

# COURSE 8



# SWOT ANALYSIS

# Introduction

In this course you will learn about the strength, weaknesses, opportunities, threats and the competitive advantage your business has over your competitor.

# Learning objectives

Upon completion of this course you will be able to:



1. Assess the business' strengths and weaknesses
2. Assess the business' opportunities and threats
3. Assess the business' competitive advantage
4. Know the core market advantages and areas that competitors may criticize the company for.

# Lesson 1: Understanding SWOT Analysis



A SWOT analysis is a strategic planning tool that helps the business identify where they're doing well and where they can improve, both from an internal and external perspective. It is an acronym for “**S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats.”

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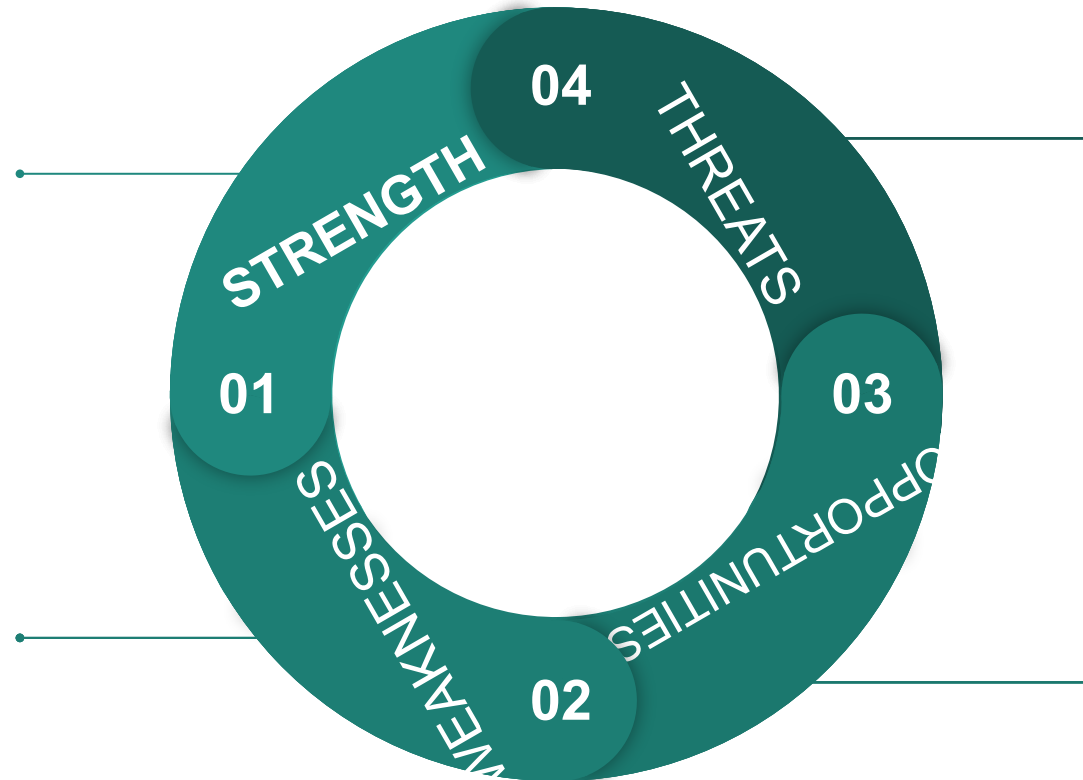
You can use SWOT Analysis to make the most of what you've got, to your business' best advantage. And you can reduce the chances of failure, by understanding what you're lacking, and eliminating hazards that would otherwise catch you unawares.

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Better still, you can start to craft a strategy that distinguishes you from your competitors, and so compete successfully in your market

**Strengths** provide an analysis of the business' advantages over its competitors.

**Weaknesses** consider areas in which the business is lacking and at a competitive disadvantage.



**Threats** explore the external environment that could affect the company, including technological, environmental and regulatory factors.

**Opportunities** are a list of untapped markets or business developments.

## Strengths

Start by asking the question, “What are we good at?” This is a broad question, but in the beginning stages of your discussion, you should accept all answers.

- **Financial Strengths:** What is your most reliable source of financial growth? Is it your current customers? A particular product? Your service fee structure?
- **Internal Strengths:** What do you do very well as an organization? Are you the first to innovate products in your industry? Do you have strong customer relationships or partnerships?
- **Customer Strengths:** Where is your customer growth coming from? Is this coming from referrals, or a particular industry segment like healthcare or retail? Is it mainly retail or commercial? Why are your customers choosing you over your competitors?
- **Learning & Growth Strengths:** Where do you excel insofar as your employees are concerned? Is it your compensation model? Could it be your workforce development program? Your culture?

