

The SWOT Analysis

**Using your Strength to overcome Weaknesses, Using
Opportunities to overcome Threats**

by

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The SWOT Analysis
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Introduction

Important decisions are made every day by each of us. There are times when we have to make a quick judgment, and we will base those decisions on the information we have available. Yet, there are other times when we have to look at lots of different factors available, and this is one of the times when we need to use a SWOT analysis.

Many people wrongly assume a SWOT analysis is only relevant for businesses, but it can be invaluable for individuals, organizations and even for team building. There is another benefit from completing a SWOT analysis, and this is when you complete the analysis on behalf of your competitors.

The power of the SWOT analysis will be evident in your business, but it can also change your personal life.

Before embarking on a SWOT analysis, you should understand this is only a tool, but it is a powerful tool when you use it correctly.

Imagine for a moment, what it would be like if you were able to use SWOT for every business decision you have to make. When you are faced with the need to dig deep, you will discover where your company is today, and be able to make an informed decision for any changes your business needs to make.

Even though it doesn't guarantee 100% success, you'll find your business will be run from a position of strength.

The result of your SWOT analysis is to see the reality of your business or ideas. It will also give you a list of action points - which you should follow, or in some cases – things your company should avoid.

The History of SWOT

The problem faced by many companies was failure. This thought could have been penned in the 21st Century, but it was written and discussed in the mid 20th Century. As companies were failing, people started to ask question to see if there was a common theme ... many had failed from a lack of planning.

Knowing why the planning had failed was only part of the puzzle; the companies also needed to know what could be done to change failure into success. Businesses would depend on this research to be able to analyze what was happening to their company.

It was an important matter ... the research was funded by Fortune 500 companies. Now this should tell us something about our businesses today, if Fortune 500 companies use SWOT, then it should be important for any company. The research was conducted at Stanford Research Institute ... the research took 10 years from 1960 – 1970.

The members of the research team were ... Dr Otis Benepe; Marion Doshier; Albert Humphrey; Birger Lie and Robert Stewart.

Even though companies had corporate planning managers, they discovered a problem. The problem was their planning wasn't working, or rather the way the planning was being implements, wasn't working.

Companies were spending a lot of money paying these managers, and they didn't see the dividends from their investments. They did what all good companies do; they took a look at what was happening in their business. Not only did they look at the problems, but they made the decision to change. They knew if they didn't act on the results of the research and make some major changes then their companies would also fail.

Like any big corporation or business you have to get people to work as a team, and the planners had to ensure the managers of different departments took action on the advice given.

Seven Key Findings

There were seven key findings by the research group.

- Values
- Appraise
- Motivation
- Search
- Select
- Program
- Act

When this presentation was given in 1964 it was changed from SOFT to SWOT analysis. SOFT was Satisfactory; Opportunity; Fault and Threat. SWOT was Strength; Weakness; Opportunity and Threats.

Six Questions to Be Answered

SWOT was then taken to the UK and questions were asked.

Once these questions had been identified, it was a logical step to analyze what was then needed to see each step completed in the best way possible. The research team then worked and ended with a 17 step process for planners to follow. A trial was completed in the UK, and then a merger of CWS and J W French Ltd using the SWOT analysis. This proved to be successful, and we have been using SWOT ever since.

These questions are crucial even today in business, and should be the starting point when looking at either a new product, or to see how to improve the net profit for a company or organization.

- What product/s are we selling?
- What is the process we have in place to sell the product?
- Who are our customers, who are going to be interested in our product?
- What ways can we deliver the product to the customers?
- What are the finances needed to create and sell this product?
- Who will oversee all the stages from having an idea, to having enough finance to complete the task?

SWOT in 2008 and Beyond

As we have looked at the history of SWOT, it is worth pausing for a moment, to look at the current financial situation of the world. 2008/2009 saw the world plummet into a major recession. Many financial institutions and major corporations were suddenly facing a financial crisis they hadn't consider possible.

Time could be spent looking at what went wrong, but such an exercise is only valuable, if lessons are learned from it and changes are made to stop it happening again.

We find there is nothing new in the world, yes; technology changes, but the basic principles of business and life remain very much the same.

As we look at today's corporations, we find many companies have failed from a lack of planning. As we have already said, there is nothing new, because this is exactly the reason why research was done originally, to discover why corporate planning had failed.

What Is SWOT?

SWOT is an acronym which stands for Strength; Weakness; Opportunity and Threats.

SWOT is use to assess a business or a proposition. This shouldn't be restricted to a business you own, but also to use it for your competitor's business.

When you first look at SWOT it might seem to be simple, and yet the analysis for many people is far from simple. Many people have discovered how difficult it is to complete, and find they have no option but to quit trying to complete it. There is another option, and that is to work through the problems, and complete it.

