

Planning Factsheet: Business SWOT Analysis



A SWOT (strengths, weaknesses, opportunities and threats) analysis is a valuable tool you can use at any stage in the life of your business and is worth doing regularly. This factsheet explains how to carry one out and then use it in planning the future direction of your business.

The SWOT process for your business

The following questions lie at the heart of a SWOT analysis:

- What does your business do well? What factors make this possible?
- What improvements could you make?
- Are there any new opportunities that you could exploit?
- Are there any adverse changes in your market that you need to take into account?

Getting started

The usual way to complete a SWOT analysis is to produce a table with four boxes and list the relevant factors in each one. (The table below shows the usual layout and gives examples of the questions you might consider.) You may find that some factors appear in more than one box. A new piece of legislation, for example, could pose both a threat and an opportunity.

In any event, it's a good idea to get other people, such as your staff or Business Advisor, involved in completing the analysis with you.

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ What does your business do well? ▪ What skills do you and your staff have? ▪ What particularly valuable resources does your business have? ▪ Do you have good relationships with customers and suppliers? ▪ Does your business have a good location? 	<ul style="list-style-type: none"> ▪ What do customers complain about? ▪ How could your product(s) or service(s) be improved? ▪ What, if any, are your business's gaps in skills and expertise? ▪ What resources do you need more of? ▪ How might your processes be improved?
Opportunities	Threats
<ul style="list-style-type: none"> ▪ In what ways are your competitors not performing well? ▪ Are there any new technological developments that you could take advantage of? ▪ Is there any recent legislation that can lead to new directions for your business? ▪ Are there any recent market trends that you could take advantage of? 	<ul style="list-style-type: none"> ▪ Are there any recent trends that might reduce the demand for your product(s) or services? ▪ Have any of your competitors recently gained any advantage over you? ▪ Have new competitors moved into your area? ▪ Does any new legislation pose a threat? ▪ Does a recent technological change pose a threat, for example, by reducing demand for what you offer?



The Business Environment

In thinking about the opportunities and threats your business faces, you will have to identify a wide variety of factors in the external environment.

This will be easier to do if you carry out what's called a PESTLE analysis, in which you identify Political, Economic, Social, Technological, Legal and Environmental factors that may have an impact on you your business.

Here's an outline of what you need to consider under each of these headings:

- **Political** Government policies will affect all sorts of things. Just one example: the government's policy of encouraging more single mothers to go back to work has increased the demand for nursery schools and other pre-school provision.
- **Economic** Trends such as a growth in unemployment, or in interest and inflation rates, will affect how much people have to spend on luxury items, for example.
- **Social** Consumer movements on ethical trade or animal rights, or the growth in the percentage of people over the age of 50, are among many social factors that affect buying patterns.
- **Technology** Changes in technology affect how you run your business and your marketplace; consumers expect different products and different services to be delivered in new ways, such as via the Internet/
- **Legal** Rules and regulations affect how you run your business and the marketplace you sell into.
- **Environment** The effects of global warming are among the environmental factors that create a demand for new products and services.

Using your SWOT analysis

The real benefit of the analysis is that it provides an overview of your whole business. This means that if, for example, you identify a possible opportunity, you can see at a glance whether you have the strengths necessary to take advantage of it. To make best use of the analysis, you need to:

- **Build on and exploit your strengths** - use them to their full potential
- **Reduce your weaknesses** - make changes to overcome them or minimise the risks they represent
- **Make the most of your opportunities** - make sure you think about how to capitalise on them
- **Turn threats into opportunities** - be proactive and make plans to counter the threats.

Always consider all the issues in your analysis - not just the large, obvious ones, such as the arrival of a new competitor.



Using a Competitor SWOT analysis

Creating a SWOT analysis for your main competitors will help you to think about how you might best develop your own business to take advantage of their weaknesses and, wherever possible, respond to their strengths.

(In carrying out a PESTLE analysis you will, of course, identify many of the trends that represent opportunities and threats to your competitors as much as they do to you.)