swot analysis matrix - in business/marketing - internal v external factors

Modern SWOT analysis in business and marketing situations is normally structured so that a 2x2 matrix grid can be produced, according to two pairs of dimensions.

**Strengths and Weaknesses**, are 'mapped' or 'graphed' against **Opportunities and Threats**.

To enable this to happen cleanly and clearly, and from a logical point of view anyway when completing a SWOT analysis in most business and marketing situations, **Strengths and Weaknesses** are regarded distinctly as **internal factors**, whereas **Opportunities and Threats** are regarded distinctly as **external factors**.

Here is the explanation in more detail:

|  |  |  |  |
| --- | --- | --- | --- |
| **Strengths** and **Weaknesses** | the **internal** environment - the situation **inside** the company or organization | for example, factors relating to products, pricing, costs, profitability, performance, quality, people, skills, adaptability, brands, services, reputation, processes, infrastructure, etc. | factors tend to be in the **present** |
| **Opportunities** and **Threats** | the **external** environment - the situation **outside** the company or organization | for example, factors relating tomarkets, sectors, audience, fashion, seasonality, trends, competition, economics, politics, society, culture, technology, environmental, media, law, etc. | factors tend to be in the **future** |

swot matrix (2x2 matrix using internal/external categories)

Here is a typical extension of the basic SWOT analysis grid into a useful 'action-based' 2x2 SWOT matrix.

The SWOT analysis in this format acts as a quick decision-making tool, quite aside from the more detailed data that would typically be fed into business planning process for each of the SWOT factors.

Here the 2x2 matrix model automatically suggests actions for issues arising from the SWOT analysis, according to four different categories:

|  |  |  |
| --- | --- | --- |
|  | **strengths (internal)** | **weaknesses (internal)** |
| **opportunities  (external)** | **strengths/opportunities**   **obvious natural priorities**  Likely to produce greatest ROI (Return On Investment)  Likely to be quickest and easiest to implement.  Probably justifying immediate action-planning or feasibility study.  Executive question: "If we are not already looking at these areas and prioritising them, then why not?" | **weaknesses/opportunities**   **potentially attractive options**  Likely to produce good returns if capability and implementation are viable.  Potentially more exciting and stimulating and rewarding than S/O due to change, challenge, surprise tactics, and benefits from addressing and achieving improvements.  Executive questions: "What's actually stopping us doing these things, provided they truly fit strategically and are realistic and substantial?" |
| **threats  (external)** | **strengths/threats**   **easy to defend and counter**  Only basic awareness, planning, and implementation required to meet these challenges.  Investment in these issues is generally safe and necessary.  Executive question: "Are we properly informed and organized to deal with these issues, and are we certain there are no hidden surprises?" - and - "Since we are strong here, can any of these threats be turned into opportunities?" | **weaknesses/threats**   **potentially high risk**  Assessment of risk crucial.  Where risk is low then we must ignore these issues and not be distracted by them.  Where risk is high we must assess capability gaps and plan to defend/avert in very specific controlled ways.  Executive question: "Have we accurately assessed the risks of these issues, and where the risks are high do we have specific controlled reliable plans to avoid/avert/defend?" |

N.B. SWOT analysis is a very flexible tool. Its use is not restricted to business and marketing. Be mindful that when SWOT is used in situations outside of business and marketing, strict categorization of the SWOT dimensions (according to 'internal' and 'external' factors) can be limiting, and so a more open interpretation of the model can be helpful in such circumstances, especially when assessing Opportunities and Threats.

Also be mindful that if using the SWOT analysis model only as a 2x2 matrix, which assumes the categorization of internal and external factors (and notably limiting the assessment of threats and opportunities to external factors only), that it is very easy then to miss certain threats and opportunities that can exist (internally) within the company/organization. Some internal threats and opportunities can be substantial, for example, opportunities such as: energy-saving, process-improvement, training, advertising, or discontinuing loss-making products, or threats such as: desertion or key staff, the loss of major contracts, to name just a couple of typically ever-present threats within large commercial corporations.

Be mindful therefore that the 'simplified' SWOT 2x2 matrix 'internal/external' method is not a reliable tool alone for identifying all threats and opportunities within organizations, or indeed any other situation.

You will note from the [origins of SWOT analysis](http://www.businessballs.com/swotanalysisfreetemplate.htm#swot-analysis-history) below that the methodology did not begin, and was not operated as the simple 2x2 'internal/external' matrix that we commonly see today. Particularly, the original application of the model did not restrict threats and opportunities to just external factors. Instead, six key aspects of the business in question (namely: product, process, customer, distribution, finance, admin) were each assessed using the SWOT model. Each aspect was considered according to all four SWOT elements. Thus today when we apply the SWOT model to an entire business, if we disregard internal threats and opportunities, so the analysis can exclude some potentially serious issues.

swot analysis - different applications

SWOT analysis is a powerful model for many different situations. The SWOT tool is not just for business and marketing. Here are some examples of what a SWOT analysis can be used to assess:

* a company (its position in the market, commercial viability, etc)
* a method of sales distribution
* a product or brand
* a business idea
* a strategic option, such as entering a new market or launching a new product
* a opportunity to make an acquisition
* a potential partnership
* changing a supplier
* outsourcing a service, activity or resource
* project planning and project management
* an investment opportunity
* personal financial planning
* personal career development - direction, choice, change, etc.
* education and qualifications planning and decision-making
* life-change - downshifting, relocation,
* relationships, perhaps even family planning?..

Whatever the application, be sure to describe the subject (or purpose or question) for the SWOT analysis clearly so you remain focused on the central issue. This is especially crucial when others are involved in the process. People contributing to the analysis and seeing the finished SWOT analysis must be able to understand properly the purpose of the SWOT assessment and the implications arising.