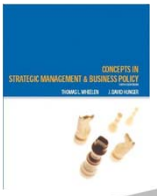
Internal Scanning: Organizational Analysis



External and Internal Analysis

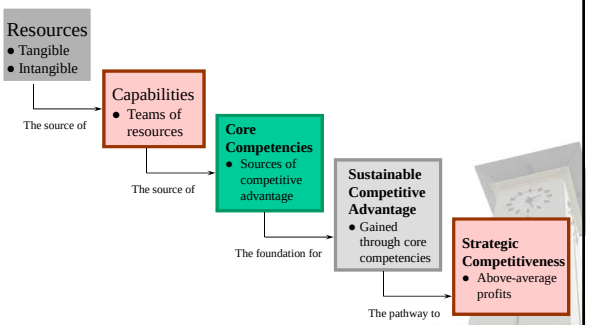
By studying the external environment, firms identify

- what they *might* choose to *do*

By studying the internal environment, firms determine

- what they *can do*

Components of Internal Analysis



The Challenge of Internal Analysis

Condition → Uncertainty
regarding characteristics of the general and the industry environments, competitors' actions, and customers' preferences

Condition → Complexity
regarding the interrelated causes shaping a firm's environments ***and*** perceptions of the environments

Condition → Intraorganizational Conflicts
among people making managerial decisions ***and*** those affected by them

Types of Resources

Tangible Resources

- Financial Resources
  - Internal cash flow
  - Borrowing capacity
- Physical Resources
  - Plant and equipment
  - Raw materials
- Human Resources
- Organizational Resources

Types of Resources

Intangible Resources

- Technological Resources
  - Patents, trademarks, copyrights, trade secrets
  - Knowledge to leverage the above
- Resources for Innovation
  - Technical employees
  - Research facilities
- Reputation
  - With customers (brand names)
  - With suppliers

2010 Global Brand Values

1. *Coca-Cola*	$70.5	17. *Apple*	21.1
2. IBM	64.7	23. *Pepsi*	14.1
3. Microsoft	60.9	25. Nike	13.7
4. *Google*	33.6	31. UPS	11.8
5. GE	42.8	41. Dell	8.9
6. McDonald's	33.6	57. *Nestle*	6.5
7. Intel	32.0	76. Tiffany	4.1
8. Nokia	24.5	84. *Gap*	3.9
9. Disney	28.7	97. Starbucks	3.3
10. HP	26.8	100. Burberry	3.1

*(in billions) Source: **Interbrand**, September, 2010*

Resource Imitability

Cannot Be Imitated:
- o ***Patents***
- o ***Unique Locations***
- o ***Unique Assets***

Difficult to Imitate:
- o ***Brand Loyalty***
- o ***Employee Satisfaction***
- o ***Reputation***

Can Be Imitated (but may not be):
- o ***Capacity Preemption***
- o ***Economies of Scale***

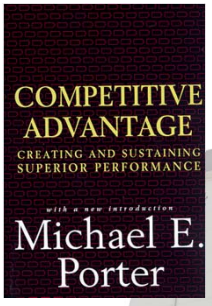
Easy to Imitate:
- o ***Cash***
- o ***Commodities***

Capabilities

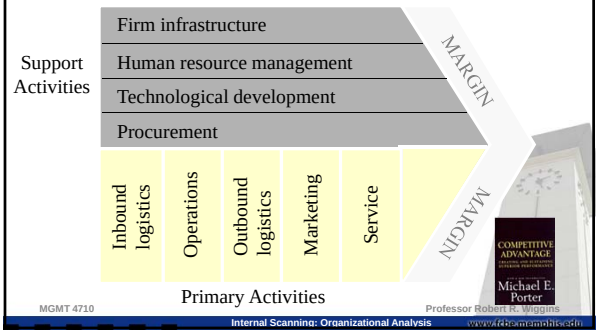
- Firm's capacity to deploy integrated resources
- Primary basis skills and knowledge of employees
- Typically developed in functional areas
  - Manufacturing
  - Research and Development

Porter's Value Chain

- Based on the IO Model
- Harvard 1985 and on
- Boston Consulting Group
- All U.S. MBA curricula
- Recruiters
- Common language

