

S.W.O.T. ANALYSIS

Identifying Your Strengths, Weaknesses, Opportunities, and Threats

A SWOT analysis is a term used to describe a tool that is effective in identifying your Strengths and Weaknesses, and for examining the Opportunities and Threats you face. While it is a basic, straightforward model, it has been a popular business practice for many years because it helps provide direction and serves as a basis for the development of business plans. It accomplishes this by examining the strengths (what an operation does well) and weaknesses (what an operation does not do well) in addition to opportunities (potential favorable conditions for an operation) and threats (potential unfavorable conditions for an operation). Once completed, the SWOT analysis can help determine if the information indicates something that will assist the operation in achieving its objectives (a strength or opportunity), or if it indicates an obstacle that must be overcome or minimized to achieve desired results (weakness or threat).

Why is the SWOT Analysis so Popular?

The SWOT analysis has been a popular business tool for many years. While business planning does require some time and knowledge, most planners agree that a SWOT analysis should be completed at the beginning of the planning process. Here are a few reasons why performing a SWOT analysis has been a popular planning activity.

- While not an easy task, performing a SWOT analysis does not require any special training, software, or skills. The only requirement for performing a SWOT analysis is being truly honest about your own operation.
- Most managers and workers have expertise in areas that are not known by other members of the group. Organizing the expertise in a SWOT analysis helps in making informed decisions and provides better results.
- A SWOT analysis provides a brief but complete summary of the operation.
- While the finished results are important, the process of building a SWOT analysis is almost as valuable. Often times when a SWOT analysis is performed, all people involved with the operation become more aware of the performance and goals of the operation.
- Finally, completing a SWOT analysis allows you to immediately see where you can take action to improve your weak areas, capitalize on your strengths and opportunities, and defend against threats.

What are the elements of a SWOT Analysis

The SWOT analysis stands for the analysis of internal strengths and weaknesses of an operation and external opportunities and threats to the operation. Below is a description of each of these elements that should be considered when performing a SWOT analysis.

Strengths

The first element of a SWOT analysis describes the strengths of an operation. These strengths include what an operation does well, and should be viewed from both your point of view as well as the point of view of people with whom you come in contact. In some cases an organization's strengths are very obvious, for example, being a low cost producer. In other cases, it is a matter of perspective, for instance our product is of high quality. It is important to note that operations that are in a bad position also have strengths. Whether these strengths are adequate should be determined through further analysis.

Weaknesses

The other internal element of the SWOT analysis describes the weaknesses of an operation. Examining weaknesses include identifying what an operation does not do well. As with the strengths, weaknesses should be examined from both your perspective and from the perspective of those outside your operation. It is also possible for weaknesses to be obvious such as a limitation of resources or be more of a perspective issue such as a lack of teamwork. All operations, regardless of size or profitability have weaknesses. How badly these weaknesses will affect the operation should be left to further analysis.

Opportunities

The first external element of the SWOT analysis is opportunities. The opportunities include any favorable situation in the business's environment that the operation may realize gains from. These could range from diversification and the use of new technologies to market trends and relationship developments. It is important to note that all operations have some opportunities: identifying these opportunities is the sign of a good analyst.

Threats

The final element of the SWOT analysis is the external threats that the operation faces. Regardless of size or profitability, all operations face threats. These threats could range from lower international prices to key relationships that are not going well. Whatever the threat, the operation should have a plan in place to resolve the problem.

How do I complete a SWOT Analysis

There is no fixed way of completing a SWOT analysis. The manager of the operation (or whoever else will be using the analysis) should be comfortable with and understand the analysis. The objective of the analysis should always be to place the business in a position where the manager can determine a strategy for the future to improve its overall performance or maintain it if the final results are favorable. Below are a set of questions for each of the elements that will assist you in completing a SWOT analysis for your operation. Like all lists, these are incomplete. You may not answer every question listed and may even have a few additional questions that you would like to address. However, you can use these questions as a starting point for your SWOT analysis.

Strengths

- What does your operation do well (production, marketing, etc)?
- What do other people see as your strengths (production, marketing, etc)?
- What are the major sources of your operation's revenue and profit?
- What is the major focus of your operation?

- What is the market share of your organization?
- Is your marketing/advertising effective?
- Why did you decide start your operation?
 - What were the motivating factors and influences?
 - Do these factors still represent some of your strengths?
- Why do your customers buy from you?
- What differentiates your operation in the market?
- What have been your most notable achievements?
- What relevant resources do you have?
- Is the moral of your employees high?
- Are there incentives in place to reward your employees for good work?
- Does your operation manage its inventories efficiently?
- To what do you attribute your success?
- How do you measure success?
- What is your greatest asset?

