

SWOT Analysis

Definition

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis is a framework to help assess and understand the internal and external forces that may create opportunities or risks for an organization.

Internal and External Factors

Strengths and weaknesses are internal factors. They are characteristics of a business that give it a relative advantage (or disadvantage, respectively) over its competition.

These are some commonly considered internal factors:

- Financial resources (funding, sources of income and investment opportunities)
- Physical resources (location, facilities and equipment)
- Human resources (employees, volunteers and target audiences)
- Access to natural resources, trademarks, patents and copyrights
- Current processes (employee programs, department hierarchies and software systems – like CRM Software and Accounting Software)

Opportunities and threats, on the other hand, are external factors.

Opportunities are elements of the external environment that management can seize upon to improve business performance (like revenue growth or improved margins).

Threats are elements of the external environment that may endanger a firm's competitive advantage(s), or even its ability to operate as a going concern (think regulatory issues or technological disruption).

External factors are typically things you or your company do not control, such as the following:

- Market trends (new products, technology advancements and shifts in audience needs)
- Economic trends (local, national and international financial trends)
- Funding (donations, legislature and other sources)
- Demographics
- Relationships with suppliers and partners
- Political, environmental and economic regulations

Use a SWOT (strengths, weaknesses, opportunities, threats) analysis to grow your business.

A SWOT analysis is a compilation of your company's strengths, weaknesses, opportunities and threats.

The primary objective of a SWOT analysis is to help organizations develop a full awareness of all the factors involved in making a business decision.

Perform a SWOT analysis before you commit to any sort of company action, whether you are exploring new initiatives, revamping internal policies, considering opportunities to pivot or altering a plan midway through its execution.

Use your SWOT analysis to discover recommendations and strategies, with a focus on leveraging strengths and opportunities to overcome weaknesses and threats.

To run a successful business, you should regularly analyze your processes to ensure you are operating as efficiently as possible. While there are numerous ways to assess your company, one of the most effective methods is to conduct a SWOT analysis.

Strengths

The first element of a SWOT analysis is Strengths.

- Things your company does well
- Qualities that separate you from your competitors
- Internal resources such as skilled, knowledgeable staff
- Tangible assets such as intellectual property, capital, proprietary technologies, etc.

Weaknesses

Once you've figured out your strengths, it's time to turn that critical self-awareness on your weaknesses.

- Things your company lacks
- Things your competitors do better than you
- Resource limitations
- Unclear unique selling proposition

Opportunities

Next up is Opportunities.

- Underserved markets for specific products
- Few competitors in your area
- Emerging needs for your products or services
- Press/media coverage of your company

Threats

The final element of a SWOT analysis is Threats – everything that poses a risk to either your company itself or its likelihood of success or growth.

- Emerging competitors
- Changing regulatory environment
- Negative press/media coverage
- Changing customer attitudes toward your company

How to do a SWOT analysis

- Gather your team together—ideally, bring candy.
- Set up your quadrants—on a whiteboard or projector (perhaps using our template).
- Start with strengths—ask the below list of questions.
- Follow suit with weaknesses, opportunities, and threats.
- Organize the information collected into a neat document.
- Send out to the team with notes.
- Organize a second meeting to come up with action items and owners.

SWOT analysis questions

Here is a breakdown of the questions you should seek to answer when performing your SWOT analysis.

Strengths questions

Let's take our first element, Strengths, for example. To determine what your strengths are as an organization, you could begin by asking some of the following questions:

- What do your customers love about your company or product(s)?
- What does your company do better than other companies in your industry?
- What are your most positive brand attributes?
- What's your unique selling proposition?

- What resources do you have at your disposal that your competitors do not?

By answering these questions, you'll be in great shape to start identifying and listing your organization's strengths.

Weakness questions

- What do your customers dislike about your company or product(s)?
- What problems or complaints are often mentioned in your negative reviews?
- Why do your customers cancel or churn?
- What could your company do better?
- What are your most negative brand attributes?
- What are the biggest obstacles/challenges in your current sales funnel?
- What resources do your competitors have that you do not?

Opportunities questions

Some possible questions you could ask to identify potential opportunities might include:

- How can we improve our sales/customer onboarding/customer support processes?
- What kind of messaging resonates with our customers?
- How can we further engage our most vocal brand advocates?
- Are we allocating departmental resources effectively?
- Is there a budget, tools, or other resources that we're not leveraging to full capacity?
- Which advertising channels exceeded our expectations – and why?

