Formulating Business Strategy Using SWOT Analysis
IBM Case (Solutions)

What is IBM’s Strategic Goal(s)?
- To grow revenues at least 5% each year
- To increase earning per share at least 10%

What is IBM’s Strategic Plan(s)?
- “Openness” - sharing IBM innovations
  - collaborating with customers and rivals
- Reduce the cost of providing services

SWOT Internal Analysis-Strengths
- Valuable intellectual property, software, patents, ideas...
- Talented work force
- Research & development ($5.7 billion)
- A multi-national organization
SWOT Internal Analysis - Weaknesses

- 260,000 expensive employees
- High operating costs

SWOT External Analysis - Threats

- Low-cost generic competition (commoditization)
- Outsourcing
- New competitors in services market (e.g., Dell, Accenture)

SWOT External Analysis - Opportunities

- Collaborative innovation
- Open-source
- Expensive products of competitors
- Accepting standards brings economic expansion

SWOT Analysis

Match strengths with opportunities:

- Valuable intellectual property
- Talented work force
- Research & development

→ Open-source
→ Standards → economic expansion
SWOT Analysis

**Weaknesses**
- Expensive workforce
- High operating costs

**Threats**
- Low-cost competition
- Outsourcing
- Bigger competitors

**Develop Strategies**

- to exploit opportunities in areas where the organization has strengths
- to defend against threats in areas where organization has weaknesses

**Example**

**Strengths**
- Valuable intellectual property
- Talented workforce
- Research & development

**Opportunities**
- Open-source
- Standards—economic expansion

**Tactics**
- Support open-source development
- University Programs
- Give precious technology away

**Strategy**
- Openness

**Expectations**
- Making pie bigger
- IBM can sell services

**Example**

**Weaknesses**
- Expensive workforce
- High operating costs

**Threats**
- Low-cost competition
- Outsourcing
- Bigger competitors

**Tactics**
- Utilize workforce more efficient
- Shutdown operations in EU
- Move to low cost places

**Strategy**
- Reduce Cost of Services