

What is a SWOT analysis?

A SWOT is probably the most popular analysis tool in business. It's easy to create and helps to write a business plan.

If there was a competition to find the most popular analysis tool in business, chances are that a SWOT would be the winner by a big margin. It's used by training consultants, facilitators and consultants as well as the people involved in startups, family businesses and major corporations.

Users love its simplicity and how it can be used to inform the content of a business plan, the creation of a new product or service or a decision on whether or not to enter into a new market.

So what is a SWOT analysis?

SWOT is short for Strengths, Weaknesses, Opportunities, Threats.

Strengths and weaknesses tend to focus on internal factors such as products or services, brands, prices, costs, profits, performance, people, skills and infrastructure.

Opportunities and threats should be externally focused and centre on markets, customers, sectors, audience, trends, competitors, economic and social factors, among a host of other factors.

Strengths need to be better than a competitor's. Weaknesses need also to use competitors as a point of comparison but also a business's ability to pursue a particular opportunity. It is often helpful to analyse strengths and weaknesses from a number of perspectives – those involved in the business (owners, staff), customers and competitors.

Opportunities should offer a business a chance to grow, become more profitable and/or otherwise enhance its market position. They should be realistic and not too aspirational. Threats are scenarios that could be damaging to a business through decreased sales, higher costs, loss of competitiveness or a host of other factors.

How is a SWOT created?

Very simply. Gather a group or a team together. Nominate one member of the group to facilitate and use a flipchart and markers. Brainstorm the strengths, weaknesses, opportunities and threats that apply to a particular business, product, market idea of whatever you want to analyse. Then:

- Make a list under each of the SWOT headings
- Do a long list first then try to cut it back by prioritising what is most important
- Agree a maximum three or four points in order of priority under each heading

- Convert this into a table
- Then ask a simple question for every point: what can we do and how can we respond?
- Document that in your final SWOT analysis
- Incorporate it into a business plan, presentation or another document

Anything else to note?

SWOTs are not without their critics. While users like doing them, those reviewing them often feel they don't get to the heart of the matter and can be somewhat 'lightweight'. The main risk about a SWOT is that it tends only to gather internal data and usually involve those who are sometimes too close to see external factors.

To counteract such risks, consider asking a trusted friend or adviser who has no involvement in the business or idea to act as a devil's advocate during the brainstorming session. He/she might even act as the facilitator.

After your SWOT analysis, you may want to start on your business plan. Here's a handy ThinkBusiness.ie [guide](#) to business planning and a useful [business plan template](#).