

EXTERNAL ANALYSIS

CAPITALIZE OPPORTUNITIES | RECOGNIZE THREATS



CREATING SUCCESS THROUGH
FINANCIAL LEADERSHIP

EXTERNAL ANALYSIS

During times of strategic planning, it's important to not only assess the internal factors that impact your company but your external environment as well. As part of performing a SWOT Analysis, an external analysis allows you to either discover or confirm your core competencies.



WHEN PERFORMING AN EXTERNAL ANALYSIS, THERE ARE TWO VARIABLES THAT MUST BE ADDRESSED:



These variables could be comprised of several external environmental factors such as:



The key question you must ask before you start assessing your opportunities or threats is *"Would this still be an issue if my company didn't exist?"*

If it would still be an issue, then categorize it as either a harmful or helpful external factor.

CASE STUDY

Al Danto, entrepreneurship professor at Rice University, sees great value in performing a SWOT Analysis. Before he launched Universal Worker Inc. (UWI), he performed a SWOT Analysis that carried him through the seven-year venture (1999-2007).

Danto started UWI because he saw great demand in the market for nurses. There was a severe shortage of nurses in the United States throughout the late 1990s. The solution came about when his partner saw an opportunity to essentially import nurses from the Philippines. Danto's partner was from the Philippines, had his Ph.D in both the Philippines and the United States, and was willing to train nurses in the Philippines to American standards. Danto's partner became a conduit between the Philippines and the United States nursing programs.

Their goal was to provide a solution to the severe shortage of nurses. Before they began executing, they put together a SWOT Analysis. By having this in their back pocket, UWI was standing on a firm foundation. This analysis allowed them to look at everything, determine if the benefits outweighed the risks, craft their marketing messages, and gave them the wherewithal to address problem areas quickly and smoothly.

It's correct to assume that there are some major strengths, weaknesses, opportunities, and threats associated with executing an operation of this magnitude. For the purposes of performing the first half of a SWOT Analysis, we'll focus on the strengths and weaknesses that UWI identified.



OPPORTUNITIES

In your external environment, there are often many opportunities that are not taken advantage of. This part of the external analysis is where you are able to get creative. Opportunities have uncertain risks that require resources to be spent in order to exploit; great rewards can be produced if leveraged properly. Successful companies want to both exploit opportunities and expand their capabilities to serve their customer.

OPPORTUNITIES AT UNIVERSAL WORKERS INC. (UWI):

LET'S LOOK AT THE CASE STUDY. SOME OF THE OPPORTUNITIES IDENTIFIED IN THE SWOT ANALYSIS INCLUDE:

- 460,000 critical nursing positions vacant
- The opportunity to impact traditional healthcare operations in a positive way in keeping with industry trends to reduce costs
- The application of an Internet-based system to facilitate national and international contracts and expand overall market potential

ASK QUESTIONS

ASK KEY MANAGEMENT AND KEY EMPLOYEES THE FOLLOWING QUESTIONS:

- What external environmental factors are you currently exploiting?
- What external environmental factors are you not currently exploiting?
- What are your competitors exploiting in their external environment?
- Does your accountant provide you with a good tax strategy? How do you know?
- Is your bank providing you with a sufficient working capital base?
- Is there a demand for your product or service?

EXPLOIT, EXPAND.

THREATS

In addition to opportunities being present in the marketplace, there are often many threats that are not noticed or prepared for. This part of the external analysis is where you find all of the possible risks pressing against your company.

Threats are barriers presented by external factors that prevent your company from reaching goals or objectives.

THREATS AT UNIVERSAL WORKERS INC. (UWI):

SOME OF THE THREATS IDENTIFIED IN THE SWOT ANALYSIS INCLUDE:

- Existing online recruiting sites
- Hospitals that believe that they can recruit more cost-effectively internally than by hiring a consultant
- Passage of legislation that would limit the number of workers allowed in the United States
- Low barrier of entry into the market
- Competition that could drive the margins down and make recruitment more difficult

ASK QUESTIONS

ASK KEY MANAGEMENT AND KEY EMPLOYEES THE FOLLOWING QUESTIONS:

- Would this still be an issue if your company didn't exist?
- Where is your company struggling? Is there an external factor associated with that struggle?
- Are there any legislations or regulations that act as a barrier?
- Is the market currently saturated? In a decline?
- Are there new technologies that would replace what your company is offering?

OVERCOME OBSTACLES.

EVALUATION OF CASE STUDY

Evaluating opportunities and threats is a necessary part of performing a SWOT Analysis. The External Analysis performed on UWI found that their ability to create something new and to continually adapt was one of the most valuable assets the company had. With the venture starting in the late 1990s, the Internet proved to be the biggest hurdle right below immigration policies. But because they had created plans in response to opportunities and threats they had originally predicted, they were prepared to take action.

By identifying their opportunities and threats, UWI was ready to respond to those situations throughout the duration of the venture. It created a strong foundation for Al Danto and his team. The key is to not only perform a SWOT Analysis but to refer to it over time to be able to take calculated risks... Such as selling your company at the right time.

UWI entered the market when immigration laws were loose in the 1990s through the first half of 2001. After 9/11 occurred in the United States, UWI had to react to the tightened immigration laws. In 2006-07, the United States tightened labor supply from outsourcing. UWI reacted quickly and sold the company before they saw any decline.

To continue expanding on your external analysis, complete the following analyses:

- Customer analysis
- Environmental analysis
- Market analysis
- Competitive analysis

While these aren't always necessary, it's wise to understand your threats or opportunities before you further investigate the factors behind those external factors.



Remember, you want to optimize your opportunities and reduce your threats.

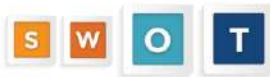


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