Constructing a swot model for business analysis

Business

A SWOT model is a way to look at a SWOT analysis. SWOT analysis is based on strengths, weaknesses, opportunities and threats. This is also sometimes considered a SWOT matrix. When people look at a SWOT analysis breakdown on paper, it looks like a box with four squares. The first box has strengths and next to that are weaknesses. The bottom left would be opportunities and the bottom right would be threats.

What you want to do is ensure that you fill in each area based on what a particular company has to offer in each category. This is the way that you can look at whether or not you want to:

- invest in a company
- work with a particular type of company
- or look at the problems that they might have

Sometimes a SWOT model is used in business, and other times it's used if you're looking at a particular deal, or if two companies might potentially look like they could merge together. When you look at an analysis in this manner, it helps you to see whether or not it's a good company, or if it has a lot of areas or noted problems.

Strengths

As you focus on the strengths, what you're looking for are:

- areas where the company is strong
- where it's doing well
- and where it's making money

This can also let you know whether or not this is a good investment. You can look at how long they've been in business, the number of employees, if they've had consistent growth, and where they plan on taking their company in the future. That's actually going to also go into opportunities.

Opportunities

Opportunities are where the company plans to go in the future. You want to know about this so that you have a better idea if the company is going to be around for a long period of time or if they're looking to expand. Opportunities are also important because it lets you know how structurally the company is doing and if, for example, they pay their employees or if they are having issues with labor unions like Walmart has in the past.

When you hear about a company growing and expanding, these are good indications of growth and that can mean a lot of good news for the company if you're planning on investing with them.

Weaknesses

When you look at the weaknesses, you have to think about areas where the company is having problems so you may want to look online to see the bad news and bad press that the company may have received. You want to look for things like:

- if they had a lot of lay-offs
- were there a lot of job losses
- or was there bad press recently because of an incident that happened in the news

When Toyota had their big recall because they were having problems with all of their SUVs, this was very bad news for them because it meant a lot of bad press. Any type of news that’s negative is negative advertising for a company. This can hurt them as it relates to sales. It can also hurt their stock performance because when they do badly, what ends up happening is they lose money and their stock price goes down. Their shareholders, who are the people that have vested (money) interests in the company, end up losing money.

Threats

Next you want to look at threats. Threats can be anything from a competitor and the various types of competitors that they have, to areas where you can foresee problems that are coming in. A lot of people knew before Blockbuster went bankrupt that they were going to go bankrupt. They knew this because the company model was outdated. Blockbuster was trying to keep people renting videos in their stores, when people had already started to switch over to Netflix online.

How to fill in a SWOT model

You can fill in the different boxes with little bullet points or dashes. You are going to put a few items in every area to indicate where a company is strong vs. where they’re weak. Companies all over the world use this formula which again, is considered a model or a matrix to help to understand:

- how to invest in a company
- if they want to invest in a company

- or whether not a company is bad news

Until recently, a lot of people thought Walmart might be a potential problem because they had bad news about their stores, they weren't paying their staff, and they weren't even stocking their shelves with merchandise. When you look at a company, all of these are indications as to whether or not a company is going to do well or if they're going to fail.

When you look at a model like this, it can help you to see how you can also do a paper on comparing different companies like Blockbuster and Netflix. While you start out looking at comparison companies, down the road you might be working to help merge companies. There are companies that may look like they could be potential mergers because of the types of businesses that they work in.

For example, Target and Walmart might be good companies that could merge together because they sell some more products. The only way you'd be able to tell is by starting your SWOT model to look at what each has to offer. This is also looked at as a SWOT analysis when they think about potential deals with other companies that they may want to work with.

A company may want to know detailed items on another company to help ensure that they understand where their problems are, and where their strong suits are and what they're going to do in the future.

Whenever you look at a company, always do a SWOT model, even if you do a small one. A typical SWOT model could be a full page, but you might just do one that's only maybe a few items per block. The whole idea is that you still get information on your paper to help you better understand what the company is doing.

Image: Wor Sang Jun/Shutterstock. com