What is SWOT?

SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company’s competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, initiatives, or within its industry. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or grey areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

How to Do a SWOT Analysis

SWOT analysis is a technique for assessing the performance, competition, risk, and potential of a business, as well as part of a business such as a product line or division, an industry, or other entity.

Using internal and external data, the technique can guide businesses toward strategies more likely to be successful, and away from those in which they have been, or are likely to be, less successful. Independent SWOT analysts, investors, or competitors can also guide them on whether a company, product line, or industry might be strong or weak and why.

A Visual Overview

Analysts present a SWOT analysis as a square segmented into four quadrants, each dedicated to an element of SWOT.

This visual arrangement provides a quick overview of the company’s position. Although all the points under a particular heading may not be of equal importance, they all should represent key insights into the balance of opportunities and threats, advantages and disadvantages, and so forth.

Strengths	Weaknesses
Strengths describe what an organization excels at and what separates it from the competition: a strong brand, loyal customer base, a strong balance sheet, unique technology, and so on. For example, a hedge fun separates it from the competition: Itmay have developed a proprietary trading strategy that returns market-beating results. It must then decide how to use those results to attract new investors.	Weaknesses stop an organization from performing at its optimum level. They are areas where the business needs to improve to remain competitive: a weak brand, higher-than-average turnover, high levels of debt, an inadequate supply chain, or lack of capital.
Opportunities	**Threats**
Opportunities refer to favourable external factors that could give an organization a competitive advantage. For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.	Threats refer to factors that have the potential to harm an organization. For example, a drought is a threat to a wheat-producing company, as it may destroy or reduce the crop yield. Other common threats include things like rising costs for materials, increasing competition, tight labour supply. and so on.