

From Insight to Action - Enhancing SWOT Analysis For An actionable Plan

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Article abstract

In today's fast-paced business landscape, adapting quickly to change is crucial for staying competitive. While valuable insights are plentiful, converting them into actionable plans presents notable challenges. To address this, many organizations rely on SWOT analysis, a framework that assesses both the helpful and harmful, as well as the internal and external factors. Unfortunately, the traditional SWOT has several limitations that actually don't help prioritize those helpful or harmful factors, nor does it help develop concrete actionable steps to address those factors. The objective of this article is twofold. This paper will 1) Describe SWOT and its limitations and 2) Introduce a new method that addresses the traditional framework's shortcomings so it can reach its full potential.



FROM INSIGHT TO ACTION:

ENHANCING SWOT ANALYSIS FOR AN ACTIONABLE PLAN

BY CHRISTIAN RUSTEBERG

In today's fast-paced business landscape, adapting quickly to change is crucial for staying competitive. While valuable insights are plentiful, converting them into actionable plans presents notable challenges. To address this, many organizations rely on SWOT analysis, a framework that assesses both the helpful and harmful, as well as the internal and external factors. Unfortunately, the traditional SWOT has several limitations that actually don't help prioritize those helpful or harmful factors, nor does it help develop concrete actionable steps to address those factors. The objective of this article is twofold. This paper will 1) Describe SWOT and its limitations and 2) Introduce a new method that addresses the traditional framework's shortcomings so it can reach its full potential.

WHAT SWOT IS AND ITS LIMITATIONS

The creation of SWOT (Strengths, Weaknesses, Opportunities, Threats), is most often attributed to Albert Humphrey (Puyt et al., 2023) during his work on the Team Action Management (TAM) program under Robert F. Steward at Stanford Research Institute (SRI) in the 1960s. TAM was a research program developed to understand why corporate planning was failing and to create a system for managing change.

SWOT focuses on the following four key concepts (see Figure 1):

- **Strengths** that represent internal attributes of the organization that provide a competitive advantage (e.g., Apple's strong brand and diverse product range).

- **Weaknesses** that represent internal areas needing improvement (e.g., Boeing's reliance on defense contracts and safety concerns).
- **Opportunities** that represent external favorable conditions (e.g., SpaceX's potential in the commercial spaceflight market).
- **Threats** that represent external factors that could disrupt the organization's progress (e.g., ExxonMobil's challenges with the transition to renewable energy).

While there is no universally agreed upon method for conducting a SWOT analysis, SWOT creation typically takes place during a one-day workshop with a group of top performers. The process involves four steps. First, the participants are divided into four teams, each dedicated to exploring one aspect/area of the SWOT. Second, the facilitator leads these teams through brainstorming sessions, where they usually identify either immediate pressing issues or the generic standards for their area. Third, using techniques ranging from quick sticker voting to iterative ranking, participants prioritize the most critical areas of focus within their quadrant. Fourth, the top ranked insights are handed off to the strategic planning committee, which then decides how, or indeed if, they will inform the strategic direction.

Despite its power and simplicity, the traditional SWOT analysis has seven critical limitations. First, it is subject to the groupthink trap. Indeed, the consensus-seeking collaborative nature of the traditional SWOT workshop can undermine the consideration of diverse perspectives, leading to overlooked opportunities and unchallenged threats. Second, the broad strokes nature of a one-day event often leads

to reductionism, failing to account for the nuanced context within which the strengths, weaknesses, opportunities, and threats exist – reducing the strategic value of the analysis. Third, many SWOT exercises fail to capture the ongoing changes in the business environment, quickly rendering strategic insights obsolete. Fourth, using top performers is helpful, but without facts, data, and research, their assessment may be biased, leading to strategic missteps. Fifth, using quick sticker voting or iterative ranking techniques within a quadrant alone can result in missing critical strategic insights and misallocating resources by not fully assessing the interplay between elements. Sixth, handoffs to committees can lead to improper reclassification, such as labeling weaknesses as "opportunities to improve." Improperly assigning strengths, weaknesses, opportunities, and threats in a SWOT analysis can distort reality, leading to ineffectiveness. Finally, capturing observations within the SWOT framework often results in well-organized lists without real, actionable insights. Even if participants arrive at a list of strategic actions, implementing them effectively requires a deeper understanding of how each factor interacts and impacts the organization's overall strategy and objectives.

