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Using SWOT Analysis To Improve Your Business

By David E. Coffman

Analyzing the strengths, weaknesses, opportunities, and threats (SWOT) of a business is a

well-established tool that is widely used by academics, consultants, and advisors. Although it is a simple concept, business owners often struggle when trying to use it because it is so broad. It is difficult to determine where to start, what questions to ask, and where to focus. The obvious problems get attention while many other important issues get overlooked. SWOT analysis is a great tool, but its effective use requires additional structure.

Strengths and weaknesses relate to internal factors, while opportunities and threats cover external ones. The internal factors can be divided into five categories: management, workforce, sales and marketing, operations, and financial. The external factors are also divided into five categories: threat of new entrants, bargaining power of suppliers, bargaining power of customers, threat of rivalry from competitors, and threat of substitution.

To approach the analysis in a structured way, prepare a checklist using the categories mentioned above. Identify factors within each category that are important to your business. Under management for example, a major weakness for virtually every small business is relying too heavily on the owner. What would happen to the business if something happened to the owner? In the workforce category a factor could be employee turnover and the availability of new hires. The threat of new entrants might include the possibility of a big box retailer opening near your business. The bargaining power of suppliers and customers categories should consider the possibility of losing a major supplier or customer. Come up with several factors for each category to complete the checklist. It is important that you do not try to rate or solve each issue as you identify them. If you do, you will get bogged down on each factor and never complete the analysis.

Once the checklist is complete, you should rate each factor based on its importance to your business. Use an alphabetical scale from A to E, where A = very important, B = important, C some importance, D = little importance, and E = not important. Next rate each factor based on proficiency (internal) or vulnerability (external). Use a numerical scale from 1 to 5, where 1 = very proficient or not vulnerable, 2 = proficient or little vulnerability, 3 = average proficiency or some vulnerability, 4 = poor proficiency or vulnerable, and 5 deficient or very vulnerable.

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The factors with the lowest letter and highest number (A5) are the biggest weaknesses or threats. The ones with the lowest letter and lowest number (A1) are the biggest strengths or opportunities.

Using this structured approach makes a SWOT analysis possible and practical for any small business. To make this process worthwhile you must use this information to take action. Work to fix the worst problems first, prepare for the biggest risks, take advantage of the best opportunities, and build your secondary strengths.

David E. Coffman CPA/ABV, CVA has 30 years of experience working with and operating small businesses. His "Scorecard for Small Business" provides an easy to use framework to do an in-depth analysis of any small business. Information about the "Scorecard" is available at

<http://small-biz-scorecard.com>

The Key to a Successful Business

By rietario daffari

The Key to a Successful Business

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Where would a business be without a business plan? A business plan sets the course for the future of the business. It gives the business owner or manager a sense of direction, listing the objectives and goals of the business from the outset.

Writing a business plan requires a lot of time; a successful business plan cannot be a rush job. Once an idea for a business has been developed, researching the many facets of owning and operating a business is the next most important step. Your local county council should be able to assist you with accessing the required information of a legal nature, as should your local business enterprise center. The rest of the research will be up to you! You will need to research products for your business, at the same time as researching other enterprises that may be in direct competition to you. Furthermore, you need to research the market to determine whether there is a need for your business product or service.

With the research out of the way, sitting down to write a business plan requires focus. Your business plan will become the bible of your business for at least the next 3 to 5 years so it is important to make it clear, concise and comprehensive. Most enterprises will complete a SWOT analysis to determine their strengths, weaknesses, opportunities and threats of the business. Whilst the business is in infancy, brainstorming would be the most accurate way of performing the analysis, as the business would not yet have customers and profitability would not yet have been experienced. However, it is very important to remember that a good business plan is flexible and can be changed as your business experiences growth.

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After completing a SWOT analysis, you will need to determine your business name if it has not already been decided (and register it), as well as your vision and values, your business goals and long term mission and how you will achieve all of this when the business is up and running. Writing every thought down regardless of how minute you feel it is will allow you to collate everything pertinent to your business for easy reference in the future. Who knows, the thought or idea that you have today may well turn into a million dollar idea in a years time! Maintaining good records and following a strong business plan is the key to a successful business!

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which is a premier resource for business information. for

more information, go to <http://www.businessne.com>



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