

CHAPTER 4 - Internal analysis and resource capability audit

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4.3 The 9Ms framework

Active reading. Note how the 9Ms framework provides a range of areas under which the resources and capabilities of the organization can be assessed. Think about the interdependencies of the elements and how they will all need to be consistent with the overall strategy of the organization to achieve the objectives.



Video link [Resource audit and the 9 Ms framework](https://www.youtube.com/watch?v=SVXrL9TggJo)

[\[https://www.youtube.com/watch?v=SVXrL9TggJo\]](https://www.youtube.com/watch?v=SVXrL9TggJo)

A common framework that can be used to aid a structured review of resources and capabilities is known as the 9Ms framework. Although not strictly an academic framework, it provides a series of headings under which the entire organization can be reviewed.

- Manpower - men and women
- Management
- Money
- Makeup
- Machinery
- Methods
- Markets
- Materials
- Management information

Manpower - men and women

Men and women include anything to do with human resources. It is not just about how many people are employed, but whether they have the right skill set and experience. It raises questions such as, are the recruitment and retention strategies working? Is the organization undertaking

enough staff development to keep the skill base current and the staff motivated? It is essential to bear in mind that an organization obtains its human resources from its task environment, so there is a strong link between the resources and environmental trends. Certain industries require certain skills.

A key message is that the internal analysis is not undertaken in isolation and is not just about assessing the current capability but assessing the supply of, and the ability to acquire, future resources from the environment. As with most resources, their acquisition involves financial aspects where the accountant can provide expertise and assistance to the HR professional to evaluate potential strategies. For example, changes to the pay and benefits package to reward, improve retention and recruit staff, and to assess the overall impact on profitability. It is accepted that in large organizations, the HR professionals will be equipped with this expertise. Still, the accountant is a valuable resource and has an overview of the financial situation that other functional specialists may not have.

Management

The element of management is not just whether the organization has a management team, but does the organization have an appropriate management structure, that is, is decision making centralized or decentralized, and is that appropriate? Linking this to human resources (men and women), a review of the skill base within the senior management team can be included to ascertain whether the management has the correct skill set or mix of skills to cope with future strategies.

Money

Money is not just about how much money the organization has now, but the organization's ability to raise sufficient finance in the future to finance the chosen strategy, that is, what does the balance sheet look like, current levels of gearing, assets for security, and so on. This also serves to illustrate that elements of the 9Ms framework are not to be viewed in isolation. For example, the asset base, considered under the heading of machinery, can have an impact on future finances. Assets can be used as a source of security for a loan or can create the need for additional investment to replace aging assets.

Makeup

Makeup refers to the organization's structure and culture. The question being posed relates to whether the organization has the right structure and culture to successfully implement the chosen strategy, given the changes in the environment? For example, a more dynamic and complex environment may require a shift to a more flexible and decentralized organization structure, granting autonomy to business units to facilitate speedy responses to competitor actions.

Machinery

The heading of machinery refers to all assets. It includes reviewing aspects such as the age of assets and whether the organization has the finance available to replace them when required—reviewing whether the technology being used is up-to-date or it is putting the organization at a disadvantage? The asset value can also be considered under this heading. For example, organizations in high street retailing or property management would be interested in what is happening to the value of the asset base.

Methods

Methods refer to the way of working and asks questions such as, could things be done more efficiently and more effectively? This could include manufacturing, design, administration, and customer service—indeed, in any activity undertaken by an organization. Techniques such as benchmarking (see section 10.9) or analysis of the value creation system (section 4.9) could be used to explore if the organization’s performance can be improved.

Markets

The markets heading facilitates a review of the markets in which the organization currently operates or is planning to enter. This could mean withdrawing from markets as well as expanding into new markets. Portfolio analysis, such as the Boston Consulting Group matrix (section 4.5), can be used to help review the product portfolio and the markets in which the organization operates. This analysis aids the development of strategies to manage the balance of the portfolio and the relative competitive position.

The product life cycle (section 4.4) is a useful tool as organizations need to assess where products are within their life cycle. This assessment again illustrates the link to the environmental analysis as any change in the environment could potentially impact on the product mix and product life cycle. For example, changing social trends, such as a change from voice to text communications, or political influences, such as governments setting targets to ban the sale of fossil fuel vehicle, or legal changes, such as increased fire resistance standards on building materials, or environmental factors, such as increased pressure from consumer groups to enhance the recyclability of products. Customer profitability analysis can also be considered under this heading (section 4.7). Not all customers provide the same level of profitability due to the different demands placed on the organization's resources, which results in varying degrees of “costs to serve.”

Materials

The materials heading includes an evaluation of supplier relationships (section 4.10) as well as changes in the materials that are used. Aspects such as reliability, quality, cost, and location

relative to supply can be evaluated. Do current suppliers have the capacity to grow with the organization? If not, then alternative suppliers need to be sought, or the possibility of dual sourcing needs to be considered.

Management information

The heading of management information encompasses reviewing the capability of the systems to provide the information to managers required to manage the business effectively and to develop, implement, evaluate, and monitor strategy. Many organizations find that they are still relying on the information systems and technology installed ten years ago but that the business has changed. Consequently, the managers do not have access to the information they need to run the company as it is now.

Information systems develop entropy over time and become less useful, unless the information provided keeps pace with the business as it grows, develops, and changes in response to the environment. Legacy systems, including the financial systems, have developed in a piecemeal fashion, often by implementing workarounds to cope, only to find that the lack of integration creates inefficiencies such that the cost of providing information becomes expensive or prohibitive.

Learning activity. Thinking of an automotive manufacturer or other large organization in a sector that interests you, what resources and capabilities do you think it will need under the 9Ms heading?