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How to Conduct a SWOT Analysis for Your Business Plan

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Introduction

In order to plan to seize business opportunities and sidestep potential threats, you start by conducting a SWOT (strengths, weaknesses, opportunities, threats) analysis. A SWOT analysis helps you analyze your company's capabilities against the realities of your business environment so you can direct your business toward areas where your capabilities are strong and your opportunities are great.

To conduct a SWOT analysis, follow these steps:

Tip

- 1 List your company's strengths and weaknesses and its opportunities and threats.
- 2 Divide your strengths into two groups:
Those that can help you take advantage of opportunities facing your business
Those that can help you head off potential threats
- 3 Divide your weaknesses into two groups:
Those that require improvement before you can take advantage of opportunities
Those that you need to completely and quickly overhaul and convert into strengths in order to avert potential threats to your business
- 4 Use your lists as you make decisions that contribute to your business plan.
Develop strategies and actions for capitalizing on opportunities and create plans for addressing threats and weaknesses that could threaten the future of your business.

This shows how the owners of the Soup's On catering business completed the grid for their company.



Strengths	Use superior operations and delivery to go after increasingly sophisticated high-end takeout and catering markets	We depend on our high quality and service, but it's harder to attract and keep good people
	CAPITALIZE ON THESE	MONITOR THESE
Weaknesses	Big growth in catered events market, but we're weak in marketing Promise of the Internet, but we have no R&D	Our poor marketing and precarious financial condition are dangerous, given the increased competition we face
	IMPROVE THESE	ELIMINATE THESE

Based on the outcome of the caterers' SWOT analysis, they made some significant business decisions: They hired a marketing consultant with experience developing restaurant chains; they conducted research to get a sense of the resources required to achieve competitive Internet presence; they strengthened their management structure to prepare for growth; and they recruited two investors to improve their company's financial condition.

As a result, Soup's On is ready to grow into a small chain. The owners expect increased competition for catering and takeout services, but they project that growing demand will support a number of catering companies. What's more, they're confident that by focusing on quality, consistency, and sophisticated menus, they can compete successfully. By investing time upfront to understand their strengths and weaknesses, the caterers increased their chances of success.

Include findings from your SWOT analysis in your business plan, addressing how you intend to

- Seize business opportunities by capitalizing on business strengths
- Overcome weaknesses to take advantage of business opportunities
- Monitor potentially threatening outside forces while maintaining or developing internal capabilities so that you're prepared to respond from a position of strength if a threat arises
- Eliminate weaknesses to protect your business from threats

Tip

Revisit your SWOT analysis on a regular basis — at least annually and more frequently if your business is facing major changes in marketplace or competitive conditions, experiencing growth problems, or failing to meet goals and objectives — to see how the balance of strengths, weaknesses, opportunities, and threats may have shifted.

Your business environment is constantly in flux, so you want to be sure that your business plan reflects the world around you as it *is*, not the way it *was*.

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