

A Guide to Carrying Out a SWOT Analysis

Business Information Factsheet
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Introduction

A SWOT (strengths, weaknesses, opportunities and threats) analysis is a useful tool for strategic business planning and decision making. It can be used to evaluate a business, project or idea and is often carried out while developing a business plan or marketing plan.

This factsheet explains the benefits of carrying out a SWOT analysis and provides an overview of the SWOT analysis process. It lists a series of useful questions that can help identify business strengths, weaknesses, opportunities and threats. The factsheet also suggests how to use the findings of a SWOT analysis to inform future business strategy.

The benefits of SWOT analysis

Carrying out a SWOT analysis can help to clarify business objectives and decide what actions to take. It can be particularly useful when:

- Starting up in business.
- Reviewing business plans or strategies.
- Considering a new product or business idea.
- Embarking on a new project.

A SWOT analysis can provide valuable insights into a business and the wider market. It can also help to:

- Identify business strengths and build on them for future success.
- Pinpoint weaknesses in a business, so action can be taken to correct them.
- Discover opportunities that had not previously been considered.
- Address, manage or avoid specific risks that a business faces in the marketplace.

What is a SWOT analysis?

A SWOT analysis involves considering both the internal and external factors that may affect a business or project.

- **Strengths** and **weaknesses** are internal to the business. They can be identified by looking at resources, skills, staff, products, processes, etc.
- **Opportunities** and **threats** arise externally, so it is important to carry out regular reviews of the environment in which the business operates. This can include looking at market and

consumer trends, competitor activities, changes in technology, legislation and financial issues.

The SWOT grid

The results of a SWOT analysis are often presented in a grid or matrix, as shown here:

| | |
|---|--|
| Strengths (internal) | Weaknesses (internal) |
| Opportunities (external) | Threats (external) |

The grid is arranged so that:

- The top row shows the internal factors that may affect the business, project or idea.
- The bottom row reflects factors in the external environment.
- The left column represents positive points. Action can be taken to build on, maximise or exploit these advantages.
- The right column lists negative points. Action can be taken to address these issues before they cause problems for the business.

How to carry out a SWOT analysis

The process of undertaking a SWOT analysis is fairly simple. The first stage is to write down the four headings (strengths, weaknesses, opportunities, threats). Under each heading, every factor should be listed that could affect the business or project. Some factors fit into more than one category. For example, the availability of new technology may provide cheaper ways to get a product to market (an opportunity), but it may also attract new competitors into the marketplace (a threat).

Internal factors

There are several things to bear in mind when considering the strengths and weaknesses of a business:

- It is important to be both honest and realistic.
- It is extremely useful to get the views of customers and suppliers. For example, what do they think the business does well, and how could it improve?

- It is useful to evaluate strengths and weaknesses in terms of how they compare with competitors. For example, do competitors provide better or additional services?

Strengths

The following questions can help to assess the strengths of a business:

- What is unique about the business?
- What advantages does the business have?
- Why do customers choose to buy products or services from the business?
- What are the core strengths of the business? For example:
 - The skills and experience of its staff.
 - The quality of its products.
 - Its ability to innovate.
 - A loyal customer base.
 - Its processes.
 - Its location.
 - Availability of resources.
 - Its values.
- What does the business do better than anyone else?

Weaknesses

The following questions can help to assess the weaknesses of a business:

- Does the business rely on only one or two suppliers?
- Does the business rely on only one or two key product lines that could become obsolete?
- Do employees lack any obvious skills, experience or training?
- In what ways is the business weaker than its competitors?

Take a practical look at every aspect of the business:

- Could the quality or variety of its products or services be improved?
- Is customer service efficient?
- Do suppliers always deliver exactly what the business wants, when it wants it?
- Is there an area of expertise that is lacking in the business?
- Does the business need more experienced sales staff?
- Does the business need financial help and guidance?
- Is the business based in the right location?

External factors

When evaluating opportunities and threats, it is important understand as much as possible about the demands and constraints of the environment that the business operates in. It may also be helpful to consider external factors systematically, for example using a PEST (political, economic, social and technological) analysis. This can provide a useful framework to help consider a situation from different points of view. (Legal and environmental factors can also be included in this analysis - this is known as a PESTLE analysis.)

Opportunities

Systematically reviewing the wider environment can help to identify opportunities to develop a business. For example:

- There may be technological developments, or a new process, that may enhance its products or services.
- There may be legislative changes that provide the business with an opportunity to offer advice, support or added services.
- Opportunities to import goods from abroad could mean that the business can source unique products at low costs.
- Changes in market trends and consumer buying habits may help identify a niche market that the business could exploit.

Threats

A business can plan for changes that may be outside its control by considering any threats to the business in advance. A business that is aware of its vulnerabilities should be able to deal more effectively with any threats that arise. These threats could include:

- Losing customers to a major competitor.
- The introduction to the market of a new, superior product.
- Technological changes to which the business could not adapt.
- Legislative changes that could make a product or service obsolete or too costly.
- Changes to customer demographics or cultural choices.
- A key supplier ceasing to trade.
- A major customer failing to pay.
- A key employee leaving.

Some threats are obvious, such as a new competitor moving into the market. Others are less easy to predict, such as major flooding or fire damage and being subject to cyber attacks. Staying aware of changing political, economic, social and technological factors means that if a threat arises, a business owner can react more quickly, having already considered their options and perhaps put contingency plans in place.

Using a SWOT analysis

After completing a SWOT analysis, it is important to consider its implications, and if any action needs to be taken. This can involve action to:

- Build on and exploit the strengths of the business.
- Address any weaknesses - either by minimising the risks they represent or by making changes to overcome them.
- Make the most of all the opportunities that have been identified.
- Reduce the potential impact of any threats or turn them into opportunities.

When planning ahead, a SWOT grid can be used to see how different internal and external factors may affect each other. For example, if a new market is growing, it should be possible to check if internal strengths will enable the business to make the most of the opportunity. Does the business have the necessary trained staff in place? Can its systems cope with extra customer orders?

Hints and tips

- SWOT analysis should be carried out regularly. The business environment and markets change constantly, and repeated use of the SWOT process is a way of analysing and evaluating changes in business performance over time.
- It is important to focus on all the potential issues that may affect the business, not just on the obvious ones such as a major new competitor entering the market. It is useful to ask employees, customers and suppliers to help complete the analysis. These views can be very useful and provide an objective opinion about the business.

Further information

BIF001 Using a Market Research Questionnaire

BIF004 A Guide to Writing a Business Plan

BIF044 Developing a Marketing Plan

BIF047 A Guide to Sources of Market Information and Statistics

BIF185 A Checklist for Start-up Market Research

BIF392 A Guide to Creating a Marketing Strategy

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