Weaknesses

- What does your operation not do well (production, marketing, etc)?
- What do others see as your weaknesses (production, marketing, etc)?
- What should you avoid?
- What are the least profitable enterprises?
- What is the market share of your organization?
- Is your marketing/advertising effective?
- Is the operation “wondering”?
- What is the biggest expense of the operation?
- Will the operation be able to stand price decreases?
- Why do customers not buy from you?
- What relevant resources do you need?
- Do your employees perform at their best?
- Are there incentives in place to reward your employees for good work?
- Does your operation manage its inventories efficiently?

Opportunities

- What new technologies are available that the operation can use to lower costs?
- What market trends am I observing?
- What new relationships could I develop?
- Are there new business strategies that I could use in my operation?
- Can quality of operations, products, and inventory management be improved without incurring serious costs?
- Can I create a competitive edge over my competitors?
- Is there an opportunity to demand better prices from suppliers?
- Is there an opportunity to receive higher prices for production?
- Can profitability be increased through the production of other commodities?
- Can the operation get more predictable cash flows? If yes, how?
- What can I do that I am not currently doing to improve my operation?
- What new governmental policies or programs are available.

- What interesting social patterns, population profiles, lifestyle changes, etc are occurring that could benefit my operation?
- What are interesting local events that might be used to benefit my operation?

Threats

- Have there been any significant changes in the industry in which you operate?
- What obstacles do you face?
- What is your competition doing?
- Are there any, or do you anticipate new competitors in your market?
- Are there any new regulations in your industry making it difficult to be profitable?
- Is changing technology threatening your profitability?
- Is the operation keeping up with technological changes?
- Have margins been under pressure?
- Are international competitors taking market share?
- What other changes in the market could damage the profitability of the operation?
- Do you have bad debt or cash-flow problems?
- Are employees adequately trained and motivated?
- Is the operation producing too many different commodities?
- Could any of your weaknesses seriously threaten your operation?

Once all strengths, weaknesses, opportunities, and threats of your operation have been listed, the information should be combined so that strategies can be developed. Examine the weaknesses, opportunities, and threats facing the operation and draw up plans to take advantage of the opportunities, counter the threats, and improve the weaknesses. Pay close attention to strengths of the operation that may help you achieve your plans. The strategy chosen will depend on the original goals and objectives of your operation, but the whole process will certainly give an overall look at the current position of your operation.

Conclusions

Completing a SWOT analysis will help you to evaluate the current position of your operation to determine management plans for the future. It helps in determining future plans by identifying strengths and opportunities that can be used by the operation and pointing out weaknesses and threats that should be managed. While not all plans will ultimately be implemented, completing a SWOT analysis can ensure all current and potential positions of the business are considered. Those beginning a SWOT analysis should remember that there are no set guidelines for completing the analysis. Users of the final analysis should be comfortable with the format and should understand the results. For the analysis to be most effective, though, it must be carried out fairly and thoroughly. This will then put the management in a position to accurately forecast and prepare for the future to meet the farms objectives and goals.

Strengths Worksheet
List all the Internal Strengths of the Operation
(Use additional Pages if Necessary)

Question Number	List of Strengths
S_1	
S_2	
S_3	
S_4	
S_5	
S_6	
S_7	
S_8	
S_9	
S_{10}	
S_{11}	
S_{12}	
S_{13}	
S_{14}	
S_{15}	
S_{16}	

Weaknesses Worksheet
List all the Internal Weaknesses of the Operation
(Use additional Pages if Necessary)

Question Number	List of Weaknesses
W ₁	
W ₂	
W ₃	
W ₄	
W ₅	
W ₆	
W ₇	
W ₈	
W ₉	
W ₁₀	
W ₁₁	
W ₁₂	
W ₁₃	
W ₁₄	
W ₁₅	
W ₁₆	

Opportunities Worksheet
List all the External Opportunities of the Operation
(Use additional Pages if Necessary)

Question Number	List of Opportunities
O ₁	
O ₂	
O ₃	
O ₄	
O ₅	
O ₆	
O ₇	
O ₈	
O ₉	
O ₁₀	
O ₁₁	
O ₁₂	
O ₁₃	
O ₁₄	
O ₁₅	
O ₁₆	

Threats Worksheet
List all the External Threats of the Operation
(Use additional Pages if Necessary)

