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USE AND PRACTICE OF SWOT ANALYSIS

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Use and practice of SWOT analysis

SWOT analysis is a general technique for assessing any public or private organisation and its environment. It belongs to the “Analysis” part of a strategic planning process and helps decision-makers to focus on key issues. Performing a SWOT analysis involves the generation and recording of the strengths, weaknesses, opportunities and threats concerning the organisation. Once key issues have been identified, they feed into operational objectives.

1. WHAT IS A SWOT ANALYSIS?

1.1. Basics

SWOT stands for strengths, weaknesses, opportunities, and threats. SWOT analysis can be simply understood as the examination of an organisation's *internal* strengths and weaknesses, and its *environment*, opportunities and threats. It is a general tool designed to be used in the preliminary stages of decision-making as a precursor to strategic planning: it belongs to the “Analysis” part of the strategic planning process.

SWOT is performed by the managers of a National Statistical Institute (NSI) in a group work. It should be shared as much as possible with the whole staff of the NSI in order to make it more committed to the general objectives described by the SWOT. A facilitator, who comes from outside the institution, could be useful in order to keep the work on the track and help to weight the various proposals.

SWOT analysis should be flexible: situations change with the passage of time and an updated analysis should be made from time to time. SWOT is neither cumbersome nor time-consuming and is effective because of its simplicity.

1.2. To identify key issues

SWOT analysis is an effective method of identifying the Strengths and Weaknesses of a NSI, and to examine the Opportunities and Threats it faces. Often carrying out a SWOT analysis will be enough to reveal changes, which can be usefully made in putting problems into perspective. The method provides a framework for identifying critical issues. Analyses are then limited to the significant items that can really be addressed.

1.3. To prepare a strategic approach

The purpose of SWOT analysis is to isolate key issues and to facilitate a strategic approach: strategic planners usually limit their efforts to those issues that have the most impact on the situation. To this end, the items in the SWOT list must have been thoroughly analysed and represent the real priorities as observed by the majority of the group. If they bear no relation to the actual discussion, that could defeat the purpose of the SWOT exercise.

The SWOT should cover all of the following areas, each of which may be a source of strengths, weaknesses, opportunities or threats: political and economic environment of the institution, staff and staff policy, operating budget, statistical production, relationships with international organisations, other donors and other Statistical Institutes, relationships with users and customers.

2. THE INTERNAL FACTORS: STRENGTHS AND WEAKNESSES

The analysis of the internal factors should be considered from both an internal and external basis: does our environment perceive our strengths/weaknesses as we do? Therefore, the assessment of strengths and weaknesses is facilitated through surveys or interviews with main users or customers. Once weaknesses and strengths are delineated, it would be appropriate to reconfirm these items: different perceptions may exist depending on the representative group consulted.

2.1. Strengths

Strengths can refer to the NSI, to its environment, to public relations and perceptions, and to people. When performing the SWOT analysis, Strengths can be approached in answering the following questions: What are our advantages? What do we do well?

2.2. Weaknesses

Weaknesses can be approached in answering the following questions: What is done badly? What obstacles prevent progress? What could be improved? What should be avoided?

The assessment should be realistic, even if it is always unpleasant to face negative assessments. Making a list of internal weaknesses could reveal areas that can be changed to improve the institution, but also things that are beyond the control of the institution. But this is also a key message for persons inside and outside the NSI to recognise the shortcomings that will have to be tackled and minimised in the future.

3. THE EXTERNAL FACTORS: OPPORTUNITIES AND THREATS

The external look is complementary to the internal self-study in a SWOT analysis. Information about the political and socio-economic environment, the changes in the society, and all changes that have an effect on the NSI but are beyond its control should be considered in this phase of the study.

Opportunities and threats are not absolute. What might at first seem to be an opportunity, may not emerge as such when considered against the resources of the NSI or the expectations of society. Again Opportunities and Threats have to be reported in a realistic way for their impact on the NSI.

3.1. Opportunities

Opportunities can be approached in answering the following questions: Where are the good chances facing us? What are the interesting trends? Useful opportunities can come from such things as: national or international events, changes in government policies, changes in technology, changes in user needs or social patterns, etc.

3.2. Threats

Threats can come from different horizons and in various forms. Threats need to be ascertained. Such kind of questions may help to evaluate them: What obstacles do we face? Are the required specifications for our works, products or services changing? Is changing technology threatening our position? Do we have budget uncertainties?

