Strategy - SWOT analysis

Definition:

SWOT is an abbreviation for ***Strengths, Weaknesses, Opportunities and Threats***

SWOT analysis is an important tool for auditing the overall strategic position of a business and its environment.

Once key strategic issues have been identified, they feed into business objectives, particularly marketing objectives. SWOT analysis can be used in conjunction with other tools for audit and analysis, such as PEST analysis and Porter's Five-Forces analysis. It is also a very popular tool with business and marketing students because it is quick and easy to learn.

The Key Distinction - Internal and External Issues

Strengths and weaknesses are Internal factors. *For example, a strength could be your specialist marketing expertise. A weakness could be the lack of a new product.*

Opportunities and threats are external factors. *For example, an opportunity could be a developing distribution channel such as the Internet, or changing consumer lifestyles that potentially increase demand for a company's products. A threat could be a new competitor in an important existing market or a technological change that makes existing products potentially obsolete.*

it is worth pointing out that SWOT analysis can be very subjective - two people rarely come-up with the same version of a SWOT analysis even when given the same information about the same business and its environment. Accordingly, SWOT analysis is best used as a guide and not a prescription. Adding and weighting criteria to each factor increases the validity of the analysis.

Areas to Consider

Some of the key areas to consider when identifying and evaluating Strengths, Weaknesses, Opportunities and Threats are listed in the example SWOT analysis below: