

SWOT Analysis for Assessing Entrepreneurship Readiness

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49

Introduction

SWOT analysis (strengths, weaknesses, opportunities, and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a project, product, place or person. SWOT analysis guides to identify the positives and negatives inside an institution / organization / group (S-W) and outside of it, in the external environment (O-T). Developing a full awareness of a situation can help with both strategic planning and decision-making. The technique is credited to Albert Humphrey of the Stanford University, USA and was originally developed in the 1960s for business and industry, but it is equally useful in other arenas, and even personal growth. SWOT is not the only assessment technique you can use, but is one with a long track record of effectiveness. The strengths of this method are its simplicity and application to a variety of levels of operation. The technique that enables a group / individual to move from everyday problems / traditional strategies to a fresh perspective.



Analyzing internal and external environment

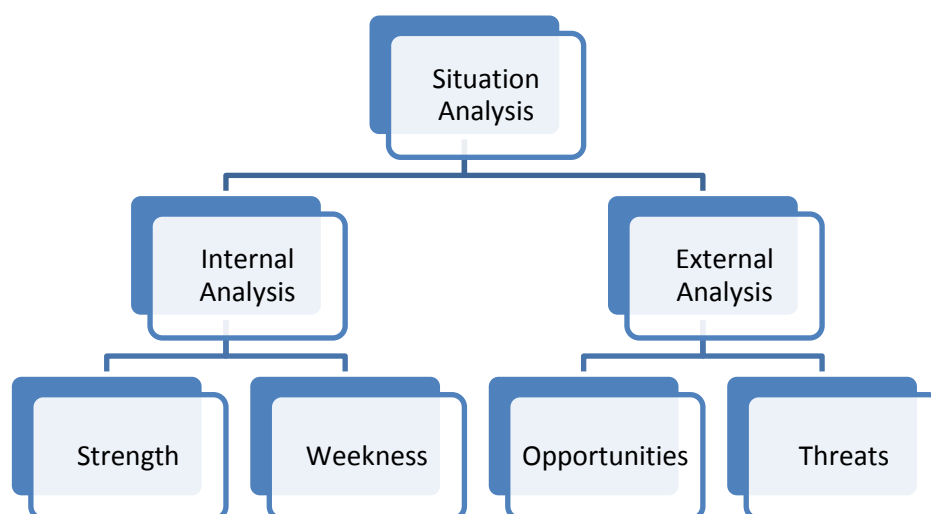


Figure 1: Depiction on the dimensions of SWOT

As depicted in Figure 1, **Strengths and Weaknesses** are considered *internal* factors---that can be controlled internally. How the market or business is managed controls whether it is a strength or weakness. Similarly, **Opportunities and Threats** are considered *external* factors---over which the members of the organization/group have little control. Accordingly, it is the job of the manager of the group/organization to **respond** appropriately.

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 -, Well-known brand name,, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.

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, sometimes weaknesses are controllable. They must be minimized and eliminated.
- Examples - Limited financial resources, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills.

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, Changing customer needs/tastes, New uses for product discovered, Economic boom, Sales decline for a substitute product.

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.
- Examples - Entry of foreign competitors, Changing customer needs/tastes, Rival firms, adopt new strategies, Increased government regulation, Economic downturn.

Aims of SWOT Analysis

The following are the main aims 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 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.

When to use SWOT?

A SWOT analysis can offer helpful perspectives at any stage of an effort. It may be used for the following purposes;

- Explore possibilities for new efforts or solutions to problems.
- Make decisions about the best path for your initiative. Identifying your opportunities for success in context of threats to success can clarify directions and choices.
- Determine where change is possible. If you are at a point of making a decision, an inventory of your strengths and weaknesses can reveal priorities as well as possibilities.
- Adjust and refine plans mid-course. A new opportunity might open wider avenues, while a new threat could close a path that once existed.
- SWOT also offers a simple way of communicating and is an excellent way to organize information you have gathered from studies or surveys.

How to conduct SWOT Analysis?

Conducting a SWOT analysis involves three main steps, viz., (i) Analyzing internal and external environment, (ii) Performing SWOT analysis and document and (iii) Preparing action plans.

As indicated earlier, analyzing internal and external environment involves developing a clear understanding on the various decisive factors that could influence the success or failure of an endeavor. These factors could be later identified as strength, weakness, opportunities and threats based the nature in which they interact with the task on hand as well as the stakeholders involved. The second step is actually carrying out the analysis. This involves the following specific activities;

- Establishing the objectives for which the SWOT analysis is carried out – This could be wide/narrow, general/specific.
- Select contributors – Expert opinion may be required for SWOT.

- Allocate research and information gathering tasks – This may be carried out in two stages - explorative and detailed.
- Creating a workshop environment that enables free flow of information among the people involved.
- Listing strengths, weaknesses, opportunities and threats.
- Evaluating listed ideas against objectives – sorting and grouping ideas in relation to the stated objectives.
- Carry the findings forward by making sure that SWOT analysis is used in subsequent planning. It is also helpful to revisit the findings at suitable intervals.

The third main step involves preparing the action plans. The action plans are subsequently categorized into (i) Things that must be addressed immediately (ii) Things that can be handled now (iii) Things that should be researched further and, Things that should be planned for future.

Pitfalls of SWOT Analysis

- SWOT can be very subjective. Two people rarely come up with the same version of a SWOT. It can only be used as a guide but not as a prescription.
- May cause organizations to view circumstances as very simple due to which certain key strategic contacts may be overlooked.
- Categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in real world.
- To be effective, SWOT needs to be conducted very regularly. The pace of change makes it very 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.