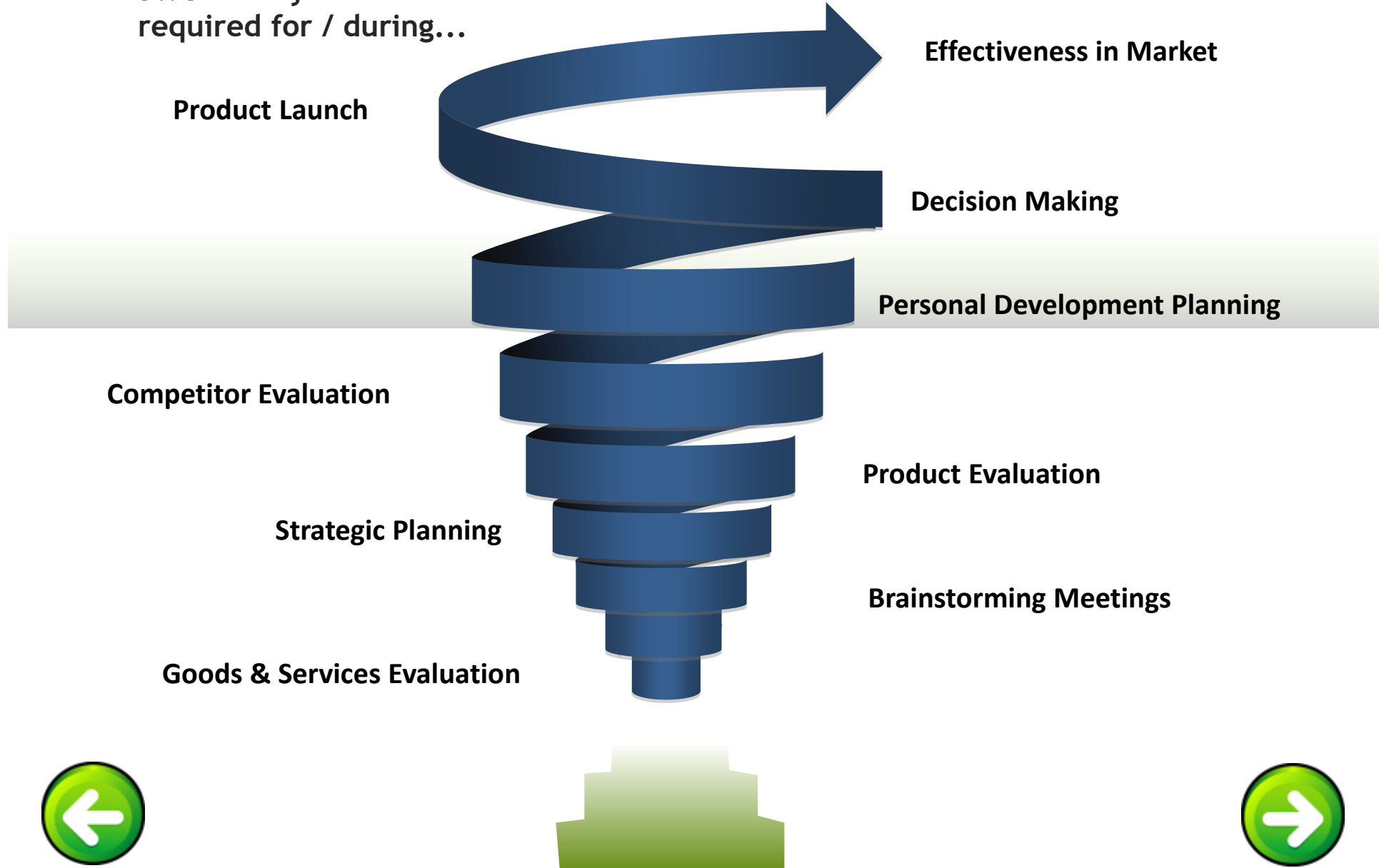


Who needs SWOT Analysis?



Who needs SWOT Analysis?

SWOT Analysis is also required for / during...



