Not SWOT - BWOT

Everybody knows how to do a SWOT analysis - Strengths, Weaknesses, Opportunities and Threats. The trouble is SWOT analyses get routine. They generate long lists. There is no reality check. Time then for BWOT Analysis (Better, Worse, Opportunities and Threats).

The most popular strategy technique by far in British business is SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. It is a great technique, but you should watch out for the pitfalls.

SWOT is good at getting issues out on the table. The trouble is that the issues are often subjective. Many managers are too complacent about strengths: research shows that top managers systematically underestimate the weaknesses in their organizations. Some managers exaggerate weaknesses because of personal agendas: for the IT function, identifying computing facilities as a weakness is an effective way of increasing their budget. You need a way of creating a set of strategic issues that is robust and focused.

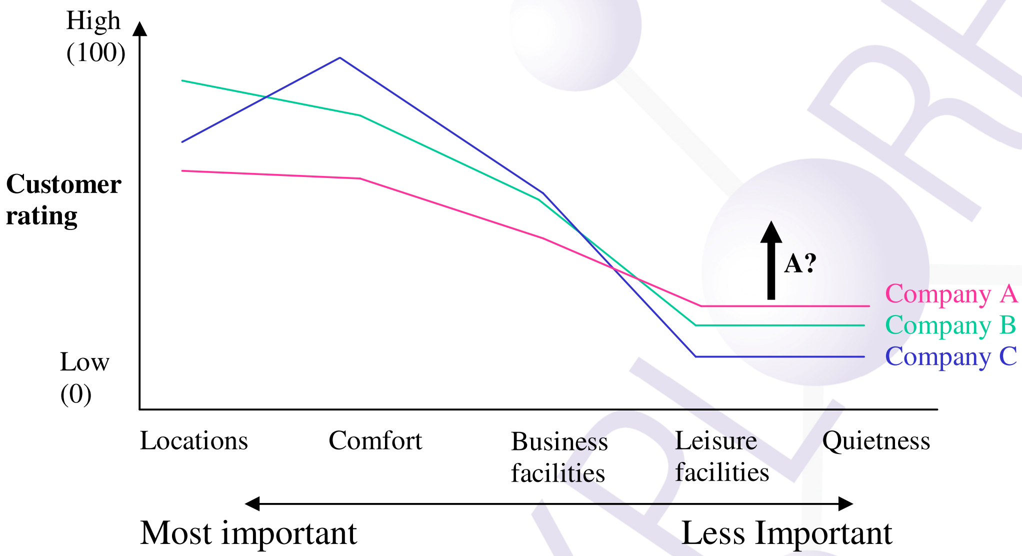
An effective check on subjectivity is to SWOT key competitors **before** you SWOT your own business. Strengths and weaknesses are ultimately about competitive advantage and disadvantage, so start by analysing your key competitors. Strengths and weaknesses are relative, not absolute. Ask not whether something is strong, but whether it is **better** than competitors. Worry most about weaknesses that are **worse** than competitors. In other words, SWOT analysis should really be BWOT analysis – Better, Worse, Opportunities and Threats.

BWOT analysis exercises a tough discipline. Although an initial SWOT may be useful to generate the issues and get the strategic conversation going, BWOT will help focus on the key issues. There are not likely to be more than two or three things that you are really better at than all your competitors. And if there are more than two or three significant things that you are worse at, then you are probably heading for bankruptcy anyway.

One good way of identifying where you are really 'better' or 'worse' is a mapping your position on a 'strategy canvass' (the phrase of strategy gurus Kim and Mauborgne). Exhibit 1 illustrates a strategy canvass for a hotel business. There are three key elements.

- The horizontal axis identifies five *critical success factors* that are particularly important to customers on average (here, in rank order, locations, comfort, business facilities, leisure facilities, quietness). These are the factors which would determine which provider was preferred, given similar prices. Other factors are less important.
- The vertical axis provides a rating for the various competitors, with a top score of 100. These ratings could be established using market research, for example.
- across the figure, the lines represent the *competitor profiles* of the three main competitors on each of the five critical success factors. Thus company A is relatively weak with regard to the factors *most* valued by the average customer (i.e. locations and comfort), whereas companies B and C seem to have strengths with a better match. But nobody is doing particularly well with regard to leisure facilities and quietness.

Exhibit 1 A strategy canvas for hotels



Notice that this kind of better or worse mapping can provide an important guide to strategic choice. It's clear that it would be hard for company A to beat both companies B and C at location and comfort. But there might be an opportunity to create a competitive advantage where they are relatively weak: leisure facilities and quietness. Although these aren't so highly valued by the average customer, there may be by some customers who would pay good money for it. This niche may not be so large, but it would be one where company A could create a significant advantage over companies B and C.

It's an ugly word, but ultimately BWOT is better than SWOT.

See Chapter 2 of Gerry Johnson, Kevan Scholes and Richard Whittington, **Exploring Corporate Strategy,** 8th edition, 2008, Prentice Hall.