

Swot vs. pest, and how to decide which one to use

[Business](#)



Enterprises and businesses worldwide conduct analyses to assess conditions and environment for strategic planning. Every company consists of certain frameworks that allow them to understand the market and analyze their products. Companies carry out market research by conducting surveys to evaluate market needs and trends. SWOT & PEST analyses are two methods through which companies plan ahead by conducting research.

PEST analysis refers to Political, Economical, Social, and Technological factors which influence the business environment. SWOT analysis refers to Strengths, Weaknesses, Opportunity and Threats. These factors are prime determinants of strategic planning. Without SWOT and PEST analysis companies might fail to achieve desired goals.

SWOT Analysis

SWOT analysis helps enterprises assess their strengths and overcome weaknesses as well as use opportunities to sort out threats.

- Strengths - Firms need to focus and improve their strengths in order to achieve their goals, focusing on USP (unique selling point) and increasing quality of products/services in competition of the competitors. Strengths are an internal factor.
- Weaknesses - This implies what the company lacks or is unable to achieve. Lower profits in a specific department or products plus sales and internal structural problems. Weaknesses need to be dealt with since this is also an internal factor.
- Opportunity - This is an external factor as it is directly related to the firm's external environment, through which these companies can gain

a lot if they plan their moves wisely. Firms can benefit from lower taxes, good market trends and a booming economy.

- Threats - Companies don't have control over threats since they are external factors which can create uncertainty. This has a negative impact on the business. Unrest, new competitors, and government policies are some examples.

By conducting and implementing SWOT analysis, firms identify positive and negative aspects and then implement this research. Most companies carry out this analysis every month or once a year depending on the current situation. It not only helps businesses evaluate their current state but also helps in taking counter measures to overcome barriers and prevent factors from stopping them from achieving their full potential.

PEST Analysis

PEST Analysis looks at external factors and is primarily used for market research. It is used as an alternative to SWOT analysis:

- Political - These are the external factors that influence the business environment. Government decisions and policies affect a firm's position and structure, Tax laws, monetary and fiscal policies as well as reforms of labor and workforce, all influence companies in future. These factors are important and need to be managed in order to overcome uncertainty.
- Economical - Economical factors are the most important since it impacts business in the long run. Inflation, interest rates, economic growth and demand/supply trends are to be considered and analyzed

effectively before planning and implementing. Economic factors affect both consumers and enterprises.

- Social – Social factors involve the trends of population, domestic markets, cultural trends and demographics. These factors help businesses assess the market and improve their products/service accordingly.
- Technological – This analyses the technology trends and advancements in business environment, innovations and advancements lowers barriers to entry plus decreased production levels as it results in unemployment. This includes research and development activity, automation and incentives.

Importance of SWOT & PEST Analysis

SWOT analysis is the most widely used method and its importance can be judged by the following points:

- It presents a business' standing and position, i. e. whether it is weak or strong
- It informs about both internal and external factors that affect a firm's success and/or failure
- It helps firms assess the report and take counter measures for improvement and analyzing threats
- It forecasts the future and sheds light on the current situation
- Evaluates business environment and allows firms to make strategic decisions
- Prevents future failure and creates a system of continuous success

- Provides companies with a reality check on their performance and shortcoming
- Enables firms to understand the economy and market and expand
- Provides a mechanism to identify threats and opportunities
- Enables companies to learn about markets and enter new markets nationally or globally

Advantages & Disadvantages of PEST & SWOT Analysis

Both SWOT & PEST analyses are simple and easy to list but hard to implement fully. It takes time and research to completely analyze the situation. SWOT analysis might not be able to provide results for each factor plus for the analysis to be successful, it requires expertise which would analyze all possible threats and weaknesses and turn them into strength and opportunity. It requires resources and capital to perform and a positive outcome cannot be guaranteed.

PEST analysis is to be used if the SWOT analysis of a company fails and they need to study markets. It focuses on external factors and not on the firm's internal factors which can cause conflict. PEST analysis works on a macro scale as it includes economic factors. These factors are uncertain and change constantly depending on the state of the country.

Verdict

SWOT and PEST are both resourceful and beneficial to companies if they are in weak positions. In order to determine which one to use and implement, it is important to judge the stance of the company and internal factors more than external factors. SWOT and PEST analysis should be used together for <https://assignbuster.com/swot-vs-pest-and-how-to-decide-which-one-to-use/>

better results and a complete analysis. Due to the advantages and the disadvantages of either, it is a good idea to combine the two to help provide you with the best analysis. It is good practice to perform the PEST and then use the results as the opportunities and threat section of the SWOT.

Different companies use different methods for evaluation. Some firms conduct SWOT and some PEST. The core advantage is that it guides the companies to outperform. SWOT analysis is considered the best because it focuses on internal and external factors both while PEST only focuses on external factors. Some top companies like Ford, Microsoft and Sony prefer monthly SWOT analysis as their markets are expanding and growing every month and they consider internal factors of the company important.

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