

# SWOT Analysis: What It Is & How to Do It

Alex Lindley, Jun 23, 2023

***NOTE from Sara:** I have excerpted pertinent and usable information for our purposes. Mr. Lindley goes deeply into details and examples that are not exactly necessary for your portfolio.*

## What Is a SWOT Analysis?

A SWOT analysis is a framework that evaluates a business' strengths, weaknesses, opportunities, and threats. The acronym "SWOT" stands for these four factors. Performing a SWOT analysis can help you make better business decisions.

The analysis typically involves creating a matrix with the four categories:

- What's working for your business (strengths)
- What's not working (weaknesses)
- The external factors your business could capitalize on (opportunities)
- The external factors that could harm your business (threats)

In this post, you'll learn how to do a SWOT analysis. We'll include examples.

Let's get to it.

## Why Is a SWOT Analysis Important?

A SWOT analysis is a valuable framework that can help you evaluate your business from different angles. And discover new ways to grow and improve.

By doing a SWOT analysis, you can:

- Use your strengths to stand out from your competitors
- Address your weaknesses before they hurt you
- Find and seize new opportunities
- Prepare for and avoid potential threats

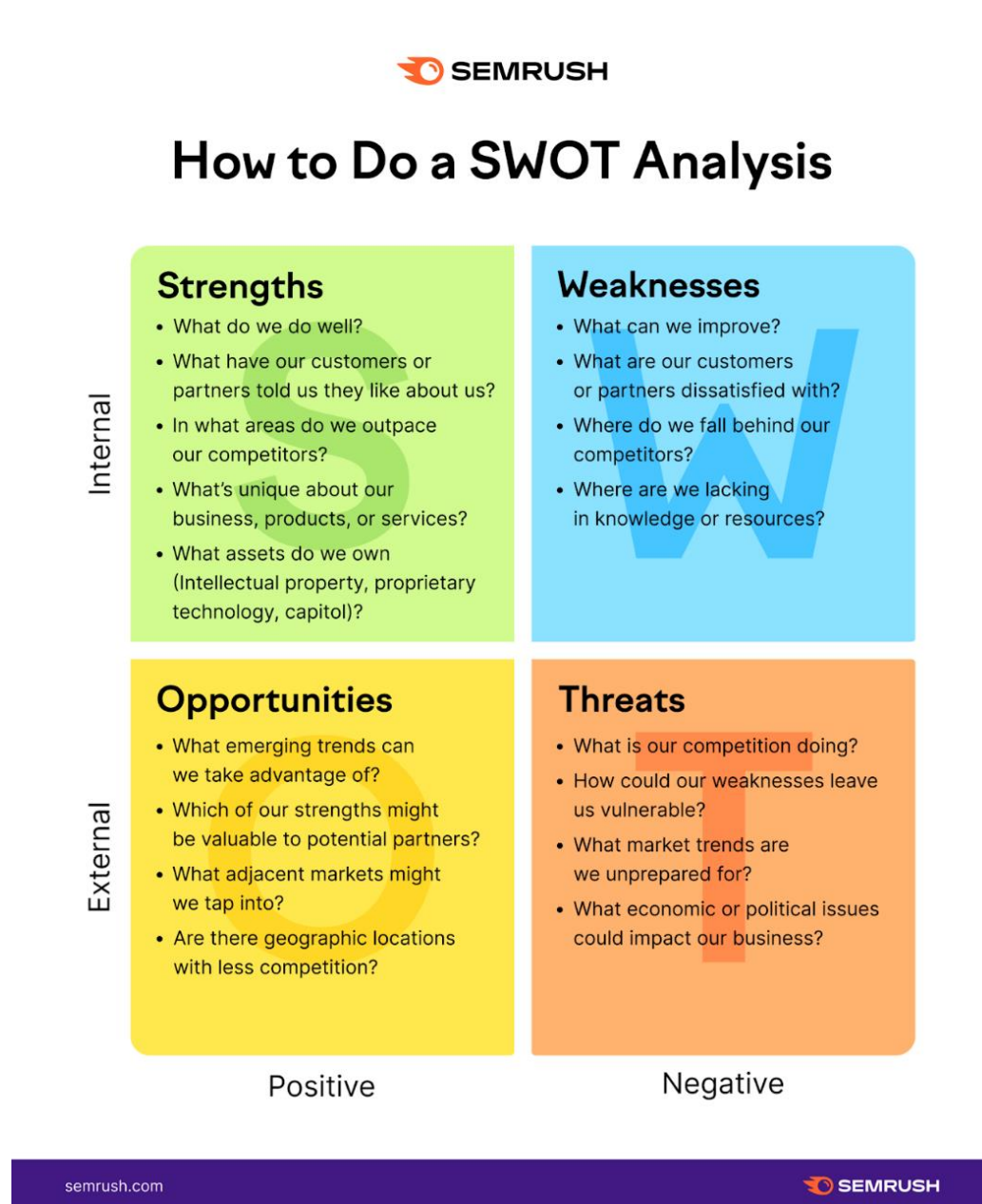
Which means:

A SWOT analysis can help you make smarter decisions, plan better, and reach your goals faster.

