

an essential guide to
swot analysis
By Justin Gomer & Jackson Hille

What is SWOT?

SWOT is an acronym that stands for Strengths, Weaknesses, Opportunities, & Threats.

SWOT analysis is a methodological tool designed to help workers and companies optimize performance, maximize potential, manage competition, and minimize risk. SWOT is about making better decisions, both large and small. It can help you determine the efficacy of something as small as introducing a new product or service or something as large as a merger or acquisition. Again, SWOT is a method that, once mastered, can only enhance performance.

MEET OUR AUTHORS

The Essential Guide to SWOT Analysis is a well-researched, well-written, and well-rounded guide co-authored by Justin Gomer and Jackson Hille.

Justin Gomer is a Lecturer at the University of California, , and soon-to-be author of two books.

Jackson Hille is a Content Associate at FormSwift and the 2013-14 Departmental Citation Recipient in American Studies from the University of California, .

This guide will teach, prepare, and provide you with all the necessary tools to become a SWOT expert. It is complete with SWOT Samples from innovative companies, such as and  , a thorough examination of SWOT Analysis' central components and uses, and free SWOT Templates. It is valuable for everyone, including creatives in the startup and entertainment worlds, policy planners in the non-profit and government sectors, and entrepreneurs in the real estate and restaurant industries.



Who Should Use This Guide?

Because SWOT is a method, anyone can use it for any business purpose, large or small. Whether you are a large team in a Fortune 500 Company assessing the utility of a USP, or an individual worker taking stock of your current or future position/role, this guide will serve as a useful tool.



Why Use This Guide?

Your company is at risk! At risk of immobility, that is. Stasis is the enemy of any business. SWOT analysis is the antidote for stasis. This guide offers a comprehensive introduction to SWOT.

This guide is easy to read, concise, and driven by examples. More importantly, it is informed by extensive research on SWOT in leading business journals and magazines.



How To Use This Guide?

We designed this guide to work from all angles and for people with different levels of familiarity with SWOT.

For newcomers to the method, we suggest you read the guide start to finish, in order to familiarize yourself with SWOT's history and applicability.

For SWOT experts, while we think it is always helpful to review the basics, scroll down to the sections on which you need more information, maybe sections specific to your type of organization (e.g. non-profit). Maybe you just want to check out our SWOT Matrix Templates. We encourage you to jump around as you wish!

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TOO MANY WORDS, TOO LITTLE TIME? Check out Chapter 7 to download our free SWOT Templates or browse our guide sidebar to read highlights from each Chapter, including SWOT Samples from industry leaders, such as  and 

- A Brief History of SWOT

SWOT Analysis was the product of a decade of research at the Stanford Research Institute between 1960-1970. By the late-1950s, many American Corporations had grown frustrated that their significant financial investments in strategic business planning had failed to produce acceptable results. So, in 1960 a number of these corporations initiated a project at Stanford to develop a better method for strategic planning. The result was SWOT.

- Conducting a SWOT Analysis

When to Conduct a SWOT Analysis

When should you conduct a SWOT analysis? There are countless situations in which a SWOT analysis will prove beneficial.

- Do you want to explore the efficacy of a new venture, product, acquisition, or merger?
- Are you interested in identifying solutions to address a particular problem in your business?
- Do you need to re-evaluate a particular strategy mid-course?
- Does your business have a large amount of surplus cash and needs to figure out how to invest the funds?
- Alternatively, if you are a non-profit, or governmental institution, have you received a large grant, donation, or increase in funding, and need to decide how to invest the capital?
- Have a number of new competitors entered your market? Does your company need to re-assess how to move forward within your business nexus?
- Does your company want to identify its central brand message or social mission?

If any of these questions speak to your organization's needs, a SWOT analysis can significantly help.

Ultimately, if it is beneficial to re-examine your position within your market niche (Weaknesses, Threats from competitors) and identify your core benefits (Strengths) and determine how those can open new areas of growth (Opportunities), a SWOT Analysis will prove an asset.