SWOT Analysis

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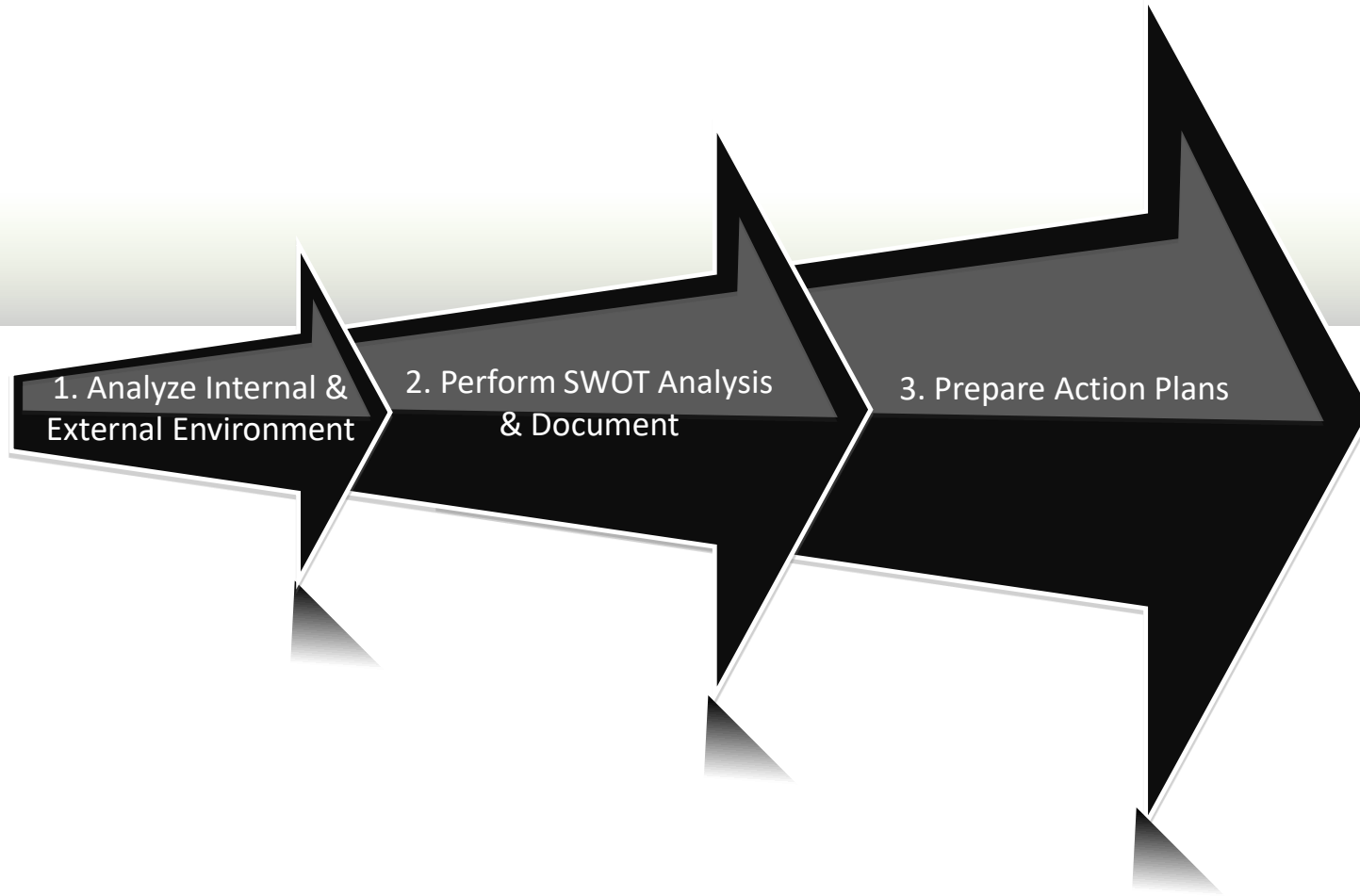
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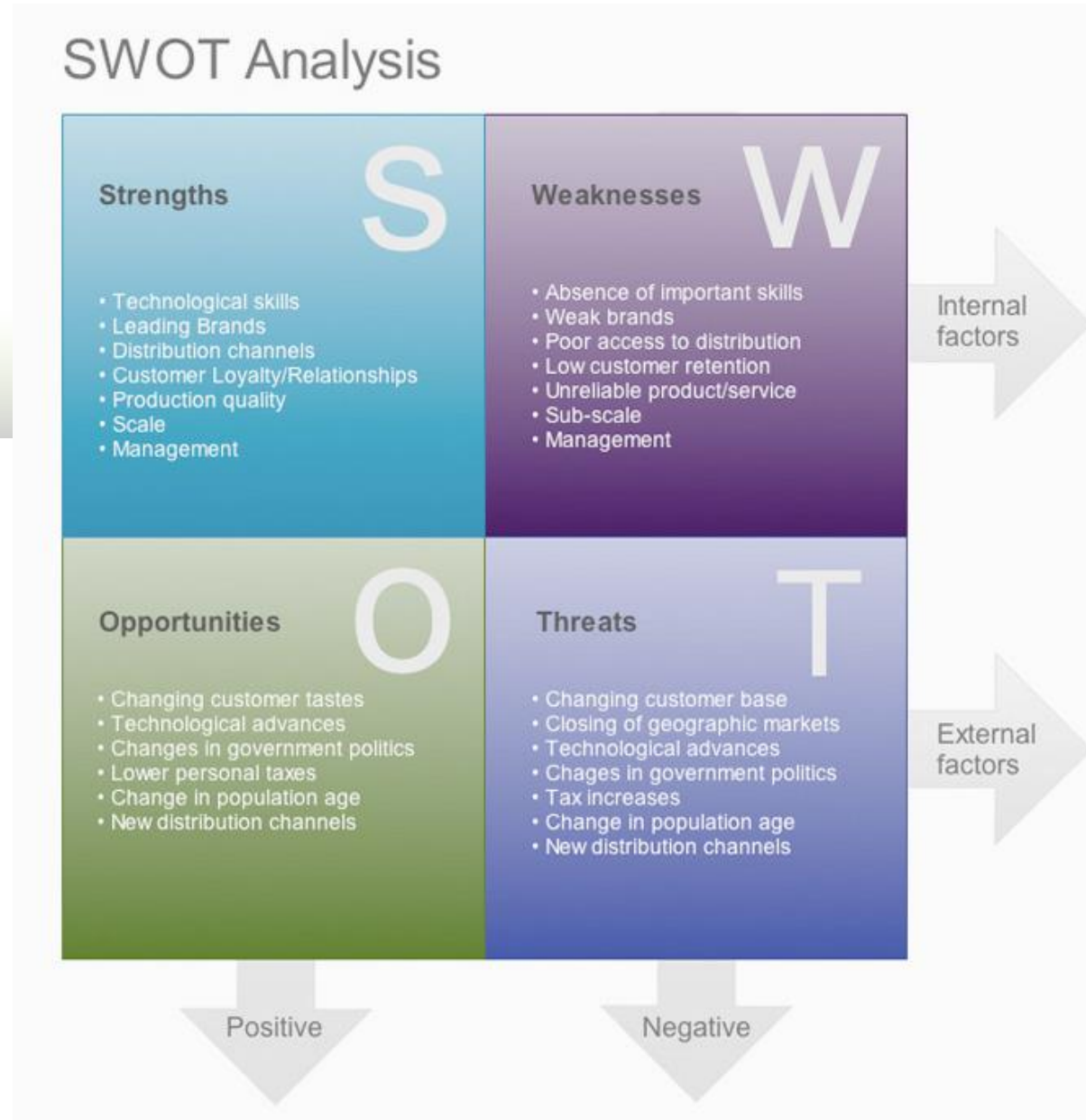


How to conduct SWOT Analysis?

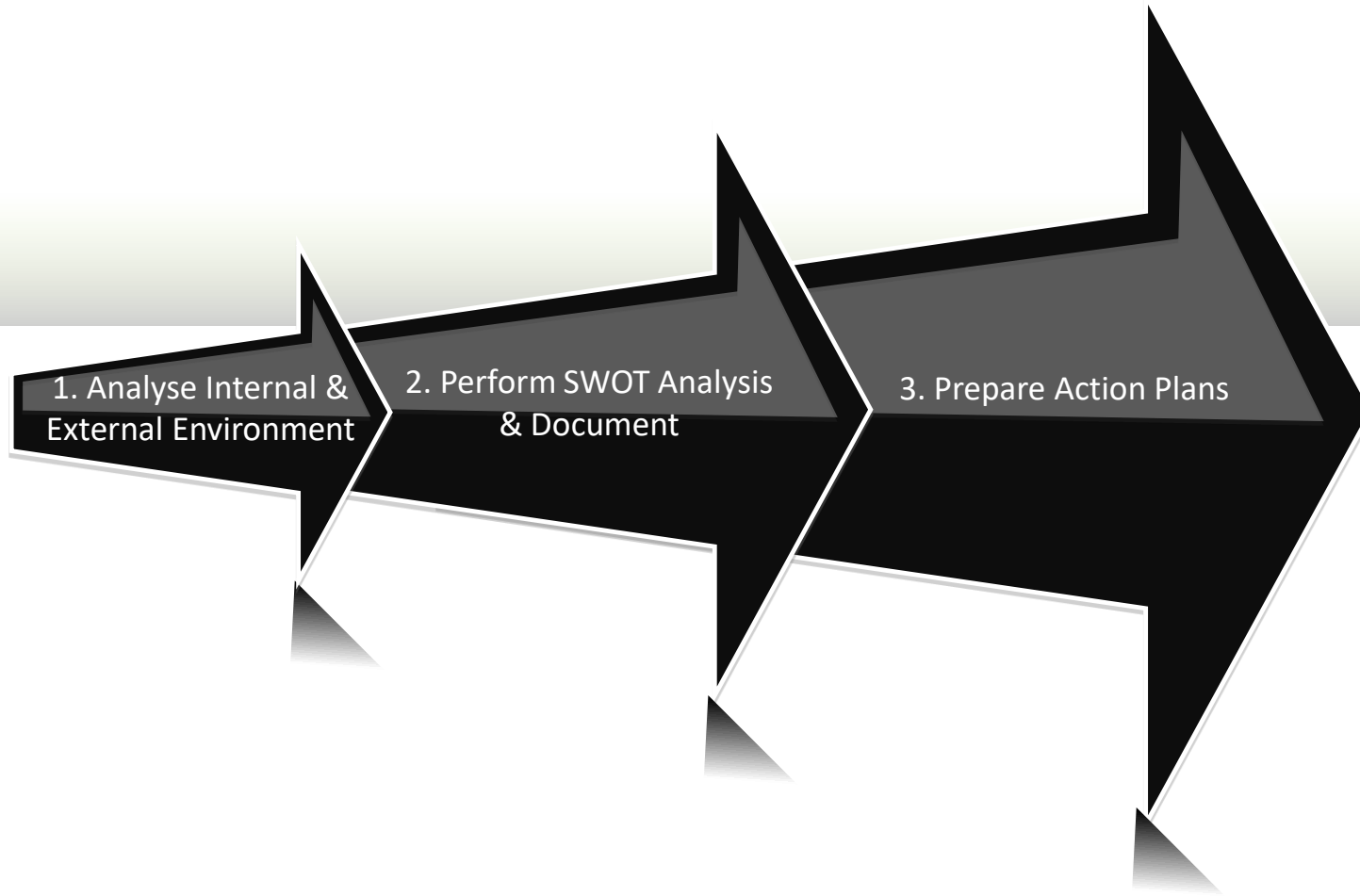
1. Analyse Internal & External Environment