4. PROS AND CONS OF SWOT ANALYSIS

The practical message from a SWOT analysis is that decision-making should contain each of the following elements: *building on Strengths*, *minimising Weaknesses*, *seizing Opportunities*, and *counteracting Threats*. It is a relatively simple way of communicating ideas, policies, and concerns to others, which can help managers to disseminate their vision.

A SWOT analysis can be an excellent, fast tool for initiating a strategic planning exercise. It looks at future possibilities for the institution through a systematic approach of introspection into both positive and negative concerns.

SWOT analysis usually reflect a (group of) person's existing position and viewpoint, which can be misused to justify a previously-decided course of action rather than used as a means to open up new possibilities. It is important to note that sometimes threats can also be viewed as opportunities, depending on the people or groups involved.

Finally, a SWOT analysis can be rather subjective and a way to increase its validity is to raise the number of criteria and to weight them for each of the factors.

Annex: SWOT analysis of Eurostat (1997)

OUR STRENGTHS AND WEAKNESSES

Our resilience lies in the expertise of our staff, our role within the European Union and the technologies we have at our command.

We must aim to improve our ability to manage people, resources and relationships with our users and suppliers.

Our Strengths

- We have well-qualified staff recognised for their professionalism and offering a wealth of experience and a variety of cultural assets.
- We capitalise on specific knowledge and know-how: statistical harmonisation, a wide range of theoretical knowledge, statistical analysis, dissemination of good practice and the ability to master a variety of statistical systems.
- We are supported by the European legal instruments which we have promoted.
- We are able to take advantage of the data-collection networks of the statistical systems of the Member States.
- Our competence in information technology and its application to statistics and a constant monitoring of technological advances place us on a par with the most advanced of the National Statistical Institutes.
- We are able to mobilise external resources (private companies, specialists, institutes etc.) for consultancy work and other projects designed, supervised and assessed by Eurostat.

Our Weaknesses

- Our current organisation, resources and internal operations are such that we cannot meet the growing demand for statistics. Most of all we lack the instruments which would help us steer and monitor our activities and assess our results with a view to improving the way we work.
- The current system of managing human resources and our location in Luxembourg give rise to a high level of changes of post among new staff.
- The inertia and rigidity sometimes engendered by Commission procedures restrict our ability to react quickly.
- The training system is not sufficiently well targeted at developing the corporate and individual expertise needed to be effective managers and statisticians, for which our staff do not always possess the necessary know-how.
- The current system of reward or sanction according to results does not work.
- Our lack of financial autonomy is hampering our ability to plan medium-term statistical work with adequate security and a clear view on resources (half of Eurostat's overall budget comes from other Community programmes).

- Our team spirit is not well enough developed to override sectoral interests.
- According to Institutional users, we do not listen properly. According to users outside the Commission, we fail to exploit our products and services to the full.
- We are not sufficiently aware of the problems our partners in the Community Statistical System have in meeting the demand for Community statistics. Above all we do not have sufficient experience in organising direct data collection.
- We do not have enough control over the quality of the data provided by Member States (accuracy, timeliness, punctuality etc.).
- Our distance from Brussels makes it difficult and expensive for Eurostat to play a part in the day-to-day activities of the Commission.

THREATS AND OPPORTUNITIES

Threats

- Deregulation measures and the consequences of a single economic and monetary area may mean the partial or complete loss of some data sources.
- Foreseeable restrictions on our resources and those of the National Statistical Institutes may impede our efforts or even prevent us from meeting the growing demand for statistical information.
- More new Member States may bring long-term difficulties in harmonising data.
- Eurostat is faced with real or potential competition from private and public organisations outside the Community Statistical System.

Opportunities

- The completion of the internal market and achieving of Economic and Monetary Union will heighten the need for Europe to have political visibility (indicators, monitoring systems etc.).
- The Member States have a growing need for Community statistics to help them control their economic futures.
- The enlargement process in the European Union will bring with it growing demands for European statistics.
- The strengthened partnership between Eurostat and the National Statistical Institutes promises opportunities for fruitful exchanges of experience.
- Advances in information technology should bring improvements to the systems of communication between Eurostat and its partners.
- The Commission's "Sound and Efficient Management" (SEM 2000) and "Modernisation of Administration and Personnel" (MAP 2000) policies identify general improvement targets.
- The revised Treaty and new legislation will bring changes to the provisions governing EU statistical work.