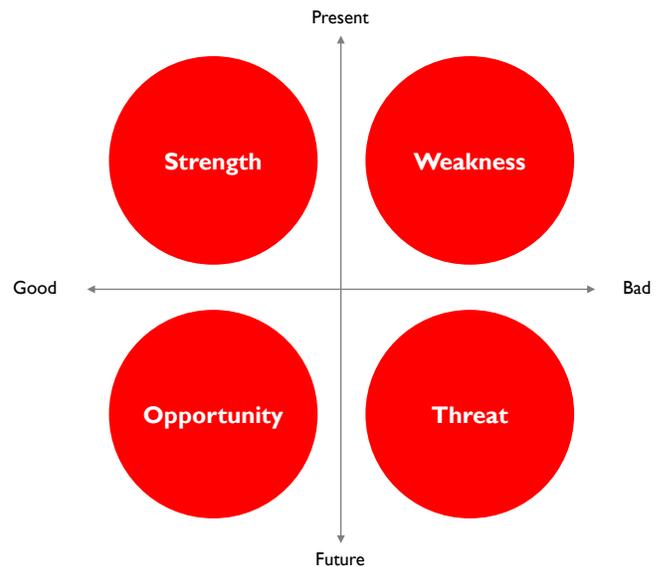


SWOT analysis



I'm almost ashamed to say the one and only time I've used SWOT analysis was around 20 years ago, so I'm scarcely equipped to write a whole article on the subject. Until I started researching this piece, I could fit the sum of my knowledge about SWOT analysis on the back of a postage stamp, or maybe even half a postage stamp.

Having devoted a significant amount of time and attention to reading about the history of SWOT analysis, its applications, its supporters and its detractors, I am no closer to understanding its value as a strategic tool, or explaining its enduring popularity. All I can say is that SWOT analysis seems to me to be the strategic equivalent of celery: no matter how good it is supposed to be, I just can't swallow it.

Precisely who created SWOT analysis is unclear, but the approach seems to have crystallised amongst Stanford Research Institute's Theory and Practice of Planning group during the 1960s, under the stewardship of Robert Franklin Stewart and Albert Humphrey. The group had been established to resolve the perceived inefficacy of corporate planning. In response, the team developed a logical chain of reasoning that could be used by management teams to agree on what's good and bad about the present and the future. Initially, the team called this chain of reasoning SOFT:

- safeguard the *Satisfactory* in present operations
- open the door to *Opportunities*
- fix the cause of *Faults*
- avert the *Threat* to future operations

SOFT was initially developed as the initial stage of a longer strategic process. Managers were invited to appraise their own activities, and their judgments subsequently collated and translated by senior leaders into a corporate strategy. Because this process was collaborative, it was designed to encourage collective agreement and commitment, which was considered a crucial weakness of previous corporate planning approaches.

By the late 1960s, SOFT had evolved into SWOT and was adopted and promoted by management consultants as a standalone activity. SWOT feels a little like SOFT's simpler, blunter, less patient

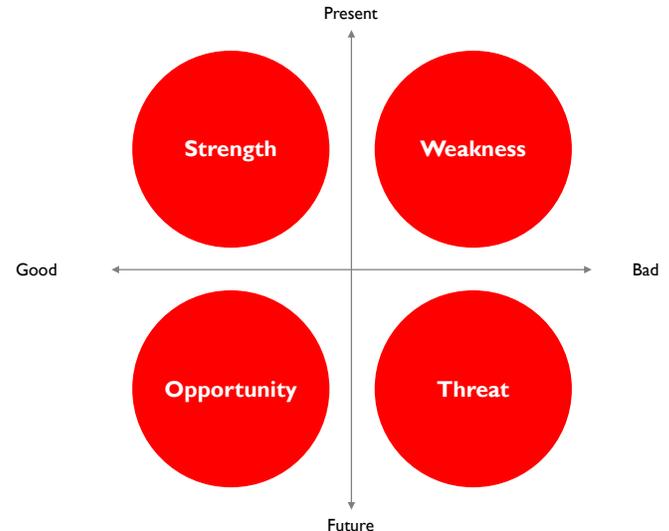
younger brother:

- *Strengths*: maintain, build and leverage these
- *Weaknesses*: remedy or exit these
- *Opportunities*: prioritise these
- *Threats*: counter these

Like any strategy framework SWOT has its fair share of both critics and supporters. Fans point to its simplicity, longevity and versatility, while critics argue that SWOT analysis is little more than list-writing and has done little to improve the quality of corporate strategy.

I struggle with SWOT analysis for two reasons.

The first is this: I have no idea what distinguishes a threat from an opportunity. This could be down to my own stupidity, because the distinction between S, W, O and T is supposed to be childishly simple: strengths and weaknesses relate to the present, while opportunities and threats relate to the future; and strengths and opportunities are 'good', while weaknesses and threats are 'bad':



So, what distinguishes an opportunity from a threat?

If you're a Formula 1 team, should you consider eSports to be a good thing or a bad thing? Depending on your outlook, it can be portrayed as an existential threat or the perfect complement to your current business. If you're a bricks-and-mortar retailer, is online shopping going to kill your

business or save it? Should Brits embrace Brexit as a once-in-a-lifetime opportunity to achieve political and economic sovereignty, or condemn it as an act of financial stupidity that will take generations to correct? Maybe it's just me, but opportunities and threats only seem to become obviously different from one another with the benefit of hindsight.

The second problem I have with SWOT is that even if it's possible to distinguish clearly between strengths, weaknesses, opportunities and threats, which of these should you prioritise?

Isiah Berlin suggested that the world is divided into hedgehogs and foxes; the fox knows many things, but the hedgehog knows how to do a single thing very, very well (and is consequently able to fend off the fox, no matter what strategies the fox attempts). Proponents of 'hedgehog strategy' believe that it's more important for businesses to focus on their strengths than trying to improve on the universe of things they are bad at. It's a neat idea, but what if a business' weaknesses include a culture of bullying, or financial mismanagement? Threats and opportunities are similarly thorny: it's more exciting to build strategy around innovation and growth and opportunity, but little of that will matter if we don't succeed in averting a global climate crisis.

A 1997 study into 140 companies' experiences of SWOT analysis by Terry Hill and Roy Westbrook of the London Business School highlights a number of shortcomings, including this failure of prioritisation. The authors also point to issues with the length of lists that SWOT analysis often produces, the unclear and ambiguous words and phrases those lists contain, the inability to resolve conflicts, and the lack of any logical link to an implementation phase. The study is scathing in its conclusions:

“The outputs delivered using this approach lacked relevance and afforded inadequate insights. The results were uniformly of little value in terms of corporate strategy development [...] SWOT seems to survive, and be accepted, as merely a way of structuring a list, a peg on which to hang a wide-ranging group discussion about a company's strategic position.”

Frankly, I'm inclined to agree. The better I acquaint myself with SWOT analysis, the less useful it seems to me. At best, it's a helpful way to start a conversation about strategy. At worst, it provides the illusion of strategy without imposing any of its rigour, and encourages the view that strategic planning is an exercise in futility.