How to conduct SWOT Analysis?

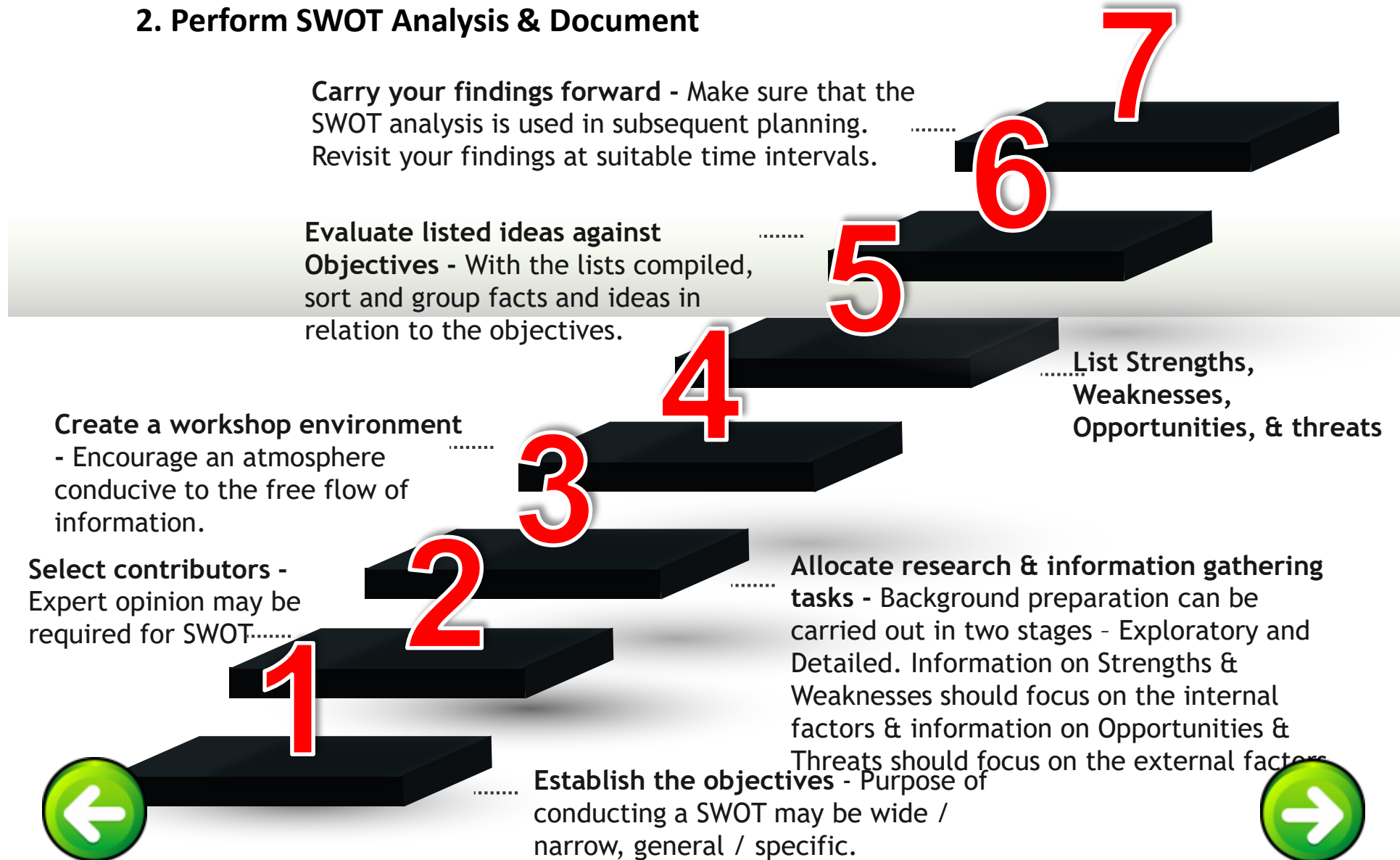


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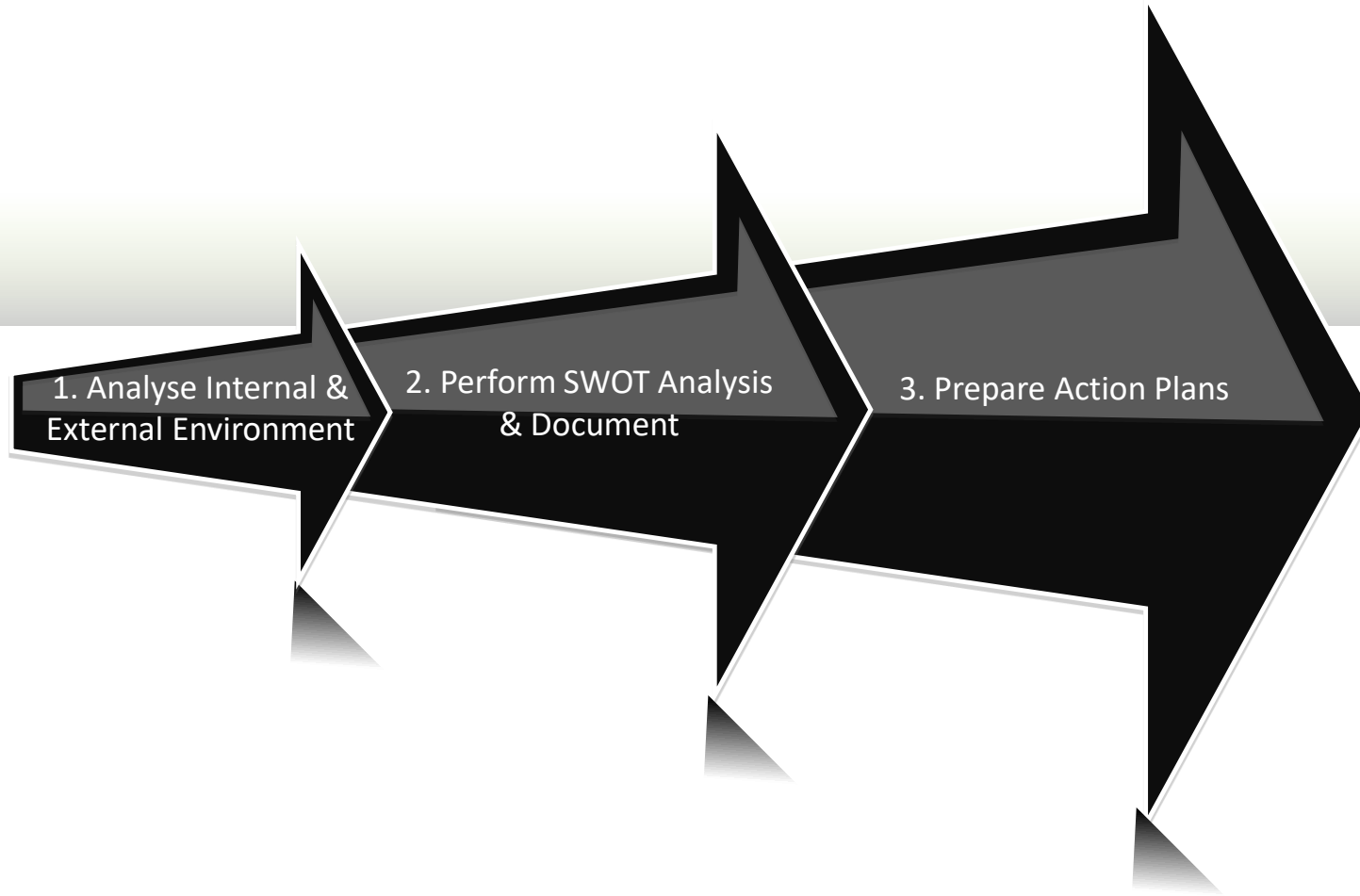


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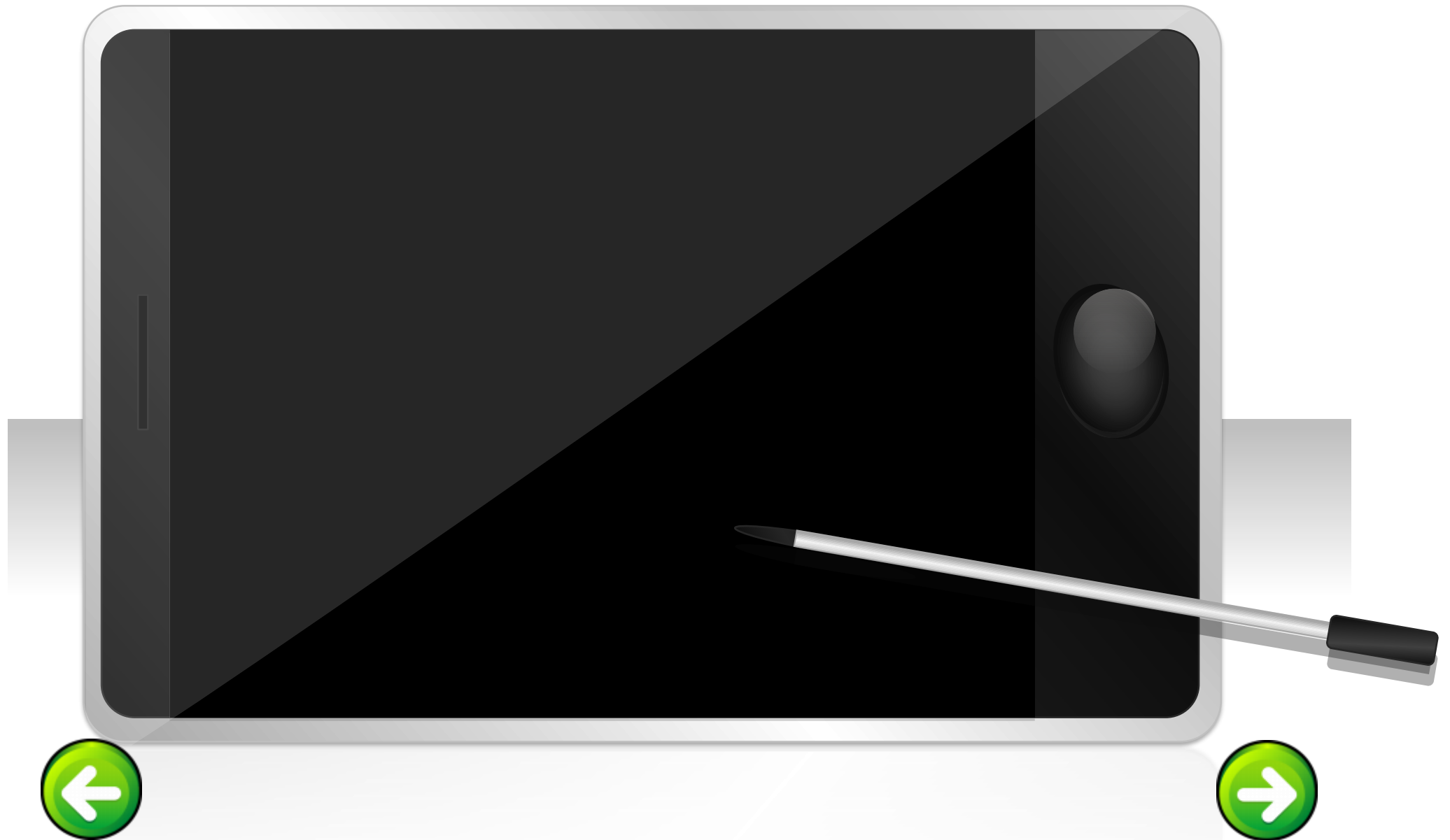
2. Perform SWOT Analysis & Document



How to conduct SWOT Analysis?



Take Notes!



How to conduct SWOT Analysis?

3. Prepare Action Plan

Once the SWOT analysis has been completed, mark each point with:

- ▶ Things that MUST be addressed immediately
- ▶ Things that can be handled now
- ▶ Things that should be researched further
- ▶ Things that should be planned for the future



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Benefits & Pitfalls of SWOT Analysis



