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SWOT analysis.

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SWOT analysis

SWOT analysis is a planning and brainstorming tool that helps people evaluate an idea or project for a business or formulate a business plan. SWOT stands for strengths, weaknesses, opportunities, and threats. People use this method to understand a business's internal strengths and weaknesses and external opportunities and threats. This analysis can provide people with ideas about how to improve a business, or it can help them determine how a new business will perform.

SWOT ANALYSIS		
	Strengths 1. 2. 3. 4.	Weaknesses 1. 2. 3. 4.
Opportunities 1. 2. 3. 4.	Opportunity-Strength strategies Use strengths to take advantage of opportunities 1. 2.	Opportunity- Weakness strategies: Overcome weaknesses by taking advantage of opportunities 1. 2.
Threats 1. 2. 3. 4.	Threat-Strength strategies Use strengths to avoid threats 1. 2.	Threat-Weakness Strategies Minimize weaknesses and avoid threats 1. 2.

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Overview

SWOT analysis is mainly used as an assessment tool for businesses. It is used to organize information, identify issues, determine solutions, and suggest opportunities. Business people can use this method to identify areas where a company performs well and target areas that need improvement. It can help a company focus on its strengths while reducing and eliminating weaknesses. More than one person should be involved in the creation of a SWOT analysis. A wide range of employees, including those in management and nonmanagement positions, should be involved to generate as many ideas as possible. Involving employees in this process helps them understand how the company works and how decisions are made.

The purpose of SWOT analysis is to identify how internal and external factors influence a business. Internal factors include strengths and weaknesses, such as reputation. While these factors can be changed, this often takes time and effort. External factors include opportunities and threats outside of the company, such as competitors. These affect a business and can be managed, but they typically cannot be changed.

Existing businesses should use a SWOT analysis to assess if changes are needed to remain competitive in the marketplace, while new businesses should use SWOT analysis as part of their planning and development phases. Many types of organizations use SWOT analysis to develop plans for future growth.

How to Draft a SWOT Analysis

To draft a SWOT analysis, people can create a foursquare table that allows them to compare internal issues (strengths and weaknesses) to each other and external issues (opportunities and threats) to each other and then compare all four against one another. Placing internal elements and external elements side by side allows people to compare and contrast these elements with one another and easily

distinguish serious issues that the company must address. This can also be accomplished by making a list for each category.

Companies can hold **brainstorming** sessions with multiple employees to gather their input. Individual employees might even fill out their own SWOT analyses. Once company employees have highlighted internal issues that need to be addressed, leaders should prioritize these problems. The company leaders should then determine if these issues are worth fixing.

Strengths and Weaknesses

Internal factors can be controlled and changed. When listing these, employees should include both positive and negative issues to present a clear picture of things that are working well and things that need to be fixed. The following are some examples of internal factors:

- Current processes—these keep a company going and include employee programs, department **hierarchies**, and software systems.
- Finances—this includes all money that comes into and goes out of a business, such as income and investments.
- Human resources—these are the people involved in the business, such as employees and customers.
- Natural resources—this involves the company's access to **copyrights**, patents, and trademarks.
- Physical resources—this includes the location of the business and its facilities and equipment.
- Miscellaneous—employees can include other issues related to strengths and weaknesses, such as company culture, image, operations, and staff.

When brainstorming, employees should ask questions about each internal factor. Sometimes it helps to focus on the strengths (positives) first and then focus on the weaknesses (negatives). Employees can ask what the company does well. Then, they can follow up by considering what the company could do better.

Opportunities and Threats

Once company employees have established internal factors, they should focus on external forces. Every business, organization, and individual is influenced either directly or indirectly by external elements that cannot be controlled. The following are some examples of external forces:

- **Demographics**—this refers to the target customer's age, culture, gender, and race.
- Economic trends—these include local, state, national, and international financial trends.
- Finances—this includes money coming into the business in the form of donations, grants, and more.
- Market trends—these include new products or technology as well as shifts in **consumers' interests**.
- Miscellaneous—other factors include economic, environmental, and political regulations.

As with internal factors, employees should ask questions about each area to determine the steps to take to gain opportunities and minimize threats. They should first ask questions about what opportunities exist and then discuss the company's competitors.

People should keep in mind that SWOT analysis is just one tool to help companies develop and maintain good **business strategies**. It should be used in conjunction with other business analytic tools such as **PEST** (political, economic, social, and technological), **MOST** (mission, objective, strategies, and tactics), or **SCRS** (strategy, current state, requirements, and solution).

SWOT Limitations

While SWOT analysis is a relatively simple way to evaluate or form a business plan, it does have limitations and should be used as a structural guideline or first step, rather than a complete method. Due to the use of four focus traits, SWOT does not allow items to fit into multiple boxes. In addition, some information may be excluded from the research and plan because it does not fit exclusively in one category. This system, therefore, does not allow for complex ideas or issues. SWOT analysis also provides a look at only a brief moment in time for the business and does not account for changing markets.

SWOT gives equal value to the items in each category; this lack of prioritization can cause aspects that might be more important or pressing than others to be overlooked. For example, a business might focus on improving a strength while a weakness is overlooked, later becoming the business's downfall. The

process oversimplifies both the information that goes into the SWOT chart and the solutions and decisions that are made based on the chart. While SWOT analysis proves a good starting point in assessing and creating a business plan, it does not provide solutions to complex problems or create a thorough picture of a business.

SVOR Alternative

In some cases, particularly at the project-management level, those in the business field will use an analysis that focuses on the mathematical relationships between strengths, vulnerabilities, opportunities, and risks, or SVOR, instead. The key differences are in considering internal vulnerabilities and external risks, rather than viewing them as weaknesses and threats. Through this analysis, project elements are also compared as either positive or negative forces.

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