

AMERICAN UNIVERSITY OF BEIRUT



SWOT ANALYSIS

Strategic Management

- The set of managerial decisions and actions that determines the performance of an organization in the long-run.



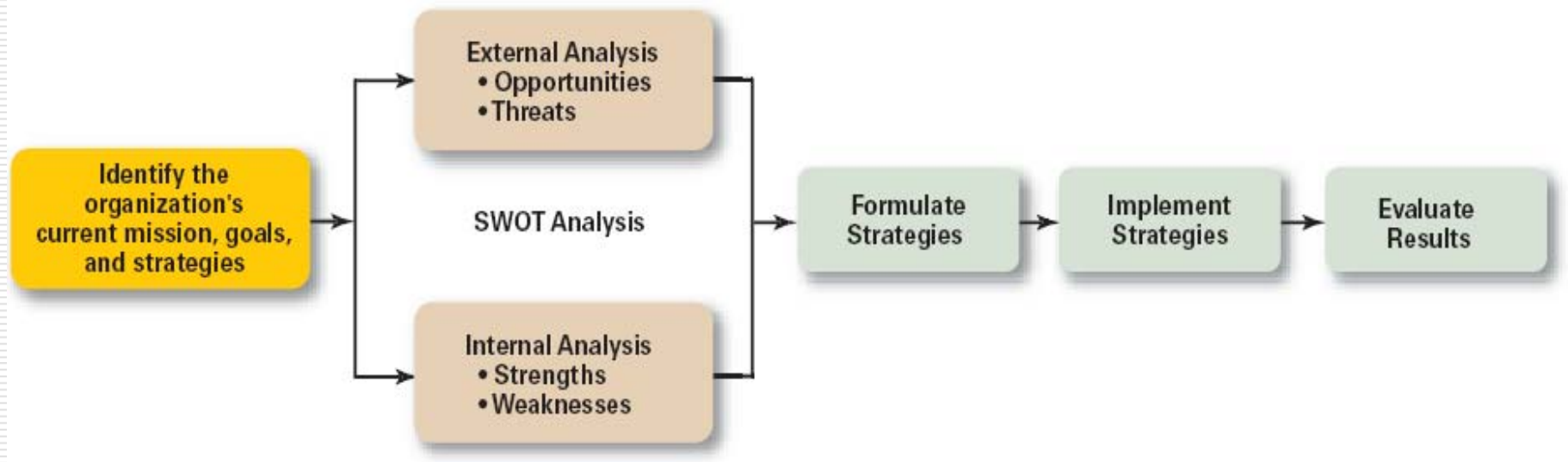
Why Strategic Management Is Important

1. It forms the basis of the decision-making process.
2. It results in higher organizational performance.
3. It requires that managers examine and adapt to business environment changes.
4. It coordinates diverse organizational units, helping them focus on organizational goals.

Why SWOT Analysis Is Important

- SWOT Analysis is an important planning tool that helps an institution identify, in a systematic and organized way, its internal strengths and helps it match those strengths with the best opportunities in the environment.

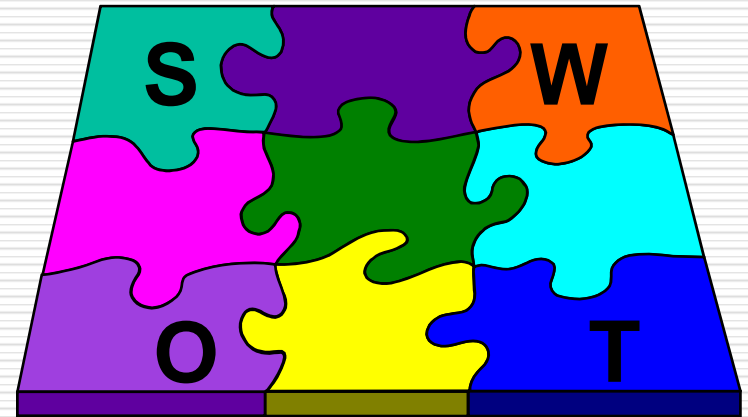
The Strategic Management Process



What are the organization's Strengths, Weaknesses, Opportunities and Threats ?

□ **S W O T** represents:

- **S**trengths
- **W**eaknesses
- **O**pportunities
- **T**hreats



□ *For an organization's strategy to be well-conceived, it must be matched to both*

