Remaining competitive in today’s economic climate—and any other economic climate—is not an easy task and requires the use of proactive business planning tools. If a company wants to remain stable within an industry, it must be willing to analyze each area of its business and competitive environment.

A forward thinking and comprehensive model that managers and company leaders can apply to their business objective and strategic planning is to understand its strengths, weaknesses, opportunities and threats (SWOT). SWOT serves as an in-depth look into the internal and external factors that have the potential to lead to business success or failure.

Benefits of a SWOT analysis:

▲ Supplies a comprehensive understanding of a company's positive and negative attributes;

▲ Defines the essential factors for survival within an industry;

▲ Enables a company to review its strategies and current position within a market in order to allow for a well informed and accurate business strategy;

▲ Allows a company to proactively prepare for problems that may arise and develop contingency plans in order to be fully prepared for any event; and

▲ Helps companies to reveal competitive advantages to focus on as well as areas of struggle to be addressed.

STEP 1

Elements needed to begin a SWOT analysis:

▲ DEFINED GOAL: In order to make the best and most effective use of this tool, it is important to have a defined end-goal or business objective that the analysis team can base their ideas on. This goal will serve as a focus point by which to consider a company's strengths, weaknesses, opportunities and threats.

▲ TIME: Allow for adequate time to complete the analysis. To truly benefit from a SWOT analysis, appropriate time needs to be allowed to think critically about all the aspects of the business and its environment—otherwise the exercise will be incomplete and possibly futile.

▲ DIVERSE TEAM: One person alone cannot complete an effective SWOT analysis, because each person has a unique viewpoint and train of thought—it takes many viewpoints and opinions to gain a complete understanding of where a business stands and what its advantages and disadvantages are.

▲ FLEXIBILITY: This analysis is dynamic and does not rely on the completion of one activity to move to the next; therefore, viewpoints, ideas and goals can change or shift as new factors affecting a business are discovered and discussed.

STEP 2

Once all of these elements are in place, the team needs to identify, record and analyze all of the aspects of the business in light of how they either support or inhibit the defined goal. There are four areas of the SWOT analysis that should be focused on. The first two, strengths and weaknesses, are internal factors within the control of the company and its employees. Opportunities and threats are external factors that are affected by forces from outside and not controlled by the company. External factors serve to bring attention to what the company is currently facing and is likely to face in the future.
STRENGTHS: The analysis team needs to consider each of the company’s strengths that put it above and beyond its competitors. The strengths focused on and listed need to be unique to the organization—if another company has the same strength then it is not truly a strength or an advantage. This step needs to focus on what the company does better than each of its competitors. This may include operations management, product diversity, access to markets, price, marketing, value, etc. When examining strengths, the team must also consider how they can work to improve or emphasize those advantages.

WEAKNESSES: These need to be closely examined in order to define what is preventing a business from reaching its goals. Which areas of the company are falling behind or lacking in success? This could include untrained or inexperienced leaders, lack of a stable and solid supply chain, out-dated equipment, poor marketing, etc. Analyzing weaknesses and discovering the factors that are dragging a company down are important to define because they enable a company to better understand how to best move forward with business strategies. When defining weaknesses, the analysis team must be completely honest and not hold back on important information for fear of hurt feelings or worry of being incorrect. All ideas or thoughts must be considered in order to gain a full understanding of the company and its competitive position—this ties into why it is key to have more than one individual working on the analysis.

OPPORTUNITIES: This external factor always needs to be proactively sought after and this part of the analysis can draw out new ideas and bring about recognition of coming opportunities that have the potential to advance a company. Opportunities may include changes in technology, changes in product mix or packaging, joint ventures, economic changes, specialty items, transportation efficiency, etc. Opportunities are everywhere and need to be recognized in advance in order to properly use them to a company’s advantage.

THREATS: These are an extremely important external factor to always be aware of. Seeking out and having full knowledge of what is going on in your industry is essential to addressing issues before they become full-on problems that have the potential to seriously damage a business. Companies need to be aware of such external factors as changing legislation, new market entrants, seasonal trends, cost influx, reduction in supplies, etc. By estimating or acknowledging future and current threats, an organization can develop contingency plans and prepare itself to succeed and prosper through problematic times.

STEP 3

Once each of the four areas have been thoroughly discussed, the listed factors need to be compared to the objectives of the end goal. The team can then begin to see a clear picture of what steps are necessary to successfully reach that goal as well as remain highly competitive in the market place.

SWOT analysis can serve to accentuate a company’s advantages, address its disadvantages and makes for a stronger more informed strategic plan. The analysis provides a company with a comprehensive look at four key areas of business and provides information to assist a company in remaining competitive. The information compiled can be used to establish a well informed and enhanced business plan that propels a company forward while enabling them to remain aware of potential threats or harmful events in the future.