

SWOT / PEST ANALYSIS

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HR.com Coach's Corner
April 24, 2018

SWOT Defined

- A technique that enables a group or individual to move from everyday problems and traditional strategies to a fresh perspective.
- SWOT analysis looks at your strengths and weaknesses and threats your business does or may face.
- The SWOT Analysis framework is very important and a useful tool to use in marketing management and other business applications.
- As a basic tool, its mastery is a fundamental requirement for the marketer, entrepreneur or business person.

SWOT is an acronym for:

S – Strengths

W – Weaknesses

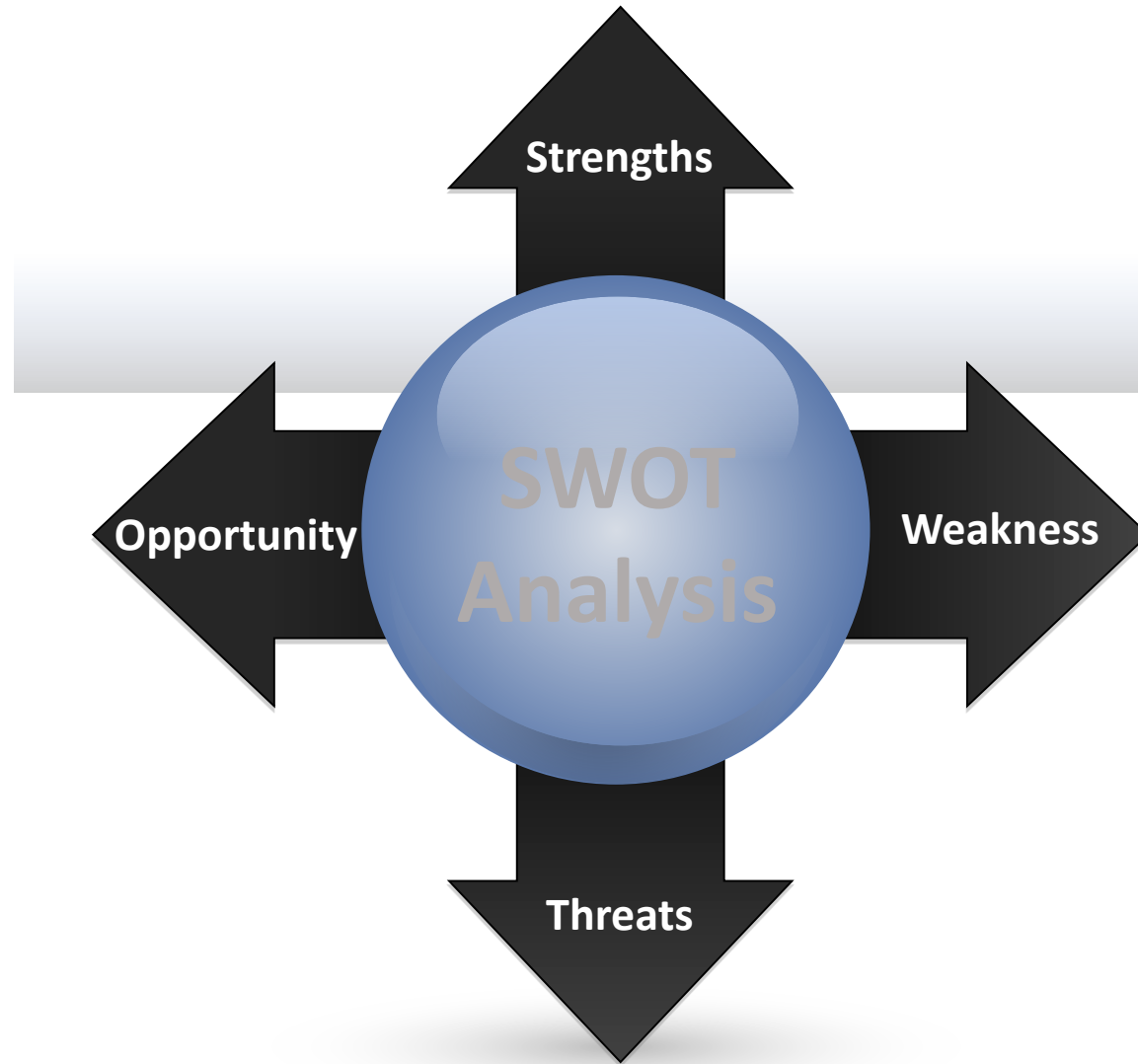
O – Opportunities

T – Threats

Internal Environment

External Environment

What is SWOT Analysis?



- ❑ Technique is credited to **Albert Humphrey** who led a research project at 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.

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, 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.

