

# Conducting a SWOT Analysis



## value-added & alternative agriculture

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### OVERVIEW

Every business operates within two intersecting environments. One is the “internal environment,” which consists of the things that a business person can control (such as the type of livestock or seed purchased, the feed or fertility method used, the farming practices implemented). The other is the “external environment,” which is made up of the factors that affect a business that a business owner cannot control (costs of materials, changes in regulations, competitive activities, market changes).

Another way to look at the internal and external environments is through what is often called the “SWOT” analysis: the Strengths, Weaknesses, Opportunities and Threats that a business faces.

### STRENGTHS

The strengths of a business are usually tied directly to the experience and financial capabilities of the owners and managers of the enterprise. Some questions to consider when analyzing the strengths of your business should include:

- What is my educational background, and how does it relate to this new venture?
- What experience do I have in operating a farm? a business?
- What kind of help (labor, advisory, support) do I have that will enable me to minimize the impact of any errors I might make?
- How much capital is available to me?
- What additional resources exist that I can use to build my knowledge and experience base?

### WEAKNESSES

Weaknesses are those areas in which we lack access to resources or where our inexperience might adversely affect our enterprise.

For many entrepreneurs, weaknesses usually center around the lack of a working knowledge of record-keeping and accounting practices and legal and regulatory issues, as well as a failure to understand fully the “big picture” of what it will take to make a business profitable.

Weaknesses can often be overcome through the use of other professionals (accountants, attorneys, knowledgeable consultants). A few courses from “The College of Hard Knocks” (i.e., experience) often address those areas which are new to us.

However, it is important for entrepreneurs to recognize that too many weak areas can set the stage for a serious and costly business mistake, and possibly even total failure. So, it is important that entrepreneurs carefully identify those parts of the operation that will benefit from outside assistance, and look for help.

## **OPPORTUNITIES**

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Opportunities are those “windows” that hold potential as profitable business ventures. Opportunities in value-added and alternative agriculture typically are found when we perceive that consumers have an unmet need or want. We then take steps to fill that unmet need, and hope to grow a business from that first step.

Along the way, we often find other opportunities that we can take advantage of to benefit the business: offering good and responsive customer service; providing door-to-door delivery; being price competitive; providing a slightly different product from other suppliers of similar products.

The important thing to remember is that before we go after a perceived opportunity, a little market research and some business planning can confirm how truly viable the opportunity is. Many opportunities turn out to be the “mirage in the desert,” so take time to make sure the opportunity really exists before you strike out and possibly lose a lot of money.

## **THREATS**

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Just as weaknesses are the flip side of strengths, so are threats the opposite side of opportunities. Threats are those aspects of the business environment which challenge our strategies and our opportunities. Threats can come from several different sources: the entry of new competitors into the marketplace; changes in what current competitors offer; legal and regulatory changes; new consumer preferences; economic changes.

Good strategic planning is an important way to reduce the damage caused by threats. Without a set of contingency plans, the threat can “wag the dog,” and cause an agri-business owner to react to the threat in a way that may jeopardize the overall health of your operation. Keep your eyes and ears open to new developments, and identify ways to cope with the change that is inevitable!

## **RESOURCES**

For a free SWOT analysis template, go to:

**<http://www.businessballs.com/swotanalysisfreetemplate.htm>**

Another SWOT profile is available at: **<http://www.netmba.com/strategy/swot/>**

Overview of how to start an alternative agriculture business:

**<http://agalternatives.aers.psu.edu/farmmanagement/startbusiness/tartingAgBusiness%20PM7.pdf>**