# Course Title: C.1.2.2 Internal Company Analysis

# Abstract:

Internationalisation is a process that touches all units of the organisation. In order to understand the capabilities for the company to internationalise you need to have a good internal analysis. This could entail applying a lot of different models, concepts, and frameworks. But it is best to look at the parts of the organisation that will influence the internationalisation most; by looking at what adds the most value, are the most essential resources, and the financial capacity. The tools provided in course 1.2.2 will help to determine where the capabilities are by means of a more systematic methodology of applying a model. The outcome of this process is the input for the SWOT and further internationalisation strategy development.

Porter’s value chain is considered to be a tool to create more customer value. An analysis of where in the company’s activities added value is created. By focusing on mastering those activities that are considered core to the delivery of value the organisation can gain an extra competitive edge. The outcome of this analysis is to understand what is essential to the success, and in combination later with the opportunities and threats in the external environment, it can be decided if what is successful in the home market eventually can also be successful in the target market.

The portfolio analysis BCG Matrix focuses on the products of the organisation. Although the model describes the product in the market (external environment), it is about the strategic decision to continue or discontinue and diversify or not. It is important to understand the Product Life Cycle to see if there is a solid basis to bring the product to new markets. It is about ensuring long-term value creation and understanding that there needs to be a balance between products with high growth and high cash demands and products with low growth, but high cash generation.

Financial Ratio analysis describes the financial health of the organisation, it helps to ensure the long-term growth and provide the basis for financial planning.

# Learning Objectives:

* Learning Objective 1: Being able to determine the strengths and weaknesses of the organisation
* Learning Objective 2: Use models to analyse the internal environment of the organisation
* Learning Objective 2: To do a limited financial analysis in order to determine the potential for growth

# Assessment Method:

**Class activity 1**

Students should have access to the Internet: they visit the website of IKEA and think of their own experiences when visiting an IKEA store or when consulting an IKEA catalogue. Students write, individually, an answer to the question in 10 minutes. In 5 minutes, you let students answer in class; a short class discussion can follow.

**Class activity 2**

Students should have access to the Internet. Let the students search in pairs on the Internet for companies that are marked as cash cows in articles. They need to check if market growth is low and market share is high so that it would indeed classify as a cash cow in the Boston Matrix. If the information on the Internet is older, they should try to find more recent information to see if the product is still a cash cow. If not, let them find the new position. You would expect that the product becomes a dog after a while. Total time should not exceed 10 minutes.

**Homework: Financial Ratio Analysis**

Students need to find an SME that published its financial data. They should search to determine liquidity (current ratio or net working capital), solvency ratio and debt ratio, profitability of total assets, profitability of equity, and profit margin. Student can work in pairs. They need to write a small paper describing the activities of the SME, some key facts, and the financial ratios. In a short conclusion, they need to tell if they consider the firm to be financial sustainable. Can the students recommend that the organisation invest in internationalisation based on the ratios? Students should write a 2-page A4 paper, 2-hour workload per student.

# Comment:

Blue is for interactive parts, Orange for self-study time of students.

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| Session # | Session Content | Method(s) | Learning Objectives of Session | Material | Time (mins.) | Comments |
| 1 | **Internal Analysis** |  |  |  | **80** | **2hrs 20 min self-study** |
| Introduction to Internal Analysis | PPT lecture | Introduction to the topic and relating it to previous knowledge | PPT lecture (Slides 1-6)  ((Video 8.47 min) on slide 3) | 15 | If you do not have enough time, let them watch the video at home |
| Product Life Cycle  Discuss learning from videos | PPT lecture | Learning objective 2 | Slide 11 | 5 | Self-study at home: watch videos slides 7-10 (20 mins.) |
| Porters Value Chain | PPT lecture | Learning objective 1 and 2 | Slides 12-15 | 10 |  |
| Value chain of IKEA | Class activity 1 | Learning objective 1 and 2 | Slide 16 (solution video on slide 17) | 15 | Students write individually an answer to the question in 10 minutes. Spend some minutes on collecting the answers of students. |
| Portfolio Analysis Boston Consulting Group | PPT lecture | Learning objective 1 and 2 | Slide 18 | 5 |  |
| Cash cows? | Class activity 2 | Learning objective 1 and 2 | Slide 19 | 15 | Students work in pairs. Lecturer collects answers in class. |
| Financial Ratio Analysis | PPT lecture | Learning objective 3 | Slides 20-25 | 10 | Homework on p. 26. (2 hrs) |
| Summary |  |  |  | 5 |  |