FOUR ESSENTIAL TOOLS OF THE NEW METHOD

To facilitate the reader's understanding of the innovative method proposed, four key tools need to be presented first: the *What/Why Framework*, the *Impact/Likelihood Matrix*, the *TOWS Force Field Analysis*, and the *Effort vs. Impact Matrix*.

What/Why Framework

The *What/Why Framework* is used to ensure each SWOT element is clearly defined. As highlighted by Aaker and McLoughlin (2010), this framework deepens



the SWOT analysis by focusing on both the identification (“What”) and implications (“Why”) of internal and external assessments. The first step, the “What” involves identifying both internal and external factors impacting the organization. After defining a “What,” its related “Why” aspect identifies the underlying reasons it will impact the organization. For example, a regional director of a local bank observed the state legislator was considering moving medical reimbursement payments from the beginning to the end of the month. “State reimbursement changes will cause a cash flow gap for doctors” represents the “What,” while “the bank can address this pain point for medical professionals through tailored financial solutions” represents the “Why.” Since this is a change in the *external* environment and is *helpful* to the organization, it’s considered an opportunity.

Impact/Likelihood Matrix

The purpose of the *Impact/Likelihood Matrix* is to assess and prioritize a group of items based on their potential impact and likelihood of occurring (Duijm, 2015). Impact refers to the effects an item can have on the organization and is measured on some form of high to low scale. In turn, likelihood refers to the chances of the item having that impact, and is also rated on a high to low scale. The matrix is a grid with impact on the vertical axis and likelihood on the horizontal axis.

In the particular context of SWOT, two impact/likelihood matrices are required, one to assess the external and the other to address the internal aspects. These matrices are used in two ways: 1) to analyze new SWOT items and 2) to track existing items. Impact always refers to how helpful or harmful the item is to the organization’s ability to achieve its mission and vision. In the external matrix, likelihood is based on the progression of external trends while in the internal matrix, it is based on how likely a strength or weakness is to remain and how widespread it is in the organization. Continuing with the banking example presented above, executives believed “State reimbursement changes” would have a relatively high impact, and the organization was somewhat likely to feel that impact, placing the opportunity in the upper right-hand corner of the matrix (high impact/high likelihood) (Figure 2).