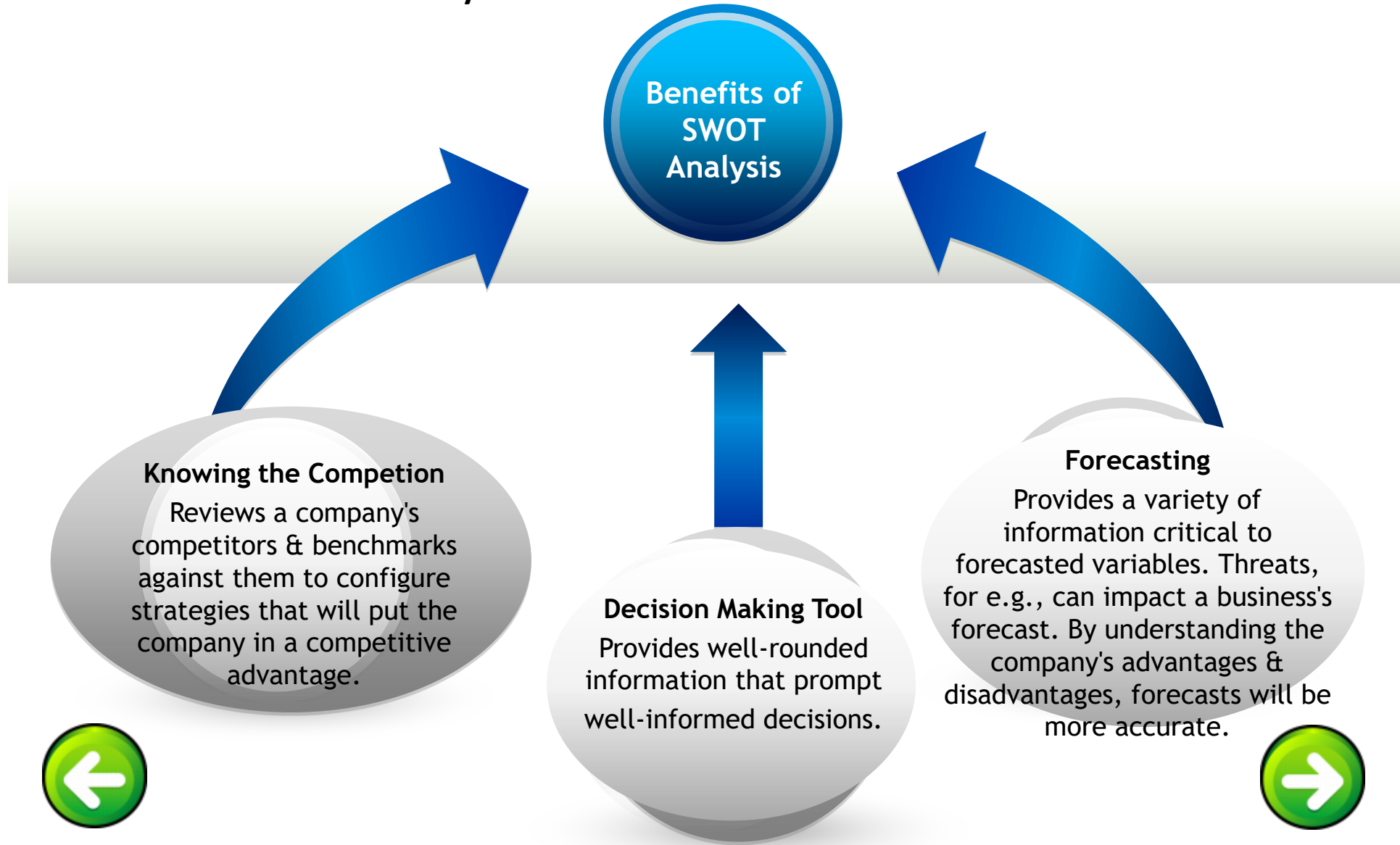
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Benefits & Pitfalls of SWOT Analysis

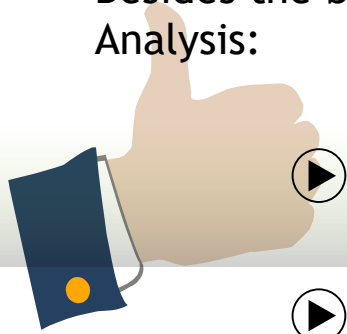
Benefits of SWOT Analysis



Benefits & Pitfalls of SWOT Analysis

Benefits of SWOT Analysis

Besides the broad benefits, here are few more benefits of conducting SWOT Analysis:



Helps in setting of objectives for strategic planning



Provides a framework for identifying & analyzing strengths, weaknesses, opportunities & threats



Provides an impetus to analyze a situation & develop suitable strategies and tactics



Basis for assessing core capabilities & competencies



Evidence for, and cultural key to, change



Provides a stimulus to participation in a group experience



Benefits & Pitfalls of SWOT Analysis

Pitfalls of SWOT Analysis



Can be very subjective. Two people rarely come up with the same final version of a SWOT. Use it as a guide and not as a prescription.



May cause organizations to view circumstances as very simple due to which certain key strategic contact may be overlooked.



Categorizing aspects as strengths, weaknesses, opportunities & threats might be very subjective as there is great degree of uncertainty in market.



To be effective, SWOT needs to be conducted regularly. The pace of change makes it difficult to anticipate developments.



The data used in the analysis may be based on assumptions that subsequently prove to be unfounded [good and bad].



It lacks detailed structure, so key elements may get missed.



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Tips & Exercise



Brainstorming & Prioritization in SWOT Analysis

Brainstorming



Prioritization

Output from Brainstorming exercise is Prioritized

Begin brainstorming by asking the following questions:

- What opportunities exist in our external environment?
- What threats to the institution exist in our external environment?
- What are the strengths of our institution?
- What are the weaknesses of our institution?