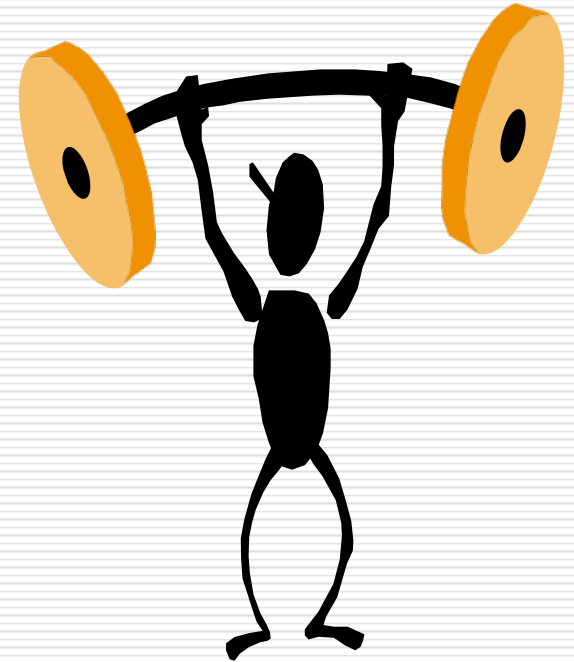
- *Taking advantage of its internal strengths while defending against its weaknesses*
 - *Identifying the best market opportunities and minimizing external threats to its well-being*
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Identifying Resource Strengths and Competitive Capabilities

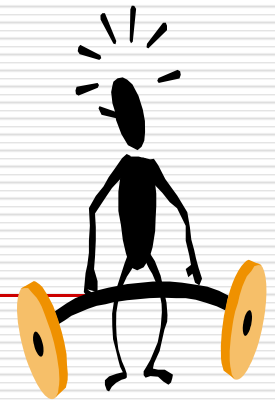
- A ***strength*** is something a firm does well or a characteristic that enhances its competitiveness
 - Valuable competencies or know-how
 - Valuable physical assets
 - Valuable human assets
 - Valuable organizational assets
 - Valuable intangible assets- e.g. "Image"
 - Important competitive capabilities
 - An attribute that places an organization in a position of competitive advantage
 - Alliances with capable partners
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Identifying Resource Strengths and Competitive Capabilities

Resource strengths and competitive capabilities are competitive assets !



Identifying Resource Weaknesses and Competitive Deficiencies



- A ***weakness*** is something a firm lacks, does poorly, or a condition placing it at a disadvantage
- ***Resource weaknesses*** relate to
 - Deficiencies in know-how or expertise or competencies
 - Lack of important physical, organizational, or intangible assets
 - Missing capabilities in key areas

Resource weaknesses and deficiencies are competitive liabilities !

SWOT Analysis: What to Look For

Potential Resource Strengths	Potential Resource Weaknesses
<ul style="list-style-type: none">• Powerful strategy• Strong financial condition• Strong brand name image/reputation• Widely recognized as market leader• Proprietary technology• Cost advantages• Strong communications• Product innovation• Good customer service• Better product quality• Alliances or JVs	<ul style="list-style-type: none">• No clear strategic direction• Obsolete facilities• Weak balance sheet; excess debt• Higher overall costs than rivals• Missing some key skills/competencies• Internal operating problems• Falling behind in R&D• Too narrow product line• Weak marketing and communications skills

SWOT Analysis: What to Look For (Cont.)

Potential Opportunities	Potential External Threats
<ul style="list-style-type: none">• Serving additional “customer” groups• Expanding to new geographic areas• Expanding product line• Transferring skills to new products or services• Vertical integration• Take market share from rivals• Alliances or acquisitions• Openings to exploit new technologies• Openings to extend brand name/image	<ul style="list-style-type: none">• Entry of potent new competitors• Substitute products or services• Slowing market growth• Adverse shifts in political or economic conditions• Costly new regulations• Growing leverage of customers or suppliers• Reduced buyer needs for product or services• Demographic changes

SWOT Analysis: AUB specific examples

Potential Resource Strengths	Potential Resource Weaknesses
<ul style="list-style-type: none">• Strong financial condition• Strong brand name/ reputation• Widely recognized as market leader• Better “product” quality• Accreditations• Campus and facilities	<ul style="list-style-type: none">• Weak accountability• Higher overall costs than competition

SWOT Analysis: AUB specific examples

Potential Opportunities	Potential External Threats
<ul style="list-style-type: none">• Expanding “customer” base (after 9/11)• Expanding product line (New schools, new programs)• Alliances and accreditations• Exploiting new technologies	<ul style="list-style-type: none">• Entry of new competitors• Strengthening of existing competitors• Substitute products or services (e-Learning)• Economic & Political situation in the country

Tools for Strategy Formulation

SWOT ANALYSIS



Tools for Strategy Formulation

	<i>Strengths (S)</i>	<i>Weaknesses (W)</i>
<i>Opportunities (O)</i>	SO Strategies	WO Strategies
<i>Threats (T)</i>	ST Strategies	WT Strategies

Tools for Strategy Formulation

- ❑ SO Strategies: Use strengths to take advantage of opportunities
- ❑ WO Strategies: Overcome weaknesses to take advantage of opportunities
- ❑ ST Strategies: Use strengths to avoid threats
- ❑ WT Strategies: Minimize weaknesses and avoid threats

AUB specific examples

- ❑ SO Strategies: Use AUB's strong brand image (focusing on campus and dorms) to recruit Gulf national students.
- ❑ WO Strategies: Offer parallel three year BS engineering programs suitable for non-Lebanese students.
- ❑ ST Strategies: Use WebCT and E-MBA experience to develop hybrid programs.
- ❑ WT Strategies: Exit a program that loses money and has a declining demand.