## Weaknesses

Next you should ask yourself, “What are we *not* good at?” or “Where do we have opportunities to improve?”

- **Financial Weaknesses:** What is your biggest financial weakness? Perhaps most of your customers are in a cyclical industry and subject to market whims, for example. Or maybe your most used product has the lowest profit margins.

- **Internal Strengths:** What do you do poorly? Do you have opportunities to improve in project management for opening new branches? What about for one-touch call resolution for customer service?

- **Customer Weaknesses:** Where do your customers think you need to improve? This could be your investment products, locations, loan origination, or competitive prices for interest rates.

- **Learning & Growth Strengths:** What are your biggest challenges with employees? Do you have particularly high turnover in certain departments or a negative perception of the organizational culture?



# Opportunities

Following your discussion on threats, ask those in leadership to look toward the future and consider, “Where do we see big possibilities for our organization?”

- **Financial**

**Weaknesses:** What is your biggest opportunity to improve your finances? This might be starting a new product line, increasing customer retention, or going after a new geographical area.

- **Internal**

**Strengths:** What processes will drive you well into the future if you could improve upon them? This may entail partnering with a mortgage origination company or developing neighborhood sponsorships.

- **Customer**

**Weaknesses:** Where could you dramatically improve with your customers? Could you improve your online interface? What about cross-selling related products, or better understanding your customers' purchasing habits?

- **Learning & Growth**

**Strengths:** What opportunities do you have to leverage staff? For example, do you have cross-training opportunities? Could you make a few tweaks to improve your culture and thus your retention?

## Threats

After identifying opportunities, zero in on your biggest threats by asking, “What do we see on the horizon as being potentially harmful to our organization?”

- **Financial Weaknesses:** What threats could seriously impact your financial health? This could be low-cost competitors, a partner entering the banking space, or an overseas banking product.

- **Internal Strengths:** What current areas of your business might harm you later? Do you have a new product rollout soon that could potentially fail? Are you struggling through a merger or an office upgrade?

- **Customer Weaknesses:** What is your biggest concern about your customers? Does one of your competitors offer zero-fee checking that could steal some of your market share? How simple is your customers' ease of departure?

- **Learning & Growth Strengths:** What threatens the people within your organization? This could be anything from instability in your customer support department to staff member departures to a department-specific pushback against new technology.

# Activity

After brainstorming, fill your answers into the four box SWOT matrix



	Helpful	Harmful
I N T E R N A L	Strengths	Weaknesses
E X T E R N A L	Opportunities	Threats

## Lesson 2: Developing strategy

**Well done!** I believe you have answered all the 16 questions in the SWOT Analysis example above.

### 1. Align SWOT analysis with your strategies

You just took the time to analyze the opportunities and threats to the future of your business. Don't just keep it! Make sure there is a clear and **strong link between your SWOT analysis and strategy map**. For example, if your SWOT analysis identified a strength in finances, your strategy map should clearly spell out how and where those finances are going to benefit the business.

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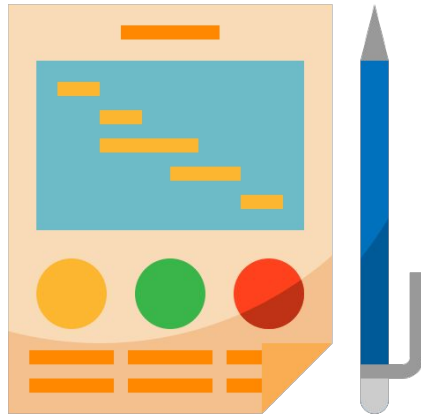
## Lesson 2: Developing strategy

### 2. Implementation

Keep in mind that your SWOT analysis isn't an end product—it's the first step to helping you align your strategy around the areas you've identified as strengths, weaknesses, opportunities, and threats.

- **Weaknesses:** For example, if one of your weaknesses is limited production, you could start making more products and distribute to more areas.
- **Opportunities:** If you've identified an opportunity for a new product line, you may decide to work with one of your closest customers to fully define and understand their needs in order to strengthen the product—or you may decide to sell an early version of the product to customers in a particular test market before you invest heavily in an unproven area.

# Course Summary



## Good job, well done on course 7!

You just spent a significant amount of time and attention on crafting your strategy. Doing a SWOT analysis is tough, and thinking about your business' vulnerabilities can understandably make many business owners uncomfortable.

Don't expect your strategy to change unless you do something to *make* it change. You can worry about threats or get excited about the opportunities, but if your organization doesn't shift its behavior, the opportunities will pass you by and the threats may sink your business.

Don't shy away from the fault lines you uncovered; instead, take advantage of the work you did and the alignment you created.