

# Economics and external audit

[Finance](#)



As mentioned in the case study above, Kellogg is going through a challenging time. Perform an external audit on Kellogg. Discuss the opportunities and threats facing the company. Answer Perform an external audit on Kellogg, will gain the team with better understanding of the firm industry, competitors and markets. It should involve as many managers and employees as possible. Before perform the audit, Kellogg must try to gather as much as possible on competitive intelligence and information about the products range, scale of economic, social, cultural, local political situation, legal, and technological trends.

External audit staffs or manager should get strategic information update periodically by various sources such as such as internet, business magazine, and trade journals from stock exchange markets, newspaper, university and corporate publication. Suppliers, distributors, customers, salespersons and competitors represent also good references information. Once Kellogg collected all these information, a detail study and evaluation should immediate carry out by involving a group of key staffs and management to identify the key threads and opportunities may occurs.

Every key factor should list down and put with priority with rank from 1 for most important to 20 with least important. This ranking should conduct for both threat and opportunity. These external key factors may change from time to time which very much depending on the situation. Relationships with supplier or distributors are often a critical success factor. Other important variables use are include market share value, world economic environment, and technology, price competitiveness, load interest rate, competing of same range of products and sales force advantage and so on.

Key external factors should be (a) Important for Kellogg to achieving annual and long-term objectives (b) applicable to all competing organization or company (c) quantitative and must be measureable (d) hierarchical which mean it may able apply across the organization but some are only for certain department only. The finalize list must publish and well explain among the organization in order to maximize the result when execute the action items. The key impact on external factors should include both threats and opportunities. Opportunities and Threats facing by the company:

The external opportunities and threats facing by Kellogg may refer to social, economic, government, political, legal, demographic, environmental, technological, and competitive trends and events that impact the future of Kellogg. Opportunities and threats are usually difficult to control by an organization. A few opportunities and threads that face are listed here: ? Cash flow and company capital may impact or affected by the credit term or bad debt by their customer or cash spend on the acquisition. ? Price competition will largely impact organization profits margin since organization may offer price discount to maintain the market share. Change of consumer expectation on the products. It can be technology advancement, green product, simples operation with more users friendly and so on. ? Security of information technology will be a major concern since it may be hack by hacker with more and more transactions go on-line. ? With the increase of labor cost and processing cost, this will direct impact the commodityfoodprices and eventually these cost will factor in into the selling price. ? Political uncertainty in Africa and Middle East causing oil prices raise which may direct impact to the manufacturing and logistic cost. Both

European and United State having high underemployment and unemployment rates will direct impact the spending power. Both European and United State encounter slow in economic growth. ? Short product life cycles is become a trend and organization much continuous to invent on new products by spending huge amount of capital on research and development to fulfill market need. ? Uncertain on global weather with winters are colder and summers hotter than usual which impact the growth of agriculture's products. This factor will impact to the supply demand which will directly impact to the raw material price.