



HBR TOOLS

SWOT ANALYSIS



Introduction

Whether you are at the helm of a start-up, run an established line of business, or manage a product portfolio, you'll get the most out of a SWOT analysis if you go in with a particular business objective in mind.

Your objective may be to:

- *Prepare for strategic planning.* Many companies use a SWOT analysis to formulate or rethink strategy by better understanding their organization, market, and competitors.
- *Improve one or all parts of your business.* It can help you understand where your organization is most effective and identify areas of weakness.
- *Assess the feasibility of a new initiative.* You can use the analysis to determine if you should pursue a new product or project.
- *Make a specific decision.* It can help you decide whether to take advantage of a new business opportunity, restructure your team, or implement a new technology.
- *Set goals.* It can provide the background information you need to develop organizational, unit-specific, or team goals.
- *Plan your career.* Some individuals even use the analysis to assess and plan their careers.

Whatever the objective is, this tool will give you what you need to lead your group through the SWOT analysis, from preparation to follow-up. In Section 1, we outline the four categories—strengths, weaknesses, opportunities, and threats—and provide two company examples. In Section 2, we provide direction on how to prepare and run your SWOT meeting.

Note: Although a SWOT is often performed at the unit, team, or individual level, to keep it simple, we'll refer to a company SWOT throughout this tool.

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Section 1

The Four Categories of SWOT

When conducting a SWOT analysis, it's essential to consider both inside and outside factors to clarify the world in which your business operates. To illustrate the four categories of SWOT, we're going to use two fictional examples—ABC Convenience and XYZ Pay.

ABC CONVENIENCE

A well-established global chain of convenience stores, which has always provided low-cost prepackaged food and goods.

REASON FOR USING SWOT: The leadership team wants to determine how it should respond to the growing consumer preference for fresh and organic foods and whether pursuing that opportunity makes more sense than pursuing others.

QUESTION TO ANSWER: Should we enter the organic food market?

XYZ PAY

A mobile payment app whose technology turns existing card strip readers into contactless payment receivers, making it easy for retailers to accept mobile payments.

REASON FOR USING SWOT: The company is about to seek Series B funding, and the company's CEO needs to figure out how to position the company honestly and favorably to investors.

QUESTION TO ANSWER: What will make us most attractive to investors?

	POSITIVE	NEGATIVE
INTERNAL	STRENGTHS	WEAKNESSES
EXTERNAL	OPPORTUNITIES	THREATS

Look Inside: Strengths and Weaknesses

The SWOT analysis starts with your company’s internal strengths and weaknesses. These are the things in your control, whereas the external issues are things that would exist even if your business didn’t. Note that these are not all of the companies’ strengths but those that are most relevant to the question the senior team is trying to answer.

Strengths include:

- **Capabilities** and **resources** that enable your company to perform well
- Things, which are both **tangible** (assets like patents or superior financial standing) and **intangible** (innovation capability or a strong brand)
- **“Core competencies”**—those things, which your company is exceptionally good at and that your customers value

ABC CONVENIENCE > SHOULD WE ENTER THE ORGANIC FOOD MARKET?

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • <i>Wide geographic presence:</i> 30,000 locations in the U.S., Europe, and Japan • <i>High brand equity:</i> market leader in the U.S. and Japan • <i>Franchise model:</i> faster expansion without significant capital requirements since franchisee bears setup costs • <i>High margins:</i> especially on snack foods and drinks • <i>Diverse income sources:</i> income from multiple markets allows us to survive economic downturns 	

XYZ PAY > WHAT WILL MAKE US MOST ATTRACTIVE TO INVESTORS?

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Patent in progress on new technology • First-mover advantage in increasingly crowded market • Well-established partnership with a major cell phone provider • Leadership team with deep experience in quickly bringing new products to market • Top engineering talent, including two programmers from Apple Pay 	

THE FOUR CATEGORIES OF SWOT

Weaknesses include:

- **Disadvantages** compared to competitors
- Something you **lack** or do **poorly**
- Things, which are both **tangible** and **intangible**
- The **flip side of strengths**, such as weak leadership abilities, poor customer service, or lack of technology. In fact, sometimes a capability that's a strength may also be a weakness (see the franchise model for ABC Convenience)

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Look Outside: Opportunities and Threats

Once you've looked inward to evaluate your strengths and weaknesses, you then scan the outer world for opportunities and threats.

Opportunities include:

- **Trends, forces,** and **events** that your company can capitalize on
- **Broad-reaching** trends (such as demographic shifts and removal of international trade barriers) and **more-narrow** forces (such as the identification of an unmet customer need or loosening of a regulation) that affect your industry or niche market

ABC CONVENIENCE > SHOULD WE ENTER THE ORGANIC FOOD MARKET?