Why Conduct a SWOT Analysis?

Why SWOT it out? A SWOT analysis provides organizations with an opportunity to accurately assess their position in their particular market or field. As the Kansas University Work Group For Community Health And Development writes, "Developing a full awareness of your situation can help with both strategic planning and decision-making."

A SWOT analysis, which offers "simplicity and application to a variety of levels of operation," is an ideal way to develop such awareness, which can then be used to craft a sound strategy that capitalizes on an organization's internal strengths and external opportunities, while simultaneously addressing (internal) weaknesses and (external) threats. Moreover, although "originally developed for business and industry," SWOT Analysis "is equally useful in the work of community health and development, education, and even personal growth."

- S.W.O.T. - Breaking Down the Components of SWOT

Once you've identified the subject of your SWOT analysis, it is time to begin. SWOT consists of four components--Strengths, Weaknesses, Opportunities, and Threats. These four components are organized into two categories--internal and external. That is, look internally for Strengths and Weaknesses, and look externally for Opportunities and Threats.



Strengths

Once you've identified the subject of your analysis (e.g. should we add x product to our lineup?), it is time to identify your strengths. Quality and reliability, for example, should always be strengths for any organization. More specifically, Charlie Ioannou defines strengths as "the resources and capabilities that can be used to develop a competitive advantage" (Ioannou, SWOT Analysis - An Easy to Understand Guide, 47-49).

This brings us to perhaps the most important aspect of the Strengths assessment: it is imperative that you analyze your strengths (and weaknesses) in relation to your competitors. In other words, what are the unique features of your company--a well-established company with established brand trust, lower production costs, superior customer service, stronger web presence, etc.--that will provide a competitive advantage? Identify those and you've identified your strengths.

Weaknesses

Now identify your weaknesses. The more honest you are here the better. One way to think of weakness is the absence of strength. Therefore, the items of your business model you did not identify as strengths above are the first place to look for weaknesses. Cash flow, brand recognition, marketing budgets, distribution networks, age of your company, etc. are all places to consider when assessing weaknesses. The idea here is that you'll turn these weaknesses into strengths. Doing so, however, requires an honest assessment of where your company needs to improve.

Now that you've looked internally for Strengths and Weaknesses, it's time to look externally for Opportunities and Threats. Opportunities and Threats interact similarly to Strengths and Weaknesses. That is, they draw on similar dynamics (external ones, in this case) to assess whether those create opportunities or threats to your business.

Opportunities

Here is where you identify the opportunities for growth, greater profit, and larger market share. Again, assessing opportunity in relation to competition is imperative. What opportunities are there for you to distinguish your company from your competitors? What opportunities can you identify to offer a similar service or product at a higher quality or at a lower price than your competition? What are the needs of your customers that your field does not currently address?

Technology is an external factor that always presents new opportunities and, as we shall see, new threats. What technological innovations open up new opportunities for your business to lower costs, speed up production, market more effectively, or improve customer service?

The key with Opportunities is that they must be acted on. Remember, if you don't act your competitors will.

Threats

Lastly, in which areas is your company at risk? Is your competitor developing a product to compete with one of yours? Is there a new or bigger company poaching your best employees? These are all threats to your business.

The Harvard Business Reviews defines "Threats" as "possible events or forces outside of your control that your company or unit needs to plan for or decide how to mitigate."

What about new legislation? Does a new law or proposed law threaten your production costs? What about new tax laws? A yes to any of these equals a threat.

Lastly, just as technological innovation may provide an opportunity, it can also issue a threat.

Threats to the business now include lawsuits over insurance liability, legislation proposing banning the service, and higher profit-margins at competing companies.