If you want to progress, completing a SWOT analysis is something you should do.

SWOT Analysis

You'll find a SWOT analysis will provide you with a good foundation for your strategy, business proposition, the position of your company, the direction of your company, and even discover which ideas are worth pursuing.

As we have said, SWOT is simple, and can be completed by every business and organizations. You might decide it is an ideal subject for your workshops.

One of the problems a business faces is the reality of where their business is today. Nobody wants to be told that something they have worked hard for, is failing or a skill they thought they had, is non-existent.

When you have a brainstorming meeting, you will find the benefit of incorporating SWOT analysis into your discussion.

You will find using SWOT will put the information into a logical order, and this will then help you understand your company, and also the ideas you are considering.

You will make decisions based on the results of the SWOT which is why a lot of people find it difficult to complete. These are people who make their decisions based on what they have always done. Or they rely on their instincts, which can be beneficial, but sometimes, we need to have the checks and balances in place.

When Can You Use SWOT in Your Business?

Before you start a business, you should consider completing a SWOT analysis. If you plan on buying a business, use the SWOT analysis to answer various questions you will have regarding the running of the business, and the profitability of the business.

However, you will find the benefit when writing a business plan. It should also be included in all your strategic planning.

Have you ever considered using SWOT to look at your competitor? It is an exercise which will prove to be profitable to your business, if you act on the results.

Marketing is an area which many people are not experts in, but you can take your marketing to a new level, when you add SWOT into your thinking.

You will discover how business never stays static. The business should either be moving forward, or the business will be moving backwards. Just look at companies who refuse to move forward with the changes in the way people shop, and see how many stores on the “High Street” are now closed. As you look to change your business or create a new product, a SWOT analysis is imperative to ensure you don’t waste time and energy on a product which isn’t needed or wanted in the marketplace.

For businesses who are involved in research, a SWOT analysis again is crucial as the results are recorded and “White Papers” are written.

Questions to ask when preparing to complete SWOT

We saw earlier in the book the research team identified some question and these will enable you to turn your SWOT analysis into action.

Let's remind ourselves of the questions.

- What product/s are we selling?
- What is the process we have in place to sell the product?
- Who are the customers, who are the people interested in our product?
- What ways can we deliver the product to the customers?
- What are the finances needed to create and sell this product?
- Who will oversee all the stages from having an idea, to having enough finance to complete the task?

How do you put your answers to these questions into action? You should keep these questions in mind, as you prepare to complete your SWOT analysis.

What product/s are we selling?

If you are going to start a business or already have a business it is imperative to know what product or service you are going to be selling.

Because it is easy and cheap to start a business online, many people struggle with the concept of knowing what they are going to sell. They will ask dozens of people for a product or service they can sell, and like any survey completed with a random set of people, you will get lots of different answers.

If you can't decide on a product then you won't be able to answer the other questions, but you could use your SWOT analysis to find a good product or service to sell.

What is the process we have in place to sell the product?

Or to put it simply, how are we selling our product? Today, there are so many different choices; do you sell it online; offline or both?

If you are selling the product offline, do you need premises to sell from or can you use your home? If you sell online, what type of website do you need? How will you process payments for the products? How many staff will you need to employ?

Who are the customers, who are the people interested in our product?

As you develop your business you will see who the core group of people who are interested in the products being sold.

You might develop a product which is targeted to women in their early 20's. Now it doesn't mean only women will buy, because you could have a spouse, parent, sibling or friend who would want to make a purchase for a gift.

When you look at your customer base, remember all the different people groups who would be interested in buying.

What ways can we deliver the product to the customers?

Delivery of a product is very important, and from a business perspective you need to know exactly the costs involved for delivery. If you are going to offer the product overseas, how much will it cost you to send it? Would a customer be prepared to pay a \$50 shipping cost on a product which is selling for \$60?

People normally are only prepared to pay high shipping costs, when it is a product they have to have, and they are unable to buy locally.

How can you take advantage of people around the world who are desperate for your product, which options are there for delivering it at a cheaper price?

What are the finances needed to create and sell this product?

This is an area which can make or break a business. You need to know your actual costs before you start to price a product. Ensure you have an accurate projection before you start to create any new product. You might think you can sell a product for \$10 but when you break down all the costs involved in creating the product you discover the product can't be produced for less than \$15. This is time to re-evaluate your product and pricing strategy.

Yes, there are times when you need a loss leader, but any business will tell you they have products which have huge ROI.

What investment will be needed to create and sell your product? Finance is an important part of your business, start with the right information and take time to really look at this aspect of your company.

Who will oversee all the stages from having an idea, to having enough finance to complete the task?