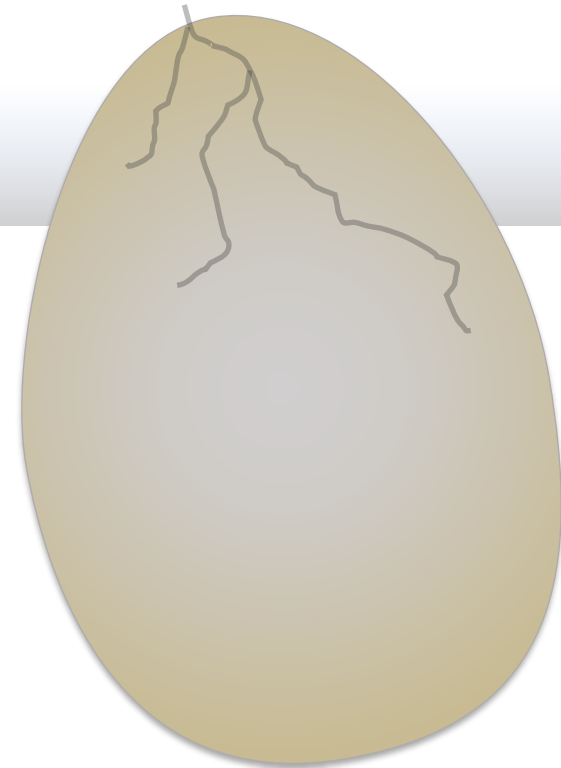


What is SWOT Analysis?

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?

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..
- ▶ **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?

THREATS

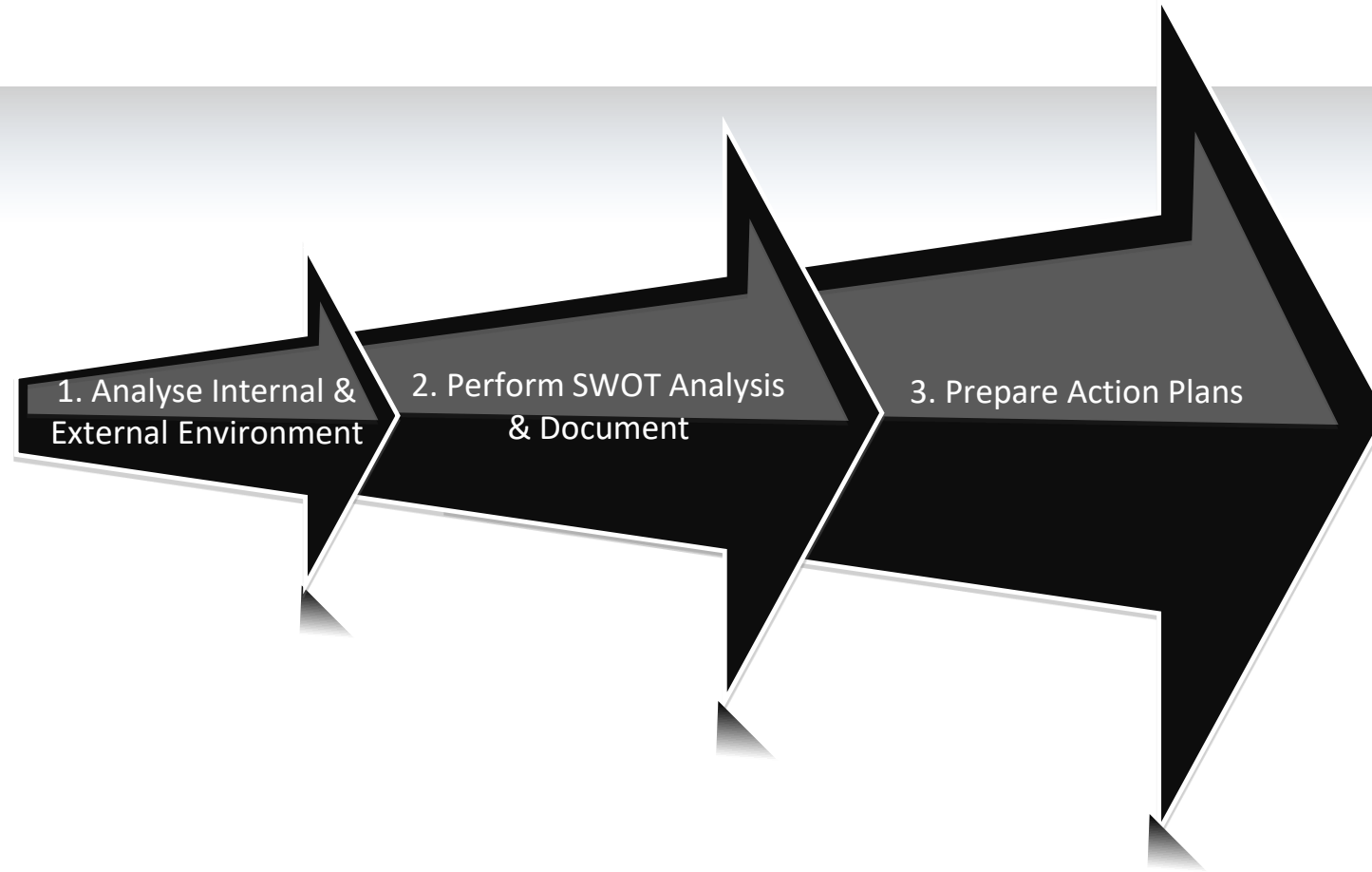
- ▶ External elements in the environment that could cause trouble for the business - External factors, beyond an organization's control.
- ▶ Arise when conditions in external environment jeopardize the reliability and profitability of the organization's business.
- ▶ Compound the vulnerability when they 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.