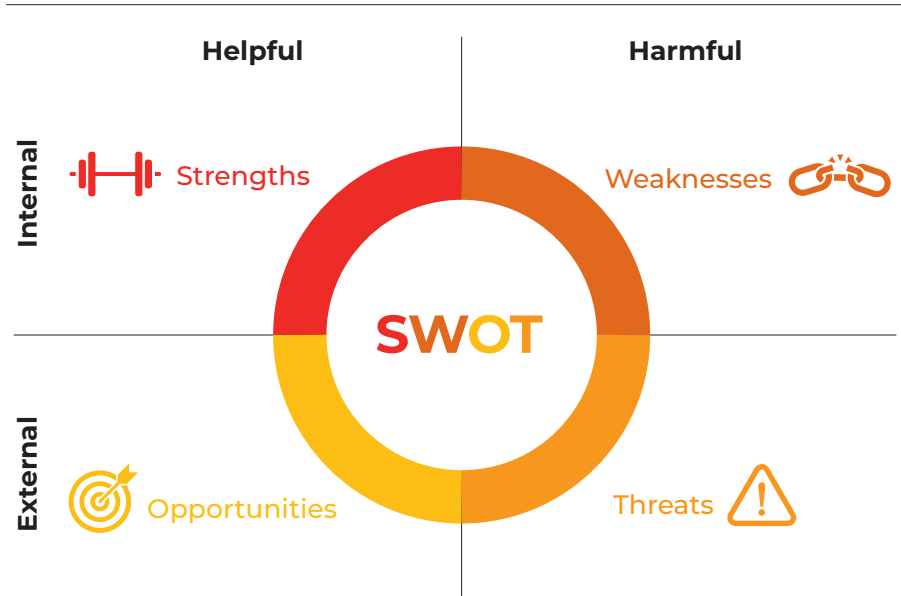


FIGURE 1: TRADITIONAL SWOT CANVAS

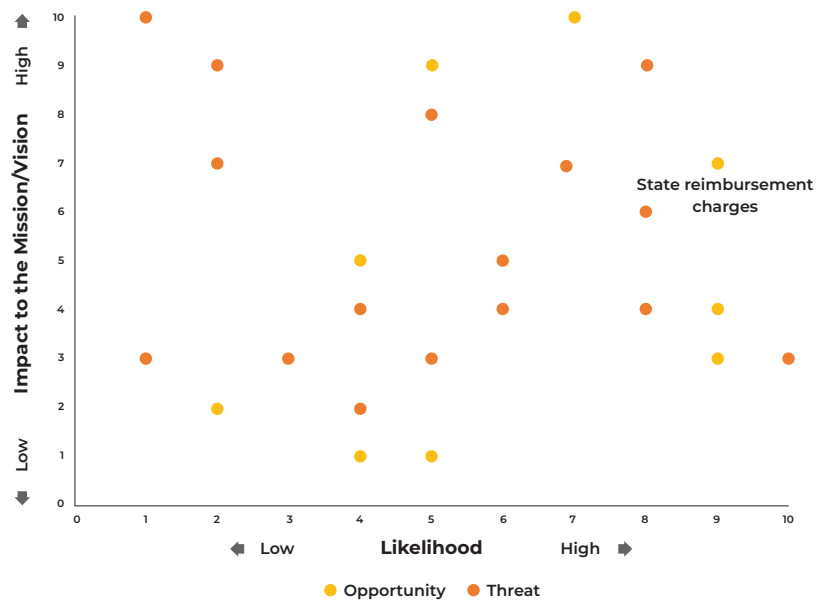


FIGURE 2: IMPACT/LIKELIHOOD MATRIX

TOWS Force Field Analysis

The purpose of a *TOWS Force Field Analysis* is to identify and evaluate the strengths and weaknesses that influence one opportunity or threat (Thomas, 1985). This technique comprises three steps. First, identify the strengths or weaknesses that align with the opportunity or threat. Next, assess the amount of influence each strength and weakness exerts on the

organization’s ability to respond to the opportunity or threat. This assessment highlights how prepared the organization currently is to address the opportunity or threat. Finally, determine the work that would need to be done within the strengths and weaknesses to better prepare the organization to address the opportunity or threat. Still continuing our example (see Figure 3), the bank identified several strengths



and weaknesses including, challenging application process (weakness), limited awareness of the financial needs of medical professionals (weakness), innovative financial products (strength), and excellent relationships in the medical community (strength). To address weaknesses and capitalize on strengths, the executives decided they would need to streamline the application process, leverage the bank's relationships in the medical community to better understand their financial needs, and develop innovative products tailored to those needs.

Effort vs. Impact Matrix

The purpose of an *Effort vs. Impact Matrix* is to help prioritize tasks or projects based on the relationship between the effort required to complete them and the potential impact or value they will bring (Helmke, 2022). Effort represents the amount of time, resources or energy required to complete the task or project. Impact refers to the potential benefit or value that will result from the task's completion. The matrix is a grid with impact on the vertical axis and effort on the horizontal axis.

In the context of SWOT, this technique is used to prioritize the opportunities and threats by comparing the work the organization needs to do to be better prepared to address them with the potential impact they will bring to the organization. Effort is determined by the actions identified in the *TOWS Force Field Analysis* and impact is derived from the *Impact/Likelihood Matrix*. Continuing with the same example, when comparing the work identified in the TOWS with other opportunities and threats, the Executives determined that "State reimbursement changes" represented a medium effort opportunity. From the Impact/Likelihood matrix, they recognized that this opportunity could have a relatively high impact on the organization, positioning this opportunity in the upper middle of the Effort vs. Impact Matrix (see Figure 4).

