

Useful Business Tools - SWOT

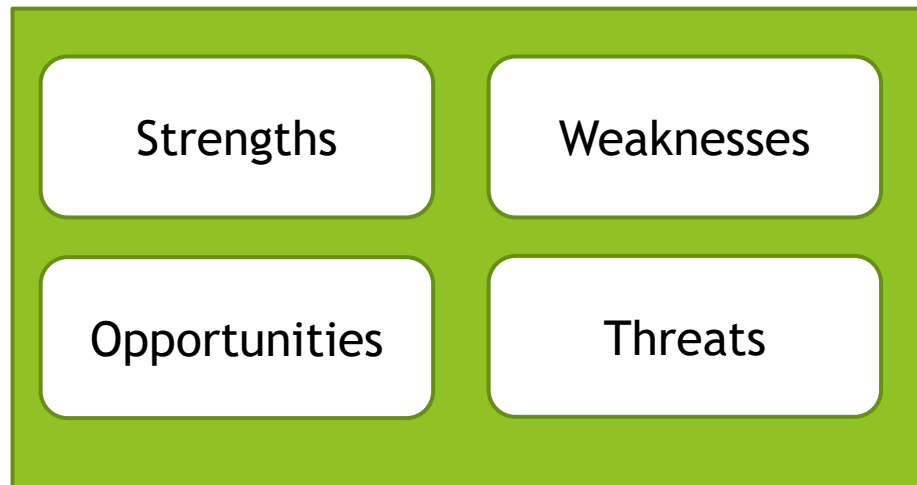
Strengths - Weaknesses - Opportunities - Threats



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Introducing SWOT

- ▶ SWOT is a simple but effective tool used to analyse your business
- ▶ It's useful to all businesses, whatever the size or market
- ▶ It's useful to look at just a single product line or service or, an entire business
- ▶ The key to making it work, is to be honest!



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Using SWOT

- ▶ For each heading, you list, briefly and honestly attributes that apply to your business
- ▶ **Strengths and Weaknesses** relate to the business's internal factors such as skills and technical factors
- ▶ **Opportunities and Threats** are best thought of as external factors such as the business environment. It is also where you enter factors outside the existing business's operations
- ▶ To cross check, ask a close business colleague to repeat the process and see how they compare

Strengths

- ▶ List only factors which have real market value
- ▶ Look where you have strengths over competitors, entries typically include
 - ▶ Product or Service advantages
 - ▶ Technical superiority, Intellectual Property (Patents)
 - ▶ Skills
 - ▶ Location
 - ▶ Price Competitiveness
- ▶ Other entries can include
 - ▶ Stability and Financial Strength
 - ▶ Market awareness

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Weaknesses

- ▶ This is where the process can fail!
 - ▶ It is crucial that to get an accurate result, you are honest
- ▶ Look at your main competitors and list where you lose out
 - ▶ Price competitiveness
 - ▶ Specification weaker, dated product
 - ▶ Lack of market awareness
- ▶ List other factors holding you back
 - ▶ Skills/Staff shortages
 - ▶ Lack of money to invest
 - ▶ Poor location

Opportunities

- ▶ Unlike with Strengths, here we are looking at external factors that can help the businesses prospects, examples could include
 - ▶ New development bringing potential new customers
 - ▶ Legislation changes
 - ▶ Incentive schemes
- ▶ Also think about new areas your business could move into
 - ▶ Online sales
 - ▶ Branches in new areas
 - ▶ Innovation - new products or services

Threats

- ▶ Again we look at external factors
 - ▶ A Competitor moving into the area
 - ▶ Market conditions such as a recession
 - ▶ Developments that could take away business
- ▶ Also think about threats more specific to what you are doing
 - ▶ New or Alternative technologies making yours obsolete
 - ▶ Changes in the market to which you cannot or don't respond to

Example: Company

Strengths

- Market Leader, well known
- Product strengths
- Wide distribution
- Good reputation

Weaknesses

- High cost structure
- Some products dated
- Key staff leaving and retiring
- Lack of IT expertise

Opportunities

- Export opportunities
- Increase online activity
- Service contracts

Threats

- New restrictions and safety laws
- Increase to minimum wage
- Lower cost imports from China

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Example: Product

Strengths

- Wide range of options
- Best performance for price
- High manufacturing yield

Weaknesses

- Not suitable for some applications
- No budget version
- Lack of recent innovations

Opportunities

- Boost Export sales using government grants
- Add to range with “white label” products

Threats

- Competitor launching new range
- Shift in market will reduce market size

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Example: Service

Strengths

- Highly trained team
- 24 hour coverage
- Extensive stock of parts

Weaknesses

- Higher costs than competitors
- Difficult to keep training up to date
- Too much capital tied up

Opportunities

- Offer services to competitor customers
- Open online parts store

Threats

- Product reliability improving
- Legislation on safety increasing complexity and costs

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Benchmarking

- ▶ It's always useful to know how you compare with your competitors
- ▶ SWOT is a useful tool to do this
- ▶ Repeat the same process you have done for your business for your main and emerging competitors

Interpreting Results

- ▶ The exercise is only worth doing if you then take the time to analyse and act on the results
- ▶ Often you will find contradictions, an entry for example in a strength, but also listed in weaknesses or threats, look at these more closely
 - ▶ Strengths are often overhyped, only include the main one
- ▶ Look at the Weaknesses and Threats, prioritise them and look for actions to alleviate them
- ▶ For Strengths, are you doing enough to maintain them
- ▶ Opportunities are where you can grow your business

Maintenance

- ▶ All too often SWOT analysis is carried out once a year and then forgotten about
- ▶ To be most effective, it needs doing more often
- ▶ Make it a living document, editing it as and when changes occur

Conclusion

- ▶ Most businesses operate in a climate of change, if you don't react it's all too easy to get left behind
 - ▶ Think of how many once leading brands are no longer around
- ▶ SWOT is an easy tool both to use and to see how you compare, it's surprising how the process of doing it focusses the mind on what is going on and what really matters