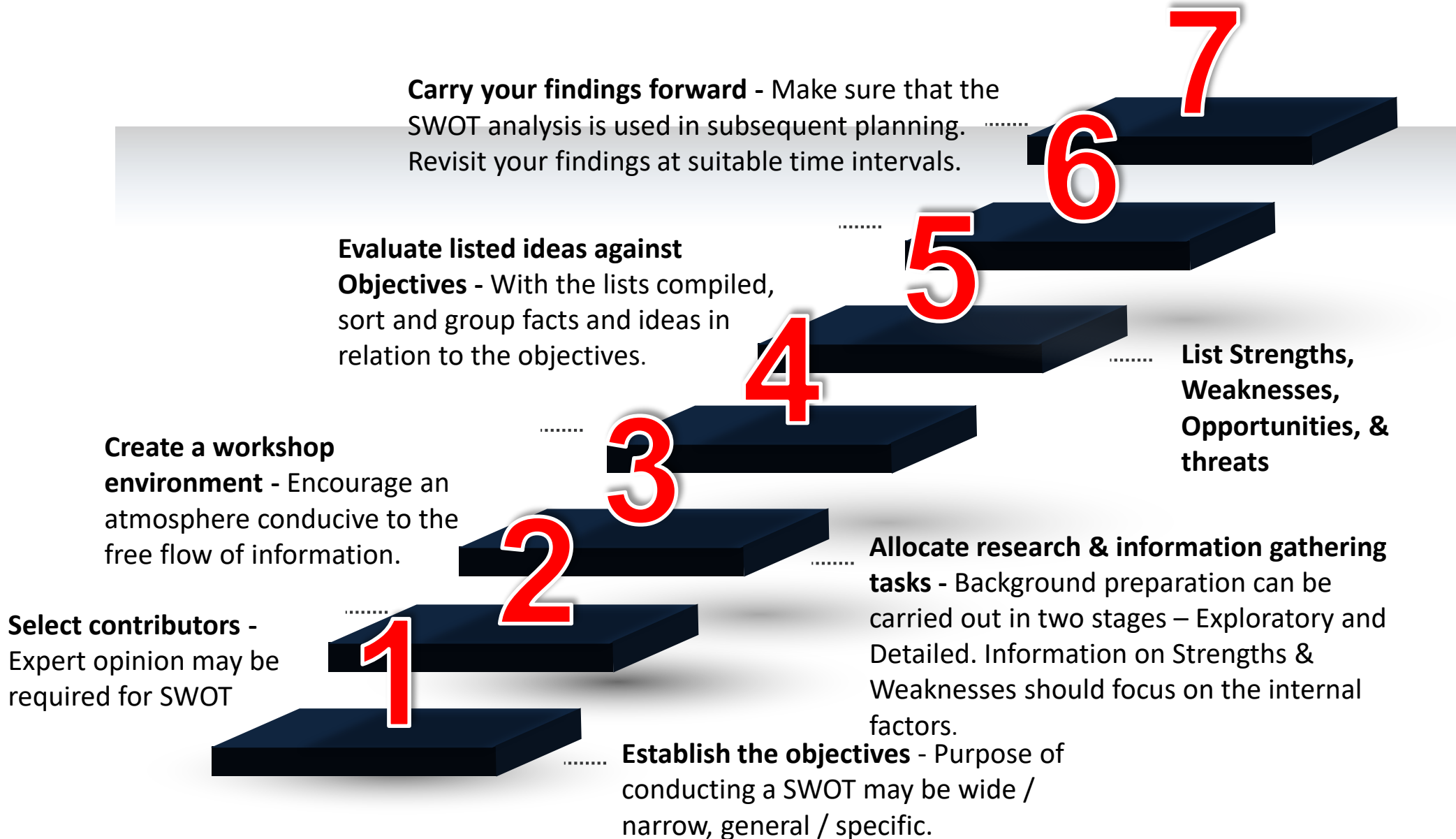


- ▶ To help decision makers share and compare ideas.
- ▶ To bring a clearer common purpose and understanding of factors for success.
- ▶ To organize the important factors linked to success and failure in the business world.
- ▶ To provide linearity to the decision making process allowing complex ideas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

How to conduct SWOT Analysis



Perform SWOT Analysis & Document



Prepare the 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

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].