Threat questions

When it comes to threats, you could certainly begin by asking a series of questions like those above. However, it's often quite easy to come up with a list of potential threats facing your business or project without posing questions beforehand. This could include "branded" threats such as emerging or established competitors, broader threats such as changing regulatory environments and market volatility, or even internal threats such as high staff turnover that could threaten or derail current growth.

How to Conduct a SWOT Analysis

For example, an analyst can't assess a company's strengths and weaknesses without first understanding the business and its industry. They may wish to leverage other tools and frameworks to accomplish this, including:

Hax's Delta Model – This will help to understand competitive positioning.

Ansoff's Matrix – This will help visualize the relative risk of a management team's growth strategies.

Financial ratio analysis – This will help identify trends (year-over-year), as well as a firm's relative performance (using benchmarking data).

The same is true for external factors – opportunities and threats. It's nearly impossible to understand these without first considering:

The industry life cycle – Does the business operate in a growing, mature, or declining industry? This itself informs both opportunities and threats.

An analysis of the broader business environment or the industry itself – Think frameworks like PESTEL or Porter's 5 Forces.

Example 1

The result of a SWOT analysis should be a chart or list of a subject's characteristics. The following is an example of a SWOT analysis of an imaginary retail employee:

Strengths: good communication skills, on time for shifts, handles customers well, gets along well with all departments, physical strength, good availability.

Weaknesses: takes long smoke breaks, has low technical skills, very prone to spending time chatting.

Opportunities: storefront worker, greeting customers and assisting them to find products, helping keep customers satisfied, assisting customers post-purchase and ensuring buying confidence, stocking shelves.

Threats: occasionally missing time during peak business due to breaks, sometimes too much time spent per customer post-sale, and too much time in interdepartmental chat.

Example 2

Bryan Weaver, a partner at Scholefield Construction Law, was heavily involved in creating a SWOT analysis for his firm. He provided Business News Daily with a sample SWOT analysis template and example that was used in the firm's

decision to expand its practice to include dispute mediation services. His SWOT matrix included the following:

STRENGTHS	WEAKNESSES
<p>A construction law firm with staff members who are trained in both law and professional engineering/general contracting. Their experience gives a unique advantage.</p> <p>Small (three employees) – can change and adapt quickly.</p>	<p>No one has been a mediator before or been through any formal mediation training programs.</p> <p>One staff member has been a part of the mediation but not as a neutral party.</p>
OPPORTUNITIES	THREATS
<p>Most commercial construction contracts require mediation. Despite hundreds of mediators in the marketplace, only a few have actual construction experience.</p> <p>For smaller disputes, mediators don't work as a team, only as individuals; Scholefield staff can offer anyone the advantage of a group of neutrals to evaluate a dispute.</p>	<p>Anyone can become a mediator, so other construction law firms could open up their mediation service as well.</p> <p>Most potential clients have a negative impression of mediation because they feel mediators don't understand or care to understand the problem and rush to resolve it.</p>

Resulting strategy: Take mediation courses to eliminate weaknesses and launch Scholefield Mediation, which uses name recognition with the law firm, and highlights that the firm's construction and construction law experience makes it different.

“Our SWOT analysis forced us to methodically and objectively look at what we had to work with and what the marketplace was offering,” Weaver said. “We then crafted our business plan to emphasize the advantages of our strongest features while exploiting opportunities based on marketplace weaknesses.”

SWOT analysis pros and cons

Among the advantages of using a SWOT approach are the following:

The analysis creates a visual representation of the factors that are most likely to impact whether the business, project, initiative or individual can successfully achieve an objective.

By involving experienced cross-discipline team members, a SWOT analysis can encourage many different perspectives and approaches.

Such diversity can allow a SWOT analysis to flesh out each element and expose creative ideas and overlooked problems that might otherwise go unnoticed.

Although a SWOT snapshot is important for understanding the many dynamics that affect success, ***the analysis does have limits, such as the following:***

The analysis may not include all relevant factors because some strengths, weaknesses, opportunities and threats can easily be overlooked or misunderstood.

The input for each element can often be empirical or subjective and give a skewed perspective.

Because it only captures factors at a particular point in time and doesn't allow for how those factors could change over time, the insight SWOT offers can have a limited shelf life.

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