Opportunity management

**External Opportunities & Threats in SWOT Analysis: Examples & Definition**

SWOT/ Strengths, Weaknesses, Opportunities, Threats

## What is SWOT Analysis?

**SWOT analysis** is a structured process used by an organization in developing a strategic plan for goal and mission accomplishment. SWOT analysis consists of examining an organization's strengths, weaknesses, opportunities and threats in its business environment.

You can also think of SWOT analysis as the process of asking four important questions:

1. What makes us strong?
2. What makes us weak?
3. What opportunities are in the marketplace upon which we can capitalize?
4. What type of threats are out there that can undermine our organization, its goals, and its mission?

SWOT explores two types of environments: the internal environment, which focuses on strengths and weaknesses, and the external environment, which focuses on opportunities and threats. Today we'll be looking at the external environment, or external opportunities and external threats.

## Opportunities and Threats

**External opportunities** provide an organization with a means to improve its performance and competitive advantage in a market environment. Some opportunities can be foreseen, such as being able to expand a franchise into a new city, while some may fall into your lap, such as another country opening up its market to foreign business.

If you can think far enough ahead, you may even be able to create some opportunities, like a chess master being able to calculate the checkmate of his opponent in five moves just by looking at the board. For example, you may be able to see the potential of new products that can be developed from emerging technology. Prime examples of this type of foresight are the social media giants Facebook and Twitter.

**External threats** are anything from your organization's outside environment that can adversely affect its performance or achievement of its goals. Ironically, stronger organizations can be exposed to a greater level of threats than weaker organizations, because success breeds envy and competition to take what your organization has achieved.

Examples of external threats include new and existing regulations, new and existing competitors, new technologies that may make your products or services obsolete, unstable political and legal systems in foreign markets, and economic downturns. Sometimes you can turn a threat into an opportunity, such as a new technology that may displace one of your key products but also provides an opportunity for new product development.

## Examples of SWOT Analysis

Let's illustrate how these concepts work together with an example. Let's say you run a regional newspaper company. It's time for your semi-annual strategy session with your management team. As always, you use a SWOT analysis to help you get a picture of where things stand so you can develop a long-term strategy. You discuss your company's strengths and weaknesses and are ready to move on to external opportunities and threats.

The biggest threat facing your company is technology. The Internet is killing your subscription rate, and your ad revenue has plummeted over the past year. On the positive side, most of your print competition has been forced out of business. Your next step is to look at the opportunities available to you in the market. You and your team figure that if you can't beat the Internet, you should try to capitalize upon it.

You decide to transform the threat into an opportunity and take your newspaper online, charging a modest subscription. You'll redirect the focus of the newspaper to purely local and regional matters that are not reported on the wire services to differentiate your content from the major online news competitors. You also plan to commission a marketing research survey to figure out what your target market wants. Based on the results of the survey, you plan to beef up the content of your news platform to further differentiate yourself from the competition.

## Lesson Summary

Let's review. **SWOT analysis** is a structured process used by an organization in developing a strategic plan for goal and mission accomplishment. SWOT analysis consists of examining an organization's strengths, weaknesses, opportunities and threats in its business environment.

SWOT explores two types of environments: the internal environment, which focuses on strengths and weaknesses, and the external environment, which focuses on opportunities and threats. Today we looked at the external environment, or external opportunities and external threats.

**External opportunities** provide your organization with a means to achieve its organizational goals and mission. **External threats** can be anything that may adversely affect the performance of your organization and the achievements of its goals. But never fear - sometimes a threat can be turned into an opportunity.