

WHERE ARE WE NOW?

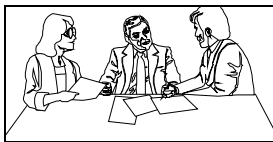
- Internal/External Assessment
- Customer and Stakeholder Identification

INTERNAL/EXTERNAL ASSESSMENT

Before an organization attempts to chart its future, it must determine where it currently stands. The mechanism used to gauge conditions inside and outside the organization, answering the question "Where are we now?" is the internal/external assessment.

Internal/External Assessment: an analysis and evaluation of internal conditions and external data and factors that affect the organization.

An internal/external assessment is a basic management tool that is used not only in strategic planning, but also in policy development and problem solving. It provides a baseline assessment of the organization. The process of conducting an assessment is often referred to as a SWOT analysis because it involves reviewing an organization's *internal* Strengths and Weaknesses and *external* Opportunities and Threats. The data gathered during the assessment will often lead to the identification of strategic issues. The last component of the SWOT analysis is the identification and surveying of internal and external customers and stakeholders.



Team Effort

Ideally, the assessment process will be a team effort. An honest and accurate picture of the organization and the forces that affect it will emerge when it is viewed from as many different perspectives as possible. Typically, both managers and employees are involved in collecting and analyzing the data to enhance their understanding of the organization.

The SWOT analysis can be completed in any order. Management within each agency will need to determine how to best organize and conduct the internal/external assessment.

Conducting the Internal Assessment

The internal assessment, also called a situation inventory, identifies the organization's *strengths* and *weaknesses* and evaluates capacity to respond to issues, problems and opportunities. It also reveals the paradigms (patterns or beliefs) and values that comprise the organization's current principles and that drive (or disrupt) current operations. It throws light on administrative or managerial policies and procedures that help or inhibit quality.

Internal Assessment: an evaluation of an organization's position, performance, problems and potential.

The first step in conducting the internal portion of the SWOT analysis is to find out how your organization has been performing.



1. Where has the agency been?

- Have the needs of internal and external customers been met in the past?
- Have the products and services been of the highest quality?
- What has changed internally? Has the organization been reorganized? Have improvements been made or has the agency been stagnant or in decline? Why?
- What has been accomplished? What remains to be accomplished?

The next step is to find out the current status of the organization's performance.



2. Where is the agency now?

- Identify current programs or activities. Does the existing structure of programs and subprograms make sense? What are the statutory mandates for those programs or activities?
- Do existing programs or activities support one another in the agency, in other State agencies? Are any in conflict? Are all programs and activities needed?
- What are the accomplishments of current programs or activities? What is being done well, poorly?
- Are current (baseline) performance measures established? If so, are expected levels of performance being met? Why or why not? If baselines have not been established, what plan is in place to do so?
- What do the public, customers and stakeholders think of current programs? How successfully are customer needs being met?
- What benchmarking information can be utilized to compare the quality and cost of the agency's services with those of other public or private organizations in Arizona? How does the organization compare to recognized standards?
- Are planning, budgeting, quality and other management efforts integrated?

Finally, look for areas that need to be improved, including processes, service delivery, etc.



3. What are the strengths and weaknesses?

- What is the organization's capacity to act?
- What advantages or strengths exist? How can strengths be built on?
- What disadvantages or weaknesses exist? How can weaknesses be overcome?
- What are the constraints in meeting the customers' needs and expectations?
- How are the needs and expectations of customers changing? What opportunities for positive change exist? Does the plan accommodate that change?



It can be intimidating to honestly confront an organization's internal situation (warts and all). To minimize fear, managers should be briefed on the purpose and methodology for the inventory. Keep in mind that the point in doing an internal assessment is not to punish failures, but rather to motivate improvement.

Now that a thorough inventory of the strengths and weaknesses has been completed, a similar process can be followed to determine the threats and opportunities facing the organization.

Conducting the External Assessment

The external assessment, or environmental scan, identifies the *opportunities* and *threats* present in the current environment and anticipates changes in the future environment. This portion of the SWOT provides an essential backdrop for strategic planning and policy development.

External Assessment: an analysis of key external elements or forces that affect the environment in which an organization functions.