- Putting Your SWOT into Action

Choosing an action plan after a SWOT analysis is a complicated process that is specific to each decision in each company. However, there is a general philosophy regarding how to approach action with the results of a SWOT. Here it is:



Capitalize on Strengths



Eliminate Weaknesses



Identify Threats

Another important thing to remember is that the purpose of a SWOT analysis is to assess your organization's current position. Therefore, as the University of Kansas encourages, use your SWOT to look for a "stretch," not just a "fit." SWOT's are often improperly used to justify complacency and verify current practices. If you are conducting a SWOT to identify areas of need and/or growth, it is imperative you use the analysis to diagnose where you can "stretch."

• SWOT Examples From Various Industries

Below are descriptions of and links to a series of SWOT analyses in a variety of industries to help get you started:

Tech Start-Up

Here are two Uber SWOTs.

- [SWOT Analysis for Uber 1](#)
- [SWOT Analysis for Uber 2](#)

We drew from the first in our example above. The second, is driven by the following questions: "Is Uber prepared to rule the transport world in 2015?." What does Uber's future look like? "Should they expand further without decreasing the impact of weaknesses that they are already aware of or will Uber's expansion be held up by surrounding threats?"

Uber's low cost, unlimited fleet of cars, convenience of use and flexibility of driver schedule are some of its key strengths. Its unpredictable customer volume and the ease of imitation make up central weaknesses. That Uber's services are only offered in a handful of metropolitan areas provides significant opportunities in suburbs and untapped cities. Lawsuits and proposed legislation to ban the service in certain cities, moreover, comprise Uber's most serious threats.

Film

Here are two SWOTs from major film companies. In the first, Warner Brothers Entertainment conducted this SWOT in 2004 after their President decided to re-evaluate the company's approach to movie production in light of the popularity of big-budget "blockbusters."

Warner Brother's brand recognition, size, and cash reserves were obvious strengths, while the fluid and subjective process of purchasing scripts and green-lighting films, as well as unpredictable film budgets and production timelines made up key weaknesses. Growing audiences abroad provided the most significant opportunity, while upstart film companies and piracy posed significant threats.

In the second example, DreamWorks Animation explores distribution options in light of the popularity of the company's 3D films. Written against the backdrop of the Great Recession, the SWOT Analysis focused on whether the opportunities presented by producing all films in 3D from inception could counteract the threats of a general economic downturn, which was depressing overall box office receipts. DreamWorks had the ability to take advantage of the opportunity in 3D film production because of its two central strengths: a large animated film inventory, such as the Shrek franchise, and an attractive work environment for creatives. Capitalizing on the expanding opportunity of the 3D film market in a successful manner would allow DreamWorks to overcome at least one of its main weaknesses: a sinking stock price, precipitated by the downturn at the box office.

- [SWOT Analysis for Warner Brothers Entertainment PDF](#)
- [SWOT Analysis for DreamWorks](#)

Sports

Yahoo! Sports columnist Glenn Logan completed this SWOT analysis of the University of Kentucky's Men's Basketball Team at the conclusion of the 2014-2015 pre-season in order to assess the team's chances to win the NCAA National Title.

As Logan assessed, Kentucky's size, depth, and unselfish play were its biggest strengths while free-throw and 3-point shooting some of its greatest weaknesses. Surveying the rest of the NCAA landscape, Logan concluded UK's tough out-of-conference schedule along with its international pre-season tournament trip afforded unique opportunities to gain useful experience for a deep run in March, while youth and injury posed their largest threats.

- [Kentucky Basketball: A SWOT Analysis Post-Bahamas](#)

Government

The US Nuclear Regulatory Commission posted a SWOT worksheet in advance of a Webinar on their Open Government program. In this case, SWOT provided an opportunity for employees to brainstorm and prepare their assessments of the program in advance of the more thorough evaluation of the Open Government at the Webinar.

For the NRC's Open Government program, the live feeds of meetings and blog casts create transparency and accessibility for viewers and employees. In terms of weaknesses, the somewhat convoluted website made it difficult to find certain information. Employees identified social media--Twitter, Facebook, etc.--as areas of opportunity and the difficulty of balancing transparency while maintaining full public confidence as a significant threat.

