Course Learning Outcomes for Unit I

Upon completion of this unit, students should be able to:

2. Compare and contrast the integral functions of corporate governance.
   2.1 Describe the roles and responsibilities of the board of directors in corporate governance.
   2.2 Explain the Sarbanes-Oxley Act.

4. Analyze the processes for formulating corporate strategy.
   4.1 Explain the benefits of strategic management.

5. Evaluate methods that impact strategy implementation, such as staffing, directing, and organizing.
   5.1 Discuss the strategic audit as a method of analyzing corporate functions and activities.

Reading Assignment

In order to access the following resource(s), click the link(s) below:


Click here to access a transcript of the video.


Unit Lesson

When founders form companies, they usually focus on the product and the customers they hope to generate. The founders are usually of the same mindset and intention about what they want their company to do and how they would like it to grow. What many companies fail to plan for is the inevitable death of one of the founding members and what that might mean for the vision and purpose of the company. In other words, what would the management structure resemble if one of the founding partners had to deal with the heir of the deceased partner?

For example, once, two middle-aged founders focused on the same mission, creating and living by their cultural values and vision, diligently reaching out to their target market, and productively engaging their customers. One partner unexpectedly died. After the funeral, the surviving founder finds himself now working side-by-side with the recently deceased founder’s 17-year-old son or daughter. Very quickly, the surviving
founder may realize his new, young partner may not share the same values and vision that founded the company. The surviving founding partner may ruefully wonder, “How could this have happened?”

This scenario happens more frequently than one might think. The scenario also demonstrates the value and importance of succession planning, governance, and planning for the unthinkable. Founders should plan for such events before forming the company. In this case, when the founding partners decided to enter into this venture, they should have thought carefully about how the company structure and vision might change if one of them outlived the other.

The time for this planning should take place when the emotional good faith and positive energy are at their peak so they can follow previously prescribed guidance in the event the unthinkable happens. One of the first steps a company should take after forming the idea of a company is for its founders to create guidance that will continue to provide clear instructions on how the company should move forward in the event one of the founders is no longer in the picture. We call this process succession planning.

As part of creating the structure of the new firm, the founders should give careful consideration to the creation of its board of directors. One of the board’s first tasks is to hire a chief executive officer (CEO) to perform the necessary, day-to-day leadership tasks for the firm. The most important of those duties is for the CEO to select an executive management team that will run the day-to-day activities of the operation. This process includes all of the basic functions of a firm, such as marketing, sales, finance, human resources, legal, and production.

The board of directors is responsible for ensuring the firm follows its mission. The members of the board are also responsible for approving the company budget and any material expenditures recommended by top management. These expenditures could include building a new plant. Strategic purchases, such as property investments, also require approval by the board. The board provides the function of looking outward into the industry in which the firm competes to provide additional vision and insight for the firm. Finally, the board approves the strategic plan presented by the firm’s top management.

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Governing boards typically meet every quarter, or however many times their charter requires. The more effective governing boards typically form functional special board subcommittees in which the members review the recommendations created and submitted by top management. The subcommittees’ main purpose is to review and provide its recommendation to the board for final approval and implementation. The functional special subcommittees typically form around the areas of finance, production, and compensation. In the special committees, top and executive management present the required reports and analysis for discussion and review to enable the special subcommittee members to fully understand how the performance progress of these functional areas achieve the goals and objectives set forth in the budget and strategic plan. These subcommittees are where the board reviews and discusses any potential changes for future planning to keep the company on course.

Once board members complete these committee meetings, each subcommittee makes its presentation and recommendation to the governing board for either its approval or recommendation, or for its recommendation to the board not to accept the reports from top management in that particular functional area. Only then will the governing board act to implement or reject the recommendations from the special subcommittee. Again, the board typically views these endorsements through the prism of how well these recommendations fit within the mission and culture of the organization. Governing boards do not involve themselves with day-to-day operations of the firm. Day-to-day decisions are the role of top management. The governing board selects top management to run the daily, functional activities of the company.