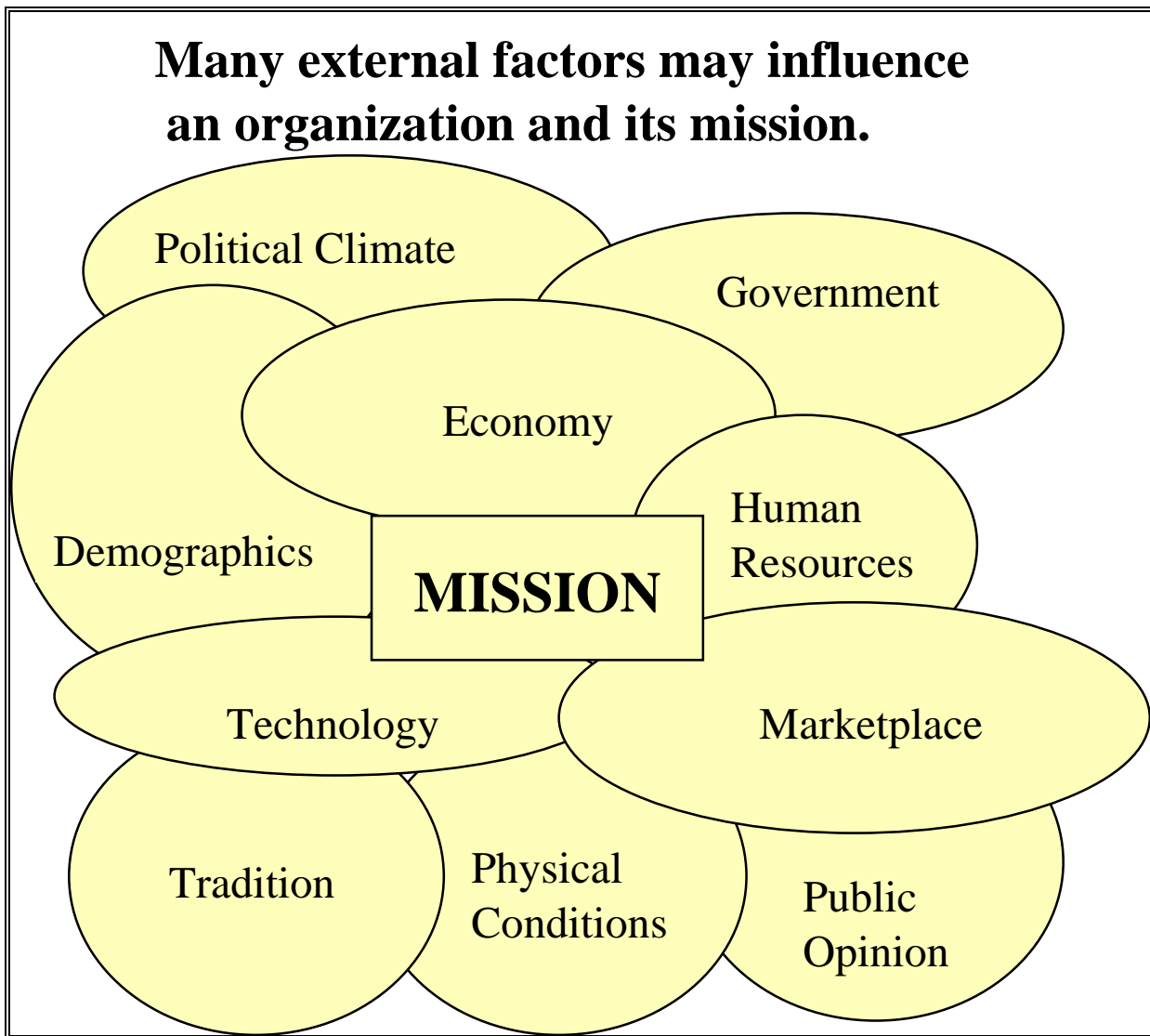
The first step in conducting the external assessment is to analyze the environment.



1. What is the current external environment?

- What is the State's current fiscal status?
- What elements of the current external environment are relevant to the organization? How?

- What elements are most critical? Which are likely to facilitate or impede the organization?
- What are the major current issues or problems? Are these local, statewide, regional, national or global in scope? Why are these issues or problems of such importance?
- What current events or policy issues have captured the attention of the public? How do these affect the organization?



Next, look at what is on the horizon--play “what if” with the environment.



