



SWOT Analysis Expert Guide

A SWOT analysis is a planning tool which seeks to identify the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats involved in a project or organization. This analysis should be used as a framework for matching an organization's goals, programs, and capacities to the environment in which it operates.

When done properly, it can help guide operational, financial, sales, and marketing strategies for a company.

A SWOT analysis pulls information from internal sources (strengths or weaknesses of the specific company) and external forces that may have uncontrollable impacts on decisions (opportunities and threats).

This factsheet:

- Examines the four elements of SWOT
- Explains the process of conducting an analysis
- Talks about common pitfalls in creating a useful SWOT

The 'SWOT' itself is only a data capture exercise - the analysis follows later.



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Strengths

1. What is our competitive advantage?
2. What resources do we have?
3. What products are performing well?

Weaknesses

1. Where can we improve?
2. What products are underperforming?
3. Where are we lacking resources?

Opportunities

1. What new technology can we use?
2. Can we expand our operations?
3. What new segments can we test?

Threats

1. What regulations are changing?
2. What are competitors doing?
3. How are consumer trends changing?

Strengths: These are positive, tangible, and intangible attributes, internal to an organization and within the organization's control. Strengths describe what an organization excels at and what separates it from the competition: a strong brand, loyal customer base, a strong balance sheet, unique technology, and so on. For example, a hedge fund may have developed a proprietary trading strategy that returns market-beating results. It must then decide how to use those results to attract new investors.

Weaknesses: These are internal factors within an organization's control that detract from the organization's ability to attain the desired goal. Which areas might the organization improve? Weaknesses stop an organization from performing at its optimum level. They are areas where the business needs to improve to remain competitive: a weak brand, higher-than-average turnover, high levels of debt, an inadequate supply chain, or lack of capital.



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Opportunities: These are external attractive factors that represent the reason for an organization to exist and develop. What opportunities exist in the environment, which will propel the organization? Identify them by their 'time frames'. Opportunities refer to favorable external factors that could give an organization a competitive advantage. For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.

Threats: These are external factors beyond the organization's control which could place the organization mission or operation at risk. The organization may benefit by having contingency plans to address them if they should occur. Classify them by their severity and probability of occurrence. Threats refer to factors that have the potential to harm an organization. For example, a drought is a threat to a wheat-producing company, as it may destroy or reduce the crop yield. Other common threats include things like rising costs for materials, increasing competition, tight labor supply, and so on.

It's important to note the strengths and weaknesses are *intrinsic value-creating skills or assets*, or the lack of these, relative to competitive forces.



How to Do a SWOT Analysis

A SWOT analysis can be broken into several steps with actionable items before and after analyzing the four components. In general, a SWOT analysis will involve the following steps.

Step 1: Determine Your Objective

A SWOT analysis can be broad, though more value will likely be generated if the analysis is pointed directly at an objective. For example, the objective of a SWOT analysis may focus only on whether or not to perform a new product rollout. With an objective in mind, a company will have guidance on what they hope to achieve at the end of the process. In this example, the SWOT analysis should help determine whether or not the product should be introduced.

Step 2: Gather Resources

Every SWOT analysis will vary, and a company may need different data sets to support pulling together different SWOT analysis tables. A company should begin by understanding what information it has access to, what data limitations it faces, and how reliable its external data sources are.

In addition to data, a company should understand the right combination of personnel to have involved in the analysis. Some staff may be more connected with external forces, while various staff within the manufacturing or sales departments may have a better grasp of what is going on internally. Having a broad set of perspectives is also more likely to yield diverse, value-adding contributions.



Step 3: Compile Ideas

For each of the four components of the SWOT analysis, the group of people assigned to perform the analysis should begin listing ideas within each category. Examples of questions to ask or consider for each group are in the table below.

Internal Factors

What occurs within the company serves as a great source of information for the ***strengths and weaknesses*** categories of the SWOT analysis. Examples of internal factors include financial and human resources, tangible and intangible (brand name) assets, and operational efficiencies.

Potential questions to list internal factors are:

- (Strength) What are we doing well?
- (Strength) What is our strongest asset?
- (Weakness) What are our detractors?
- (Weakness) What are our lowest-performing product lines?



External Factors

What happens outside of the company is equally as important to the success of a company as internal factors. External influences, such as monetary policies, market changes, and access to suppliers, are categories to pull from to create a list of opportunities and threats.

Potential questions to list external factors are:

- (Opportunity) What trends are evident in the marketplace?
- (Opportunity) What demographics are we not targeting?
- (Threat) How many competitors exist, and what is their market share?
- (Threat) Are there new regulations that potentially could harm our operations or products?

Companies may consider performing this step as a "white-boarding" or "sticky note" session. The idea is there is no right or wrong answer; all participants should be encouraged to share whatever thoughts they have. These ideas can later be discarded; in the meantime, the goal should be to come up with as many items as possible to invoke creativity and inspiration in others.



Step 4: Refine Findings

With the list of ideas within each category, it is now time to clean-up the ideas. By refining the thoughts that everyone had, a company can focus on only the best ideas or largest risks to the company. This stage may require substantial debate among analysis participants, including bringing in upper management to help rank priorities.

Step 5: Develop the Strategy

Armed with the ranked list of strengths, weaknesses, opportunities, and threats, it is time to convert the SWOT analysis into a strategic plan. Members of the analysis team take the bulleted list of items within each category and create a synthesized plan that provides guidance on the original objective.

For example, the company debating whether to release a new product may have identified that it is the market leader for its existing product and there is the opportunity to expand to new markets. However, increased material costs, strained distribution lines, the need for additional staff, and unpredictable product [demand](#) may outweigh the strengths and opportunities. The analysis team develops the strategy to revisit the decision in six months in hopes of costs declining and market demand becoming more transparent.

Use a SWOT analysis to identify challenges affecting your business and opportunities that can enhance it. However, note that it is one of many techniques, not a prescription.



What we will do today: go over how to get the answers with your team, start compiling answers to take to them and prepare you for steps 4 & 5: refinement using their input and strategy based on findings.

Finally, Common Mistakes When Preparing SWOT Analysis

One easy error to make when preparing a SWOT analysis is ***failing to be objective and honest*** in the assessment. Companies often tend to overemphasize their strengths while downplaying weaknesses, resulting in an overly optimistic and unrealistic analysis. This bias can lead to missed opportunities for improvement and leave the organization vulnerable to unforeseen threats. As difficult as it may be to be honest in your analysis, the validity of underlying assumptions is the cornerstone of how useful the SWOT analysis will be.

Another significant mistake is ***conducting the analysis in isolation, without input from a broad group key stakeholders***. You should try to get input from employees at various levels, customers, suppliers, and industry experts. Each may have a unique view of your company, and each may come up with different items to be listed in each quadrant based on how they specifically interact with the company.



Yet another common pitfall is ***neglecting to prioritize or weight the factors*** identified in the SWOT analysis. Not all strengths, weaknesses, opportunities, and threats are equally important or impactful. Failing to distinguish between major and minor factors can lead to misallocation of resources and misguided strategic decisions. It can be easy for the important items to be buried if too many non-material items are identified.

Another frequent error is ***treating the SWOT analysis as a one-time exercise***. You should be prepared to do a SWOT analysis periodically, The business environment is constantly changing, and a SWOT analysis should be regularly updated to remain relevant. In addition, the analysis itself is just the beginning; its true value lies in using the findings to develop and implement strategic actions. You can then check future SWOT analysis to make sure the company is addressing the major points.

Lastly, don't get bogged down in "***analysis paralysis***". There's a lot to dive deep on, but perfect is the enemy of done. Start, use, and revise as necessary!