

STRATEGIC AUDIT OF A CORPORATION

I. CURRENT SITUATION

A. CURRENT PERFORMANCE

How did the corporation perform the past year overall in terms of return on investment, market share, and profitability?

B. STRATEGIC POSTURE

What are the corporation's current mission, objectives, 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 international operations, whether global or multidomestic?

II. CORPORATE GOVERNANCE

A. BOARD OF DIRECTORS

1. Who is on the board? Are they internal or external members?
2. Do they own significant shares of stock?
3. Is the stock privately held or publicly traded? Are there different classes of stock with different voting rights?
4. What do the board members contribute to the corporation in terms of knowledge, skills, background, and connections? If the corporation has international operations, do board members have international experience?
5. How long have they served on the board?
6. What is their level of involvement in strategic management? Do they merely rubber-stamp top management's proposals or do they actively participate and suggest future directions?

B. TOP MANAGEMENT

1. What person or group constitutes top management?
2. What are top management's chief characteristics in terms of knowledge, skills, background, and style? If the corporation has international operations, does top

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- management have international experience?
Are executives from acquired companies considered part of the top management team?
3. Has top management been responsible for the corporation's 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?
 4. Has it established a systematic approach to strategic management?
 5. What is its level of involvement in the strategic management process?
 6. How well does top management interact with lower-level managers and with the board of directors?
 7. Are strategic decisions made ethically in a socially responsible manner?
 8. What role do stock options play in executive compensation?
 9. Is top management sufficiently skilled to cope with likely future challenges?

III. EXTERNAL ENVIRONMENT: OPPORTUNITIES AND THREATS (SWOT)

A. SOCIETAL ENVIRONMENT

1. What general environmental forces are currently affecting both the corporation and the industries in which it competes? Which present current or future threats? Opportunities?
 - a. Economic
 - b. Technological
 - c. Political-legal
 - d. Sociocultural
2. Are these forces different in other regions of the world?

B. TASK ENVIRONMENT

1. What forces drive industry competition? Are these forces the same globally or do they vary from country to country? Rate each force as **high**, **medium**, or **low**.
 - a. Threat of new entrants
 - b. Bargaining power of buyers
 - c. Threat of substitute products or services

- d. Bargaining power of suppliers
 - e. Rivalry among competing firms
 - f. Relative power of unions, governments, special interest groups, etc.
2. What key factors in the immediate environment (i.e., customers, competitors, suppliers, creditors, labor unions, governments, trade associations, interest groups, local communities, and shareholders) are currently affecting the corporation? Which are current or future threats? Opportunities?

C. SUMMARY OF EXTERNAL FACTORS (LIST IN EFAS TABLE 3.3, P. 52)

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?

IV. INTERNAL ENVIRONMENT: STRENGTHS AND WEAKNESSES (SWOT)

A. CORPORATE STRUCTURE

1. How is the corporation structured at present?
 - a. Is the decision-making authority centralized around one group or decentralized to many units?
 - b. Is it organized on the basis of functions, projects, geography, or some combination of these?
2. Is the structure clearly understood by everyone in the corporation?
3. Is the present structure consistent with current corporate objectives, strategies, policies, and programs, as well as with the firm's international operations?
4. In what ways does this structure compare with those of similar corporations?

B. CORPORATE CULTURE

1. Is there a well-defined or emerging culture composed of shared beliefs, expectations, and values?
2. Is the culture consistent with the current objectives, strategies, policies, and programs?

3. 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)?
4. Is the culture compatible with the employees' diversity of backgrounds?
5. Does the company take into consideration the values of each nation's culture in which the firm operates?

C. CORPORATE RESOURCES

1. Marketing

- a. What are the corporation's current marketing 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 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?
 - 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 marketing provide the company with a competitive advantage?
- c. How well does this corporation's marketing performance compare with that of similar corporations?
- d. 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.)
- e. Does marketing adjust to the conditions in each country in which it operates?

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

2. Finance

- a. What are the corporation's current financial 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 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?
 - i. What trends emerge from this analysis?
 - ii. Are there any significant differences when statements are calculated in constant versus reported dollars?
 - iii. What was the impact of these trends on past performance and how might these trends affect future performance?
 - iv. Does this analysis support the corporation's past and pending strategic decisions?
 - v. Does finance provide the company with a competitive advantage?
 - c. How well does this corporation's financial performance compare with that of similar corporations?
 - d. 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, and managing foreign currencies.)
 - e. Does finance adjust to the conditions in each country in which the company operates?
 - f. What is the role of the financial manager in the strategic management process?
- #### 3. Research and Development (R&D)
- a. What are the corporation's current R&D objectives, strategies, policies, and programs?