AN INNOVATIVE METHOD TO MAXIMIZE SWOT POTENTIAL

Leveraging the four tools described in the previous section, we now propose an innovative method to address traditional SWOT limitations so it can

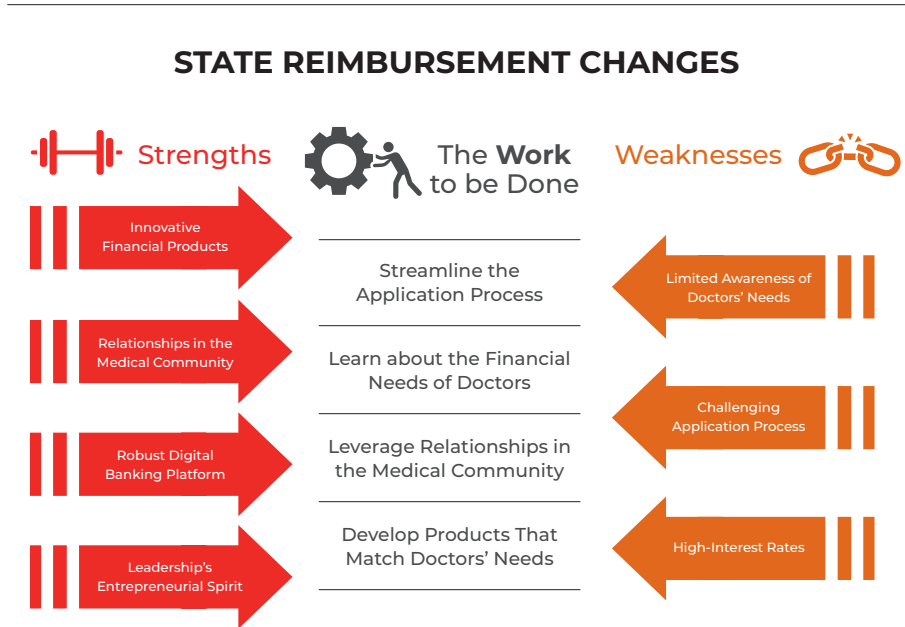


FIGURE 3: TOWS FORCE FIELD ANALYSIS

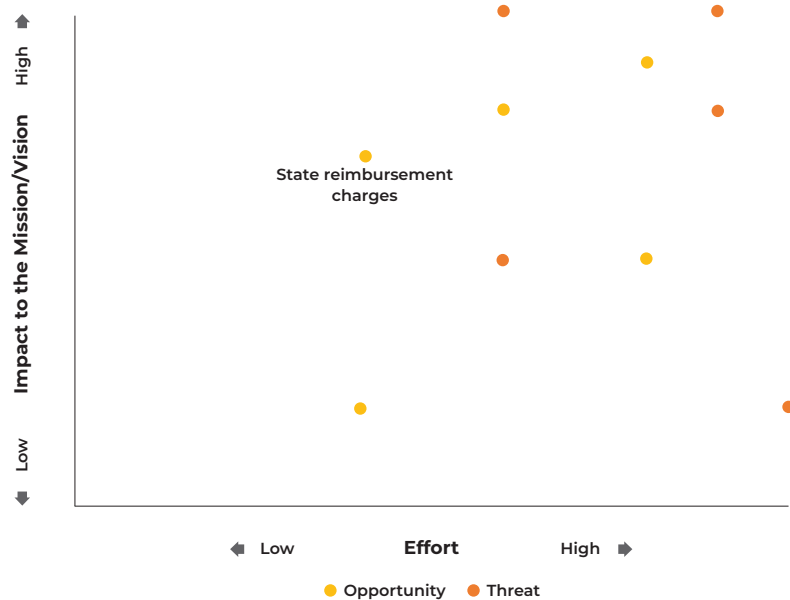


FIGURE 4: EFFORT VS. IMPACT MATRIX

reach its full potential. The proposed method has three phases and 12 steps. Although presented in sequence, the phases and steps can be executed in parallel. For best execution of the method: 1) Managers should evaluate the organization's internal strengths and weaknesses through monitoring operational metrics, benchmarking and leading continuous improvement

efforts; 2) Directors (the leaders close to the daily work) should be charged with monitoring the changes in the external environment for opportunities and threats; and 3) Executives should synthesize the insights from Managers and Directors to set the strategic direction, aligning internal capabilities with external factors ensuring the organization's future.