- [SWOT Analysis Worksheet Preliminary Input for the Open Government Stakeholder Feedback Meeting PDF](#)

Small Business

Lastly, here are two examples of SWOTs for small businesses. The first example discusses the restaurant business and the second the construction industry, While these examples do not refer to specific companies, they nonetheless offer insightful information on the specifics of SWOTs in their respective industries.

For a restaurant, high-quality food, price, taste, and customer service are all areas to look for strengths. These areas can also reveal weaknesses. Could your customer service improve? Are your prices competitive? Is your food delicious? Adding online ordering or delivery service may provide an opportunity to generate new business, while new competing restaurants and changes to the cost of food (e.g. a rise in the price of fish) pose areas of threat.

In construction, a trusted and reliable brand name as well as a consistent ability to complete work on schedule are major strengths. Conversely, delays or the inability to perform certain work are weaknesses. In terms of new opportunities, consider examining your city’s plans to expand public transportation and how such an expansion provides new opportunity for business and residential construction. As the housing bubble demonstrated, fluctuations in the housing market pose the biggest threat (or opportunity in times of economic boom).

- [Sample of a SWOT Analysis for a Restaurant](#)
- [SWOT Analysis Tools for Construction Companies](#)

- From SWOT to TOWS? Flipping The Script To Maximize Results

Are we SWOTing all wrong? There is a school of thought, found often in the Harvard Business Review, for example, that insists this method produces more effective results when done backwards--TOWS rather than SWOT. Here’s Michael Watkins, cofounder of Genesis Advisors, in HBR:

I would introduce the [SWOT] tool, then ask the team to focus on identifying organizational strengths and weaknesses, and end up in abstract, navel-gazing discussions about “what are we good at” and “what are we bad at.”

I decided to experiment with running the process in the reverse order and was amazed at the difference. Teams were able to have focused, productive discussions about what was going on in the external environment, and to rapidly identify emerging threats and opportunities. This provided a solid foundation for talking about weaknesses and strengths. Do we have weaknesses that leave us vulnerable to emerging threats? Do we have (or can we acquire) strengths that enable us to pursue emerging opportunities?

We suggest you experiment with both. Try it frontwards and backwards and figure out which results work best for your team.

- SWOT Templates

We can help you get started. Select a template below and begin analyzing your business.

SWOT ANALYSIS:

	POSITIVE	NEGATIVE
INTERNAL	STRENGTHS	WEAKNESSES
EXTERNAL	OPPORTUNITIES	THREATS

Standard SWOT
[Select this Template](#)

TOWS ANALYSIS:

		INTERNAL	
EXTERNAL	OPPORTUNITIES	STRENGTHS - OPPORTUNITIES	WEAKNESSES - OPPORTUNITIES
	THREATS	STRENGTHS - THREATS	WEAKNESSES - THREATS

TOWS Analysis
[Select this Template](#)

- Further Reading

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 ◦ <http://www.economist.com/node/14301503>

Ioannou, Charlie. SWOT Analysis: An Easy to Understand Guide. (2012)

SWOT Analysis I: Looking Outside for Threats and Opportunities. Harvard Business School Press.(2005)

SWOT Analysis II: Looking Inside for Strengths and Weaknesses. Harvard Business School Press.(2005)

Kansas University Work Group For Community Health And Development. "Section 14. SWOT Analysis: Strengths, Weaknesses, Opportunities, and Threats." Chapter 3.Community Tool Box.Available online at

- <http://ctb.ku.edu/en/table-of-contents/assessment/assessing-community-needs-and-resources/swot-analysis/main>

Watkins, Michael. "From SWOT to TOWS: Answering a Reader's Strategy Question."(27 March 2007). Harvard Business Review.Online at

- <https://hbr.org/2007/03/from-swot-to-tows-answering-a-readers-strategy-question/>

Highlights & SWOT Samples

In 1960 a number of (American) corporations initiated a project at Stanford to develop a better method for strategic planning. The result was SWOT.