## What Are the Components of a SWOT Analysis?

A SWOT analysis evaluates a business or project based on four key factors that can be divided into two categories: internal and external.

Here's how you might think about filling out a SWOT chart based on these two categories:



Let's take a look at each component.

### **Internal Factors**

Internal factors are the aspects of your business within your control. They include resources, capabilities, skills, assets, and competitive advantages.

And they can be divided further into two categories: strengths and weaknesses.

#### **Strengths**

Strengths are the positive attributes that give you an advantage over competitors. They're the things that you do well, you're proud of, and help you stand out.

Some examples of strengths are:

- A loyal customer base
- A strong brand reputation
- A unique product or service
- A skilled and motivated team
- A high-quality website

#### **Weaknesses**

Weaknesses are your business's negative attributes that limit your performance or hinder your growth. They're the things you need to improve, fix, or avoid.

Some examples of weaknesses are:

- A lack of financial resources
- A high turnover rate
- A weak online presence
- A low customer satisfaction rate
- A low-quality product or service

### **External Factors**

External factors are the aspects of your business that are outside of your control. These can include trends, events, economic changes, and the competitive landscape.

And they can also be divided into two categories: opportunities and threats.

#### **Opportunities**

Opportunities are favorable situations or conditions you can leverage to achieve your business goals. In other words, things you can use to your advantage or benefit from.

Some SWOT analysis opportunities examples are:

- A growing demand for your product or service
- A new market segment or niche
- A new technology that automates routine tasks

## SWOT Analysis: What It Is & How to Do It

- A new partnership or collaboration

### **Threats**

Threats are unfavorable situations or conditions that can harm your business. They're risks or challenges you need to recognize.

Some examples of threats are:

- A declining demand for your product or service
- A new competitor or alternative
- A new technology that makes one of your services obsolete
- A negative publicity campaign
- A change in regulation or policy

Now that you know about the different components, let's take a look at exactly how to do a SWOT analysis.

## How to Do a SWOT Analysis (6 Simple Steps)

A SWOT analysis is an assessment of your business's strengths, weaknesses, opportunities, and threats.

But it's more than that. It's also a tool to strategically advance your business.

Here's how to do a SWOT analysis the right way:



### How to Do a SWOT Analysis in 6 Simple Steps



## 1. Establish Your Goal

Having a goal will help you choose what's most relevant for your analysis. Otherwise, you might end up with a ton of basic information and no idea of how to apply it to your business.

So, set a goal.

It could be any major decision or change for your business:

- Decide whether you should expand your business
- Assess the feasibility of new products or services
- Understand the risks and benefits of changing HR processes

What if you can't think of a goal?

Here's a handy formula:

(Fill in the blanks.)

My business needs \_\_\_\_\_. We might meet that need by doing these things:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

You can pick more than one goal from that list. Or just the most important one. It's up to you.

Let's look at an example:

*My business needs **more capital to continue operating**. We might be able to meet that need by doing these things:*

- ***Raising prices***
- ***Investing more in our sales team***
- ***Seeking new investors***

Let's say you choose the first item—raising prices.

The goal of your SWOT analysis could be something like this:

**To find out whether raising prices will result in enough working capital for the business to continue operating.**

Again, this is just one example.

Whatever your goal is, keep it top of mind while you complete your SWOT analysis.

## 2. Assess Strengths

For **the next four steps**, we'll walk through how to do each part of the SWOT analysis itself.

The “S” in SWOT stands for strengths. In this step, you'll list your business's strengths.

Get started by asking some questions:

### Questions That Uncover Strengths

#### Strengths

- What do we do well?
- What have our customers or partners told us they like about us?
- In what areas do we outpace our competitors?
- What's unique about our business, products, or services?
- What assets do we own (intellectual property, proprietary technology, capital)?

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What should you include?

At this stage, every idea is a good one. So don't leave anything out.

We'll cover how to narrow down your list in the last step.

Remember:

Strengths are internal factors. That means you have control over them. And you can build on them.

Here are some examples of strengths you might list in a SWOT analysis:

- More organic web traffic than your competitors
- Cutting-edge features or products that your competitors don't have
- Recent investments or a large amount of working capital

### 3. Uncover Weaknesses

Your business has weaknesses. And that's OK—your goal is to make improvements.

Start by writing down your weaknesses. Be honest with yourself. And be thorough.

Here are some questions that can help:

#### Questions That Uncover Weaknesses

##### Weaknesses

- What can we improve?
- What are our customers or partners dissatisfied with?
- In what ways are our competitors better than us?
- Where are we lacking in knowledge or resources?

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Listing your weaknesses can be a bummer. But there's good news:

Like strengths, weaknesses are internal factors. That means you have control over them and can use them to improve.