2. How may the environment differ in the future?

- What are the State's revenue and expenditure estimates next year, for the next five years?
- What forces are at work that might affect or alter key elements of the environment? Are trends likely to continue or are changes forecast?
- What major issues or problems are anticipated? What effects could they have on the organization?
- What implications do these future forces and environmental changes (trends and issues) hold for the organization? Which is most critical?
- What are the most likely scenarios for the future?

Small Agency



Helpful Hint

Small agencies may not have the resources--or the need--to conduct an intensive internal/external assessment. While the outline of factors on the next page may be useful as a checklist to identify potential strengths, weaknesses, opportunities and threats, the assessment does not have to be conducted with a major data collection effort.

One very productive technique that small agencies can use is to gather key staff, board members, and those who utilize agency services together. This group can then generate a list of relevant internal and external factors. It's amazing how much pertinent information a motivated group can generate in just a short period of time.

By gaining a thorough understanding of both internal and external factors, an agency will be in an excellent position to respond to the environment.

When preparing a SWOT analysis, consider that the strategic plan will be a public document and people from outside the organization may someday review this information. Although it is important to be factual in listing an agency's weaknesses, care should be taken in how these statements are worded so that this information will not be misinterpreted. For instance, statements summarizing problems or weaknesses can be written to stress opportunities for improvement.

Hint: The Internal/External Assessment worksheet in the Forms section of the Handbook can be used to record agency strengths, weaknesses, opportunities and threats.

Internal/External Assessment Factors

Agencies may find the following list helpful. These factors are representative of relevant or appropriate issues to consider during an internal/external assessment.

Internal: Strengths and Weaknesses

1. **Overview of Agency Scope and Functions**
 - Enabling State and Federal statutes, date created
 - Historical perspective, significant events
 - Customer/stakeholder expectations, public image
 - Structure of programs and subprograms
 - Agency accomplishments
 - Examination of existing performance measures as the ideal gauge of success
2. **Organizational Aspects**
 - Size/composition of work force (number of employees, minority composition, professional, technical, clerical, exempt, classified positions, etc.)
 - Organizational structure and processes (divisions/departments, quality and management style, key management policies/operating characteristics)
 - Location of agency main office, field offices, travel requirements, etc., and location of service/regulated populations
 - Human resources (training, experience, compensation/benefits, turnover rates, morale)
 - Capital assets, capital improvement needs
 - Information Technology (IT); degree of agency automation, telecommunications, quality of agency IT plans, data collection, tracking and monitoring systems
 - Key organizational events and areas of change, impact on organization, agency responsiveness to change
3. **Fiscal Aspects**
 - Size of budget (trends in appropriations and expenditures, significant events, etc.)
 - Funds: federal, non-appropriated, fees, etc.)
 - Comparison of operating costs with other jurisdictions
 - Relationship of budget to program/subprogram structure
 - Degree to which budget meets current and expected needs internal accounting procedures

External: Opportunities and Threats

1. **Demographics, focus on customers**
 - Characteristics (age, education, geographic, special needs, impact on state's economic, political, cultural climate, etc.)
 - Trends and their impact (population shifts, emerging demographic characteristics, etc.)
2. **Economic Variables**
 - Unemployment rate, interest rate, etc.
 - Extent to which customers and service populations are affected by economic conditions
 - Expected future economic conditions and impact on agency, customers and service populations
 - State fiscal forecast and revenue estimates
 - Agency response to changing economic conditions
3. **Impact of "Other" Government Statutes and Regulations**
 - Key legislation, key events, etc.
 - Current government activities (identification of relevant government entities, relationship to State entities, impact on operations, etc.)
 - Anticipated impact of future government actions on agency and its customers (agency-specific federal mandates; court cases, federal budget, general mandates; i.e., Americans with Disabilities Act, etc.)
4. **Other Legal Issues**
 - Impact of anticipated State statutory changes
 - Impact of current and outstanding court cases
 - Impact of local government requirements
5. **Technological Developments**
 - Impact of technology on current agency operations (products/services in the marketplace, telecommunications, etc.)
 - Impact of anticipated technological advances
6. **Public Policy Issues**
 - Current events
 - Juvenile crime, children, family issues

Data Sources for the Internal/External Assessment

There are hundreds of sources where agencies can find useful information. The following list of sources may be useful.