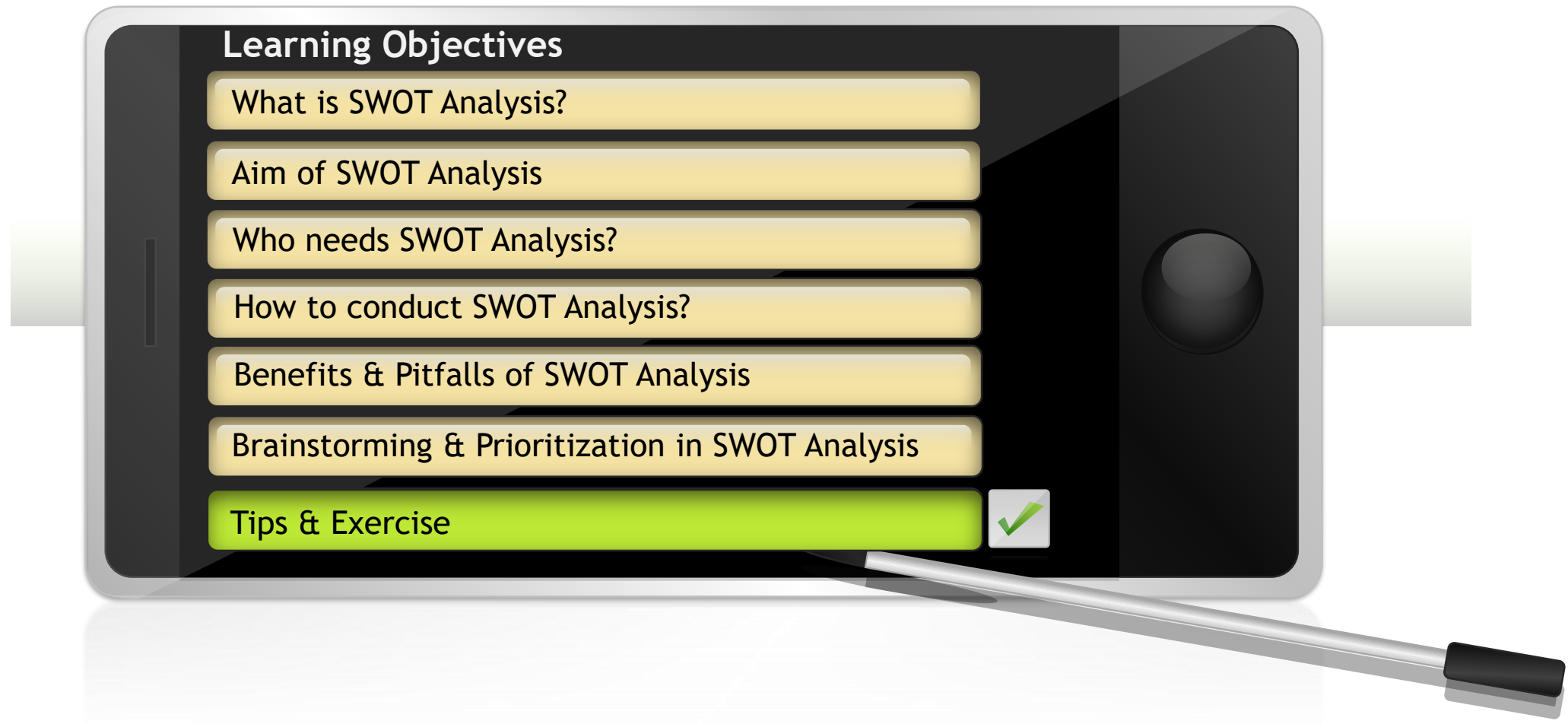


At the end of the Brainstorming exercise:

- Reduce the list of strengths & weaknesses to no more than five distinctive competencies and debilitating weaknesses
 - Strengths that are distinctive competencies
 - Weaknesses that are debilitating
- Reduce threats and opportunities to the five most critically important of each.



SWOT Analysis

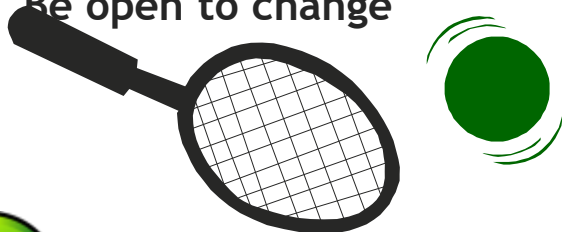


Tips & Exercise

TIPS

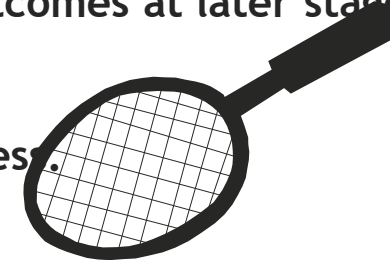
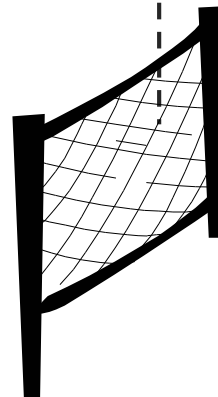
Do's

- ✓ Be analytical and specific.
- ✓ Record all thoughts and ideas.
- ✓ Be selective in the final evaluation.
- ✓ Choose the right people for the exercise.
- ✓ Choose a suitable SWOT leader or facilitator.
- ✓ Think out of the box
- ✓ Be open to change

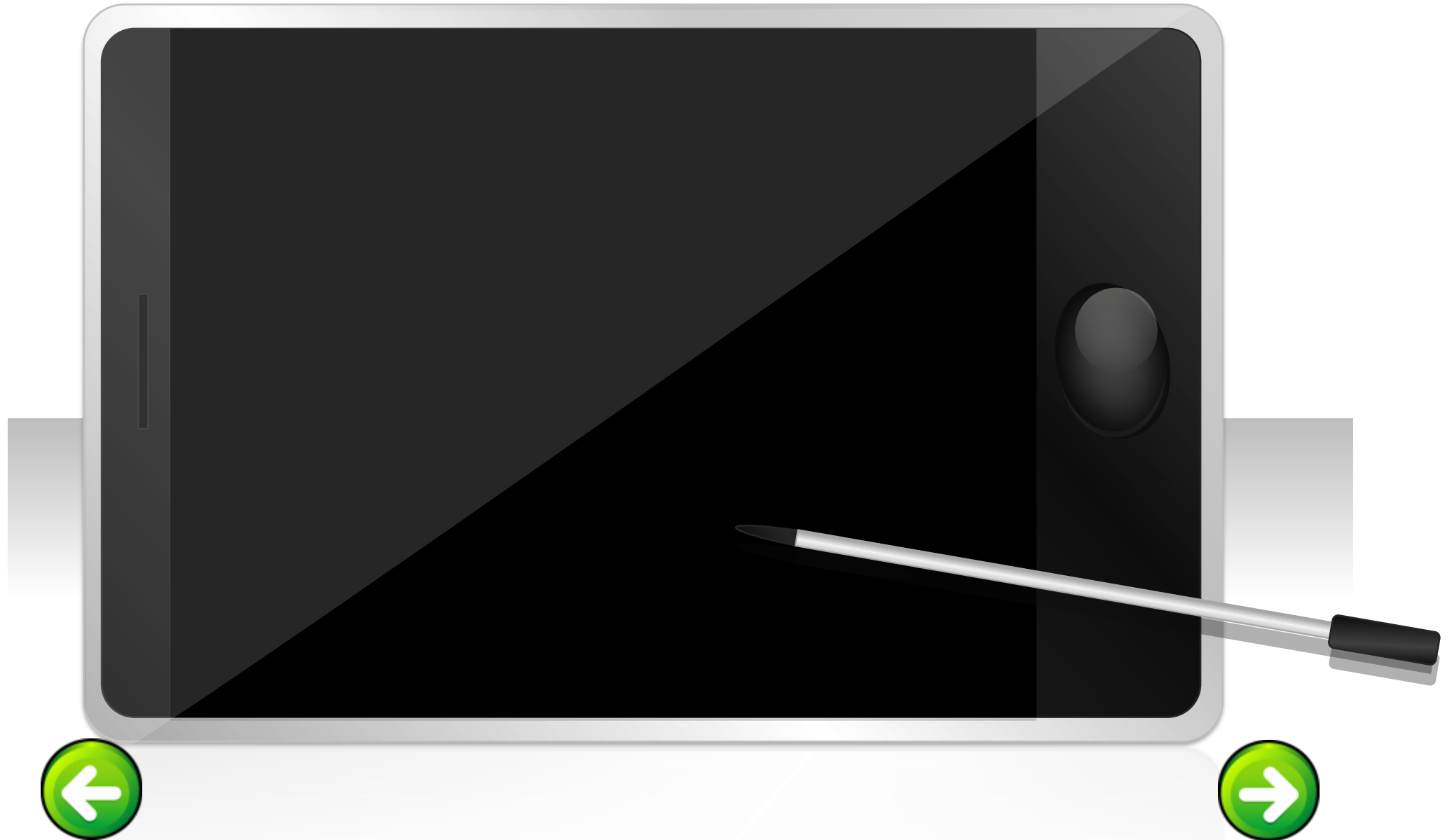


Don'ts

- ✗ Try to disguise weaknesses.
- ✗ Merely list errors and mistakes.
- ✗ Lose sight of external influences and trends.
- ✗ Allow the SWOT to become a blame-laying exercise.
- ✗ Ignore the outcomes at later stages of the planning process.



