SWOT Analysis

Introduction

A SWOT (Strengths, weaknesses, Opportunities and Threats) analysis is a technique used by businesses to evaluate a company's competitive position in comparison to another company, usually within the same industry. Whether you are a startup or guiding an existing company, SWOT is a powerful tool to help you conceptualize and develop a strategy or model to grow your business and determine the prospectus of your business.
Most businesses design SWOT analyses to facilitate realistic, data-based, and factual outlooks of the strengths and weaknesses of a particular organization, developments and initiatives within the sector and industries; then chart opportunities or flag threats that may arise.

It is very important that an organization keeps this analysis accurate by avoiding pre-conceived notions, interrogate any gray areas and focus on real-life contexts and environs of the business.

A SWOT analysis is a guide, not a prescription.

Definition

SWOT analysis is a planning process that helps your company overcome challenges and determine what new leads to pursue.[1]

When to use SWOT Analysis

Conduct a SWOT analysis before you commit to any business actions, especially major decisions that will affect your company- whether you are exploring new partnerships or initiatives, revising internal policies, or considering pivotal opportunities.

Details of SWOT Framework

The SWOT method is historically credited to American business and management consultant Albert Humphrey during s study conducted at Stanford Research Institute to determine why corporate planning failed consistently. Since its conception, SWOT has become one of the most useful and popular tools of analysis for business owners to start, develop and grow their businesses.

A SWOT analysis focuses on the four elements of the acronym, allowing companies to identify the forces influencing a strategy, action or initiative. Knowing these positive and negative elements can help companies more effectively communicate what parts of a plan need to be recognized.

When drafting a SWOT analysis, individuals typically create a table split into four columns to list each impacting element side by side for comparison. Strengths and weaknesses won't typically correspond to listed opportunities and threats verbatim, although they should correlate, since they are ultimately tied together. Strengths (S) and weaknesses (W) refer to internal factors, which are the resources and experience readily available to the business.

These are some commonly considered internal factors:

Financial resources (funding, sources of income and investment opportunities);
Physical resources (location, facilities and equipment);
Human resources (employees, volunteers and target audiences); and
Access to natural resources, trademarks, patents and copyrights.

[1] Business News Daily https://www.businessnewsdaily.com/4245-swot-analysis.html

EXTERNAL FACTORS

External forces influence and affect every company, organization and individual. Whether these factors are connected directly or indirectly to an opportunity (O) or threat (T), it is important to note and document each one.

External factors are typically things you or your company do not control, such as the following:

Market trends (new products, technology advancements and shifts in audience needs);
Economic trends (local, national and international financial trends);
Funding (donations, legislature and other sources);
Demographics;
Relationships with suppliers and partners; and
Political, social, environmental, and economic regulations.

EXAMPLE of SWOT Analysis:

To get a better picture of a SWOT analysis, consider the example of a fictitious, small organic juice company. To better understand how it competes within the juice market and what it can do better, it conducted a SWOT analysis. Through this analysis, it identified that its strengths were good sourcing of ingredients, personalized customer service, and a strong relationship with suppliers. Peering within its operations, it identified a few areas of weakness: little product diversification, high turnover rates, and outdated equipment/ machinery.

Examining how the external environment affects its business, it identified opportunities in emerging technology, untapped demographics, and a culture shift towards healthy living. It also found threats, such as a winter freeze damaging crops, a global pandemic, and kinks in the supply chain. In conjunction with other planning techniques, the company used the SWOT analysis to leverage its strengths and external opportunities to eliminate threats and strengthen areas where it is weak.