Question Number	List of Threats
T ₁	
T ₂	
T ₃	
T ₄	
T ₅	
T ₆	
T ₇	
T ₈	
T ₉	
T ₁₀	
T ₁₁	
T ₁₂	
T ₁₃	
T ₁₄	
T ₁₅	
T ₁₆	

S.W.O.T. Analysis

Identifying Your Strengths, Weaknesses, Opportunities, and Threats

TTAP ENTERPRISES

TTAP Enterprises operates an 11,000 acre (6,000 acres owned and 5,000 acres leased) farm/ranch located in Vernon, Texas. Of the 11,000 acres, 10,000 acres is native pastureland that is used by the foundation of the operation, the 400 head cow herd. Stocker cattle, both raised and purchased, are grazed on 1,000 acres of wheat. Generally half of the grain is grazed out and half is harvested for grain. An additional 200 acres are double cropped each year with sorghum. The discussion below will first outline the strengths, weaknesses, opportunities, and threats. This discussion is followed by the plans that will take advantage of the strengths and opportunities, counter threats, and improve weaknesses.

SWOT Analysis Elements of TTAP Enterprises

As with any business, this farming operation has many internal strengths to draw upon. Table 1 presents the strengths listed for TTAP Enterprises. From this list, it can be seen that the owners of the operation (Thomas Jr. and his wife Julie) both possess agricultural educations. Specifically, Thomas Jr. has a Bachelors of Science in Animal Science and Julie a Bachelors of Science in Agricultural Business. Furthermore, both owners are willing to learn and implement new concepts into the business. Given the history and location of the operation, there does exist the potential for diversification into other commodities if warranted. Thomas Jr. has a very close relationship with his sister, and his father still lives in the area and offers advise concerning the operation of the farm/ranch. Equipment used by TTAP Enterprises is owned free and clear of debt. There is abundant wildlife on the operation and hunting is developing very nicely in the area. Thomas Sr. has also expressed a willingness to develop an estate plan. Underground water is accessible across all parts of the pasture. Finally, the hired labor (Catchum Maverick) is reliable and provides adequate assistance in the day-to-day operation of the farm/ranch.

Table 2 presents the internal weaknesses of TTAP Enterprises. From this outline, we can first see that the business is not highly diversified (foundation is cattle). Because of this dependency, income generated by the operation is highly dependent on cattle sales and prices. Furthermore, Julie (wife and co-owner) is the only person involved with the accounting and financial aspects of the business. The owners, both past and present, have never used nor do they understand how to utilize futures and/or options to manage price risk. Currently there is no estate plan in place to dictate how the remainder of Thomas Sr.'s estate (including 5,000 acres of the operation) will be handled upon his death. Thomas Sr. is also having a difficult time turning the day-to-day decisions over to Thomas Jr. While there are windmills present on the property, they are located in the far locations of the property. While most of the equipment is in good working condition, its age can be classified as moderate. There are no on-farm storage facilities for grain. The pastures are all native and unimproved. Finally, Thomas Jr. and Julie are considering the possibility of having their first baby. Currently family living draw from the operation equals \$30,000 per year and may not be enough if a baby is introduced.

There are several external opportunities (Table 3) that can be identified for the farm/ranch. Specifically, there is a growing popularity of hunting in the area from non-residents. Furthermore due to the location of the farm/ranch to the Metroplex, there exists the opportunity to expand the operation to include an agri-tourism component or to begin producing organic beef. Furthermore, both owners can develop price risk management strategies that have not been utilized in the past. There does exist the possibility that Thomas Jr.'s sister, Jan, will not want to sell the 2,500 acres of the farm it is assumed she will inherit. The native, unimproved pastures could also be improved. Finally, the market value of the land has increased by approximately **100.3** percent in value since the land was purchased.

Examining the external threats faced by the operation (Table 4) suggest that the commodities produced on the operation face the most risks. Specifically the foundation of the operation, the cattle, faces the direct or indirect threats of BSE, foreign country bans of U.S. beef, commodity market prices and draught. Wheat that is grown on the farm can suffer from commodity market prices, government payment reductions or elimination, Karnal Bunt, and draught. Other threats faced by the operation include: Thomas Jr.'s sister, Jan, wanting to sell her believed 2,500 acre inheritance of the farm; high interest costs; and agri-terrorism.

