

SWOT ANALYSIS

Once you have analysed the business environment your organisation operates in (using a PESTLE), you need to summarise your findings using a SWOT Analysis.

WHAT IS A SWOT ANALYSIS

A SWOT analysis is a summary of the strengths and weaknesses your organisation has compared to its competitors and the opportunities and threats that are present in your markets. It summarises the factors that are likely to impact on strategy development and that need to be considered when developing future options.

The tool will allow you to:

- Understand your current strategic position
- Identify future strategies that are suitable, acceptable and feasible
- Consider how your position will impact on the developed strategies.

DEFINITIONS

INTERNAL FACTORS

- **STRENGTHS:** Are your strategic capabilities. They are the things that your organisation is good at compared to your competitors. Strengths could include high-performing staff, significant cash reserves or physical assets that are unique in the sector.
- **WEAKNESSES:** Are things that your organisation is not so good at compared to your competitors. They are the aspects of your organisation that you need to improve in order to outperform your rivals. Weaknesses could include high-costs raw materials, high debt levels or outdated products.

EXTERNAL FACTORS

- **OPPORTUNITIES:** Are changes in your market that offer your organisation the ability to gain a competitive advantage. Opportunities could include a change in legislation that allows goods to be exported, increased consumer demand in under-exploited markets and improvements in technology that makes a service more attractive to your market.
- **THREATS:** Are changes in your market that will adversely affect your organisation's ability to compete effectively. Threats could include a poor e-commerce platform compared to your competitors, changes in customer opinions that damages the reputation of your organisation and a change in political power.

HOW TO COMPLETE A SWOT ANALYSIS

1. Review the outcomes of the business environment analysis and **highlight the most relevant factors when compared to your competitors**. Include internal factors that are better or worse than your competitors rather than those that are the same as your rivals. Highlight external factors that are directly relevant to your organisation rather than the market as a whole.

- For example, having significant cash reserves is only a strength if the majority of your competitors fund their business activities using borrowing. Similarly, the relaxation of export restriction to a specific country is not relevant to your organisation if you do not supply this market.
- List the identified strengths, weaknesses, opportunities and threats on a SWOT Table – see a template below.

STRENGTHS (S)	WEAKNESSES (W)
OPPORTUNITIES (O)	THREATS (T)

- Once you have completed your SWOT Analysis, you will be able to create a **TOWS Matrix**. This will allow you to understand the strategic options available to your organisation and determine whether the options you have identified are suitable, acceptable and feasible.

HOW TO COMPLETE A TOWS MATRIX

- To complete the TOWS Matrix, you need to combine internal factors with external factors to create your organisation’s strategic options to create potential strategies. For example, identified strengths would be combined with the identified weaknesses and then threats to create a number of different strategic options.
- A TOWS matrix is included below. **Table 2: TOWS Matrix – JOHNSON AT EL, 2014**

	INTERNAL FACTORS	
	STRENGTHS (S)	WEAKNESSES (W)
OPPORTUNITIES (O)	SO STRATEGIC OPTIONS Generate options that use organisational strengths to take advantage of market opportunities	WO STRATEGIC OPTIONS Generate options that take advantage of market opportunities by overcoming organisational weaknesses
THREATS (T)	ST STRATEGIC OPTIONS Generate options that use organisational strengths to avoid threats	WT STRATEGIC OPTIONS Generate options that minimise weaknesses and avoid threats