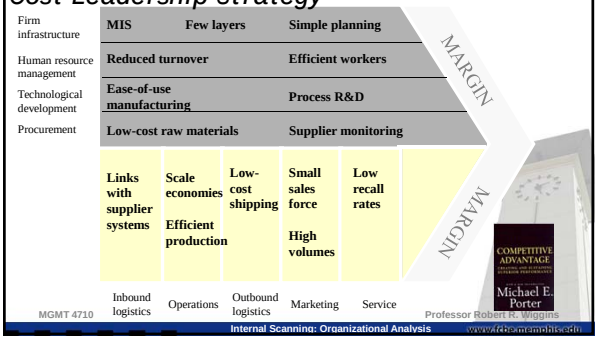


The Value Chain



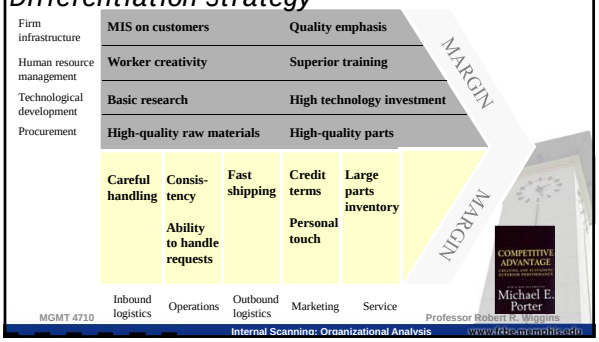
The Value Chain

Cost Leadership Strategy



The Value Chain

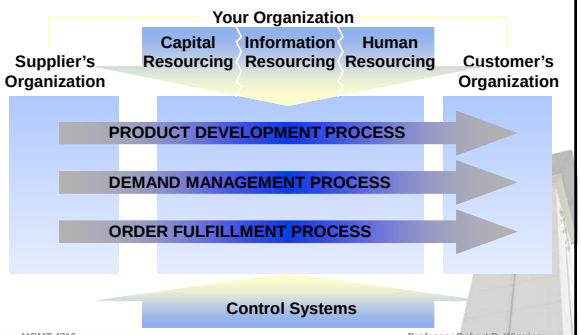
Differentiation Strategy



Value Chain Analysis

- Causal Ambiguity
- Benchmarking
- Experimentation
- Outsourcing

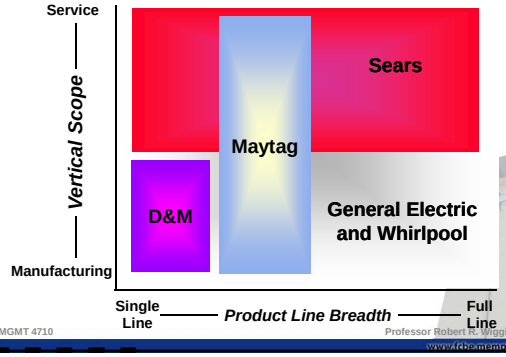
Generic Model of Core Processes and Systems



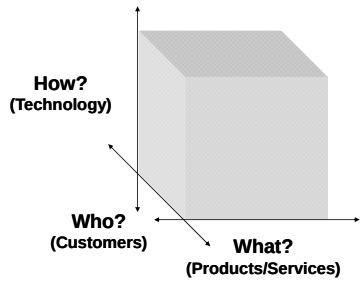
Defining the Scope of a Business

	Supply Perspective	Demand Perspective
Functions Provided	The goods and services provided by the business	The customer's needs met by the business
Technology Employed	The means by which goods and services are provided	The functions and processes that intermesh with those of customers to meet their needs
Customers Served	The market segments(s) targeted by the business marketing strategy	The customers who have needs potentially met by the business's goods and services

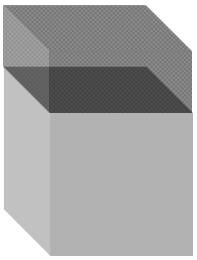
Product Space Mapping



Competitive Space



Nucor Steel



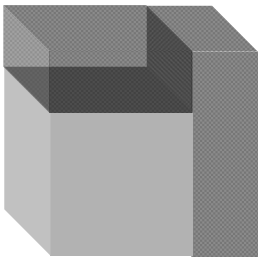
How?
(Technology)

New Manufacturing Technology (Minimills)

Who?
(Customers)

What?
(Products/Services)

Japanese Auto Invasion



How?
(Technology)

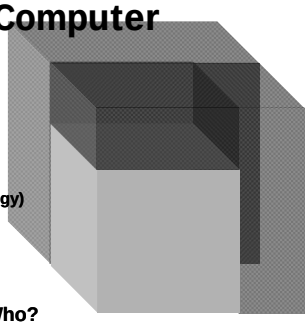
New Manufacturing Technologies (JIT, TQM)

New Product Segments (Small Cars)

Who?
(Customers)

What?
(Products/Services)

Apple Computer



New Customers ("The Rest of Us")

How?
(Technology)

New Product Technologies (GUI)

New Product Segments (Personal Computers)

Who?
(Customers)

What?
(Products/Services)

External Factor Analysis Summary (EFAS)

External Strategic Factors	Weight	Rating	Weighted Score	Comments
Opportunities	1	2	3	4	5
Threats				
Total Weighted Score	1.00			

External Factor Analysis Summary (EFAS): Maytag as Example

External Strategic Factors	Weight	Rating	Weighted Score	Comments
Opportunities	1	2	3	4	5
• Economic integration of European Community	.20	4	.80	Acquisition of Hoover
• Demographics favor quality appliances	.10	5	.50	Maytag quality
• Economic development of Asia	.05	1	.05	Low Maytag presence
• Opening of Eastern Europe	.05	2	.10	Will take time
• Trend to "Super Stores"	.10	2	.20	Maytag weak in this channel
Threats				
• Increasing government regulations	.10	4	.40	Well positioned
• Strong U.S. competition	.10	4	.40	Well positioned
• Whirlpool and Electrolux strong globally	.15	3	.45	Hoover weak globally
• New product advances	.05	1	.05	Questionable
• Japanese appliance companies	.10	2	.20	Only Asian presence is Australia
Total Scores	1.00		3.15	

Internal Factor Analysis Summary (IFAS)

Internal Factors	Weight	Rating	Weighted Score	Comments
Strengths	1	2	3	4	5
Weaknesses				
Total Weighted Score	1.00			

Internal Factor Analysis Summary (IFAS): Maytag as Example

Internal Factors	Weight	Rating	Weighted Score	Comments
1	2	3	4	5
Strengths				
• Quality Maytag culture	.15	5	.75	Quality key to success
• Experienced top management	.05	4	.20	Know appliances
• Vertical integration	.10	4	.40	Dedicated factories
• Employee relations	.05	3	.15	Good, but deteriorating
• Hoover's international orientation	.15	3	.45	Hoover name in cleaners
Weaknesses				
• Process-oriented R&D	.05	2	.10	Slow on new products
• Distribution channels	.05	2	.10	Superstores replacing small dealers
• Financial position	.15	2	.30	High debt load
• Global positioning	.20	2	.40	Hoover weak outside the United Kingdom and Australia
• Manufacturing facilities	.05	4	.20	Investing now
Total Weighted Score	**1.00**		**3.05**	