

Analyzing Your Business's Strengths, Weaknesses, Opportunities, and Threats

GETTING STARTED

SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is a method of assessing a business, its resources, and its environment. Doing an analysis of this type is a good way to better understand a business and its markets, and can also show potential investors that all options open to, or affecting a business at a given time have been thought about thoroughly.

The essence of the SWOT analysis is to discover 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 may require corresponding changes in your business. This actionlist will introduce you to the ideas behind the SWOT analysis, and give suggestions as to how you might carry out one of your own.

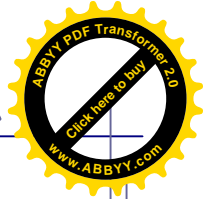
FAQS

What is the SWOT process?

The SWOT process focuses on the internal strengths and weaknesses of you, your staff, your products, and your business. At the same time, it looks 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.

What is the best way to complete the analysis?

The traditional approach to completing SWOT is to produce a blank grid of four columns— one each for strengths, weaknesses, opportunities, and weaknesses—and then list relevant factors beneath the appropriate heading. Don't worry if some factors appear in more than one box and remember that a factor that appears to be a threat could also represent a potential opportunity. 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.



What is the point of completing a SWOT analysis?

Completing a SWOT analysis will enable you to pinpoint your core activities and identify what you do well, and why. It will also point you towards where your greatest opportunities lie, and highlight areas where changes need to be made to make the most of your business.

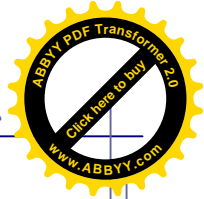
MAKING IT HAPPEN

Know Your Strengths

Take some time to consider what you believe are the strengths of your business. These could be seen in terms of your staff, products, customer loyalty, processes, or location. Evaluate what your business does well; it could be your marketing expertise, your environmentally-friendly packaging, or your excellent customer service. 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 a strength. 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. Try to include some personal strengths and characteristics of your staff as individuals, and the management team as individuals. Whatever you do, you must be totally honest and realistic: there's no point creating a useless work of fiction!

Recognize Your Weaknesses

Try to take an objective look at every aspect of your business. Ask yourself whether your products and services could be improved. Think about how reliable your customer service is, or whether your supplier always delivers exactly what you want, when you want it. Try to identify any area of expertise that is lacking in the business. as you can then take steps to improve that aspect. 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 does suit your purpose. Is there enough parking, or enough opportunities to attract passing trade?



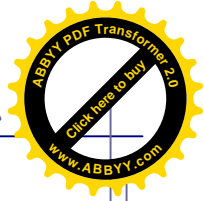
Your main objective during this exercise is to be as honest as you can in listing weaknesses. Don't just make a list of mistakes that have been made, such as an occasion when a customer was not called back promptly. Try to see the broader picture instead and learn from what happened. It may be that your systems or processes could be improved so that customers are contacted at the right time, so work on boosting your systems and making that change happen rather than looking about for someone to blame.

It's a good idea to get an outside viewpoint on what your weaknesses are as your own perceptions may not always marry up to 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. Your customers, on the other hand, may perceive this wealth of experience as an old-fashioned approach that shows an unwillingness to change and work with new ideas. Be prepared to hear things you may not like, but which, ultimately, may be extremely helpful.

Spot the Opportunities

The next step is to analyze your opportunities, and this can be tackled in several ways. External opportunities can include the misfortune of competitors who are not performing well, providing you with the opportunity to do better. There may be technological developments that you could benefit from, such as broadband arriving in your area, or a new process enhancing your products. There may be some legislative changes affecting your customers, offering you an opportunity to provide advice, support, or added services. Changes in market trends and consumer buying habits may provide the development of a niche market, of which you could take advantage before your competitors, if you are quick enough to take action.

Another good idea is to consider your weaknesses more carefully, and work out ways of addressing the problems, turning them around in order to create an opportunity. 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. If a member of staff leaves, you have an opportunity to re-evaluate duties more efficiently or to recruit a new member of staff who brings additional experience and skills with them.



Watch Out for Threats

Analyzing the threats to your business requires some guesswork, and this is where your analysis can be overly subjective. Some threats are tangible, such as a new competitor moving into your area, but others may be only intuitive guesses that result in nothing. Having said that, it's much better to be vigilant because if potential threat does become a real one, you'll be able to react much quicker: you'll have considered your options already and hopefully also put some contingency planning into place.

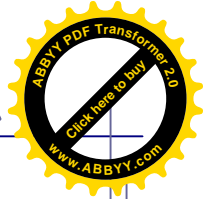
Think about the worst things that could realistically happen, such as losing your customers to your major competitor, or the development of a new product far superior to your own. Listing your threats in your SWOT analysis will provide ways for you to plan to deal with the threats, if they ever actually start to affect your business.

Use Your Analysis

After completing your SWOT analysis, it's vital that you learn from the information you have gathered. You should now plan to build on your strengths, using them to their full potential, and also plan to reduce your weaknesses, either by minimizing the risk they represent, or making changes to overcome them. Now that you understand where your opportunities lie, make the most of them and aim to capitalize on every opportunity in front of you. Try to turn threats into opportunities. Try to be proactive, and put plans into place to counter any threats as they arise.

To help you in planning ahead, you could combine some of the areas you have highlighted in the boxes; 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. For example, do you have enough trained staff in place, and can your phone system cope with extra customer orders? If you have a weakness that undermines an opportunity, it provides 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 boxes, but the real benefit is to take an overview of everything in each box, in relation to all the other boxes.



This comparative analysis will then provide an evaluation that links external and internal forces to help your business prosper.

COMMON MISTAKES

Focusing just on a few issues

Don't just focus on the large, obvious issues, such as a major competitor encroaching on your business. 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.

Completing your SWOT analysis on your own

Do not take advantage of other people's contribution when you're completing your SWOT analysis; don't try and do it alone. Other people's perspectives can be very useful, particularly as they may not be as close to the business as you are. This distance can often help them see answers to thorny questions more easily, or to be more innovative: we all get stuck in a rut at points.

Using your analysis for the next ten years

Don't do a SWOT analysis once and then never repeat the exercise. Your business environment will be constantly changing, so use SWOT as an ongoing business analysis practice.

Relying on SWOT to provide all the answers

Use SWOT as part of an *overall* strategy to analyze your business and its potential. It is a useful guide, not a major decision-making tool so don't base major decisions on this analysis and nothing else.