

# SWOT Analysis

SWOT Analysis is a useful technique for understanding your **S**trengths and **W**eaknesses, and for identifying both the **O**pportunities open to you and the **T**hreats you face.

What makes SWOT particularly powerful is that it can help you uncover opportunities that you are well-placed to take advantage of once you are aware of them. And by understanding the weaknesses of your business, you can manage and eliminate threats that would otherwise catch you unaware.

More than this, by looking at yourself and your competitors using the SWOT framework, you can start to craft a strategy that helps you distinguish yourself from your competitors, so that you can compete successfully in your market.

## How to Use the Tool

Originated by Albert S. Humphrey in the 1960s, the tool is as useful now as it was then. You can use it in two ways – as a *simple icebreaker helping people get together to "kick off" strategy formulation, or in a more sophisticated way as a serious strategy tool.*

### Tip:

Strengths and weaknesses are often internal to your company, while opportunities and threats generally relate to external factors. For this reason, SWOT is sometimes called Internal-External Analysis and the SWOT Matrix is sometimes called an IE Matrix.

## Strengths

- What advantages does your business have?
- What do you do better than anyone else?
- What unique or lowest-cost resources can you draw upon that others can't?
- What do people in your market see as your strengths?
- What factors mean that you "get the sale"?
- What is your organization's **Unique Selling Proposition** (USP)?

Consider your strengths from both an internal perspective, and from the point of view of your customers and people in your market.

If you're having any difficulty identifying strengths, try writing down a list of your company's characteristics. Some of these will hopefully be strengths!

When looking at your strengths, think about them in relation to your competitors. For example, if all of your competitors provide high quality products, then a high quality production process is not a strength in your organization's market, it's a necessity.

## Weaknesses

- What could you improve?
- What should you avoid?
- What are people in your market likely to see as weaknesses?
- What factors contribute to the loss of sales and customers?

Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you don't see?

Are your competitors doing any better than you?

It's best to be realistic now, and face any unpleasant truths as soon as possible.

## Opportunities

- What good opportunities can you spot?
- What interesting trends are you aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale.
- Changes in your local area economy creating growth, or perhaps decline (yes, a declining economy can be an opportunity).
- Changes in government policy related to your field.
- Changes in social patterns, population profiles, lifestyle changes, and so on.
- Local events.

### Tip:

A useful approach when looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating them.

## Threats

- What obstacles do you face?
- What are your competitors doing?
- Are quality standards or specifications for your job, products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?

## Example

A start-up small consultancy business might draw up the following SWOT Analysis:

### Strengths

- We are able to respond very quickly as we have no red tape, and no need for higher management approval.
- We are able to give really good customer care, as the current small amount of work means we have plenty of time to devote to customers.
- Our lead consultant has a strong reputation in the market.
- We can change direction quickly if we find that our marketing is not working.
- We have low overheads, so we can offer good value to customers.

### Weaknesses

- Our company has little market presence or reputation.
- We have a small staff, with a shallow skills base in many areas.
- We are vulnerable to vital staff being sick, and leaving.
- Our cash flow will be unreliable in the early stages.

### Opportunities

- Our business sector is expanding, with many future opportunities for success.
- Local government wants to encourage local businesses.
- Our competitors may be slow to adopt new technologies.

## Threats

- Developments in technology may change this market beyond our ability to adapt.
- A small change in the focus of a large competitor might wipe out any market position we achieve.

As a result of their analysis, the consultancy may decide to specialize in rapid response, good value services to local businesses and local government.

Marketing would be in selected local publications to get the greatest possible market presence for a set advertising budget, and the consultancy should keep up-to-date with changes in technology where possible.

## Suggested SWOT Areas to Consider

Subject of SWOT analysis: (define the subject of the analysis here)

### strengths

- 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?

### 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?
- Market need for new USP's?
- Market response to tactics, e.g., surprise?
- Major contracts, tenders?
- Business and product development?
- Information and research?
- Partnerships, agencies, distribution?
- Market volume demand trends?
- 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?
- Obstacles faced?
- Insurmountable weaknesses?
- Employment market?
- Financial and credit pressures?
- Economy - home, abroad?
- Seasonality, weather effects?