Bring it all together!



Tips & Exercise

TIPS

When conducting a SWOT analysis, designate a leader or group facilitator.

Introduce the SWOT method and its purpose in your organization to gain acceptance.

Be willing to breakaway from traditional methods.

While doing a SWOT analysis for your job, invite someone to brainstorm with you.

Discuss and record the results. Prepare a written summary of the SWOT analysis to give to participants.



Tips & Exercise

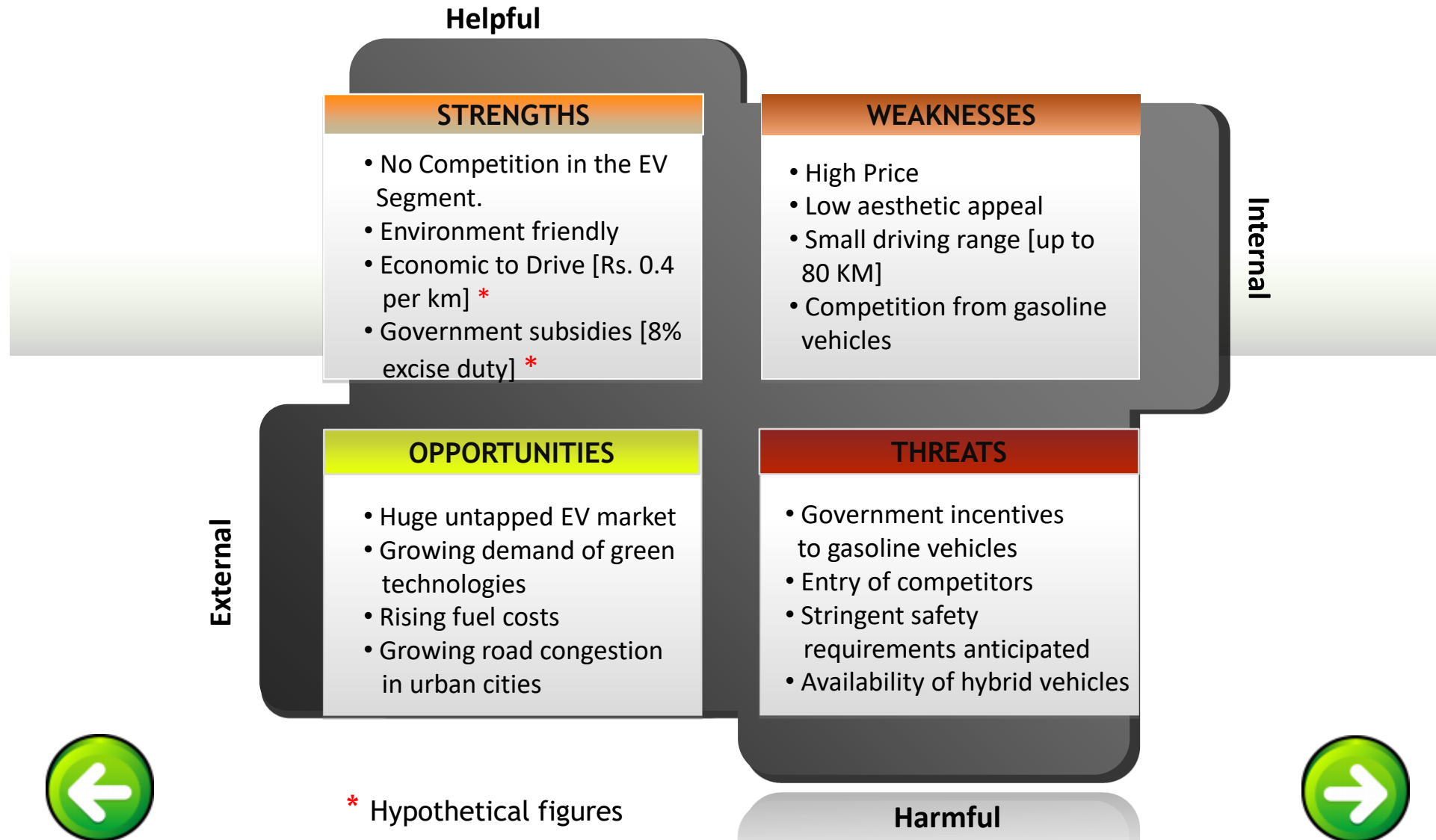
EXERCISE

Assume that a car manufacturing company has recently launched its products. Perform a SWOT analysis for the same.



