

THE PROCESS OF STRATEGIC PLANNING

ARTICLE #4 OF 10 SWOT ANALYSIS

Strategic Planning pays dividends to companies when approached in a disciplined process with top-down support and bottom-up participation. The following is the fourth in a series of ten articles describing one proven, tested process for effective strategic planning.

SWOT(Strengths, Weaknesses, Opportunities and Threats) analysis is a valuable, proven, effective tool to use in the discovery and evaluation stage of strategic planning. It is an audit of the organization and the environment around the company. The SWOT analysis is most productive when it involves the input of a cross section of key managers in the process. Since SWOT analysis is an exercise dependent on judgment, the input from multiple sources provides an opportunity to assure all of the points of view and important issues are considered. Thinking of and using the SWOT analysis as a team sport, in contrast to an individual sport, will add value while expanding the horizon of the SWOT “thinking” exercise.

STRENGTHS / WEAKNESSES, and OPPORTUNITIES / THREATS are a convenient, easy way to identify the relative position of your company to the market, the customer and to the competition. The SWOT analysis tool lends itself to the evaluation of the business overall as well as to specific functional areas within the business.

Involving multiple people in the process expands the strategic thinking. It also improves the opportunity to gain new perspective on the relative effectiveness of the company. Bringing people into the SWOT process from both inside and outside of the company leverages the analysis even further. The views of customers upstream and suppliers downstream from the company add maximum value to a SWOT analysis.

Collecting SWOT input can be done from individuals or from groups working together. Experimenting with the process of collecting SWOT information will help to build a useful, comfortable and trustworthy process for your organization.

Strengths are those company attributes or activities that you do better than most, or better than anyone else, in your competitive environment. Include categories important to success in your business. Supply Chain, Marketing, Operations, Technology, Product Development and of course People are all SWOT candidates. Build your selection of areas based on your industry requirements for success. Think and analyze questions such as: What do we do well? What do we do better than most? Following are some examples of company strengths:

SWOT: Strengths

- Well Established Reputation
- Financial Resources
- Certain Market Segments are Served Profitably
- Geographic Location to Customers
- Geographic Location to Suppliers
- Management Experience in the Industry
- Marketing Support Levels
- Management Information Systems

Weaknesses are the attributes and activities that, if substantially improved, would provide the company additional probability for success. In this area it is important to obtain two distinct views of the current situation. First, get multiple views from key functional managers within the company. Multiple points of view will help to assure that differing points of view are aired and all key weaknesses are surfaced. Second, get the perspective outside the company by bringing customers and suppliers into the discussion. Often weaknesses are seen differently from outside the company. The key questions are: What do we do not so well? What should be improved? Are there mistakes we need to avoid? Do others see our weaknesses as we do, or differently? Remember, it is important to be honest and realistic in your evaluation. Following are some examples of company weaknesses:

SWOT: Weaknesses

- Lack of Expertise in Certain Growing Markets
- Lack of Clear Strategy
- High Outside Sales Turnover
- Out of Touch with Marketplace
- No Marketing/Advertising
- No Focus on Margin Management
- Sales/Price Controls Lapsed Since 1997
- Lack of Technological Expertise
- Too Much Inventory
- Too Many Products and Market Segments
- Serving Unprofitable Markets
- Did Not Invest in Technology
- Did Not Exploit Product and Market Opportunities

Opportunities are often the product of fundamental trends or conditions developing or appearing outside of the company. Some examples are changes in Specialization, Consolidation, Diversification, Economic Conditions, Lifestyles, and Technology.

Seeing or recognizing the development of trends or changes comes from a number of important activities that are expected of the key leaders, managers and owners of the business. Two suggested activities include reading industry and general interest publications and constantly benchmarking inside and outside your own company and industry to identify and evaluate potential opportunities. Following are examples of company opportunities:

SWOT: Opportunities

- Growth Through Market Segmentation
- Regional Growth Trends
- Inside Sales Optimization Through Training
- Realign Key Management Responsibilities
- New Distribution Model Needed
- Master Technology Strategy

Threats are the obstacles the company faces in trying to accomplish its Mission, Vision and Strategic Goals. Threats may include items such as competitor first mover advantage on new technology or new products. Threats may come from changes in government regulation, or lender covenants. Recognition of real or perceived threats is important in the development of a strategic plan and critical to avoiding surprises that hinder goal achievement. Following are examples of threats:

SWOT: Threats

- Distribution Channel is Maturing
- Consolidation and Strength of Competition
- Misreading Trends in Market Segmentation
- Gas Prices and Consumer Market Changes
- Maturing/Dying Markets in Areas of Core Competency
- Banking Covenants

A thorough SWOT analysis, with participation across the company and across key external relationships will provide an important building block for the Strategic Plan. It will be a joint exercise that yields consensus and a map for predictable performance.

Along each step of the SWOT process prioritize and value each of the items. This will focus the organization's attention and set financial parameters or values that the SWOT analysis represent.

You can make SWOT a valuable, proven, effective management tool for your company by following these few simple guidelines.

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(Article #5 in this series of 10 will focus on CORE COMPETENCIES of the company.)