STRATEGIC AUDIT OF A CORPORATION

1. Current Situation
2. How did the corporation perform the past year overall in terms of return on investment, market share, and profitability?
3. Strategic Posture

What are the corporation’s current mission, objectives and strategies, and policies?

1. Are they clearly stated or are they merely implied from performance?
2. Mission: what business(es) is the corporation in? Why?
3. Objectives: what are the corporate, business, and functional objectives? Are they consistent with each other, with the mission and with the internal and external environments?
4. Strategies: what strategy or mix of strategies is the corporation following? Are they consistent with each other, with the mission and objectives, and with the internal and external environments?
5. Policies: What are they? Are they consistent with each other, with the mission, objectives, and strategies, and with the internal and external environments?
6. Do the current mission, objectives, strategies, and policies reflect the corporation’s internal operations whether global or multidomestic?
7. Corporate Governance
8. Board of Directors.
9. Who is the board? Are they internal or external members?
10. Do they own significant shares of stock?
11. Is the stock privately held or publicly traded? Are there different classes of stock with different voting rights?
12. What do the board members contribute to the corporation in terms of knowledge, skills, and background, and connections? If the corporation has international operations, do board members have international experience?
13. How long have they served on the board?
14. What is their level of involvement in strategic management? Do they merely rubberstamp top managements proposals or do they actively participate and suggest future directions?
15. Top Management
16. What person or group constitutes top management?
17. What are top managements chief characteristics in terms of knowledge, skills, background, and style? If the corporation has international operations, does top management have international experience? Are executives from acquired companies considered part of the top management team?
18. Has top management been responsible for the corporations performance over the past few years? How many managers have been in their current position for less than three years? Were they internal promotions or external hires?
19. Has it established a systematic approach to strategic management?
20. What is its level of involvement in the strategic management process?
21. How well does top management interact with lower level manager and with the board of directors?
22. Are strategic decisions made ethically in a socially responsible manner?
23. What role do stock options pay in executive compensation?
24. Is top management sufficiently skilled to cope with likely future challenges?
25. EXTERNAL ENVIRONMENT: OPPORTUNITIES AND THREATS
26. Societal environment
27. What general environmental forces are currently affecting both the corporation and the industries in which it competes? Which present current or future threats? Opportunities?
28. Economic
29. Technological
30. Political-legal
31. Sociocultural
32. Are these forces different in other regions of the world?
33. Task environment
34. What forces drive industry in competition? Are these forces the same globally, or do they vary from country to country? Rate each force as high, medium or low.
35. Threat of new entrants
36. Bargaining power of buyers
37. Threat of substitute products or services
38. Bargaining power of suppliers
39. Rivalry among competing firms
40. Relative power of unions, governments, special interest groups, etc
41. What key factors in the immediate environment (i.e. customers, competitors, suppliers, creditors, labor unions, governments, trade associations, interest groups, local communities, and shareholder) are currently affecting the corporation? Which are current or future threats? Opportunities?
42. Summary of External Factors EFAS Table

Which of these forces and factors are the most important to the corporation and to the industries in which it competes at the present time? Which will be important in the future?

