



Conducting a SWOT Analysis

By

Wayne Moloney

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

SWOT Analysis and Critical Success Factors

Explanation

As part of your business planning, a SWOT analysis is used to assess the capabilities of the company in the subjective rather than in precise financial and numerical terms.

The **strengths** are those capabilities that have supported and developed the company to its present achievements. They can be referred to as the success factors. It is extremely important that these are recognised and are not diluted or allowed to fall into decline.

The **weaknesses** are those characteristics that have detracted from performance and demonstrated for what reasons further growth and stability have not been realised. Weaknesses are strengths in the making. By dealing with them in a positive way they can be turned or converted into positive, dynamic attributes.

Both strengths and weaknesses are under the control of the members of the company and in particular the management. It is therefore possible, from within the internal resources alone, to develop the stronger capabilities further add to plan to reduce or eliminate those that detract and produce a negative effect.

The **opportunities** are those places or services in the external market place into which an impact could be made providing sufficient impetus and resources are applied.

The **threats** are those factors, external to the operation of the company, which limit growth and development, for example, competitors and recession.

Both opportunities and threats exist without reference to the company's own resources but nonetheless can have a significant impact on the business. Positive actions are required to take advantage of the former and also minimise the impact of the latter.

The following questions will help you in preparing for a SWOT Analysis.

SWOT Questions

Strengths

Are you in a good trading position, competitive?

Have you a good relationship with the bank?

Can you expand?

- Premises
- Machines capacity
- Utilisation of labour

Do you have a good reputation in the trade?



Have you kept your best customers?

Do you have a business plan?

Do you have a sales forecast?

Do you have good systems?

- Stock control
- Production control
- Effective work planning
- Accounts, monthly reporting (MIS)
- Cash control

Are gross trading margins improving?

Do you have good supplier relationships?

Have you unique products, niche markets?

Have you new developments underway?

Are you fully aware of the marketplace, competitiveness, factors effecting the business?

Is the workforce motivated?

- Well trained and competent?
- Productive, reliable, a real team?

Have people defined responsibilities?

Is the workforce stable?

Weaknesses

Do you have a poor customer spread (all eggs in one or few baskets)?

Do customers keep returning, do they return goods?

Are your customers nearby?

Do you lack automations in cash-flow, credit control, and report generation?

Do your customers take extended credit and is it growing?

Do you lack financial development plans, loans, grants, insurances etc?

Is working capital low?

Are the opportunities for business small?

Do you have a sales brochure, other collateral? Could it be improved?

Opportunities

Can you develop new markets?

Could you obtain cash up front more often? Reduce payment terms?

Could any of your products be suitable for mail order or web purchasing?

Could you cultivate ways to:

- Find and develop new customers?
- Increase turnover with existing customers?
- Increase margins?

Threats

Are you losing customers to competitors?

What outside your direct control can negatively impact your business?

Critical Success Factors

These are the specific issues that can make or break your business. Ask yourself "If a competitor was entering your market, what do they need to do to succeed?"

There are relatively few factors that determine success or failure, what are they?

(Eg low costs, product performance, breadth of service, speed of service, quality etc)

How do you compare with your competitors on the CSF's?

Competitor Analysis

Take a look at your competitors, but don't be fixated. You need to be aware of where they are in the market and what they are doing, but focus on your own business. Know the following about your competitors and refresh it regularly (for a start up business or a very competitive market, this may need to be monthly. For a more mature market or where your business holds dominance, a casual review every quarter and in depth review annually may be sufficient.

Of your competitors, would they be classed as?

Leadership: A major influencer on performance of others

Strong: A wide choice of strategies, able to adopt independent strategies without endangering short-term position, low vulnerability to competitive actions

Favourable: Exploits competitive strength, more than average opportunity to improve position, several marketing strategies available

Tenable: Performance justifies continuation in business

Weak: Unsatisfactory performance, must improve or withdraw

What is their business direction? Enter, Improve, Maintain, Harvest, Exit

What is their range of services?



In what markets do they operate? Do they plan expansion into new markets?

At Inform Consulting Group, we work with businesses at all stages of development. If you would like assistance in getting a business plan started, or in reviewing your progress against your plan – give us a call.

Or why not access other business e.sheets or attend an InForm business webinar. For details go to www.informgroup.com.au.