
Course Learning Outcomes for Unit III

Upon completion of this unit, students should be able to:

3. Analyze external and internal audit processes.
9. Assess the strategy evaluation process.

Reading Assignment

Chapter 3: The External Assessment

Chapter 4: The Internal Assessment

Unit Lesson

External Assessments

During this unit, we will explore the factors that impact an internal and external assessment. Let us begin with the external assessment. To effectively develop a successful strategic plan, the organization must be aware and adapt to the external environments. These environments include identifying and incorporating trends affecting their stakeholders. These trends can shift and be affected by the economy, competition, tax burdens, and many other factors.

Take a look at the Chipotle Mexican Grill Case Study on the bottom of page 60 of your course textbook. Chipotle is a chain of about 1,700 restaurants in the United States and in several other countries. Chipotle Mexican Grill is considered as a fast, casual dining establishment whose vision statement is *Food With Integrity*. It extends many benefits to its salaried, part-time, and entry-level workers. It tries to meet society's expectations for the humane treatment of animals. Unlike its competitors, it is experiencing revenue growth of about 20% a year. The restaurant sector grows about 1% annually. Consider the sustainability of the Chipotle business strategy that invests in its workers, promotes its managers from within, and insists on humane operations. Do you think it will be able to maintain its revenue growth in 5, 10, and 20 years in a changing economy and with potential new competitors? What strategies would you recommend for them?

Let us also consider external assessments outside of the United States. What happens when a company has reached its fullest potential within the United States? Should they remain steady, or should they seek global opportunities? Many organizations to include retailers, fast food, and other entities have expanded internationally to grow their companies. Examples include Starbucks, McDonalds, and Walmart, which can be found in many different countries. In addition, you may notice outside companies expanding within the United States. A prime example is Ikea, who continuously grows their North American operations. Organizations also consider the economic outlook before proceeding with development in a country. For example, China has had a decade long economic boom, and many corporations have taken this opportunity to expand into new territories, thus increasing our overall reliance on a global-based community. Take a look at the chart located on page 64 of your textbook—Table 3-2 Ten Advantages of a Strong Dollar for Domestic Firms. Which do you think is more beneficial for a domestic organization? A strong or weak dollar?

Other external factors often affecting a corporation include political, governmental, and legal challenges both domestically and abroad. One issue with a clear divide is minimum wage and a living wage. The minimum wage is determined by the government, while a living wage can be influenced by the corporation and other competing factors. Another governmental external factor is the Healthcare Reform Act, which requires corporations to provide health insurance for their employees. This cost can be expensive to the company and

is generally passed on to consumers and also may decrease the overall salary of the employee. Another challenge is deciphering whether to tax or not to tax Internet commerce. Many states feel they are losing out on needed revenue due to the tax free association with Internet sales. Some states have lobbied and passed bills to formally tax all Internet sales transactions. Amazon.com has been an opponent of taxation but must abide by the state requirements.

As we have learned, the external assessment can be a very powerful tool if approached with the correct perspective. If the external assessment is used in a punitive way to restructure leadership or redesign the business structure, we have missed the boat on the real power of the external assessment. As leaders, we need to have a general understanding of the industry and be able to identify areas in which competitors are vulnerable and be able to predict potential moves that competitors might make that could be a threat to us. Successful businesses are constantly looking in the rear view mirror while, at the same time, looking well into the economic future (David & David, 2017). The key is to constantly be aware of the needs of the customer. “When customers are concentrated or large in number or in volume, their bargaining power represents a majority force affecting the intensity of competition in an industry” (David & David, 2017, p. 74), thus the external assessments utilized by the business need to be sensitive to the consumer.

Internal Assessments

There is not a one size fits all related to an internal assessment of an organization. There are multiple types of organizations to include colleges, hospitals, retailers, and government. These entities all function differently and often need a customized assessment to truly assess their performance. An internal audit is the organization’s self-evaluation of their strength and weaknesses. The audit can better illustrate how an organization’s departments are incorporated and how modifications and updates can be implemented. It is also just as important to ensure the organization properly communicates their intent and expectations of an audit to their employees.

Every organization has an organizational culture. Let us use an example of the U.S. Armed Forces; the Army and Air Force have a very distinctive culture, even though they are both on the same side and work toward the same goals. An organizational culture is defined by a pattern of behavior that an organization has developed to handle a problem or external threat. New members coming into the organization will often be integrated into the organization’s culture, thus continuing the pattern of behavior. These examples include ceremonial, values, beliefs, and rituals.

Management and Marketing

There are five main characteristics related to the activities of management. These include planning, organizing, motivating, staffing, and controlling.

Function	Description	Stage of Strategic Management	Example
Planning	Preparing for the future.	Strategy formulation	Planning for the next release of a product or service.
Organizing	Job description, control and coordination.	Strategy implementation	Coordinating the efforts to release the product to include where and how.
Motivating	Shaping human behaviors	Strategy implementation	Encouraging the company’s sales associates to become excited and

			motivated by the release of the new product. This excitement will trickle down to the consumer and other stakeholders.
Staffing	Human resource management	Strategy implementation	Identifying the right personnel for the organization to include implementers, managers, and leaders.
Controlling	Results oriented, rewards, sanctions	Strategy evaluation	Identifying goals and rewards for top sales person(s) for the new product release.

Marketing

Marketing includes the process of creating and fulfilling a customer's needs and wants for a particular service or product. Let us use an example of the energy drink "Red Bull." Who are the commercials targeting for this beverage? The target audience can be a demographic of adventurous young adults who are seeking new challenges. The commercials promote that Red Bull "gives you wings," thus you will feel a huge rush of energy and will have the ability to keep going well into the night. Red Bull must also consider pricing and distribution in an effort to remain relevant and profitable. For example, do you feel Red Bull would be a drink of choice at an affluent sushi bar, or would this drink be more appropriate at a sporting venue or a late night concert?

Reference

David, F. R., & David, F. R. (2017). *Strategic management: A competitive advantage approach, concepts and cases* (16th ed.) [VitalSource Bookshelf version]. Retrieved from <https://online.vitalsource.com/#/books/9780134167947>

Suggested Reading

The chapter presentations below will provide you with additional information on this unit's concepts.

Click [here](#) to access the PowerPoint version of the Chapter 3 Presentation.

Click [here](#) to access the PDF version of the Chapter 3 Presentation.

Click [here](#) to access the PowerPoint version of the Chapter 4 Presentation.

Click [here](#) to access the PDF version of the Chapter 4 Presentation.