

## Doing a SWOT Analysis for Your Company

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### OVERVIEW [[top](#)]

The S.W.O.T. analysis process (Strengths, Weaknesses, Opportunities, and Threats) can give your company's decision makers a unified view of your business situation to use as a basis for your strategic plan.

In this Quick-Read you will find:

- How to conduct a S.W.O.T. analysis.
- What information to include.
- Who to involve in the process.

### SOLUTION [[top](#)]

A Strengths, Weaknesses, Opportunities, and Threats (S.W.O.T.) analysis helps you to better understand your business by examining your internal strengths and weaknesses and scrutinizing your external opportunities and threats. Through the process, you can isolate key issues that can be incorporated into a business plan or a strategic planning session.

Through the S.W.O.T. process, you will:

1. Step back and see the "big picture."
2. Evaluate your internal environment (including human resources, operations, sales, and marketing) and your external environment (including economics, technology, legal issues, and social trends).
3. Discover internal strengths on which you can build a business strategy.
4. Identify weaknesses that must be corrected.
5. Assess your ability and your competitors' ability to compete effectively.
6. Examine the characteristics of your business and those of the marketplace and explore their compatibility.
7. Determine which opportunities your business should pursue to maximize success.

## **Performing the analysis**

### *Strengths*

Begin by listing your business' strengths, positive aspects of its internal operation, or competitive assets. Consider:

- What does your company do well?
- How strong is your company in its current state in the marketplace?  
What is your market share, and is it improving?
- Do you have a recent achievement or brand recognition that would give your business a market advantage?
- Are you financially sound?
- Do you have access to capital?
- Do you have sophisticated technology?
- What is your production capacity, and how close are you to its maximum?
- Is your company environment conducive to a positive and productive work environment?
- Do you have a deep knowledge or skill base within your management team or staff?
- Does your company have a clear strategic direction?
- Is your office strategically located, either at a local or regional level?

### *Weaknesses*

Identify your company's weaknesses, those negative attributes of your internal operation or your competitive liabilities. Ask yourself:

- Do you have a clear strategic direction?
- Are you in a competitive position?
- Do you have a cash reserve for emergencies?
- Do you have operating problems?
- What could be improved at your company?
- Do you have a weak market image?
- Do you have the necessary marketing skills?
- Does your managerial team have depth and proven talent?

### *Opportunities*

Next, evaluate your business' opportunities or positive aspects external to its operation. Factors to consider are politics, technology, economics, and society. In particular:

- Can your company enter the market early to gain momentum on the competition?
- Are there new markets opening up to you?
- What are you doing that your competitors are not?
- Is there complacency among your competitors?
- What are the market, industry, and national economic trends; is your company in a position to benefit from those trends?
- Is the cost of technology required to operate your business decreasing?

### *Threats*

The threats quadrant is the last to be completed. Threats are negative attributes external to your company's operation. Think about:

- Does your competitor have strong financial support?
- Is your industry threatened by a recession? By new foreign competition?
- What policies are local and federal lawmakers supporting, and how do they affect your business?
- Is constantly evolving technology threatening your business?
- Are you dependent on a skilled workforce? How likely is it to desert you?
- What trends are developing that could make your product or service obsolete?
- Are there any new competitors arriving in town?
- Is there slow market growth?
- Are your clients' needs or tastes changing?
- Are there any adverse demographic changes, making your location less desirable?

Once you have done this exercise, you should have a good overall picture of your business environment. From here you can begin to create

strategies that will help you address issues that emerged.

### **REAL-LIFE EXAMPLE** [[top](#)]

Lisa Teele, president of Teele Business Communication, a consulting firm specializing in strategic corporate planning and development, recalls her first impression of the S.W.O.T. method. "I remember learning S.W.O.T. in college and thinking it seemed like such a simple process. In fact, I thought it was too simple for 'the real world of business.'" Teele was certainly surprised to find her first boss after college using it during a product planning session. "Since then, I have used the S.W.O.T. analysis in nearly every position and continue to use it as a key element of my consulting work."