Ultimately, if it is beneficial to:

- Re-examine your position within your market niche (Weaknesses, Threats from competitors)
- Identify your core benefits (Strengths)
- Determine how those can open new areas of growth (Opportunities)

a SWOT Analysis will prove an asset.

Although "originally developed for business and industry," SWOT Analysis "is equally useful in the work of community health and development, education, and even personal growth."

Along the way, we'll create a sample SWOT analysis for an app-based taxi service by providing examples of what such a company might include in each section.

U B E R + l y f t SWOT Sample

Strengths

- The app-based method to hire a ride and cashless payment system are remarkably convenient.
- No full-time drivers and no dispatchers keeps cost low.
- Because drivers provide their own vehicles, company has an unlimited fleet of cars that they do not have to pay to maintain.
- Drivers have total control of their work schedule.

Weaknesses

- Business model is easily imitated.
- Using GPS to track customers and drivers creates privacy concerns.
- Customer volume is often unpredictable and fluctuates significantly.
- Because company has no relationship with its drivers, loyalty between employee and employer is low.

Opportunity

For the next two examples, we are going to step back to the inception of app-based taxi companies.

With this in mind, consider the impact of companies like Uber or Lyft on traditional taxi businesses. Leveraging app-based technology proved a serious opportunity for the former to enter the taxi market.

Current opportunities include untapped markets (companies like Uber only operate in a handful of cities) and additional transportation services (e.g. a Lyft school bus?!)

Threats

Just as new mobile technology afforded a significant opportunity for new taxi companies like Uber and Lyft, it simultaneously posed a serious threat to existing cab companies who could not incorporate the technology.

SWOT's are often improperly used to justify complacency and verify current practices. If you are conducting a SWOT to identify areas of need and/or growth, it is imperative you use the analysis to diagnose where you can "stretch."

 U B E R That Uber's services are only offered in a handful of metropolitan areas provides significant opportunities in suburbs and untapped cities. Lawsuits and proposed legislation to ban the service in certain cities, moreover, comprise Uber's most serious threats.



DREAMWORKS DreamWorks had the ability to take advantage of the opportunity in 3D film production because of its two central strengths: a large animated film inventory, such as the Shrek franchise, and an attractive work environment for creatives.



Logan concluded UK's tough out-of-conference schedule along with its international pre-season tournament trip afforded unique opportunities to gain useful experience for a deep run in March, while youth and injury posed their largest threats.

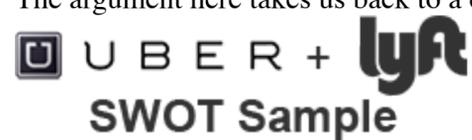
 U.S.NRC Employees identified social media--Twitter, Facebook, etc.--as areas of opportunity and the difficulty of balancing transparency while maintaining full public confidence as a significant threat.



Restaurant: Adding online ordering or delivery service may provide an opportunity to generate new business, while new competing restaurants and changes to the cost of food (e.g. a rise in the price of fish) pose areas of threat.

Construction: In terms of new opportunities, consider examining your city's plans to expand public transportation and how such an expansion provides new opportunity for business and residential construction.

The argument here takes us back to a central tenet of the SWOT method--analysis is only useful when conducted in relation to your competition.



Let's return to our Uber/Lyft example. The entire existence of app-based taxi services arose out of the Threat new mobile technology posed to traditional taxi companies. Had one of those companies identified the Threat far enough in advance, they could have seen that a taxi-app actually provided their business with an Opportunity for customers to more efficiently and conveniently hail a cab.

Once that Threat was translated into an Opportunity for a particular cab company, they could have assessed the Weaknesses in their company that left them vulnerable to the emerging Threat (i.e. the lack of technological investment or infrastructure to develop a similar app), and strategized how to address those weaknesses and capitalize on their Strengths (i.e. full-time experienced drivers, well-established driving infrastructure, etc.) to stay at the forefront of the taxi business

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