



# Learn to conduct a **SWOT analysis**

Identify Strengths, Weaknesses,  
Opportunities, and Threats  
and build a strategy around them

# Competitive Analysis

Who are my competitors?



How do I analyze them?

SWOT

[Porter's Five Forces](#)

[Strategic Group Maps](#)

[PEST analysis](#)

SWOT analysis and SWOT Matrix

A SWOT analysis helps you match your company's resources and capabilities to threats and opportunities in the competitive environment.

SWOT analysis can be very subjective, but adding weighting and criteria to each factor increases the validity of the analysis. Also completing the SWOT matrix can help you pick the best strategy to implement.

	Strengths	Weaknesses
Opportunities	Strength-Opportunity strategies	Weakness-Opportunity strategies
Threats	Strength-Threat strategies	Weakness-Threat strategies



# Why use SWOT analysis?

Methodically and honestly assessing your company's **strengths** and **weaknesses** as well as the **opportunities** and **threats** it faces gives you a rare opportunity for objective analysis. The SWOT technique:

- is easy to use
- combines quantitative and qualitative analysis
- encourages interdepartmental collaboration

To make sure your analysis is put to good use, include these before and after steps in your analysis:

- Set an objective for the analysis
- Assemble a diverse project team that includes specialists and idea people
- Set aside adequate time for research and information-gathering
- Evaluate the results of your analysis against your original objective

## Pixar Animation Studios

To illustrate the SWOT analysis technique, we've used Pixar of *Toy Story* fame as a sample case. As you learn about SWOT analysis, you'll see what results Pixar might have if it used the same technique.



# Assessing your strengths

The first two elements of your analysis focus on internal capabilities. **Strengths** can come from many sources, including your team members, your product line, your bank account, your production process, your patents, or your market share. To jump start your list of strengths, ask questions in these categories.

## Products

- What relevant resources does the company have, such as patents, proprietary software, distribution channels, production systems?
- Does the company manage its inventories efficiently?
- Does the company have strong brands?
- What is the market share of the company in its various product lines?

## People

- Does the company have a strong team of skilled employees?
- Are there employees with skills unique in the industry?

## Performance

- What does the company do well?
- What do other people see as the company's strengths?
- What are the major sources of a company's revenue and profit?
- Has the company demonstrated the ability to adapt and change?
- Are the marketing and advertising programs effective?
- Does the company use information technology effectively?

## Pixar's strengths

Excellent use of technology

Strong brand

Talented team

Great track record



# Assessing your weaknesses

Don't let this part of the process turn into an unpleasant session of finger pointing. Focus on the root causes of long-standing problems, not individual mistakes or failures. Consider these questions when assessing your **weaknesses**:

## Products

- What are the least profitable product lines for the company?
- What products or services do competitors offer that you don't?
- Is the product line lacking in any market segment?

## People

- Does your company provide good customer service?
- Do team members lack vital skills?
- How strong are the communication skills of team members and team leaders?

## Performance

- What does the company do poorly or not at all?
- Has the company brought new ideas and products to the market place?
- Is the company losing out to competitors on the technology front?
- What objections do potential clients or customers frequently raise?
- Are production processes ineffective or outdated?

## Pixar's weaknesses

Product line is narrowly defined

Production time is long

Product line is focused on one medium - film



# Assessing your opportunities

This part of your analysis reviews external forces, including socioeconomic, political, environmental and demographic changes that could effect your company. Consider these questions when reviewing your **opportunities**.

## Products

- What new needs of customers could the company meet?
- What niches have competitors missed?
- Does the company's product line have any holes in it?
- Can poor-performing product lines be discontinued to boost profitability?
- Is there an opportunity to demand better prices from suppliers?
- Are there opportunities to extend brands into related areas?

## Performance

- What are the emerging political and social opportunities?
- Is there new technology that could help the business?
- Are there inexpensive acquisition opportunities?
- Are there new economic trends that benefit the company?