1. Internal Environment: Strengths and Weaknesses (SWOT)
2. Corporate Structure
3. How is the corporation structured at present?
4. Is the decision making authority centralized around one group or decentralized to many units?
5. Is it organized on the basis of functions, projects, geography, or some combination of these?
6. Is the structure clearly understood by everyone in the corporation?
7. Is the present structure consistent with current corporate objectives, strategies, policies, and programs, as well as with the firm’s international operations?
8. In what ways does this structure compare with those of similar corporations?
9. Corporate Culture
10. Is there a well defined or emerging culture composed of shared beliefs, expectations, and values?
11. Is the culture consistent with the current objectives, strategies, policies, and programs?
12. What is the culture’s position on important issues facing the corporation (i.e. on productivity, quality of performance, adaptability to changing conditions, and internationalization)?
13. Is the culture compatible with the employees’ diversity of backgrounds?
14. Does the company take into consideration the values of each nation’s culture in which the firm operates?
15. Corporate Resources
16. Marketing
17. What are the corporation’s current marketing objectives, strategies, policies, and programs?
18. Are they clearly stated, or merely implied from performance or budgets?
19. Are they consistent with the corporation’s mission, objectives, strategies, policies, and with internal and external environments?
20. How well is the corporation performing in terms of analysis of market position and marketing mix (product, price, place, and promotion) in both domestic and international markets? What percentage of sales comes from foreign operations? Where are current products in the product life cycle?
21. What trends emerge from this analysis?
22. What was the impact of these trends on past performance and how might these trends affect future performance?
23. Does this analysis support the corporation’s past and pending strategic decisions?
24. Does marketing provide the company with a competitive advantage?
25. How well does this corporation’s marketing performance compare with that of similar corporation’s?
26. Are marketing managers using accepted marketing concepts and techniques to evaluate and improve product performance? (Consider product life cycle, market segmentation, market research, and product portfolios.)
27. Does marketing adjust to the conditions in each country in which it operates?
28. What is the role of the marketing manager in the strategic management process?
29. Finance
30. What are the corporation’s current financial objectives, strategies, policies, and programs?
31. Are they clearly stated or merely implied from performance or budgets?
32. Are they consistent with the corporation’s mission, objectives, strategies, policies, and with internal and external environments?
33. How well is the corporation performing in terms of financial analysis? (Consider ratios, common size statements, and capitalization structure.) how balanced, in terms of cash flow, is the company’s portfolio of products and businesses?
34. What trends emerge from this analysis?
35. Are there any significant differences when statements are calculated in constant versus reported dollars?
36. What was the impact of these trends on past performance and how might these trends affect future performance?
37. Does this analysis support the corporation’s past and pending strategic decisions?
38. Does finance provide the company with a competitive advantage?
39. How well does this corporation’s financial performance compare with that of similar corporations?
40. Are financial managers using accepted financial concepts and techniques to evaluate and improve current corporate and divisional performance? (Consider financial leverage, capital budgeting, ratio analysis, ad managing foreign currencies.).
41. Does finance adjust to the conditions in each country in which the company operates?
42. What is the role of the financial manager in the strategic management process?
43. Research and Development (R&D).
44. What are the corporation’s current R&D objectives, strategies, policies, and programs?
45. Are they clearly stated, or merely implied from performance or budgets?
46. Are they consistent with the corporation’s mission, objectives, strategies, policies, and with internal and external environments?
47. What is the role of technology in corporate performance?
48. Is the mix of basic, applied, and engineering research appropriate given the corporate mission and strategies?
49. Does R&D provide the company with a competitive advantage?
50. What return is the corporation receiving from its investments in R&D?
51. Is the corporation competent in technology transfer? Does it use concurrent engineering and cross functional work teams in product and process design?
52. What role does technological discontinuity play in the company’s products?
53. How well does the corporation’s investment in R&D compare with the investments of similar corporations? How much R&D is being outsourced?
54. Does R&D adjust to the conditions in each country in which the company operates?
55. What is the role of the R&D manager in the strategic management process?
56. Operations and Logistics
57. What are the corporations’s current manufacturing/service objectives, strategies, policies, and programs?

i. Are they clearly stated, or merely implied from performance or budgets?

ii. are they consistent with the corporations mission, objectives, strategies, policies, and with internal and external environments?

1. What is the type and extent of operations capabilities of the corporation? How much is done domestically versus internationally? Is the amount of outsourcing appropriate to be competitive? Is purchasing being handled appropriately?
2. If the corporation is product oriented, consider plant facilities, type of manufacturing system (continuous mass production, intermittent job shop, or flexible manufacturing), age and type of equipment, degree and role of automation or robots, plant capacities and utilization, productivity ratings, availability and type of transportation.
3. If the corporation is service oriented, consider service facilities (hospital, theater, or school buildings), type of operations systems (continuous service over time to same clientele or intermittent service over time to varied clientele), age and type of supporting equipment, degree and role of automation and use of mass communication devices (diagnostic machinery, computers), facility capacities and utilization rates, efficiency ratings of professional and service personnel, and availability and type of transportation to bring service staff and clientele together.
4. Are manufacturing or service facilities vulnerable to natural disasters, local or national strikes, reduction or limitation of resources from suppliers, substantial cost increases of materials, or nationalization by governments?
5. Is there an appropriate mix of people and machines (in manufacturing firms) or of support staff to professionals (in service firms)?
6. How well does the corporation perform relative to the competition? Is it balancing inventory costs (warehousing) with logistical costs (just-in-time)? Consider costs per labor, material and overhead; downtime; inventory control management and scheduling of service staff; production rating; facility utilization percentages; and number of clients successfully treated by category (if service firm) or percentage of orders shipped on time (if product firm).

i. What trends emerge from this analysis?

ii. What was the impact of these trends on past performance and how might these trends affect future performance?

iii. Does this analysis support the corporation’s past and pending strategic decisions?

iv. Does operations provide the company with a competitive advantage?

f. Are operations manag3erws using appropriate concepts and techniques to evaluate and improve current performance? Consider cost systems, quality control and reliability systems, inventory control management, personnel scheduling, TQM, learning curves, safety programs and engineering programs that can improve efficiency of manufacturing or of service.

g. Does operations adjust to the conditions in each country in which it has facilities?

h. What is the role of operations manager in the strategic management process?

