
Chapter 4

The Internal Assessment

**Strategic Management:
Concepts & Cases
10th Edition
Fred David**

Nature of an Internal Audit

Basis for Objectives & Strategies

- **Internal strengths/weaknesses**
 - **External opportunities/threats**
 - **Clear statement of mission**
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Internal Audit

Parallels process of external audit

- **Information from:**

- **Management**
 - **Marketing**
 - **Finance/accounting**
 - **Production/operations**
 - **Research & Development**
 - **Management information Systems**
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Resource Based View (RBV)

Approach to Competitive Advantage

Internal resources are more important than external factors

Resource Based View (RBV)

3 All Encompassing Categories

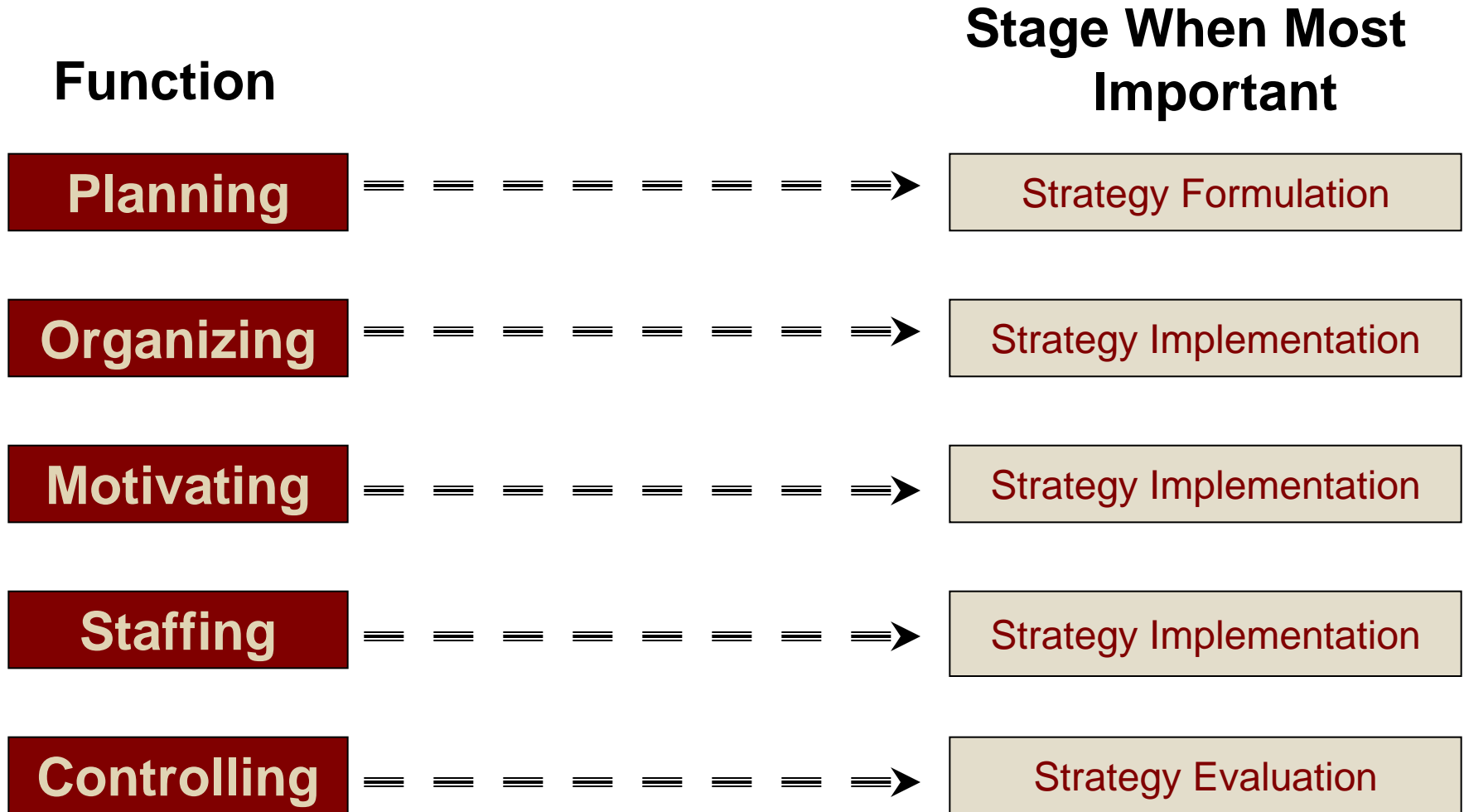
1. Physical resources
 2. Human resources
 3. Organizational resources
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Resource Based View (RBV)

Empirical Indicators

- Rare
 - Hard to imitate
 - Not easily substitutable
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Management



Marketing

Customer Needs/Wants for Products/Services

1. Defining
2. Anticipating
3. Creating
4. Fulfilling



Marketing

Marketing Functions

- 1. Customer analysis**
 - 2. Selling products/services**
 - 3. Product & service planning**
 - 4. Pricing**
 - 5. Distribution**
 - 6. Marketing research**
 - 7. Opportunity analysis**
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Finance/Accounting

Finance/Accounting Functions

- 1. Investment decision (Capital budgeting)**
 - 2. Financing decision**
 - 3. Dividend decision**
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Production/Operations

Production/Operations Functions

- **Process**
 - **Capacity**
 - **Inventory**
 - **Workforce**
 - **Quality**
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Research & Development

Research & Development Functions

- **Development of new products before competitors**
- **Improving product quality**
- **Improving manufacturing processes to reduce costs**



Management Information Systems

- Information Systems
 - Security
 - User-friendly
 - E-commerce
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IFE Matrix

- List key internal factors. (10 – 20 Factors)
 - Assign a weight that ranges from 0 (not important) to 1.0 (very important) to each factor
 - Assign 1 to 4 rating to each factor (major weakness to major strength)
 - Multiply each factor
 - Sum the weighted scores.
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IFE– Gateway Computers (2003)

Key Internal Factors	Weight	Rating	Wtd Score
Strengths			
1. Several new senior executive with world-class skills and leadership experience	0.05	4	0.40
2. Continuous decline in operating costs and cost of goods sold	0.05	3	0.15
3. Well-known brand name	0.05	3	0.15
4. Consumer Reports (Sept 2002) recommended Gateway 500X as #1	0.10	4	0.40
5. As a direct seller, Gateway holds high brand recognition	0.05	3	0.15

IFE– Gateway Computers (2003)

Key Internal Factors	Weight	Rating	Wtd Score
Strengths (cont'd)			
6. Gateway is diversifying into non-PC products	0.10	3	0.30
7. Good relationship with its suppliers.	0.05	4	0.20
8. Economies of scale, the 6 th largest PC maker I the world	0.05	4	0.20
9. Gateway retails stores excellent	0.05	3	0.15

IFE– Gateway Computers (2003)

Key Internal Factors	Weight	Rating	Wtd Score
Weaknesses			
1. High operating expense (22% of revenue vs. 10% for Dell)	0.05	3	0.15
2. Almost no budget for R&D vs. Dell's 18% of revenue	0.10	1	0.05
3. Low return on assets ratio	0.025	1	0.10
4. No niche market	0.025	2	0.05

IFE– Gateway Computers (2003)

Key Internal Factors	Weight	Rating	Wtd Score
Weaknesses (cont'd)			
5. Shortage of cash due to successive losses	0.10	2	0.20
6. Limited number Gateway stores	0.05	2	0.10
7. Weak performance in overseas market	0.10	2	0.20
TOTAL	1.00		2.85