Here are some examples of weaknesses you might include in a SWOT analysis:

- High operating expenses relative to revenue
- Long customer support response times
- SEO content creation efforts failing to increase organic reach



## 4. Consider Opportunities

Opportunities are the “O” in SWOT.

Here are some questions you can think through to uncover opportunities:

### Questions That Uncover Opportunities

#### Opportunities

- What emerging trends can we take advantage of?
- Which of our strengths is valuable to potential partners?
- What adjacent markets can we tap into?
- Are there locations or spaces with less competition?
- Can we share our story or successes with the world?

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It's easy to confuse “opportunities” with “strengths.”

To avoid that, keep this in mind:

Strengths are **internal** factors. They exist inside your business.

Opportunities are **external** factors. They happen outside of your business.

You build on strengths. You use opportunities to your advantage.

It's a subtle but important distinction.

Here are some examples of opportunities you might list in a SWOT analysis:

- Market shifts increasing demand for a product your business could sell
- Your ideal customers flocking to a new social media platform you can use to reach them
- A competitor ceasing operations in a region where you don't currently operate

## 5. Identify Threats

Threats are the “T” in SWOT. And they're the opposite of opportunities.

They're external factors that could put your business at risk.

Here are some questions that will help you identify threats:

### Questions That Uncover Threats

#### Threats

- What is our competition doing that we aren't?
- How can our weaknesses leave us vulnerable?
- What market trends are we unprepared for?
- Which economic or political issues could impact our business?

Threats evolve over time based on factors outside of your control. But you can plan for them.

If you're paying close attention to your industry, you probably know the major threats you face. Write them down in your [template](#).

Here are some examples of threats you might list in a SWOT analysis:

- An emerging competitor
- A legal change that could affect your business
- Economic conditions that negatively impact your customers' buying power

## 6. Narrow Your Lists

At this point, you should have a decent number of items in each of your four SWOT categories. Now, you have to narrow them down.

There's no set maximum number of items for each category. But keep this in mind:

You don't want to overwhelm yourself.

Stick to the most important items. Stay focused so you can make impactful changes.

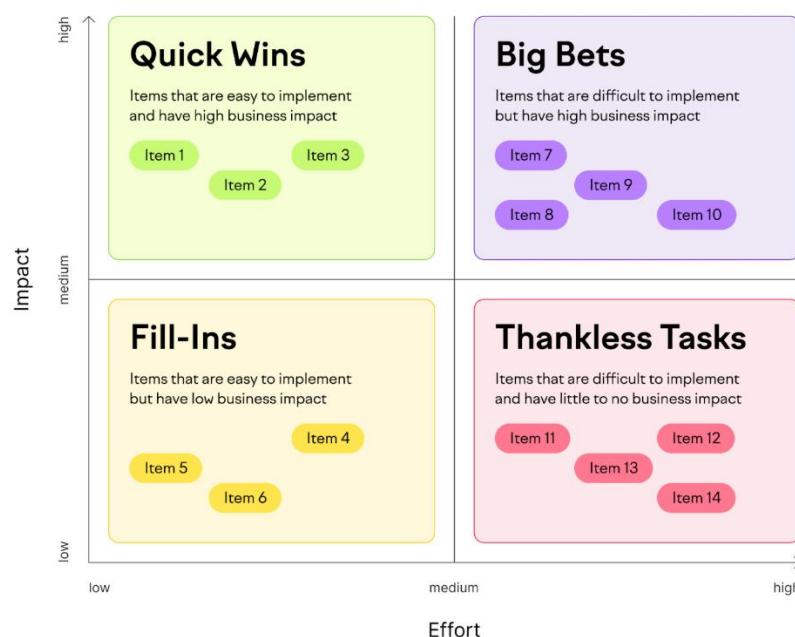
Struggling to narrow your lists? Try the impact effort matrix.

It's a tool to help you decide which actions could have the greatest impact with the least effort.

And it looks like this:



### The Impact Matrix



Here's how to do it:

- Compile all of the items from your SWOT analysis
- Draw a four-quadrant diagram. On the vertical axis, you're measuring the impact of an item on your business. On the horizontal axis, you're measuring the effort required to implement or address that item.
- Place each strength, weakness, opportunity, and threat into its appropriate quadrant based on required effort and potential impact
- The items in the top left quadrant are likely to be your best options. Because they'll have the most impact for the least effort.

## When Should You Do a SWOT Analysis?

There's rarely a wrong time to do a SWOT analysis.

Bottom line:

If you're looking for clarity on a business move you're considering, that's a great time to do one.

Here are some other perfect times to do a SWOT analysis:

- When your business is undergoing significant internal changes
- When external conditions are changing
- Before strategic planning
- On a regular basis

## Analyse Your Business & Achieve Your Goals

Setting and achieving goals is key to business success. And a SWOT analysis is key to evaluating goals and the ways you can achieve them.

Take your time. Be thoughtful. And your SWOT analysis will lead to results.

Source: retrieved 26.09.2023  
<https://www.semrush.com/blog/swot-analysis-examples/>