

SWOT Analysis

Why use SWOT Analysis? SWOT Analysis is a very effective way of identifying your Strengths and Weaknesses, and of examining the Opportunities and Threats you face. Carrying out an analysis using the SWOT framework helps you to focus your activities into areas where you are strong and where the greatest opportunities lie

How to use tool: To carry out a SWOT Analysis write down answers to the following questions. Where appropriate, use similar questions

Strengths:

- What advantages do you have?
- What do you do well?
- What relevant resources do you have access to?
- What do other people see as your strengths?

Consider this from your own point of view and from the point of view of the people you deal with. Don't be modest. Be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths!

In looking at your strengths, think about them in relation to your competitors - for example, if all your competitors provide high quality products, then a high quality production process is not a strength in the market, it is a necessity.

Weaknesses:

- What could you improve?
- What do you do badly?
- What should you avoid?

Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities:

- Where are the good opportunities facing you?
- What are the interesting trends you are aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale
- Changes in government policy related to your field
- Changes in social patterns, population profiles, lifestyle changes, etc.
- Local Events

A useful approach to 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 is your competition doing?
- Are the required 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?

Carrying out this analysis will often be illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective.

You can also apply SWOT analysis to your competitors. This may produce some interesting insights!

Example SWOT: A start-up small consultancy business might carry out the following SWOT analysis

Strengths:

- We are able to respond very quickly as we have no red tape, no need for higher management approval, etc.
- 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 strong reputation within the market
- We can change direction quickly if we find that our marketing is not working
- We have little overhead, so can offer good value to customers

Weaknesses:

- Our company has no 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, leaving, etc.
- Our cash flow will be unreliable in the early stages

Opportunities:

- Our business sector is expanding, with many future opportunities for success
- Our local council wants to encourage local businesses with work where possible
- Our competitors may be slow to adopt new technologies

Threats:

- Will developments in technology change this market beyond our ability to adapt?
- A small change in focus of a large competitor might wipe out any market position we achieve

The consultancy might therefore decide to specialize in rapid response, good value services to local businesses. Marketing would be in selected local publications, to get the greatest possible market presence for a set advertising budget. The consultancy should keep up-to-date with changes in technology where possible.