Operational Plans

The operational plans for the farm are drawn from the list of the strengths, weaknesses, opportunities, and threats that were identified and are presented in Table 5. On the left-hand column of Table 5, specific weaknesses (W_i), opportunities (O_i), and threats (T_i) are listed first followed by the specific strengths (S_i), weaknesses, or opportunities that may impact the action plan. A description of how to interpret the information provided in Table 5 is described below.

Examining this table shows that the first weakness listed (W_1) is that the business is not highly diversified (the foundation is cattle, 500 acres of wheat, and grain sorghum). The components of the SWOT analysis that may help improve this weakness are: S_1 (Thomas Jr. has a production background and education), O_4 (Organic beef or other specialty market due to proximity to MetroPlex), and O_5 (Agri-tourism). This combination of strengths and opportunities lead to the action plan to improve the weakness (the right hand column of Table 5). This action plan is that: alternative crops and/or livestock enterprises could be incorporated into the operation if diversification is needed. Specifically traditional crops/livestock raised in the area could be pursued, or specialty crops/livestock enterprises could be incorporated to cater to the large MetroPlex population.

In the case of the external opportunity of beginning an organic beef or other specialty crop/livestock enterprise (O_4), it should be noticed that a weaknesses was identified along with two strengths as impacting the action plan. Specifically, the two strengths to getting into this type of market include: the willingness of Thomas Jr. and Julie to learn and implement new concepts (S_5) and the availability of adequate and reliable labor (S_{12}). However the weakness associated with this endeavor would be that Thomas Sr. is not willing to let go of day-to-day decision making activities on the farm/ranch (W_6). Therefore, Thomas Sr. may not understand or approve of this decision. This weakness could hamper the ability of the operation to take advantage of the opportunity. Similar interpretations can be derived from the remainder of the plans presented in Table 5.

Finally, it should be noted that three of the weaknesses identified for TTAP Enterprises (W_6 , W_9 , and W_{11}) do not have any strengths or opportunities that will make improvements. In this case, these weaknesses are considered problem areas, and the development of the internal strengths or further

investigation of external opportunities should be considered. Likewise, four external threats (T₁, T₂, T₇, and T₉) had no strength or opportunity identified to combat these risks. Weakness W₁ was found, however, to be associated with each of these threats. This suggests these threats could pose major problems for the operation. Therefore, these threats should be further analyzed to determine what, if any, precautions or action plans should be developed.

Strengths Worksheet

List all the Internal Strengths of the Operation
(Use additional Pages if Necessary)

Table 1. TTAP Enterprises strengths.

Question Number	List of Strengths
S ₁	Thomas Jr. has production background and education.
S ₂	Julie (wife) has agribusiness background.
S ₃	Can diversify more if needed.
S ₄	Very close relationship with sister.
S ₅	Willingness of Thomas Jr. and Julie to learn and implement new concepts (marketing, business, etc)
S ₆	Father is still around to give advice.
S ₇	Routine equipment maintenance is a priority.
S ₈	Equipment is owned free and clear of debt.
S ₉	Wildlife and hunting.
S ₁₀	Thomas Sr. is willing to develop an estate plan.
S ₁₁	Underground water accessible across all parts of the pasture.
S ₁₂	Adequate reliable labor that is familiar with the type, condition and use of existing line of equipment.
S ₁₃	Thomas Sr. and Jr. both have utilized BMPs and other practical strategies to minimize runoff and other pollution, and to maintain a high level of quality of the product they are selling.

Weaknesses Worksheet
 List all the Internal Weaknesses of the Operation
 (Use additional Pages if Necessary)

Table 2. TTAP Enterprises weaknesses.

Question Number	List of Weaknesses
W ₁	Business is not highly diversified (foundation is cattle).
W ₂	Income is highly dependent on cattle sales & prices.
W ₃	Julie (wife) is the only one involved with the accounting and financial aspects of business.
W ₄	Do not understand the use of futures/options.
W ₅	No estate plan for receiving land from Thomas Sr.
W ₆	Father will not let go of the reins and allow Thomas Jr. to run the farm himself.
W ₇	Windmills only in far locations of pasture.
W ₈	Most of the equipment has some age.
W ₉	No on-farm grain storage facilities.
W ₁₀	10,000 acres of native unimproved pasture.
W ₁₁	\$30,000 may not be enough for family living if a child enters the picture.
W ₁₂	Thomas Jr. needs a plan to provide for his young family in the event of a catastrophe.
W ₁₃	

Opportunities Worksheet
 List all the External Opportunities of the Operation
 (Use additional Pages if Necessary)

Table 3. TTAP Enterprises opportunities.