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • <i>Growing demand for organic products:</i> could offer lower-margin organic foods • <i>Increased service offerings:</i> could offer cell phone cards and perhaps even car insurance • <i>Exclusive product offerings:</i> could offer exclusive food and snack products • <i>Cobranding locations:</i> could expand geographic coverage and/or product offerings by partnering with a coffee chain or a sandwich chain 	

XYZ PAY > WHAT WILL MAKE US MOST ATTRACTIVE TO INVESTORS?

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Expanding customer base due to growth of small companies in the U.S. and Europe • Increased customer comfort with and confidence in mobile-based payments • More open regulatory environment may result if competitor wins court challenge to regulations governing mobile payments 	

THE FOUR CATEGORIES OF SWOT

Threats include:

- **Events** or **forces** outside of your control that may negatively affect your company
- **Broad-reaching** changes (such as shifts in demographics) and **more-narrow** events (such as the entrance of a new competitor)

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LEARN MORE

To learn more about threats and opportunities, watch this 10-minute video that explains Michael Porter's classic five forces concept.

[WATCH VIDEO →](#)

Completed SWOT Analysis

As a result of its SWOT analysis, ABC Convenience decided to begin experimenting with the organic food market, the first step of which was to conduct customer research and begin discussions with existing suppliers who have organic food product lines. It also used this SWOT as the basis for its annual strategic-planning process.

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THE FOUR CATEGORIES OF SWOT

As a result of its SWOT analysis, XYZ Pay refines its investor pitch by adding more data on the opportunities around small-business growth and a clear plan for promoting the upgrades to its technology and restoring customer trust in the app.

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Section 2

Leading the Process

Before the Meeting

The bulk of the SWOT analysis discussion happens in one meeting, though you'll need to do some work ahead of time to make sure you have the right people in the room.

DECIDE WHOM TO INCLUDE

You need the right people in the room to have the most fruitful discussion. When considering whom to invite, follow these five tips:

1. Keep it small. Depending on the size and complexity of your SWOT (e.g., are you analyzing your unit or the entire company?), aim to include four to 10 people to keep the discussion productive.

2. Include diverse perspectives. Identify knowledgeable people from different functional areas of the company, who are trusted, respected, and have reputations for telling it like it is. Don't invite only people who see the business in the same way; bring at least one or two naysayers who will challenge the group.

3. Invite people with access to relevant information.

You don't need to do a months-long analysis of your operations or business environment before doing a SWOT, but be sure to invite people who know the trends and developments in your industry. For example, if you're concerned about changing demographics among target customers, include someone from your market research department. Or if you want to consider a pricing change, invite someone from finance who can talk about the impact of such a change.

4. Include those who will need to execute on decisions.

Bring in people who will be leading initiatives that emerge from your analysis.

5. Bring in outsiders. Some employees may lack objectivity. For an unvarnished assessment of where your company is strong and weak relative to key competitors, you may want to bring in the voices of salespeople, defectors from rival companies, a supplier that knows the industry intimately, or consultants who have broad expertise of the industry. You may invite these people to participate in the discussion of external factors or gather their perspective beforehand.

For those whom you can't invite, find other ways to bring in their expertise. You might meet with them beforehand, for example, to ask for their ideas.

PREPARE FOR THE MEETING

Send an invite outlining the particular business objective of your SWOT analysis, the process you'll use in the meeting, the desired outcome, and the agenda. Ask people to think in advance about the strengths, weaknesses, opportunities, and threats they think should be considered.

Customize the included PowerPoint presentation for your meeting, adding your organization's branding, inserting new slides, adjusting existing slides, and/or revising the talking points as needed.

During the Meeting

SAMPLE AGENDA

Total time: 90 minutes

- Open meeting: Explain purpose, process, and outcome
5 MINUTES
- Discuss strengths
15 MINUTES
- Discuss weaknesses
15 MINUTES
- Discuss opportunities
15 MINUTES
- Discuss threats
15 MINUTES
- Put it all together and review completed analysis
15 MINUTES
- Determine next steps
10 MINUTES

You may need more time depending on the complexity of your SWOT and how many people are in the room. Consider breaking up the meeting into two separate sessions if you need extra time or if you want a follow-up meeting to discuss any additional thoughts people have after the first session.

OPEN THE MEETING

SEE SLIDE > SWOT ANALYSIS

Start the meeting by reiterating the particular business objective for your SWOT analysis. Will you use it to set strategic goals for your company in the next year? Will senior management use it to decide whether to pursue a new initiative?

