Why you should do an internal analysis at least once

Business

An internal analysis uses data collected from specific departments within a company to create more significant results. The typical units used in the analysis include:

- Marketing
- Finances
- Operations

But " internal analysis" on its own is ambiguous. Most often, when people conduct internal analysis, they use SWOT analysis.

Using the four criteria of SWOT analysis (strengths, weaknesses, opportunities, and threats), you can analyze the efficiency, success, and failure of the above departments.

Using SWOT analysis as an internal analysis

Understanding internal departments and how they benefit the company is exactly what SWOT analysis is for. The firm can use this information to grow. But you can also identify what preventing progress. They're known as weaknesses.

For the analysis, you're going to need plenty of data highlighting integral company information.

Each department head should provide an overview of operations, programs, and costs alongside the results they accumulate.

The more well-rounded the info, the easier it'll be to do a comprehensive internal analysis. You'll even need information regarding the company's mission statement and their competitive advantage. Also note that internal management will be using this information, not stakeholders.

The advantage sets the company apart from the competition that otherwise offers a similar service or product as your company. Your advantage is the thing(s) that pull customers towards your company, instead of others.

Yours may be related to:

- Price
- Resources
- Location
- Benefits of product/service
- Mission statement

Mission statements and competitive advantage information is typically found at the beginning of a marketing plan. They're the reason behind every strategic decision your company makes. All departments should contribute to the mission statement or enforce your competitive advantage.

Identify the weaknesses

Eventually, you're going to come across aspects that don't benefit your business. They're referred to as “ weaknesses” in SWOT analysis. And most likely, they have to go.

Weaknesses typically absorb time, money, and effort, without providing adequate results. Defects can be products or caused by people. You should look at how they affect the company itself, and how it affects your placement in the marketplace.

A weakness can also affect profits. For example, if you're in the fashion industry, using real fur upsets many animal rights advocates. Many people will not only take issue with the use of real fur but may also boycott. It can cost thousands of dollars to offset a lousy brand image, loss of profits, and more.

When you've combed through weaknesses, you'll need to determine internal opportunities and threats.

Opportunities and threats in your company

Unlike weaknesses, threats may not directly affect your company...

Yet.

But once they do, your profits may be thoroughly compromised. To determine the amount of risk, you should do a risk analysis. It helps to understand the degree of the threat, what will be affected (management? Stakeholders?) and by how much.

Opportunities are exactly as they sound. In the cause of your internal analysis, they're identified to see which options are available to build more considerable success in the company.

For example, documenting customer feedback may help you develop the next product. Since you already know what your customers want, you cut out guessing in the production stage, and develop a product based on the needs they've highlighted.

In conclusion…

An internal analysis helps you:

- Identify assets to exploit for success
- Eliminate weaknesses that affect business opportunities
- Highlight opportunities for future growth
- Determine the severity and impacts of threats

You should do an internal analysis at least once.

But for the data-driven growth of your company, do them at least once a year. It’ll highlight unexpected changes, impact (whether positive or negative), and help you understand which direction to take your company.

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