

Conducting a SWOT Analysis

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published on BNET.com 7/03/2007

SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is a well-established means of thinking critically about a business, its resources, and its environment. Doing an analysis of this type is a good way to assess a business and its markets; it can also help potential investors decide whether their investment dollars are well placed.

SWOT analysis is fundamentally about discovering what you do well, how you could improve, whether you are making the most of the opportunities around you, and whether there are any changes in your market—such as technological developments, mergers of businesses, or unreliability of suppliers—that call for corresponding changes in your business. This article will introduce you to the ideas behind SWOT analysis, and give suggestions as to how you might carry out one of your own.

What You Need to Know

How should I begin a SWOT process?

Every SWOT process should focus on the internal strengths and weaknesses of you (as a leader), your staff, your products, and your business. There are many ways to do this, in terms of getting started. But the process you use should also look at the external opportunities and threats that may have an impact on your business, such as market and consumer trends, changes in technology, legislation, and financial issues.

Is there one best way to conduct the analysis?

The traditional approach to conducting a SWOT analysis is to produce a blank grid of four columns (or boxes)—one each for strengths, weaknesses, opportunities, and threats—and then list relevant factors beneath the appropriate heading. In essence, this is a symbolic way to capture your business in a simple matrix. As you proceed, don't worry if some factors appear in more than one column and remember that a factor that appears to be a threat could also represent a potential opportunity! For example, a rush of competitors into your area could easily represent a major threat to your business. However, competitors could boost customer numbers in your area, some of whom may well visit your business. Thus, any SWOT analysis helps in your strategic thinking.

What is the value of a SWOT analyses?

Though the process may seem simple, the outcomes can be most valuable. Completing a SWOT analysis will enable you to pinpoint your core activities and identify what you do well—and why. It will also steer you towards those areas where your greatest opportunities lie and highlight areas where changes need to be made to make the most of your business capabilities.

What to Do

Find Your Strengths

Take some time to consider what you believe to be the strengths of your business. These could be seen in terms of your staff, products, customers, processes, or location. Evaluate what your business does well; it could be your marketing expertise, your environmentally friendly packaging, or your excellent customer service. Very simply: In what does your business excel? It's important to try to evaluate your strengths in terms of how they compare to those of your competitors. For example, if you and your competitors provide the same prompt delivery time, then this cannot be listed as one of your strengths. However, if your delivery staff is extremely polite and helpful, and your competitor's staff has very few customer-friendly attributes, then you should consider listing your delivery staff's attitude as a strength. *It is very important to be totally honest and realistic.* Be sure to include some personal strengths and characteristics of your staff along with the management team. Whatever you do, you must be totally honest and realistic: There's no benefit in creating a useless work of fiction! SWOT analysis is not an exercise in wishful thinking.

Acknowledge Your Weaknesses

It's always hard to accept what your business does poorly. But it's important to do so without being overly harsh on your business and its management. Try to take an objective look at every aspect of your business. Could your products and services be improved? Measure how reliable your customer service is. Do your suppliers always deliver exactly what you want, when you want it? Try to identify any area of expertise that is lacking in your business. For example, you might realize that you need some more sales staff or financial help and guidance. Don't forget to think about your business's location and whether it really helps your customers gain access to you. For example, is there enough parking?

Your main objective during this exercise is to be as honest as you can in listing weaknesses. You're not trying to recount every mistake and who was to blame. Try to see the broader picture instead and learn from what happened. It may be that your systems or processes could be improved assuring that customers are contacted at the right time. It is far better to work on boosting your systems rather than looking about for someone to blame.

It's a good idea to get an outside perspective on what your weaknesses are as your own perceptions may not always align with reality. You may strongly believe that your years of experience in a sector reflect your business's thorough grounding and knowledge of all of your customers' needs. By contrast, your customers may perceive this wealth of experience as an old-fashioned approach that shows an unwillingness to change. In this part of a SWOT analysis, be prepared to hear things you may not like, but which, ultimately, may be extremely helpful.

Seize Opportunities

Next, analyze your opportunities. You can tackle this in several ways. External opportunities can include the misfortune of competitors who are not performing well thus providing you with the opportunity to do better. There may be breakthrough technological developments from which you could benefit, such as broadband arriving or expanding in your marketplace or a new process for packaging your products. There may be some legislative changes affecting your customers, offering you an opportunity to provide advice, support, or added services. Look also for changes in market trends or consumer buying habits that may provide the development of a new niche market, of which you could take advantage before your competitors wake up to the opportunity.

