In-depth analyses offers road map to growth

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When Suresh K. Sharma, president and CEO of Atlanta-based **Innovolt Inc.**, was looking for a way to identify synergies and reduce function overlap among three internal teams, his first step was a SWOT analysis.

The acronym stands for Strengths, Weaknesses, Opportunities and Threats, and the power of an analysis of each before embarking on a new strategy is its objectivity, which drives emotion out of the planning process, Sharma said.

"If I restructure an organization, people don't buy into it, but if I use the SWOT tool as a change agent, it becomes a lot more convincing and they can see the light — why we are making these changes," he said.

The concept of a SWOT analysis was developed in the 1960s using data from Fortune 500 companies, but today it's one of the most reliable tools for smart businesses of all sizes to grow as economic conditions improve, said Mike Gomez, president of **Allegro Consulting**, a Decatur-based business growth specialty firm.

Gomez
Allegro Consulting

"It makes you ask yourself, 'What will be the threats and opportunities in the new post-recession economy?' " Gomez said. "Trust me, it's going to be different, and a SWOT analysis forces you to think these things through so you can position yourself."

SWOT analyses can be applied to any organization from government entities to nonprofits and even to one's own personal goals from career development to vacation-planning, Gomez said.

The first step is to look internally at strengths and weaknesses.

"This is probably the single area where companies fail," Gomez said. "They fall into the trap of drinking from their own bathroom."

For example, company leaders may list nebulous attributes, rather than specifics, such as "our customers" or "our people," he said.

Confronted with such a response, Gomez tries to pin down any quality about that company's staff that separates them from competitors' talent such as better education, higher pay or incentives, or other unique qualifications.

SWOT stands for:

Strengths: What does your company do better than its competitors?

Weaknesses: In what areas do competitors have an edge?

Opportunities: What are the latest consumer trends that your company can leverage for success?

Threats: What market, regulatory and other forces threaten to impede growth?

The discussions underline the importance of brutal honesty when executing a SWOT analysis and why having one conducted by an outside consultant who can challenge preconceptions is valuable, Gomez said.

An example of a true strength might be a piece of production equipment with a unique capability that no one else in the marketplace can provide, he said.

Understanding weaknesses is even more important because competitors are likely to be focusing their own strategies around them, Gomez said.

Begin by identifying your direct competitors in the marketplace, such as within a geographic area or a market sector if the company is a national Web-based business, he added.

"You should fill two to three pages of weaknesses and one on strengths," Gomez said. "That's not a bad thing about your company at all because the value of the exercise is you now know your weaknesses and can ask yourself, 'What am I going to do about them?' "

Now the SWOT analysis shifts to the external environment in which the company operates.

Opportunities include the latest consumer trends in your sector that the strengths of your company uniquely positions you to take advantage of, Gomez said.

He cites the example of a printing company that has a great track record of producing course pack materials for one university.

"Logic says this other university should equally like their work," Gomez said. "So there's an opportunity to take something which you have done so well with one customer and find another similar customer and market to them."

Finally, threats are market forces that can impede growth. One recent example is the impact of the rise of digital photography on a company that specializes in developing film, Gomez said.

Another could be new regulations that affect either your business or the companies that buy your products, he said.

The next step is to take all four lists and develop a strategic plan to leverage strengths and opportunities, minimize or correct weaknesses, and counter threats, he added.

"To me, a [SWOT analysis] is like looking in the mirror and finding out the realities about you and your business," said Jorge Fernandez, vice president of global commerce for the **Metro Atlanta Chamber**.

Strengths

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. Examples of such strengths include:

Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses:

- lack of patent protection
- a weak brand name
- poor reputation among customers
- high cost structure
- lack of access to the best natural resources
- lack of access to key distribution channels

In some cases, a weakness may be the flip side of a strength. Take the case in which a firm has a large amount of manufacturing capacity. While this capacity may be considered a strength that competitors do not share, it also may be a considered a weakness if the large investment in manufacturing capacity prevents the firm from reacting quickly to changes in the strategic environment.

Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- an unfulfilled customer need
- arrival of new technologies
- loosening of regulations
- removal of international trade barriers

Threats

Changes in the external environmental also may present threats to the firm. Some examples of such threats include:

- shifts in consumer tastes away from the firm's products
- emergence of substitute products
- new regulations
- increased trade barriers

Source: quickmba.com