## People

- Can you start incentive plans to boost employee performance?
- Are there training programs that would improve employees' skills?

## Pixar's opportunities

Develop online products to build on existing technology strengths

Continue to use technology strength to develop and sell animation software

Develop games to build on strengths of characters



# Assessing your threats

**Threats** can be hard to define, so this portion of the analysis can be the most difficult and the most illuminating, both in terms of pointing out what needs to be done, and in putting problems into perspective.

## Products

- Are any of the company's products threatened by a competitor?
- Are any new technologies likely to make one of the company's products obsolete?

## People

- Can the company attract and retain the employees it needs?
- Are there communication problems that often derail new initiatives?

## Performance

- What are the negative economic trends?
- What are the negative political and social trends?
- What obstacles does the company face?
- Does the company have bad debt or cash-flow problems?
- Where are competitors about to threaten the company's position?

### Pixar's threats

Digital piracy may threaten profits

One product failure could be a serious set back

Other film companies may target the animated film market



# Use the SWOT Matrix to pick a strategy

At this point in the analysis, you should have a list of strengths, weaknesses, threats and opportunities. To develop strategies based on this list, use the SWOT matrix. The matrix can help you to match up internal strengths and weaknesses with external threats and opportunities and develop a feasible plan for addressing the strongest forces.

## Four strategy types from the SWOT Matrix

	<b>Strengths</b> List 4-5 internal strengths here	<b>Weaknesses</b> List 4-5 internal weaknesses here
<b>Opportunities</b> List 4-5 external opportunities here	<p><b>S-O strategies</b></p> <p>S-O strategies use a firm's internal strengths to take advantage of external opportunities. These are the best strategies to employ, but many firms are not in a position to do so. Companies will generally pursue one or several of the other three strategies first to be able to apply SO strategies.</p>	<p><b>W-O strategies</b></p> <p>Sometimes key external opportunities exist, but a firm has internal weaknesses that prevent it from exploiting those opportunities. W-O strategies aim at improving weaknesses to take advantage of opportunities.</p>
<b>Threats</b> List 4-5 external threats here	<p><b>S-T strategies</b></p> <p>S-T strategies use a firm's strengths to avoid or reduce external threats. This does not mean that a strong organization should always meet threats head-on. A company has to weigh the severity and immediacy of the threat before selecting this kind of strategy.</p>	<p><b>W-T strategies</b></p> <p>W-T strategies are defensive tactics designed to reduce weaknesses and avoid threats. A company faced with numerous threats and weaknesses may have to merge, retrench, declare bankruptcy, or close.</p>



# A SWOT Matrix for Pixar

	Strengths	Weaknesses
Opportunities	<p><b>S-O strategies</b></p> <p><b>Strength:</b> Cutting-edge software products</p> <p><b>Opportunity:</b> Robust market for animation and illustration software</p> <p><b>Strategy:</b> Review current software products compared to other animation and illustration products on the market and look for opportunities to develop new products</p>	<p><b>W-O strategies</b></p> <p><b>Weakness:</b> Long product development time</p> <p><b>Opportunity:</b> Growing online media market</p> <p><b>Strategy:</b> Explore establishing an online store and electronic delivery system, similar to iTunes, to create a marketplace for online delivery of our movies, allowing us to create shorter films and get them to market sooner</p>
Threats	<p><b>S-T strategies</b></p> <p><b>Strength:</b> Technical expertise</p> <p><b>Threat:</b> Digital piracy</p> <p><b>Strategy:</b> Develop a partnership with a software encryption company to contribute Pixar's technical expertise to encryption efforts</p>	<p><b>W-T strategies</b></p> <p><b>Weakness:</b> Narrow product line</p> <p><b>Threat:</b> Competition from other studios</p> <p><b>Strategy:</b> Build partnerships with other studios to create demand for more products and provide more distribution channels</p>

This is only one assessment of Pixar's strengths, weaknesses, opportunities, and threats. A committee of actual employees and managers would have a very different analysis and as a result a very different set of strategies.