In review, the founders have pooled their ideas, formed their product or service, created their company, formed their succession plan, and created their governing board. The board is now free to work within the structure and culture they have created to provide the best product or service for their target market. The next
step for these prudent founders, as directed by the governing board to the firm’s top management, is to create a strategic plan.

Many ways are available for creating a strategic plan, but the most important part of the plan is the discipline of the planning process itself. Companies who have a consistent and disciplined planning process consistently perform better than those who do not (Wheelen, Hunger, Hoffman, & Bamford, 2015).

Strategic planning sometimes is an annual event in which the organization changes the plan every year, or sometimes is a multiyear event in which the organization reviews the plans annually. In the latter, firms have the option of either modifying their plans each year within a fixed number of years, or they may have a rolling plan in which the organization automatically extends a multiyear plan each year after the current year ends.

Organizations typically form a strategic planning committee to ensure it follows the strategic planning process year-over-year. Although this committee is usually created by the CEO, it may report directly to one of the CEO designees from executive management. In any case, it is an important top management activity whose output is carefully screened and reviewed, up to and including the governing board level.

The strategic planning committee is usually made up of middle and functional managers who provide training and advice to those operative areas under their guidance. This ensures a level of consistency across the firm and at all levels. An advantage of this arrangement is that once the firm creates and approves the plan, many of the same people who were responsible for its creation can implement it.

Another benefit the strategic planning process holds for the firm is that it provides a basis for continuous improvement. Continuous improvement simply means making improvements based upon the systematically gathered information from the year before to use as the basis for making improvements in those same areas for the subsequent year. Becoming proficient within the area of continuous improvement can enable a firm to create a valuable distinctive competency, making it a more formidable competitor.

Throughout the year, the strategic planning process continues. Ideally, the company can operationalize the strategic plan daily, while at the same time use the strategic plan as a basis for future planning. To master this important series of activities can take many planning cycles in order for the whole company to work in unison within this process. Companies who master this typically have strong, focused leadership to create the required discipline of adhering to the strategic planning process year over year. As part of this leadership strategy, the company demonstrates its support by adequately resourcing this important effort.

References


Suggested Reading

These articles provide further information regarding corporate governance and the Sarbanes-Oxley Act.

In order to access the following resource(s), click the link(s) below:


**Learning Activities (Non-Graded)**

**Conducting a Library Search**

This unit and others require you to access the CSU Online Library to locate relevant articles. Knowing how to efficiently use the Online Library databases is important as you continue your journey in higher learning. Below are basic steps on how to locate a known article such as those listed in required reading.

The steps below will help you find this article:


This article is different from most in that the title contains punctuation. Most database search engines do not correctly interpret these characters and will not return the desired search results. These steps will help you locate this article and others like it.

To access the CSU Library from within your course, follow these directions:
- Begin by logging into your course in Blackboard
- Click on My Library under RESOURCES on the left side menu
- You may need to log in again to MyCSU, if prompted
- Select the Databases button
- Then select the database the article is located in. For this example, click Business Source Complete. the ProQuest page should open.
- Select Publications at the top of the page.
- Then type the name of the journal in the search box. In our example, type Business & Society Review. It should be the first returned search result.
- Next, select the year, volume and issue number.

This will take you to the listing of all available articles for that issue. Simply click on the title “Should firms go 'beyond profits'? Milton Friedman versus Broad CSR” and the article will open.

**Conduct a Search**

There are many available books covering strategic management and nonprofits. Click here, or open your browser and copy and paste https://books.google.com into the address bar.

Conduct a search using the terms *strategic planning* and *nonprofit*. What books were returned? What topics do they cover? Which ones would be most beneficial to you?

Tip: Click on the Search Tools button under the search bar and change the option from Any books to Free Google eBooks.