



HOW TO PERFORM A SWOT ANALYSIS

Many entrepreneurs find SWOT – strengths, weaknesses, opportunities and threats – analysis almost intuitive.

Before sitting down to do your SWOT analysis, it's a good idea to go off-site, away from ringing phones and other distractions. Some experts recommend hiring a facilitator to help you consider all the angles. Others say you can get the same effect by soliciting the perspective of customers, suppliers or other crucial contacts outside the company.

Limiting the group to anywhere from two to 12 people will help you avoid getting bogged down in procedural issues and speed is basic to SWOT's appeal. A good analysis can be completed in anywhere from several hours to two or three days, although you may wish to spread meetings over a week or two to give yourself time to gather information.

What is a SWOT Analysis?

A SWOT analysis essentially consists of brainstorming about the key variables that affect your company.

Strengths may include special skills, motivations, technology, or the distribution or financial capacities that you possess.

Weaknesses are negative factors, such as lack of capital, shortages of skilled personnel or unproven products.

Opportunities are positive circumstances that, if exploited, will boost your company's success. They may include untapped markets, promising customer relationships and weak competitors.

Threat factors should include not only clearly visible threats, such as pending regulations, but potential problems, such as economic downturns, new competitors or changes in consumer tastes.

Just thinking about SWOT isn't enough. As with any successful strategy session, it's essential to write the factors down. There are many workable formats. While a four-column approach is the simplest, some experts recommend five-column technique.

This entails labeling rows with factors critical to success in your industry (strong weaknesses, weaknesses, neutral factors, strengths and strong strengths) and places positive and negative numbers in the columns to show how your company stacks up. This system is used to rate key strategic issues including production costs, management skills and so on, and to determine which weaknesses need attention and which strengths can be exploited.

Your SWOT Analysis Goals

No matter the format, you have two main goals in a SWOT analysis. First, you want to identify areas where your strengths match your opportunities. For example, you're a low-cost producer – a strength – and one of your opportunities lies in the existence of an untapped cost-sensitive market.

And second, you'll want to spot places where weaknesses make you vulnerable to threats. For instance, if there's a trend toward more regulation in your industry and your business has an image as an outlaw that could be a problem.

A SWOT analysis isn't supposed to be a list of action items, but it should suggest such a list. After doing your analysis, use it to identify specific moves you can make to leverage strengths, maximise opportunities, remedy weaknesses and defuse threats. The low-cost producer mentioned above, for instance, might choose to target-market cost-conscious customers, while the company with the renegade reputation might polish its image with a public service program.

Be Specific

When preparing a SWOT, restrict yourself as much as possible to simple, factual statements such as "We're the largest competitor in this niche" or "Our CEO reaches retirement age in June." Being concise and specific will help you make the most of your analysis.

- Don't restrict yourself, however, to analysing information that's easily obtainable. Fry suggests devoting an initial meeting to identifying information you'll need for your analysis. Then set up another meeting a few days or weeks later to allow time for the necessary research.
- Nor should you limit your inquiries to your own company. It's a good idea to do a SWOT analysis of your three or four top competitors. While this will be less complete than the SWOT analysis of your own company, it will help you understand where you fit in the market.
- In addition to analysing your entire strategy, you can do SWOT analyses of departments or functions. For instance, you may do a SWOT analysis of customer service, product development or distribution functions.
- Whatever you analyse, keep the written document for future reference. Looking at last year's SWOT can give you a base line for preparing the current analysis, in addition to pointing out areas where you were too optimistic, too pessimistic or lacked adequate data.

Simple, effective and time-tested, SWOT analysis should probably have a place in every entrepreneur's strategic toolbox. While it's not something you'll do every day, having the analysis can give you a basis for guiding all sorts of actions on a continuing basis.

With every decision you make, filter what you're good at and what you're not so good at. In this way you will subconsciously apply SWOT to your decision-making process.