The purpose of the first phase, **Assessing and Tracking External Changes**, is to gain a detailed understanding of the external environment. This phase encompasses five steps. During step one, *Gather Information About the External Environment*, directors use the What/Why framework to define changes in the external environment and document them as either opportunities or threats. During step two, *Present New Opportunities and Threats*, directors brief the executives on the change and possible impact of that change. Executives, in turn, assess and question the information provided to get a deeper understanding. In step three, *Assess Opportunities and Threats Based on Their Impact and Likelihood*, the executives independently evaluate the opportunity or threat using a blank *Impact/Likelihood Matrix*, citing strengths and weaknesses that could alter the perceived impact, and trends that could affect the likelihood, to support their conclusions. During step four, *Align on a Unified Assessment of Impact and Likelihood*, the executives engage in an open debate and justify their conclusions, in order to align on a single assessment of impact and likelihood. Finally, during step five, *Record New Opportunities and Threats for Oversight*, the new opportunity or threat, is tracked, along with the existing opportunities and threats on the *External Impact/Likelihood Matrix*, until it is time to be addressed. To keep the matrix current, directors keep the executives apprised of any changes to existing opportunities or threats, documenting the updates to maintain transparency and traceability.

Continuing with the banking example, the director of West Coast Sales learned about the state reimbursement changes and, after doing additional research, presented her findings to her executive team. After some back and forth, the executives started their process of individually assessing the opportunity, asking the director several follow up questions as they made their considerations. When they finished, they started to debate the final unified impact and likelihood and while a consensus was quickly established, prioritizing it among the other existing

opportunities and threats required some additional debate.

The purpose of the second phase, **Assessing and Tracking Internal Capabilities**, is to gain a detailed understanding of the organization's capabilities. This phase encompasses five steps, similar to those above but where the focus is on strengths and weaknesses and not opportunities and threats:

1. Gather Information About the Internal Environment,
2. Present New Strengths and Weaknesses,
3. Assess Strengths and Weaknesses with Impact/Likelihood Matrix,
4. Align on a Unified Assessment of Impact and Likelihood, and,
5. Record New Strengths and Weaknesses for Oversight.

Continuing with the banking example, the managers and executives of the bank had been updating the *Internal Impact/Likelihood Matrix* for years meaning the bank was aware of many of the strengths and weaknesses used in this example and had been tracking them for some time. In fact, the strength of a Robust Digital Banking Platform had, just a year before, been a weakness but due to the threat posed by other online banking platforms, the bank chose to address that weakness.

The purpose of the third and last phase, **Matching Capabilities to Changes to Advance the Organization**, is to identify the few, most valuable, opportunities or threats to pursue. This phase encompasses two steps. During the first step, *Align Strengths and Weaknesses with One Opportunity or Threat*, executives use the *TOWS Force Field Analysis* to align the organization's capabilities with only the most likely and impactful opportunities and threats to understand the effort it would take to address them. During the second step, *Rank Opportunities and Threats and Derive Actionable Plans*, executives rank each opportunity and threat, using the Effort vs. Impact Matrix, and then choose the most valuable to pursue.

Going back to our banking example, due to the time sensitive nature of the opportunity, the executives chose to immediately do a phase three analyses. With a clear understanding of the effort, the bank instantly started the work to leverage its strengths and

bolster its weaknesses. The endeavor proved to be a tremendous success garnering the highest sales funnel conversion rates for any new product campaign in the bank's history.

CONCLUSION

It is important to mention that implementing the proposed method takes work and dedication to maintain but its efficiency and effectiveness far out way a process of hastily gathering the information in a one-day SWOT workshop. By recognizing the limitations of traditional SWOT and implementing such a structured approach that integrates continuous assessment of external changes, internal capabilities, and strategic alignment, organizations can effectively navigate dynamic business landscapes and capitalize on emerging opportunities while mitigating threats.

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