

What is a SWOT analysis?

Definition

SWOT is the acronym for Strengths, Weaknesses, Opportunities and Threats. It is an analytical framework to help summarize in a quick and concise way the risk and opportunities for any company across the value chain. A good SWOT should look into internal and external factors affecting the issue at hand.

✚ Factors pertaining to the **internal environment** of the company. These are usually classified as Strengths (S) or Weaknesses (W)

✚ Factors that are **external** to the company. These are classified as Opportunities (O) or Threats (T).

A SWOT analysis helps you match your company's resources and capabilities to threats and opportunities in the competitive environment. SWOT analysis can be very subjective, but adding weighting and criteria to each factor increases the validity of the analysis. Finally, a SWOT (or TOWS) matrix can help pick the best strategy to implement and takes the SWOT analysis to the next step. See our [SWOT matrix below](#).

Structure of a SWOT analysis ⬆

A SWOT analysis is typically represented by a 4-box model that lists the Strengths, Weaknesses, Opportunities, and Threats in the following order:

Strengths	Weaknesses
Opportunities	Threats

As you can see the beauty of a SWOT framework lies in its simplicity.

Why use a SWOT analysis? ⬆

Methodically and honestly assessing your company's strengths and weaknesses as well as the opportunities and threats it faces gives you a rare opportunity for objective analysis. A SWOT:

- ✦ Is easy to use
- ✦ Combines quantitative and qualitative analysis
- ✦ Encourages interdepartmental collaboration

To make sure your analysis is put to good use, include these before and after steps in your analysis process:

- ✦ Set an objective for the analysis
- ✦ Set aside adequate time for research and information-gathering
- ✦ Evaluate the results of your analysis against your original objective

This competitive analysis tool guides you through the SWOT technique and will help you create your own analysis that can help you set a strategic plan or present new ideas to your team.

Conducting a SWOT analysis ⬆

There are eight steps required to complete a SWOT analysis and create a SWOT matrix (also known as a TOWS matrix).

- ✦ List external opportunities
- ✦ List external threats
- ✦ List internal strengths
- ✦ List internal weaknesses

At this point in the process, you'll have a significant list of potential strategies. You'll need to weigh the impact of the various factors in your analysis and select the most feasible strategy to implement.

Ideally, you'll select a SO strategy, but often you'll need to implement one of the other three types of strategies to overcome a weakness or address a threat before being in a position to implement a S-O strategy.

Questions that a SWOT Analysis Should Answer ⬆

Here are some questions to help you understand the type of concepts a SWOT should be able to answer. This list is by no means exhaustive, but will hopefully provide you with some guidance in your endeavors.

Strenghts

- ⌘ Advantages of proposition?
- ⌘ Capabilities?
- ⌘ Competitive advantages?
- ⌘ USP's (unique selling points)?
- ⌘ Resources, Assets, People?
- ⌘ Experience, knowledge, data?
- ⌘ Financial reserves, likely returns?
- ⌘ Marketing - reach, distribution, awareness?
- ⌘ Innovative aspects?
- ⌘ Location and geographical?
- ⌘ Price, value, quality?
- ⌘ Accreditations, qualifications, certifications?
- ⌘ Processes, systems, IT, communications?
- ⌘ Cultural, attitudinal, behavioural?
- ⌘ Management cover, succession?
- ⌘ Philosophy and values?

Weaknesses

- ⌘ Disadvantages of proposition?
- ⌘ Gaps in capabilities?
- ⌘ Lack of competitive strength?
- ⌘ Reputation, presence and reach?
- ⌘ Financials?
- ⌘ Own known vulnerabilities?
- ⌘ Timescales, deadlines and pressures?
- ⌘ Cashflow, start-up cash-drain?
- ⌘ Continuity, supply chain robustness?
- ⌘ Effects on core activities, distraction?
- ⌘ Reliability of data, plan predictability?
- ⌘ Morale, commitment, leadership?
- ⌘ Accreditations, etc?
- ⌘ Processes and systems, etc?

✚Management cover, succession?

Opportunities

✚Market developments?

✚Competitors' vulnerabilities?

✚Industry or lifestyle trends?

✚Technology development and innovation?

✚Global influences?

✚New markets, vertical, horizontal?

✚Niche target markets?

✚Geographical, export, import?

✚Tactics: eg, surprise, major contracts?

✚Business and product development?

✚Information and research?

✚Partnerships, agencies, distribution?

✚Volumes, production, economies?

✚Seasonal, weather, fashion influences?

Threats

✚Political effects?

✚Legislative effects?

✚Environmental effects?

✚IT developments?

✚Competitor intentions - various?

✚Market demand?

✚New technologies, services, ideas?

✚Vital contracts and partners?

✚Sustaining internal capabilities?

✚Obstacles faced?

✚Insurmountable weaknesses?

✚Loss of key staff?

✚Sustainable financial backing?

- Economy - home, abroad?
- Seasonality, weather effects?

The SWOT/TOWS Matrix ↗

To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed. The SWOT matrix (also known as a TOWS matrix by re-arranging the SWOT letters) is shown below:

	External Opportunities (O) List 4-5 external opportunities here 1. 3. 2. 4.	External Threats (T) List 4-5 external threats here 1. 3. 2. 4.
Internal Strengths (S) List 4-5 internal threats here 1. 3. 2. 4.	S-O <i>"Max-Max" Strategy</i> Strategies that use strengths to maximize opportunities.	S-T <i>"Max-Min" Strategy</i> Strategies that use strengths to minimize threats.
Internal Weaknesses (W) List 4-5 internal weaknesses here 1. 3. 2. 4.	W-O <i>"Min-Max" Strategy</i> Strategies that minimize weaknesses by taking advantage of opportunities.	W-T <i>"Min-Min" Strategy</i> Strategies that minimize weaknesses and avoid threats.

Effectively, you have to match each component with one another. For example, match the internal strengths with external opportunities and list the resulting Strengths/Opportunities strategies in the matrix chart

The four strategy types are:

✚**S-O** strategies pursue opportunities that match the company's strengths. These are the best strategies to employ, but many firms are not in a position to do so. Companies will generally pursue one or several of the other three strategies first to be able to apply Strengths-Opportunities strategies.

✚**W-O** strategies overcome weaknesses to pursue opportunities. Your job is to match internal weaknesses with external opportunities and list the resulting Weaknesses-Opportunities strategies

✚**S-T** strategies identify ways that the firm can use its strengths to reduce its vulnerability to external threats. Your job is to match internal strengths with external threats and list the resulting Strengths-Threats Strategies

✚**W-T** strategies establish a defensive plan to prevent the firm's weaknesses from making it susceptible to external threats. Your job is to match the internal weaknesses with external threats and record the resulting Weaknesses-Threats Strategies

Examples of SWOT/TOWS Matrix Strategy Types ⬆

Here are some examples on the type of things you might find inside a SWOT/TOWS matrix:

Strength-Opportunity Strategies

- ✚Expand globally
- ✚Increase sales staff
- ✚Increase advertising
- ✚Develop new products
- ✚Diversify

Strength-Threat Strategies

- ✚Diversify
- ✚Acquire competitor
- ✚Liquidate
- ✚Expand locally
- ✚Re-engineer

Weakness-Opportunity Strategies

- ✚ Joint venture
- ✚ Acquire competitor
- ✚ Expand nationally
- ✚ Backward integration
- ✚ Forward integration

Weakness-Threat Strategies

- ✚ Divest
- ✚ Increase promotion
- ✚ Retrench
- ✚ Restructure
- ✚ Downsize