REVIEW THE PROCESS

SEE SLIDES > AGENDA, THE FOUR CATEGORIES OF SWOT, THE SWOT PROCESS

Go over the agenda for the meeting. Show the SWOT matrix and quickly review what the four categories are. Then explain the process. For each quadrant of the SWOT, you will take four steps: brainstorm, consolidate, clarify, and prioritize ideas.

START WITH STRENGTHS

SEE SLIDE > INTERNAL: STRENGTHS

Step 1: Brainstorm. Go around the room and solicit ideas from participants. Record all suggestions on a white board or flip chart. At this point, the goal is to capture as many ideas as possible. You'll evaluate the strengths in the next few steps.

Ask people to be specific about the strength.

"Researching customer preferences and turning needs into enhanced product features" is better than "Understanding customers." The items you include in the final version of the SWOT will be one-sentence distillations of bigger ideas, but they shouldn't be so generic that they could apply to any company in your industry.

Step 2: Consolidate. Post the strengths so that everyone can see them and ask the group: Are any of these the same or do they overlap? Consolidate any duplicate points. But resist the temptation to lump too many ideas under one subject. Often, this results in a lack of focus or overgeneralizing, which is not helpful later when you need to take action.

Step 3: Clarify. Go down the consolidated list item by item and ask, "What do we mean exactly?" Clarify any items that participants have questions about. Restrain the team from talking about solutions at this point in the process.

Step 4: Prioritize. Choose the three to six most important strengths that are most relevant to your objective. If the top strengths are obvious, simply test for consensus. Otherwise, give participants a few minutes to pick their top issues individually. Allow each team member to cast three to five votes (three if the list of issues is 10 items or fewer, five if it is long). Identify the top three to six items.

MOVE ON TO WEAKNESSES

SEE SLIDE > INTERNAL: WEAKNESSES

Follow the same process above for weaknesses: brainstorm, consolidate, clarify, and prioritize the ideas. Again, focus on the weaknesses that are most relevant to your business objective and unique to you. There may be weaknesses that apply across the board to companies in your industry, but focus on ones that are particularly challenging for you.

TIP #1

Keep it simple

Don't go too deeply into any one issue. If you decide that the issue is a priority, return to it after the meeting to do more research and exploration.

TIP #2

Don't rush through the prioritization step

It's important to get agreement from most people in the room so that you have buy-in to act on the analysis later.

COVER OPPORTUNITIES AND THREATS

SEE SLIDES > EXTERNAL: OPPORTUNITIES, EXTERNAL: THREATS

Use the same four-step process to discuss the two external quadrants. As mentioned in the Before the Meeting section, bring in outside information and perspectives as necessary.

When discussing opportunities, don't let your current resources and capabilities hinder the conversation. Have an open discussion during the brainstorming step. You'll talk about which opportunities are realistic when you prioritize them.

Similarly, don't get hung up on which threats are most likely to occur. It's easy for participants to dismiss an idea by saying, "That'll never happen!" Get all the ideas out there and then you can evaluate their likelihood and severity toward the end of the discussion.

COMPLETE YOUR SWOT MATRIX

SEE SLIDE > PUTTING IT ALL TOGETHER

Take each list and put it into the provided template so that everyone can see the completed analysis. When you look at them together, you may decide that some of the items aren't as important as you thought or you may want to bring one of the lower priority items back onto the list.

TIP #3

Focus on your organization

It's easy to get caught up in what competitors are doing. You should certainly discuss them, but remember, this is about your company.

TIP #4

Look for action that you can take within a year

When prioritizing, focus on issues that you can act on within the next six to 12 months. You don't want to get lost in the future.

After the Meeting

COMPLETE AND REVISE THE SWOT MATRIX

Revise the draft you created in the meeting so that it's ready for review. You may want to clarify language or add some additional detail so that people who weren't in the discussion can easily understand the document.

FOLLOW UP WITH PARTICIPANTS

Send the revised template to the group and ask for input. Did you miss anything? Does anyone have anything else to add? Don't wait. Do this within 24 hours of the meeting and ask for feedback within another 24 to 48 hours.

SHARE WITH OTHER STAKEHOLDERS

Once you have signoff from the team, send the analysis to your boss or other key stakeholders who weren't in the meeting. For example, it can help to share the analysis with the sales team, who likely know your customers best. Ask, "Do these seem like the most pressing issues and opportunities?" and "What would you add, drop, or change?" You can gather this feedback over e-mail or in individual meetings.

REVIEW AND REVISIT THE ANALYSIS

The SWOT is a living document. It's worth revisiting once a quarter or any time there is a significant change in any of the quadrants. At these moments, you may use it to make important decisions, develop or refine strategies, or communicate with the rest of the organization about how your company will win in the marketplace.