# SWOT ANALYSIS

How to Do a SWOT Analysis

A SWOT analysis can be broken into several steps with actionable items before and after analyzing the four components. In general, a SWOT analysis will involve the following steps.

Step 1: Determine Your Objective

A SWOT analysis can be broad, though more value will likely be generated if the analysis is pointed directly at an objective. For example, the objective of a SWOT analysis may focused only on whether or not to perform a new product rollout. With an objective in mind, a company will have guidance on what they hope to achieve at the end of the process. In this example, the SWOT analysis should help determine whether or not the product should be introduced.

Step 2: Gather Resources

Every SWOT analysis will vary, and a company may need different data sets to support pulling together different SWOT analysis tables. A company should begin by understanding what information it has access to, what data limitations it faces, and how reliable its external data sources are.

In addition to data, a company should understand the right combination of personnel to have involved in the analysis. Some staff may be more connected with external forces, while various staff within the manufacturing or sales departments may have a better grasp of what is going on internally. Having a broad set of perspectives is also more likely to yield diverse, value-adding contributions.

Step 3: Compile Ideas

For each of the four components of the SWOT analysis, the group of people assigned to performing the analysis should begin listing ideas within each category. Examples of questions to ask or consider for each group are in the table below.

Internal Factors

What occurs within the company serves as a great source of information for the strengths and weaknesses categories of the SWOT analysis. Examples of internal factors include financial and human resources, tangible and intangible (brand name) assets, and operational efficiencies.

Potential questions to list internal factors are:

(Strength) What are we doing well?

(Strength) What is our strongest asset?

(Weakness) What are our detractors?

(Weakness) What are our lowest-performing product lines?

External Factors

What happens outside of the company is equally as important to the success of a company as internal factors. External influences, such as monetary policies, market changes, and access to suppliers, are categories to pull from to create a list of opportunities and weaknesses.

Potential questions to list external factors are:

(Opportunity) What trends are evident in the marketplace?

(Opportunity) What demographics are we not targeting?

(Threat) How many competitors exist, and what is their market share?

(Threat) Are there new regulations that potentially could harm our operations or products?

Strengths

1. What is our competitive advantage?

2. What resources do we have?

3. What products are performing well? Weaknesses

1. Where can we improve?

2. What products are underperforming?

3. Where are we lacking resources?

Opportunities

1. What new technology can we use?

2. Can we expand our operations?

3. What new segments can we test?

Threats

1. What regulations are changing?

2. What are competitors doing?

3. How are consumer trends changing?

Companies may consider performing this step as a "white-boarding" or "sticky note" session. The idea is there is no right or wrong answer; all participants should be encouraged to share whatever thoughts they have. These ideas can later be discarded; in the meantime, the goal should be to come up with as many items as possible to invoke creativity and inspiration in others.

Step 4: Refine Findings

With the list of ideas within each category, it is now time to clean-up the ideas. By refining the thoughts that everyone had, a company can focus on only the best ideas or largest risks to the company. This stage may require substantial debate among analysis participants, including bringing in upper management to help rank priorities.

Step 5: Develop the Strategy

Armed with the ranked list of strengths, weaknesses, opportunities, and threats, it is time to convert the SWOT analysis into a strategic plan. Members of the analysis team take the bulleted list of items within each category and create a synthesized plan that provides guidance on the original objective.

For example, the company debating whether to release a new product may have identified that it is the market leader for its existing product and there is the opportunity to expand to new markets. However, increased material costs, strained distribution lines, the need for additional staff, and unpredictable product demand may outweigh the strengths and opportunities. The analysis team develops the strategy to revisit the decision in six months in hopes of costs declining and market demand becoming more transparent.

Use a SWOT analysis to identify challenges affecting your business and opportunities that can enhance it. However, note that it is one of many techniques, not a prescription.

Benefits of SWOT Analysis

A SWOT analysis won't solve every major question a company has. However, there's a number of benefits to a SWOT analysis that make strategic decision-making easier.

A SWOT analysis makes complex problems more manageable. There may be an overwhelming amount of data to analyze and relevant points to consider when making a complex decision. In general, a SWOT analysis that has been prepared by paring down all ideas and ranking bullets by importance will aggregate a large, potentially overwhelming problem into a more digestible report.

A SWOT analysis requires external consider. Too often, a company may be tempted to only consider internal factors when making decisions. However, there are often items out of the company's control that may influence the outcome of a business decision. A SWOT analysis covers both the internal factors a company can manage and the external factors that may be more difficult to control.

A SWOT analysis can be applied to almost every business question. The analysis can relate to an organization, team, or individual. It can also analyze a full product line, changes to brand, geographical expansion, or an acquisition. The SWOT analysis is a versatile tool that has many applications.

A SWOT analysis leverages different data sources. A company will likely use internal information for strengths and weaknesses. The company will also need to gather external information relating to broad markets, competitors, or macroeconomic forces for opportunities and threats. Instead of relying on a single, potentially biased source, a good SWOT analysis compiles various angles.

A SWOT analysis may not be overly costly to prepare. Some SWOT reports do not need to overly technical; therefore, many different staff members can contribute to its preparation without training or external consulting.