And don't forget to think about how your weaknesses can be converted into strengths. For example, the pressing issue of a supplier who continually lets you down could be turned into an opportunity by sourcing another supplier who is more reliable and who may even offer you a better deal. Any time a staff member leaves, you have an opportunity to re-evaluate how to assign duties more efficiently or how to recruit a staff member who brings valuable new-to-your-organization experience and skills with them.

Analyze Threats

Analyzing the threats to your business requires a bit of guesswork, but this is where your analysis can permissibly be overly subjective. Some threats are tangible, such as a new competitor moving into your area; however, other threats may be only intuitive fears that result in no harm done to your bottom line. Nonetheless, it's far better to be vigilant (but not paranoid) because if a potential threat does become a real one, you'll be able to react that much quicker. Perhaps the chief benefit of a thorough SWOT analysis is that, when a true threat confronts your business, you'll have already considered your options and can move, fast, on the contingency planning you have already done.

Therefore, think about the worst things that could *realistically* happen, such as losing your customers to your major competitor or the development of a new product far superior to your own. If these are genuine possibilities, then listing your threats in your SWOT analysis will provide ways for you to both plan and deal with the threats.

Make Sure You Use Your Analysis

After completing your SWOT analysis, it's vital that you learn from all the information that you have gathered. Now is the time to actually *build* on your strengths while *reducing* your weaknesses, either by minimizing the risk they represent or by making changes to overcome them. Since you should now have pinpointed where your opportunities lie, make the most of them and capitalize on every opportunity that you can seize without jeopardizing your basic business. Try to turn threats into opportunities. Be proactive and put plans into place to counter expected threats before they arise.

As you work your way through the SWOT matrix, don't be afraid to make some linkages that could leverage whole new prospects; for example, if you see an external opportunity of a new market growing, you will be able to check whether your internal strengths will be able to make the most of the opportunity. SWOT analysis should help you ask some tough questions: Do you have enough trained staff in place? Can your phone system cope with extra customer orders? If you get all the orders you anticipate, can you ship them fast enough? If you find a weakness that undermines an opportunity, that discovery might provide a good insight as to how you might develop your internal strengths and weaknesses to maximize your opportunities and minimize your threats.

The basic SWOT process is to fill in the four columns or boxes, but the real benefit is to take an overview of all the points to see how they reinforce or contradict the way you want to operate your business. Such comparative analysis will provide a well-thought-through evaluation that links external and internal forces impacting your business.

What to Avoid

You Have Too Few Issues

Don't just focus on the large, obvious issues, such as a major competitor encroaching on your business. While this may be topmost in your list of concerns, the key to a good SWOT analysis is to be *thorough*. You need to consider all issues carefully, such as whether your Internet system provides everything you need or whether your staffing levels are as they should be. Don't fixate on one factor; any business is more complicated than that.

You Don't Ask Others to Help

You must take advantage of other people's contribution when you're completing a SWOT analysis; don't try and do it alone. For one thing, the task is designed to be bigger than one individual's thinking capacity. More than that, other people's perspectives can be very useful, particularly as they may not be as close to the business as you are—thus, they could be far more objective. This distance can

often help them to see answers to thorny questions more easily or to be more innovative. An outside perspective will enhance your ability to move up from your own mental ruts.

You Fail to Analyze Regularly

A SWOT analysis every 10 years is simply insufficient. Your marketplace is changing all the time; you need to be changing too. But you can't build a successful business by only reacting; you need to think first, then act. Use SWOT as an ongoing business analysis practice.

You Rely on SWOT for Everything

SWOT should be part of an *overall* strategy to analyze your business and its potential. It is a useful guide, but it should never be considered a day-to-day decision-making tool nor a crystal ball that can, alone, guide your business into the future.

Where to Learn More

Book:

Reuvid, Jonathan. Start Up and Run Your Own Business. Kogan Page, 2006.

Web Sites:

Marketing Teacher's "SWOT Analysis: Lesson":
http://marketingteacher.com/Lessons/lesson_swot.htm

Net MBA's "SWOT Analysis": www.netmba.com/strategy/swot