Data Sources for *internal* situation inventory include:

- Quality Assessment Surveys
- Annual reports
- Employee surveys
- Annual progress review meetings
- Customer surveys
- Program evaluations
- Policy development files
- Agency audit recommendations
- Internal data bases
- Project SLIM recommendations
- Performance measurements
- PAR recommendations
- Budget requests
- Internal plans

Data Sources for *external* environmental scan include:

- Federal and State government statistical reports and data bases
- Federal, state, and local government legislation, regulations, and executive orders or actions
- Federal, state, and local government budgets and policy statements
- Federal, state and local government special studies
- Court decisions and actions
- National and regional professional organizations or associations
- Interest or advocacy groups
- Media (both broadcast and print)
- University and college resource centers
- Agency advisory and governing boards

In addition to identifying all internal strengths and weaknesses, and external opportunities and threats, agencies also need to identify their customers and stakeholders.

CUSTOMER AND STAKEHOLDER IDENTIFICATION

How do agencies identify customers or stakeholders?

Customer/Stakeholder Identification: formal definition of those directly or indirectly using agency services or those directly or indirectly affected by the agency's actions.

Organizations have many different customers. Internal customers include units or employees in an organization whose work depends upon another unit or person within the same organization. External customers include the end users of the organization's products or services.

Customer: anyone whose best interests are served by, or who receives or uses the products or services of, an agency, program or subprogram.

A government department or program may serve a specific clientele as well as the common good of the residents. For example, an adult correctional institution must care for the offenders in its custody, while ensuring the safety of the public.

One organization may be the customer of another, or may be dependent upon the services provided by the other. For example, Arizona's state agencies rely upon the State Procurement Office in the Department of Administration to assist them in negotiating contracts for outside products and services. The customers who use the Department of Economic Security's population data include the general public, the business community and outside organizations, as well as other State agencies and program managers.

Stakeholder: any person or group with a vested interest in or with expectations of a certain level of performance or compliance from an agency, program or subprogram.

Stakeholders may not necessarily use the products or receive the services of a program; they may be advocates.



Key Point

The identification and acknowledgment of services and customers open the door to customer-driven quality--a basic tenet of total quality management.

For some organizations, this means a drastic change in the way business is done. Management must move from a preoccupation with inputs (number of calls, applicants, dollars, etc.) to a focus on meaningful results and outcomes. This emphasis on results profoundly changes the process of planning and budget development.

Customer/Stakeholder Identification Process



1. To identify and understand customers and stakeholders, ask:

- Who receives or uses the goods and services produced by the agency?
- Whose best interests are served by the actions of the agency?
- Who are the external customers; are they specific clientele as well as the general public?
- What do customers need from the program? What do they want?
- Do customers have other choices to obtain similar products or services? If so, what are the other choices? What is the current market like?
- Who are the stakeholders and what results do they expect from the organization or program?
- Who are the internal customers?

Once customers and stakeholders have been identified, find out what they think. The best way to gather customer input and feedback is to solicit it. Is customer and stakeholder feedback solicited on a formal, regular basis? If so, how is customer and stakeholder feedback obtained and utilized?



2. To find out what customers and stakeholders think and want, use:


- Written or telephone surveys.
- Focus groups.
- One-on-one interviews.
- Comment forms.
- Customer advisory committees.
- Public meetings and hearings.



3. Incorporate customer and stakeholder feedback.

A common mistake made by agencies is gathering and then ignoring input from external or internal customers. Once customer and stakeholder feedback has been obtained, it must be used. Problems that have been identified need to be addressed in the strategic plan.

In addition, it is crucial to continue communicating with customers by keeping them informed about how their input is being used and what the results are.

Making Sense of the Data	
	As a result of conducting the situation inventory and environmental scan, participants will:
Key Points	<ul style="list-style-type: none">➤ Have a thorough understanding of the internal and external factors affecting the organization,➤ Know who the customers and stakeholders are, and
	At some point, participants in the planning process will need to review the information generated by the assessment. Keep the information as concise as possible to help participants make sense out of the data.

Summary

The results of the internal/external assessment become the basis for all the other phases of the strategic planning process. The situation inventory and environmental scan may also be reviewed or repeated as part of the annual update of the agency strategic plan.

Hint: The Customer/Stakeholder Identification form in the Forms section of the Handbook can be used to record customers and their expectations.