When you have an idea, it can take time before the idea becomes a reality. There are various stages to consider and costs which are needed as part of the process. You can guess what the costs are, but nothing would be more disheartening than not being able to complete a task because you run out of finance.

You will need a manager who will oversee the whole business. Now, the manager might be yourself, but you might need to employ a general manager to do the work. Departments need to work together, people need to know what is happening, and this is something you might not have time to do.

Ensuring everybody is on the same page at the same time is crucial for the success of a business. Look at your SWOT analysis in light of this.

These are the six important questions that need to be asked and answered every time you make a major change to your business or introduce a new product or service.

SWOT Analysis Template

Before we can look in details at the different elements of a SWOT analysis, we need to understand the basics of the template. The basic template won't change, yet the questions asked can and should be relevant to the situation which has caused a company or individual to undertake the task of completing the analysis.

The template normally used is in a grid format, and would look like the one below. It would always include the subject. You would then have a list of questions in each section and an area to answer the questions. There is no limit to the number of questions and answers you have, but the more in-depth the questions will give you a superior result.

The challenge is to use the template to stimulate healthy discussion and it is a time for the ego to be left outside the room. You see, a member of staff might have a different perspective on the way the company is operating. They might see a weakness or a threat whereas the management doesn't. Often when a number of people are involved in a business, you will find people automatically cover any problem areas.

Example

We will look at a simple example, but you can use the principle for any area of your business.

Imagine you want a new design for your business card, and this is passed to a member of staff. Now, this isn't a big project, but what would happen if the person you gave it to was not able to design anything. A job which should take a few hours, could take weeks as the person looks at a blank piece of paper wondering where to start.

Someone from the design department sees the problem, and immediately helps by designing the new business card.

It is only a problem in the hands of the wrong person, and this is exactly why the right people should be given the tasks they are best at. It is a case of not putting square pegs in round holes.

SWOT Analysis Sample Template

This is only a sample template, and some examples of the criteria you should be looking at when personalizing your own SWOT analysis template.

Subject of SWOT Analysis	
It is important for everybody involved knows exactly the reasons for completing the analysis.	
<p>Strengths</p> <p><i>Criteria examples</i></p> <ul style="list-style-type: none"> • Advantages of proposition? • Capabilities? • Competitive advantages? • USP? • 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, behavioral? 	<p>Weaknesses</p> <p><i>Criteria examples</i></p> <ul style="list-style-type: none"> • Disadvantages of proposition? • Gaps in capabilities? • Lack of competitive strength? • Reputation, presence and reach? • Financials? • Own known vulnerabilities? • Timescales, deadlines and pressures? • Cash flow, 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?

<ul style="list-style-type: none"> • Management cover, succession? • Philosophy and values? 	
<p>Opportunities</p> <p><i>Criteria examples</i></p> <ul style="list-style-type: none"> • Market developments? • Competitors' vulnerabilities? • Industry or lifestyle trends? • Technology development and innovation? • Global influences? • New markets, vertical, horizontal? • Niche target markets? • Geographical, export, import? • New USP? • Tactics: e.g., surprise, major contracts? • Business and product development? • Information and research? • Partnerships, agencies, distribution? • Volumes, production, economies? • Seasonal, weather, fashion influences? 	<p>Threats</p> <p><i>Criteria examples</i></p> <ul style="list-style-type: none"> • 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?

Subject of SWOT Analysis

The first stage of completing a SWOT analysis is to know exactly the subject for this analysis.

If you don't explain the reason for completing the analysis, you will find different people in your company or organization will come out with different response.

Remember in certain situation there will be other people who will receive a copy of the completed SWOT analysis. If they don't know the reason for the assessment, the results will be meaningless for them.

Imagine for a moment, a person decides to start a business. They complete a SWOT analysis, and then ask a "Third Party" to review it, and to give their views on the results. But, without a clear vision of what the person wants to achieve, the "Third Party" could make suggestions which could be detrimental to the new business.

Like anything in life, we need to be able to communicate clearly what the plan and goals are. Once they have been ascertained then people can read, and make suggestions of the way forward.

It doesn't matter whether the world is in a recession or has come out of a recession and seeing companies hiring rather than firing staff. Companies are making a profit rather than a loss. People are able to invest in stocks and shares, because finance is flowing. There are certain subjects which will be relevant at any time in business.

A Company, Business or Organization

As you look at your company, business or organization you need to discover your exact position in the market.

If you decide to enter a market which already has a recognized company or companies, you'll need to determine where you will fit into that market.

When you analyze the market, you will find different companies are marketing to a different group of people. This is crucial to know, because if you enter a saturated market, then you are more likely to fail. What if you decide to target an area where the other companies are not targeting? Could it be they have discovered people don't spend money, then again you will be likely to fail.

