



## **A SWOT is a Great Tool for Good Decision Making**

Many of us have been hypnotized with the illusions of success and greater wealth from new markets for our company's services. If we could add new markets or new services; perhaps acquire another company, could we not take our current revenues and profitability and just double them with the addition of a new market or acquisition of another company? Could we not just take our current team, our operation, overlay it on a new operation, and hit a home run on profitability?

Business owners for centuries have been drawn by this siren of greater riches and many have followed this allure to the failure of their businesses. Many of us have been approached by individuals or companies offering their existing expertise or perhaps their business, for a price that was too good to pass up. Emotion got the better of us and we leaped into new ventures seeking new markets, before we truly knew what we were getting into. Unfortunately over time the problems of this new business appeared. Perhaps: the person who brought the idea, was not as qualified as he portrayed; the company we acquired was not as profitable as it looked on paper; the new market we entered was far more competitive than we were told; or the most frequent problem our existing team and resources were not equipped or sufficient to handle the new business

It is critically important to evaluate, to the best of our ability, any new business opportunity before committing our money and our resources to the new venture. This process of evaluating and weighing opportunities is known as due diligence. Due diligence is a series of processes that comprise the act of investigating a business, a market, an asset, or an individual, prior to entering a new market; acquiring a new business; or entering into a contract.

One very simple and effective step in the due diligence process is a SWOT evaluation. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. It is a more detailed version of the Pro's and Con's list many of us are familiar with. The SWOT allows us to put down on paper, honestly and thoroughly, our existing resources, and operations against the actual requirements and issues a new market, or new venture, command.

A SWOT helps an owner make a better decision about the potential for a new venture. For those impulse buyers amongst us owners, yes the SWOT will take a little more time to put together but the SWOT will help you avoid the financial and emotional damage that buyer's remorse always brings.

The Strengths are always a great place to start as we get to list those things our company does well. Things like great estimating, strong cash flow, excellent project management, great reputation in the market; may appear on our list here.

Next are the lists of our weaknesses where we have a tougher time being honest and thorough about our businesses. Here we write down challenges such as; lack of experience in the new market; limited staff; limited financial resources to sustain new business as it gets up and going; or need to hire people who are more experienced in the market. Perhaps we do not have a business development team; we don't do a good job at sales management; or our job costing is not consistent.





Opportunities allow us to evaluate the true benefits that a new market or business will provide our company. A business that has higher profit margins; a market that offers negotiated work and the ability to build relationships; a quality project manager or estimator is available to help us penetrate the market; our brand and reputation will get us the opportunity to bid this new work.; are items that may comprise this list.

Threats are where we list what problems a new venture will present to our existing operation. We must not compromise or damage our core business at the expense of a new venture. Too many people rely on us and our own security, rests on good business decisions. Threats could be: investment by owner back into the business; dominant market players are already in the market space; cost to get market share is substantial; our staff is already over worked with our current level of business.

The SWOT then becomes the basis, and the starting point of a strategic plan and business plan identifying the issues and action steps we will need to address as we integrate a new venture into our existing business.

STRENGTHS (what do we do well)

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WEAKNESSES ( What we do not do well)

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OPPORTUNITIES ( What benefits could will realize from the new business)

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THREATS ( How could the new venture damage or effect our existing business)

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