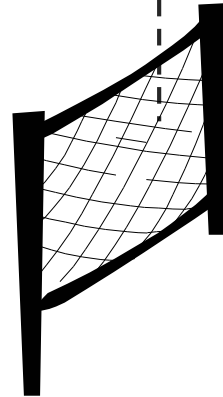
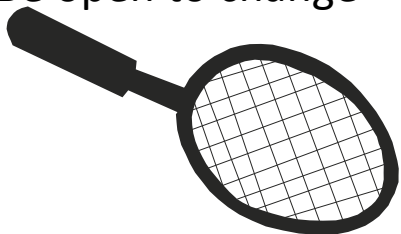


It lacks detailed structure, so key elements may get missed.

Tips:

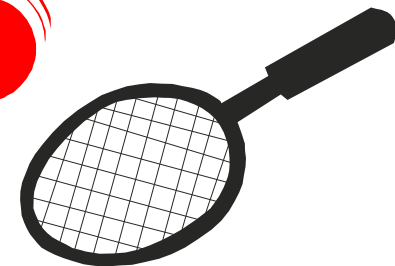
Do's

- ✓ 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.



PEST Analysis

PEST analysis is used to identify the external forces affecting an organisation. This is a simple analysis of an organisation's Political, Economical, Social and Technological environment. A PEST analysis incorporating legal and environmental factors is called a PESTLE analysis.

- **PESTLE/PESTEL** – Political, Economic, Socio-Cultural, Technological, Legal, Environmental
- **PESTLIED** – Political, Economic, Socio-Cultural, Technological, Legal, International, Environmental, Demographic
- **STEEPLE** – Social/Demographic, Technological, Economic, Environmental, Political, Legal, Ethical

POLITICAL FACTORS

- When is the country's next local, state or national election? How could this change government or regional policy?
- Depending on the country, how well developed are property rights and the rule of law, and how widespread are corruption and organized crime? How are these situations likely to change, and how is this likely to affect your business?
- Could any pending legislation changes affect your business, either positively or negatively?
- How will business regulation, along with any planned changes to it, affect your business? And is there a trend towards regulation or deregulation?
- How does government approach corporate policy, corporate social responsibility, environmental issues, and customer protection legislation? What impact does this have, and is it likely to change?
- Are there any other political factors that are likely to change?

ECONOMIC FACTORS

- How stable is the current economy? Is it growing, stagnating or declining?
- Are key exchange rates stable, or do they tend to vary significantly?
- Are customers' levels of disposable income rising or falling? How is this likely to change in the next few years?
- What is the unemployment rate? Will it be easy to build a skilled workforce? Or will it be challenging/expensive?
- Do consumers/businesses have easy access to credit? If not, how will this affect your organization?
- How is globalization affecting the economic environment?
- Are there any other economic factors you should consider?

SOCIO-CULTURAL FACTORS

- What is the population's growth rate and age profile? How is this likely to change?
- Are generational shifts in attitude likely to affect what you're doing?
- What are your society's levels of health, education and social mobility? How are these changing, and what impact does this have?
- What employment patterns, job market trends, and attitudes toward work can you observe?
- What social attitudes and social taboos could affect your business?
- How do religious beliefs and lifestyle choices affect the population?
- What changes are you seeing in consumer values, patterns, etc.?

TECHNOLOGICAL FACTORS

- Are there any new technologies that you could be using?
- Are there any new technologies on the horizon that could radically affect your work or your industry?
- Do any of your competitors have access to new technologies that could redefine their products?
- In which areas do governments and educational institutions focus their research? Is there anything you can do to take advantage of this?
- How have infrastructure changes affected work patterns (eg, levels of remote working)?
- Are there existing technological hubs that you could work with/learn from?
- What consumer buying mechanisms/technology are changing?
- Are there any other technological factors that you should consider?

ADDITIONAL CATEGORIES

- LEGAL – pulls the issues relative to legislation (eg, business, employment, regulation, etc.) out of the larger PEST categories
- ENVIRONMENTAL – pulls the issues relative to the environment out of the larger PEST categories (eg, environmental rules/restrictions, shifting power sources, etc.)
- ETHICAL – focuses specifically on the country's views on right/wrong

CLOSING THOUGHTS

- You can do a PEST analysis only, or as part of the broader SWOT analysis.
- PEST analysis can be useful before SWOT analysis because it helps to identify SWOT factors.
- The process for conducting a SWOT and/or PEST analysis is essentially the same – (1) brainstorm the threats (and opportunities), (2) analyze and document the potential impacts on the business, and (3) develop action plans to address them.

QUESTIONS?

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