A Business Idea

You have a great idea, or you believe it is a great idea, but unless you research it and use your SWOT analysis you won't know how well it will be accepted in the marketplace.

You should remember though, completing a SWOT analysis doesn't mean the idea will be the next million dollar idea, but it will ensure your idea is feasible.

A New Product

You've discovered the need for a new product to be released by your company or business, and a SWOT analysis will enable you to check the competition or to see if there is any competition.

Buying a Company or Even an Asset for Your Company

You have decided owning another company is the next project for your company. However, before spending major cash you should always do a SWOT analysis to complement the financial statements available.

If you are looking to buy an asset or assets again a SWOT analysis will help you making the decision needed.

Becoming a Partner in a Business

There will be occasions when you work with someone, and the time comes to decide whether you can both benefit from becoming a partnership. Using a SWOT analysis will allow you to see exactly what both parties are offering as the two businesses become one.

As you can see there are many times when a business would require a SWOT analysis to be completed. But, like all lists ours isn't a definitive list, because there are going to be times when you have a unique reason for completing it.

Strength

For Business

The strength of a company, business or organization will change as more and more people get involved with the work. This is the main reason it is imperative to go back to your SWOT analysis to ensure it is up-to-date.

When you start a business, your strengths might only be what you are able to do, but as more and more people get involved, you will find your list of strengths enlarging.

But, the whole purpose of completing a SWOT analysis for a business is to see whether your product or service is going to be viable and give you a net profit which is sustainable over many years.

What strengths does your business have? If you are not sure, then take time to look and see what you are doing right in your business.

Maybe, you have only just started and you're offering a service. What is the feedback your customers/clients are giving? Are they all saying the same thing, highlight one aspect of your service? This is a great strength and one you need to examine to see if you can improve or even offer a better service. The same is true if you are selling a product; see what the customer is saying.

Often the customer will give feedback on an area of our business, which we hadn't considered. For some people certain areas seem to be automatic, because it is a strength they have.

When you start to list your strengths, the temptation is to stop before you have completed it. The reason is simple; we don't want to sound like we are bragging. Yet, it isn't bragging, it is a way you can and will improve your business.

Strength Example

You might be selling motorbikes, which started because you have a passion for bikes. Maybe, you were a teen who bought their first bike, but couldn't afford the maintenance bills which came with it. This spurred you on to complete a maintenance course, and now you can talk to your customers about how they can do their own repairs to their bikes. You might even go and do a small repair for your customers. You don't think of it as a service, because you do it while you are chatting with them. But the customer comes back time and time again, because they know you will help them when the bike has a problem.

Look at your business and see all the ways you help people, especially the ways you don't charge people for your time and knowledge. These are strengths which we often don't see, because they are something we do automatically.

How Do International Companies Promote Their Strengths

Now is the time to look at your product/service and compare it to your competition. No, this isn't the time to say, "XXX Company's product is the biggest load of rubbish you will ever buy." If you do, then you will guarantee people will start to say the same thing about your product or company.

We all know the international products which are on our television screens, they have one thing in common, and they play to their strengths. Remember the advert about a certain battery company, they show their competitors as a battery which runs out of power sooner than theirs does. Their strength is their battery last longer.

Watch the different advertising campaigns to see how companies portray their strengths, and see how you can do the same thing with your product/service.

Questions to Ask About Your Product or Service

You will have some an example of the type of questions to ask from the SWOT analysis template.

It is time to breakdown every aspect of your business, and to find the strengths you have in each area. This is a reason why many larger companies have departments, and within a department certain members of staff are designated specific jobs. When you are a sole trader or a 1 person company, then it is harder to do this, because you have to be a “Jack of all trades.”

Remember the task at hand is not to discourage you, but to find those strengths which often lie hidden.

Regardless of the size of your business, one of your strengths should always be reliability and quality.

People starting out in business often fail with pricing their services or products. They see someone selling cheap products and think there is no market for something which is more expensive. If you believe this to be true, take a look at your High Street and see the Dollar shops alongside those who have higher prices. The strength often of the higher price stores is in the quality of their products.

You should discover what strengths your competition is offering, and then see what your strength is. Are they different? If you say, “Yes, they are very different,” then you should be marketing your strength.

Look at the experience of the end-user, have you considered this, and what strength have you put into the experience for them.

What are the strengths of your customer services, do you have a customer service policy?

Interested to read more? Buy the book at
<http://lawrencefine.com/books.php>

This article explains the SWOT Analysis in a practical way, including an example and template. After reading you will understand the basics of this powerful strategy tool. This article also contains a downloadable and editable SWOT Analysis template. What is a SWOT Analysis? SWOT Analysis, also known as the SWOT matrix, is an acronym for: Strengths. Positive characteristics that give an advantage in it's being.