

Business strategy begins with understanding the strengths and weaknesses of the unit and monitoring the external environment.

The organisations that do not understand their position are the ones that are overtaken by changes they didn't see coming.

### SWOT Analysis



To categorise and list the internal strengths and weaknesses and external opportunities and threats of a situation

SWOT is a flexible model that has been long established. It aims to identify the key factors seen as important to achieving an objective, plan for a scenario or course of action or evaluate what has been achieved. It is important to realise it is not a solution in itself, and that balancing the number of points listed does not neutralise issues.

I. The four areas for analysis are:

⇒ **Strengths** are the characteristics that give the organisation or project an advantage over others. These could be positions of economic strength, market position, technology, the skills and knowledge of the workforce, patent/IP control etc. Strengths are usually responsible for the competitive advantage of the organisation.

⇒ **Weaknesses** then are the factors that place the organisation or project at a disadvantage. These can be the same factors as above, but are poorly resourced or under-performing.

⇒ **Opportunities:** relate to the external environment and are elements that the business or project could exploit to its advantage.

⇒ While **Threats** are those upcoming factors that could harm the success of the project or business if not addressed or mitigated.

II. Opportunities and Threats can be identified using models such as PESTLE and the Five Forces. The degree to which the internal environment of the organisation matches the external environment is expressed in the concept of strategic fit.



### PESTLE Analysis



To consider the micro and macro factors in the external environment and how they will affect the organisation

The PESTLE analysis is often used a starting point for analysis and decision making in the future when considering market strategy, workforce models or product/service development. The model is useful in that it is simple but also comprehensive, systematically assessing the wider environment and stimulating thinking and discussion.

I. Ideally gather multiple perspectives to consider how each of the following aspects affects your area, using stakeholders from outside of your area.

⇒ **Technological:** How will new technologies affect the organisation's products or services? Will offerings become obsolete or can they be delivered differently through digital channels?

II. For each of the following consider what the facts and policy and trends and predictions are regarding:

⇒ **Political:** Government policy towards education, tax etc; environmental regulations; immigration controls, political support to different agendas; political stability and impact of Brexit.

⇒ **Economic:** Economic growth/decline; interest, exchange, inflation and wage rates; minimum wage; working hours; unemployment (local and national); credit availability; cost of living.

⇒ **Sociological:** Cultural norms and expectations, changing attitudes; population growth rates; age distribution; career attitudes; health and safety issues.

⇒ **Legal:** Changes to legislation impacting employment, regulatory requirements, resources, imports/exports, and taxation.

⇒ **Environmental:** Global warming, sustainable resources; ethical sourcing (both locally and nationally).

III. Try not to get too drawn into the details at this point until you understand which factors are the most significant for your analysis.

### Porter's Five Forces



Assess the level and intensity of competition in the market place

Developed by Michael Porter, the Five Forces are a tool for analysing the level of competition in the market. Their value is in not just looking at the actions of competitors but in examining what other factors impact on the marketplace: where each of the forces does not favour the organisation, competitiveness in the market increases.

I. For each Force brainstorm the relevant factors and try to categorise which are in the organisation's favour and which are not:

⇒ **Competitive Rivalry**—the number and strength of your competitors, the costs of switching for customers, the loyalty of customers.

⇒ **Supplier Power**—the number of suppliers, their size, uniqueness of service, the organisation's ability to substitute and the cost of changing suppliers.

⇒ **Buyer Power**—number of customers, their sensitivity to price, their ability to switch to a competitor, their ability to dictate prices to the organisation.

⇒ **Threat of Substitution**—the likelihood of customers finding a different way of doing what you do—for example, the creation of degree apprenticeships by employers.

⇒ **Threat of New Entry**—the relative ease for new competitors to enter the market—does this take time and cost, do they need specialised knowledge or regulatory approval, does technology prevent new entrants or make it easy for them to enter the market? For example, can a new competitor disrupt the entire market with a new delivery model?

II. After consider what can be done to improve the organisation's position with respect to each force.

III. The definition of "competition" can be broad: a University does not just compete within the HE sector, but also for students against employers looking for staff. Potential students also may see alternatives too: the cost of going to University is high, so "competition" may then be a potential student instead choosing to place a deposit on a house, rather than pay for course fees.

### VUCA Analysis



Recognise the nature of the external environment and consider how you will approach this

Very few organisations have the luxury of operating in a largely unchanging, or even static, external environment. The modern environment can be characterised by being increasingly Volatile, Uncertain, Complex and Ambiguous. This tool presents ways to assess whether the environment is VUCA and how to approach this "new normal".

I. Following PESTLE or Five Forces look for evidence of VUCA in each factor:

⇒ **Volatile** environments are where the type, speed, volume and scale of change is constantly high.

⇒ **Uncertain** environments are where it is difficult or impossible to predict future events.

⇒ **Complex** environments are hard to understand. Cause and effect might be hard to establish, or there can be multiple causes that are hard to define.

⇒ **Ambiguous** environments are hard to interpret and can be misread.

I. If the environment is then highly VUCA, there has to be an organisational response. To survive and thrive an organisation can focus on:

◇ A strong internal culture where everyone knows the strategy and how they should act: Ingrained values means that everyone know hows to act when the situation is uncertain and ambiguous and ensure that the organisation remains ethical and sustainable.

◇ Building flexibility and agility into structures: Where job descriptions are less important and silos are broken down, teams can form and work with speed in response to volatile conditions.

◇ Focusing on learning agility: employees relearn and reskill and change established work patterns. The most agile can identify what is needed and direct their own learning to address future needs—employees are then better equipped for rapid change.

**Things to think about:** SWOT can be misused to defend previously decided goals—one way to avoid this is field outlying opinions before discussing the status quo when "groupthink" can take over.

**Things to think about:** A criticism of PESTLE is that it is increasingly difficult to understand the market or anticipate change in a VUCA environment— so this analysis cannot be a one off activity.

**Things to think about:** The threat of substitutes is timely when considering HE—how will the market place change if employers offer degree apprenticeships without a university being involved?

**Things to think about:** Revan's law: "For the organisation to survive, its rate of learning must at least equal the rate of change in its external environment. What should this mean for organisations?"

# Manager Toolkits

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