Tips & Exercise

EXERCISE



Tips & Exercise

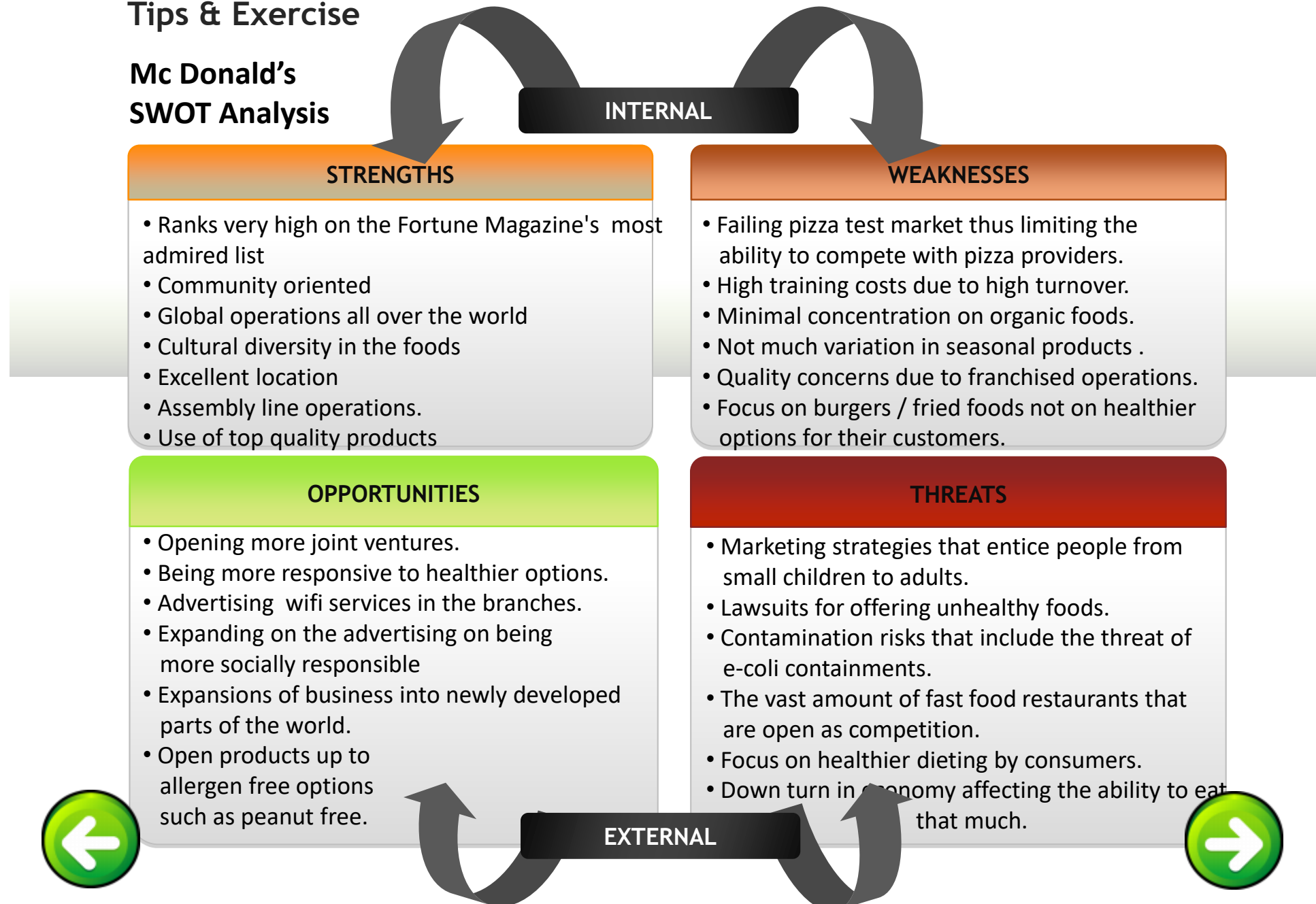
EXAMPLE

Mc Donald's SWOT Analysis



Tips & Exercise

Mc Donald's SWOT Analysis



INTERNAL

STRENGTHS

- Ranks very high on the Fortune Magazine's most admired list
- Community oriented
- Global operations all over the world
- Cultural diversity in the foods
- Excellent location
- Assembly line operations.
- Use of top quality products

WEAKNESSES

- Failing pizza test market thus limiting the ability to compete with pizza providers.
- High training costs due to high turnover.
- Minimal concentration on organic foods.
- Not much variation in seasonal products .
- Quality concerns due to franchised operations.
- Focus on burgers / fried foods not on healthier options for their customers.

OPPORTUNITIES

- Opening more joint ventures.
- Being more responsive to healthier options.
- Advertising wifi services in the branches.
- Expanding on the advertising on being more socially responsible
- Expansions of business into newly developed parts of the world.
- Open products up to allergen free options such as peanut free.

THREATS

- Marketing strategies that entice people from small children to adults.
- Lawsuits for offering unhealthy foods.
- Contamination risks that include the threat of e-coli containments.
- The vast amount of fast food restaurants that are open as competition.
- Focus on healthier dieting by consumers.
- Down turn in economy affecting the ability to eat that much.

EXTERNAL

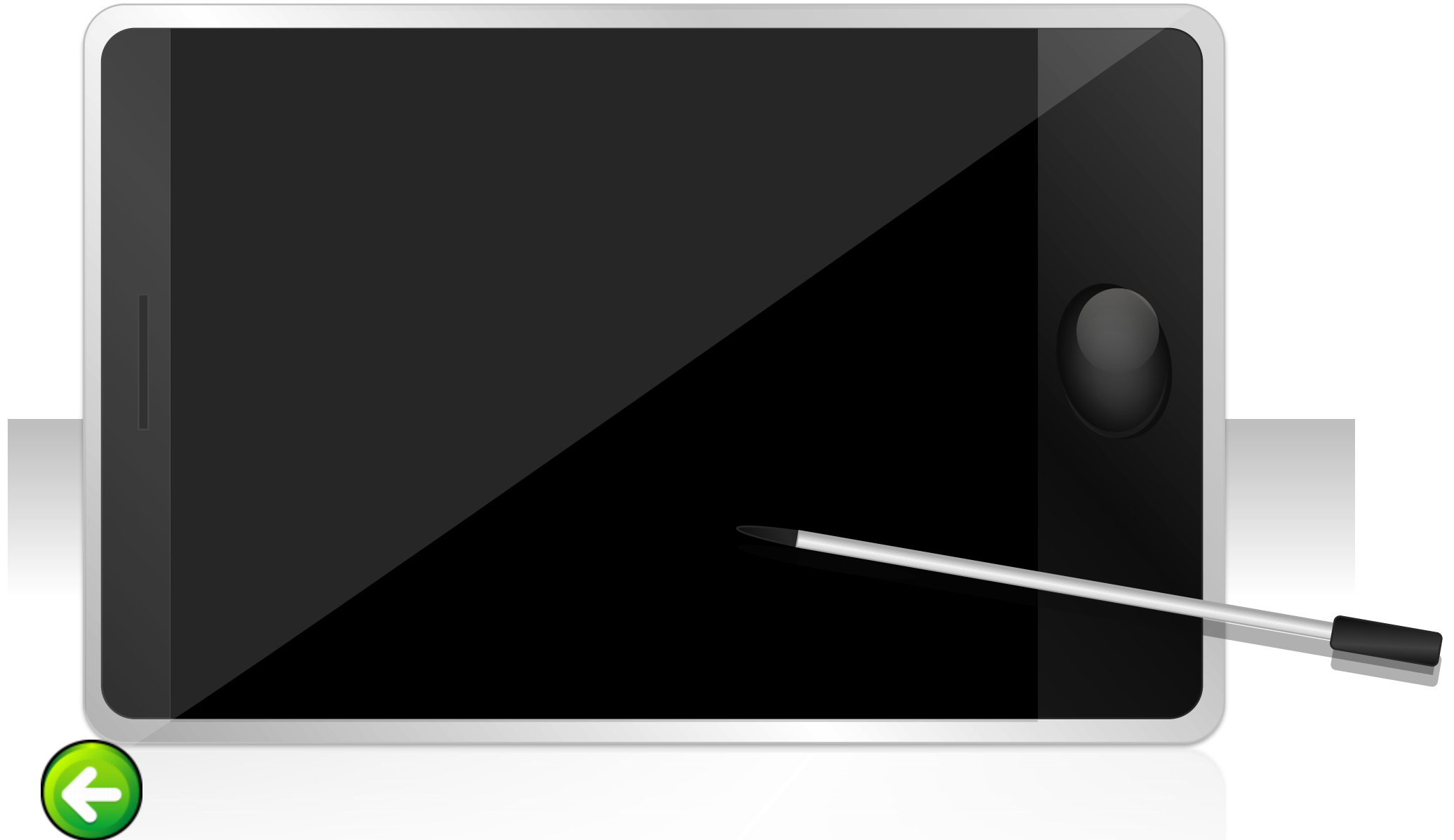
Tips & Exercise

Points to Ponder

- **Keep your SWOT short and simple**, but remember to include important details. For example, if you think your communication skills is your strength, include specific details, such as verbal / written communication.
- When you finish your SWOT analysis, **prioritize the results** by listing them in order of the most significant factors that affect you / your business to the least.
- **Get multiple perspectives** on you / your business for your SWOT analysis. Ask for input from your employees, colleagues, friends, suppliers, customers and partners.
- **Apply your SWOT analysis to a specific issue**, such as a goal you would like to achieve or a problem you need to solve. You can then conduct separate SWOT analyses on individual issues and combine them.



Ready for Exam?



Reference and source

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