



## SWOT

## BASICS

Based on: **How to create a SWOT analysis<sup>1</sup>**

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<sup>1</sup> <https://www.investopedia.com/terms/s/swot.asp>

## What Is SWOT Analysis?

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.

## Understanding 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.

## Components of SWOT Analysis

Every SWOT analysis will include the following four categories. Though the elements and discoveries within these categories will vary from company to company, a SWOT analysis is not complete without each of these elements:

### Strengths

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 fund may 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

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

Opportunities refer to favorable 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

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 labor supply, and so on.

## How to Do a SWOT Analysis

**Step 1:** Determine Your Objective

**Step 2:** Gather Resources

**Step 3:** Compile Ideas

**Step 4:** Refine Findings

**Step 5:** Develop the Strategy

Above information describe the basics of preparing the SWOT analysis. To learn more about it visit

<https://www.investopedia.com/terms/s/swot.asp>