5. Human Resources Management (HRM)

a. What are the corporation’s current HRM objectives, strategies, policies, and programs?

i. Are they clearly stated, or merely implied from performance or budgets?

ii. Are they consistent with the corporation’s mission, objectives, strategies, policies, and with internal and external environments?

b. How well is the corporation’s HRM performing in terms of improving the fit between the individual employee and the job? Consider turnover, grievances, strikes, layoffs, employee training, and quality of work life.

i. What trends emerge from this analysis?

ii. What was the impact of these trends on past performance and how

might these trends affect future performance?

iii. Does this analysis support the corporation’s past and pending

strategic decisions?

iv. Does HRM provide the company with a competitive advantage?

c. How does this corporation’s HRM performance compare with that of similar corporations?

d. Are HRM managers using appropriate concepts and techniques to evaluate and improve corporate performance? Consider the job analysis program, performance appraisal system, up to date job descriptions, training and development programs, attitude surveys, job design programs, quality of relationship with unions, and use of autonomous work teams.

e. How well is the company managing the diversity of its workforce? What is the company’s record on human rights?

f. Does HRM adjust to the conditions in each country in which the company operates? Does the company have a code of conduct for HRM in developing nations? Are employees receiving international assignments to prepare them for managerial positions?

g. What is the role of the HRM manager in the strategic management process?

6. Information Systems (IS)

a. What are the corporation’s current IS objectives, strategies, policies, and programs?

i. Are they clearly stated, or merely implied from performance or budgets?

ii. Are they consistent with the corporation’s mission, objectives, strategies, policies, and with internal and external environments?

b. How well is the corporation’s IS performing in terms of providing a useful database, automating routine clerical operations, assisting managers in making routine decisions, and providing information necessary for strategic decisions?

i. What trends emerge from this analysis?

ii. What was the impact of these trends on past performance and how might these trends affect future performance?

iii. Does this analysis support the corporation’s past and pending strategic decisions?

iv. Does IS provide the company with a competitive advantage?

c. How does the corporation’s IS performance and stage of development compare with that of similar corporations? Is it appropriately using the Internet, intranet, and extranets?

d. Are IS managers using appropriate concepts and techniques to evaluate and improve corporate performance? Do they know how to build and manage a complex database, establish Web sites with firewalls, conduct system analyses, and implement interactive decision support systems?

e. Does the company have a global IS and Internet presence? Does it have difficulty with getting data across national boundaries?

f. What is the role of the IS manager in the strategic management process?

D. Summary of Internal Factors (IFAS)

Which of these factors are core competencies? Which, if any, are distinctive competencies? Which of these factors are the most important to the corporation and to the industries in which it competes at the present time? Which might be important in the future? Which activities or functions are candidates for outsourcing?

V. Analysis of Strategic Factors (SWOT)

A. Situational Analysis (SFAS) Matrix

What are the most important internal and external factors (Strengths, Weaknesses, Opportunities, and Threats) that strongly affect the corporation’s present and future performance?

B. Review of Mission and Objectives

1. Are the current mission and objectives appropriate in light of the key strategic factors and problems?

2. Should the mission and objectives be changed? If so, how?

3. If changed, what will be the effects on the firm?

IV. Strategic Alternatives and Recommended Strategy

A. Strategic Alternatives (TOWS) Matrix

1. Can current or revised objectives be met by the simple, more careful implementing of those strategies presently in use (e.g., fine tuning the strategies)?

2. What are the major feasible alternative strategies available to this corporation? What are the pros and cons of each? Can corporate scenarios be developed and agreed upon? (Alternatives must fit societal environment, industry, and company for the next three to five years).

a. Consider cost leadership and differentiation as business strategies.

b. Consider stability, growth, and retrenchment as corporate strategies.

c. Consider any functional strategic alternatives that might be needed for reinforcement of an important corporate or business strategic alternative.

B. Recommended Strategy

1. Specify which of the strategic alternatives you are recommending for the corporate, business, and functional levels of the corporation. Do you recommend different business or functional strategies for different units of the corporation?

2. Justify your recommendation in terms of its ability to resolve both long and short term problems and effectively deal with the strategic factors.

3. What policies should be developed or revised to guide effective implementation?

4. What is the impact of recommended strategy on the company’s core and distinctive competencies?

VII. Implementation

A. Programs

1. What kinds of programs (e.g. restructuring the corporation or instituting TQM) should be developed to implement the recommended strategy?

2. Who should develop these programs?

3. Who should be in charge of these programs?

B. Budgets

1. Are the programs financially feasible?

2. Can pro forma budgets be developed and agreed upon?

3. Are priorities and timetables appropriate to individual programs?

C. Procedures

Will new standard operating procedures need to be developed?

VIII. Evaluation and Control

A. Information System

1. Is the current information system capable of providing sufficient feedback on implementation activities and performance? Can it measure strategic factors?

2. Can performance result be pinpointed by area, unit, project, or function?

3. Is the information timely?

4. Is the corporation using benchmarking to evaluate its functions and activities?

B. Control Measures

1. Are adequate control measures in place to ensure conformance with the recommended strategic plan?

2. Are appropriate standards and measures being used?

3. Are reward systems capable of recognizing and rewarding good performance?