

SWOC Analysis

Introduction:

SWOC analysis is a strategic planning method used to research external and internal factors which affect company success and growth. Firms use **SWOC analysis** to determine the strengths, weaknesses, opportunities, and challenges of their firm, products, and competition.

SWOC analysis is relevant to SWOT analysis. SWOT examines strengths, weaknesses, and opportunities. But it focuses on threats rather than challenges. The two are similar but they do have their differences, which is why firms may choose to use SWOC or SWOT.

How to use SWOC analysis

When beginning a SWOC analysis of a product or firm, you must go through each section individually. Starting with...

Strengths

Strengths are features which benefit the company, such as product sales. For example, sales of Product X is growing 3% each month. But Product Z is seeing a 3% monthly decline. In this case, Product X, which brings in more revenue, is where the firm should focus their efforts to continue profit growth.

Strengths can also be more abstract. If you've decided to build a product because you know you can offer it cheaper than your competitor, this is an overall strength of the company. Or if you have records of better customer service via positive reviews online, this is a strength you can use to your advantage. Strengths can be documented through statistics, customer service reviews, and surveys.

Weaknesses

The next step is noticing weaknesses. Weaknesses cause a company to struggle. For example, if you've decided to target a younger audience but your packaging is still dedicated to senior citizens, the new consumer base will struggle to connect to the product. This will show in reports, and cause an internal struggle within the company.

Weaknesses need to be documented and acknowledged to handle them promptly before it spreads and leads to overall destruction.

Opportunities

Opportunities are often external. They provide ways for firms to grow successfully. For example, a digital marketing agency helps a client develop an effective email marketing strategy. The agency has been thinking of doing graphic design so they offer a reduced fee to re-do the existing client's logo. This is an opportunity for the agency to develop a new section of their business without having to devise a marketing plan because they can reach out to existing clients.

Being open to opportunities, knowing when to look for them, and how to act on them can boost a firm's success. Documenting past opportunities can help create a plan on how to capitalize future opportunities.

Challenges

The final step in SWOC analysis is acknowledging challenges. This is how SWOC and SWOT analysis differ because SWOT analysis focuses on threats.

Challenges are similar to threats but have the chance of being overcome. Threats have the potential to damage a firm, but challenges often already exist and need to be handled appropriately.

This step is crucial. If you've already examined the strengths, weaknesses, and opportunities but skip assessing challenges, you may be on the path to failure. Challenges can greatly undermine any progress you've made, so by ignoring this step, you've opened yourself up to potential failure.

Advantages:

- a. It is a source of information for strategic planning.
- b. Builds organization's strengths.
- c. Reverse its weaknesses.
- d. Maximize its response to opportunities.
- e. Overcome organization's threats.
- f. It helps in identifying core competencies of the firm.
- g. It helps in setting of objectives for strategic planning.
- h. It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

Limitations:

1. Inadequate facilities for research and development
2. Increase in the price and unexpected changes in the government policies.
3. Insufficient raw material and inappropriate economic environment.
4. Poor Quality Control which results in faulty products.
5. High employee turnover.

How to Use a SWOT Analysis

Once you've examined all four aspects of SWOT, you'll likely be faced with a long list of potential actions to take. You'll want to build on your strengths, boost your weaker areas, head off any threats, and exploit every opportunity.

But, before you leap into action, look for potential connections between the quadrants of your matrix. For example, could you use some of your strengths to open up further opportunities? And, would even more opportunities become available by eliminating some of your weaknesses?

Now it's time to ruthlessly prune and prioritize your ideas, so that you can focus time and money on the most significant ones. Refine each point to make your comparisons clearer. For example, only accept precise, verifiable statements such as, "Cost advantage of \$10/ton in sourcing raw material x," rather than, "Better value for money."

Carry through the options you generate to later stages in your strategy formation process and apply them at the right level – for example, at a product or product-line level, rather than at the much vaguer whole-company level.

And use your SWOT Analysis alongside other [strategy tools](#) (for example, [USP Analysis](#) and [Core Competencies Analysis](#)), so that you get a comprehensive picture of the situation you're dealing with.