



## Improving Business Worksheet #1

### Doing a SWOT Analysis

If you want to start to improve your business then you must find out what the strengths and weaknesses of your business are. If you are running an ice-cream parlour at a South Coast seaside resort then you probably have certain obvious strengths, but if you were planning to open a second parlour in an inland farming hamlet in the wilds of the Scottish Highlands then the same business model might have some obvious weaknesses.

A SWOT analysis involves taking your business as a whole, or some aspect of it, or even your own participation in the business, and considering what are the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats which are inherent in it. The **S**trengths and **W**eaknesses are considered as internal to the business or idea, the **O**pportunities and **T**hreats are considered as being external. The **S**trengths and **O**pportunities are considered as being helpful to the business, while the **W**eaknesses and **T**hreats are considered as being harmful.

Almost anything can be analysed in terms of a SWOT analysis. It is a quick and useful way to see the positive things that can be built upon, and the negatives that must be reduced or eliminated. Indeed, it may be that there are so many insurmountable negatives that the business idea needs to be reconsidered entirely.

In the case of our ice-cream parlour, we can say that it is in Hastings on the South Coast and has been established for ten years. One of the strengths might be that it is a family business and can call on a number of willing family members to help out at busy times. The parlour might also have a prime location and have been refurbished just a couple of years earlier. Perhaps the ice-cream is hand-made on the premises. This is a strength since it is an internal aspect of the business which can be capitalised upon.

When we come to the weaknesses we find that the owner of the business is growing older, and although other family members do step in to help, in fact none of them have the same interest in the ice-cream business, and only he can produce the hand-made ice-cream. Looking around the parlour it is certainly clean and well decorated, but it looks like an old-fashioned ice-cream parlour from the 1960's and the owner is not sure if that is what attracts customers any more.

Turning to the situation outside the business, the owner thinks that there is an opportunity in the 'credit crunch' because more British people are taking holidays in the UK. Digging around on the internet a little, and making a call to the local Tourist Board, he discovers that Hastings can expect a 15% increase in visitors over the Summer period. There is also an opportunity in the news that the parade of shops in which the ice-cream parlour is located is due to be refurbished by the local council, and this will make the area more attractive to customers.

On the negative side of things, two shops down from the parlour a cafe is opening which will sell hot takeaway food, and will also have a kiosk for selling ice-cream. The refurbishment is also a piece of mixed news because it is expected that it will start in March and might not be finished until June. There is always a danger that the work will over-run, and if that is the case then the whole area might be a building-site during the early part of the season. Will this turn customers off?

Now that the owner of the ice-cream parlour has completed his SWOT analysis, and a real one would be more detailed than this, he can begin to think about how he can build on his strengths and overcome his weaknesses.

Now you can complete your own SWOT analysis using the attached form.

You will find that one SWOT analysis often leads to another. Our ice-cream parlour owner might think of an idea to deal with the problem of the refurbishment work. It is sensible for him to run his idea through a SWOT analysis of its own.

The SWOT analysis is a great tool for helping us to keep our business feet on the ground. It is too easy for many business owners and managers to look only on the positive side of things. But this means that when something negative happens the business isn't ready for it, even if it could have been prepared for. What will the ice-cream parlour owner do if the refurbishment over-runs into June, or even July? Without doing a SWOT analysis he might fail to have any contingency plans in place, and his business could run into serious problems.

Start by running your business, or business idea, as a whole through the SWOT analysis. Discover your **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats. If at all possible do, or at least review, your analysis with some colleagues, or critical friends. It is helpful to have other minds and other voices contributing to the analysis. Perhaps they will see both strengths and weaknesses that you are blind to. When you have listed your strengths and opportunities ask yourself how you will build on them. When you have listed your weaknesses and the threats which face your business ask yourself how you will deal with them. Don't just analyse, but create solutions.

Don't think that your business just needs a SWOT analysis done once, and then it can gather dust in a drawer. You need to keep coming back to it, revising it, updating it. Do you have the same strengths? What if a key employee has moved on? Are there new opportunities? You don't want to build a business around a strength or opportunity that no longer exists. What about the present weaknesses and threats? Are you aware of the changes within and outside your business that create challenges which must be overcome? Last year's SWOT analysis is often worse than useless because it will give you a false picture of your business, and produce both false confidence and false fears.

A new business, or one in a fast changing market, should review the SWOT analysis, and many other such business tools, several times a year. A more established business in a stable market should certainly review the analysis on an annual basis.

© Farrington Business Solutions, 2009

This worksheet is provided as a free service by Farrington Business Solutions and should not be considered as constituting any specific business advice to any particular business. This worksheet should not be considered as creating any business relationship between Farrington Business Solutions and any business or reader of this information. No liability will be accepted for any outcome associated with the use of the materials contained in this worksheet or on the Farrington Business Solutions website or in any other communication.

# SWOT ANALYSIS - .....

STRENGTHS

WEAKNESSES

OPPORTUNITIES

THREATS

Q1. What are the two main Strengths and Opportunities in your business?

Q2. How can you build on them?

Q3. What the two main Weakness and Threats to your business?

Q4. How can you reduce their effect?