SWOT ANALYSIS

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Reference this article

Abstract / Definition
A SWOT analysis evaluates the internal strengths and weaknesses, and the external opportunities and threats in an organization’s environment. The internal analysis identifies resources, capabilities, core competencies and competitive advantages, using a functional approach to review finance, management, infrastructure, procurement, production, distribution, marketing, reputational factors and innovation. The internal analysis is critical in identifying the source of competitive advantage. It pinpoints the resources that need to be developed in order to remain competitive. The external analysis identifies market opportunities and threats by looking at the competitors’ environment, the industry environment and the general environment. The competitors’ environment is an analysis of the resources and functions of each rival firm. The industry environment is reviewed through the five forces framework of competitive rivalry, new entrants, suppliers, buyers and product substitution. The external environment is analyzed in terms of political, economic, socio-cultural, technological, ecological, demographic, ethical and regulatory implications. The objective of a SWOT analysis is to use the knowledge an organization has about its environments and to formulate its strategy accordingly. This article provides a toolkit of templates to conduct a SWOT analysis and discusses practical insights on how to formulate strategic decisions.

Keywords
SWOT, microenvironment, internal analysis, macro environment, external analysis

Link to publication