Question Number	List of Opportunities
O ₁	Growing popularity of hunting in the area from non-residents.
O ₂	Price risk management strategies.
O ₃	Jan (sister) may not want to sell the 2,500 acres she will inherit.
O ₄	Organic beef or other specialty market due to proximity to MetroPlex.
O ₅	Agri-tourism (crop maze, nature walks, etc).
O ₆	Can sell part or all of 5,000 acres of pasture (purchased for \$185/ac now worth \$375/ac).
O ₇	Improve pasture.
O ₈	
O ₉	
O ₁₀	
O ₁₁	
O ₁₂	
O ₁₃	

Threats Worksheet
 List all the External Threats of the Operation
 (Use additional Pages if Necessary)

Table 4. TTAP Enterprises threats.

Question Number	List of Threats
T ₁	BSE
T ₂	Potential foreign country bans of U.S. beef.
T ₃	Commodity market prices.
T ₄	Jan (sister) may want to sell the 2,500 acres she will inherit.
T ₅	Interest costs are high due to loan for 6,000 purchased acres.
T ₆	Government farm program payments reduction or elimination.
T ₇	Karnal Bunt
T ₈	Draught (from a crop and livestock perspective).
T ₉	Agri-terrorism.
T ₁₀	Operation lies within the watershed used by the Metroplex.
T ₁₁	Hunting and agri-tourism will bring the non-farming/ranching public onto the property.
T ₁₂	
T ₁₃	

Action Plan Worksheet
Identify plans
(Use additional Pages if Necessary)

Table 5. TTAP Enterprises action plans.

Weakness, Opportunity, or Threat and associated component of the SWOT Analysis	Action Plans
W1,S3,O4,O5	The area offers many different alternatives (crops and livestock) that can be pursued if market conditions suggest diversification is needed. May be able to get into organic beef production. May be able to take advantage of the large population nearby.
W2,S9,S3,O4,O5	The wildlife experience (hunting) as well as other agri-tourism endeavors can be pursued. Specialty beef markets might be available. The area offers many different alternatives (livestock) that can be pursued if market conditions suggest diversification is needed.
W3,S5	Thomas Jr. can learn and become more involved in this side of the business.
W4,S5	Both Thomas Jr. and Julie can learn about price risk management (TCE programs).
W5,S10	Get with our lawyer and develop an inter-generational transfer plan.
W6	PROBLEM AREA (find a way to make Thomas Sr. turn over some of the reins).
W7,S11	Water wells can be drilled on other parts of the property if needed (keep in mind, we might need the water without much warning).Place livestock wells (windmills/stock tanks/ponds) so as to not create attractive nuisance liability.
W8,S7, S12	Remain focused on routine maintenance, replace older equipment when possible.
W9	PROBLEM AREA (cannot take advantage of on-farm storage if it is the best alternative).
W10,O8	Improve pasture when feasible.
W11	PROBLEM AREA (need to discuss situation with Julie and decide how).
W12	Could create a problem for Julie and the growing family. Need to consult with attorney and insurance agent.
O1,S9,S12	Look into offering day hunts or split the land up into multiple hunting leases. Might need more labor.
O2,S5	Gain more education in regards to price risk management.
O3,S4	Talk to sister and find out her goals for her future portion of the land.
O4,S5,S12,W6	We can diversify our operation by getting into the organic beef business. Thomas Jr. and Julie are eager to learn. Dad may not understand this alternative and could cause some problems.
O5,W1,S5,S9,S12,W6	We could diversify our operation by getting into some type of agri-tourism. Thomas Jr. and Julie are eager to learn. We have abundant wildlife. Might cause a problem with our hunters. Might have to hire more labor. Dad may not understand this alternative and could cause some problems.
O6,W1	More wells would ensure adequate water supply for our business foundation.
O7,T5	Selling a portion of the land would ease the debt load, but what would we do?
T1,W1	MAJOR PROBLEM AREA FOR OUR BUSINESS FOUNDATION.
T2,W1	MAJOR PROBLEM AREA FOR OUR BUSINESS FOUNDATION.
T4,S4	Talk to sister and find out her goals for her future portion of the land.
T5,O7	If the problem gets too great, we can sell the land and relieve all debt.
T6	The foundation of our business does not receive much government assistance.
T7,W1	MAJOR PROBLEM AREA. THE FOUNDATION OF OUR BUSINESS RELIES PARTIALLY ON WHEAT GRAZING.
T8,O6	We can drill more wells. However, we may need the water with little warning.

