

Carrying Out a SWOT Analysis

Introduction

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

In this guide, we look at the benefits of carrying out a SWOT analysis and how you can use the findings to inform your future business strategy.

The benefits of a SWOT analysis

Carrying out a SWOT analysis can help you 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 your business and the wider market. It can also help to:

- Identify business strengths and build on them for future success.
- Pinpoint weaknesses in your business, so you can take action to correct them.
- Discover opportunities that you haven't previously considered.
- Address, manage or avoid specific risks that your business faces in the marketplace.

What is a SWOT analysis?

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

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- Strengths and weaknesses are internal to the business. They can be identified by looking at your 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 your business operates. This can include looking at market and consumer trends, competitor activities and financial issues.

The SWOT grid

It is a good idea to present the results of your SWOT analysis as a grid.

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

From the grid you can see that:

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

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How to carry out a SWOT analysis

The process of undertaking a SWOT analysis is relatively simple. The first stage is to write down the four headings (strengths, weaknesses, opportunities, threats). Under each heading, you should list every factor that could affect your business or project. Some factors fit into more than one category.

Internal factors

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

- It is crucial to be both honest and realistic.
- It is beneficial to get the views of customers and suppliers.
- It is useful to evaluate strengths and weaknesses in terms of how you compare with competitors.

Strengths

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

- What is unique about your business?
- What advantages does your business have?
- Why do customers choose to buy products or services from you?
- What are the core strengths of your business?
- What do you do better than anyone else?

Weaknesses

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

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

Take a realistic look at every aspect of your business:

- Could the quality or variety of your products or services be improved?

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- Do you provide good customer service?
- Does your business need financial help and guidance?
- Is your business based in the right location?

External factors

When evaluating opportunities and threats, it is crucial to understand as much as possible about the demands and constraints of the environment that your business operates in.

Opportunities

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

- There may be technological developments or a new process that may enhance your 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 your business can source unique products at low costs.
- Changes in market trends and consumer buying habits may help identify a niche market that your business could exploit.

Threats

You can plan for changes that may be outside your control by considering any threats to your business in advance. The more aware you are of your business's vulnerabilities, the better you will be able to deal with threats. These threats could include:

- Losing customers to a major competitor.
- The introduction to the market of a new, superior product.
- Changes to customer demographics.
- A key supplier stops trading.
- A major customer failing to pay.

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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 cyberattacks. Staying aware of changing political, economic, social and technological factors means that if a threat arises, you can react more quickly.

Using your SWOT analysis

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

- Build on and exploit the strengths of your business.
- Address any weaknesses.
- Make the most of all the opportunities that have been identified.
- Reduce the potential impact of any threats or turn them into opportunities.

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