At the start of a consulting session, Teele walks executives through a S.W.O.T. analysis. "It serves a variety of purposes. It helps them to plan their tactical growth by identifying openings in the marketplace and potentially destructive internal weaknesses. But the exercise itself also serves to strengthen the team, giving them a cohesive understanding of where the company stands and what they are trying to accomplish.

"Two characteristics of the 21st-century company make a S.W.O.T. analysis a permanent, rather than temporary, tool," continues Teele. "First, executives can change every 18 to 24 months, unlike the lifetime commitment to one company that we have seen in previous generations. Second, technology is developing rapidly, which affects what a company does and how it does it. Where the S.W.O.T. method may have originated as a component of a business plan, it has become an annual process used to reevaluate a company's strategic place in the market and to give executives an equal understanding of the company as it exists in the current day."

Teele encourages executives to share the S.W.O.T. results with the entire staff. "Just as it helps the executives grow the company, it will help the staff to understand how you came to make decisions that involve change within the company."

### **DO IT** [[top](#)]

1. Gather your key staff to conduct the exercise, including your front-line employees. They will have a different, yet equally valuable, perspective on your strengths and weaknesses. You may want to have lower-level units do S.W.O.T. analysis separately from top managers, and then have the managers integrate the lower-level-unit conclusions into a final S.W.O.T. report.
2. Be sure you have perspective on your industry and its market before you arrive at conclusions. The Quick-Read "[Gathering Market Research](#)" and Business Builder "[How to Prepare a Market Analysis](#)" offer research suggestions.

3. If you can, invite industry experts, respected business associates, and external business-planning consultants to participate. If the S.W.O.T. is for a business plan and your discussions are not confidential, ask potential customers, industry associations, and suppliers to attend. An external point of view can be very valuable when evaluating a new business venture.
4. Ask participants to be brutally honest. A S.W.O.T. analysis is a building tool, and you do not want to build your business on false information.
5. Write clear, concise comments. It will save you questioning the thought process behind any one item after the session is finished.
6. Compare yourself to your competitors on each analysis factor. Your employee turnover rate may seem like a weakness, but if your competitors' turnover rates are worse, it's a strength.
7. Use the information. The S.W.O.T. analysis process is only the beginning. Be certain to use the information to develop a strategic plan with measurable objectives, as well as to correct your weaknesses. Immediately assign people to address the weaknesses or look into opportunities.
8. Reconsider your company mission, goals, and objectives to be sure they're aligned with the S.W.O.T. analysis conclusions and strategic plan.

## RESOURCES [[top](#)]

### Books

*[Next Level: Essential Strategies for Achieving Breakthrough Growth](#)*, by James B. Wood (Perseus, 2000). Not explicitly about S.W.O.T. analysis, but a good checklist and discussion of desirable S.W.O.T. analysis elements.

### Internet Sites

#### *Journal articles*

"[Want Better Performance? Try Better Planning](#)," by Karen Carney. *Open Book Management: Bulletin*. (January 1999).

#### *Web articles*

[Self-Assessment](#). U.S. Small Business Administration, 2001.

[Introduction to Strategic Planning](#), by Michael L. Policastro. U.S. Small Business Administration, 1993.

[Adobe pdf version](#)

[Microsoft Word version](#)

[SWOT Analysis](#). Manager's Electronic Resource Center.

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The Edward Lowe Foundation was created by Ed and Darlene Lowe in 1985 to "champion the entrepreneurial spirit." Headquartered near Cassopolis, Michigan, the foundation works with entrepreneur support organizations nationwide to encourage peer learning among second-stage business owners. Before his death in 1995, Ed Lowe, the creator of Kitty Litter, had become an advocate for entrepreneurship as the key to the success of the free-enterprise system.

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