Course Learning Outcomes for Unit II

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

1. Compare and contrast different strategic models.
   1.1 Use the basic model of strategic management.
   1.2 Define triple bottom line.

2. Compare and contrast the integral functions of corporate governance.
   2.1 Analyze a company or organization’s strategic philosophy.

4. Analyze the processes for formulating corporate strategy.
   4.1 Analyze an organization’s strategic issues and market position.
   4.2 Develop an organizational SWOT analysis.

Reading Assignment

Choose either the company you work for or another company that has easily accessible information; carefully read the company or organizational literature on mission, goals, culture, short- and long-term strategic plans and objectives, and all materials related to strategic planning issues.


Click here to access a transcript of the SWOT analysis video.


Click here to access a transcript of the video.

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


Unit Lesson

Environmental scanning is the very first phase of the strategic management model in which firms gather all industry information, both internal and external. Firms gather this information through what is called a SWOT analysis. SWOT is an acronym for strengths, weaknesses, opportunities, and threats (Wheelen, Hunger, Hoffman, & Bamford, 2015).
As we discussed previously, one of the board of directors' responsibilities is to approve the strategic plan. The board tasks top management with this process of creating the strategic plan, in which the SWOT analysis is one of the first steps. Typically, top management forms a strategic planning committee in which members across the firm, such as executive management and certain key departmental members participate. Executive management is responsible for the key to functional areas of a firm: marketing, finance, human resources, and production. (Note: Depending on the size of the organization, additional compliance and legal departments are also sometimes a part of this list.)

Once comprised, the strategic planning committee begins its work by conducting an environmental scan that consists of both internal and external elements. These elements will, in large part, comprise the SWOT analysis. Not all members of the cross-functional strategic planning committee have the same levels of expertise or exposure to the internal and external elements affecting the company. However, the committee’s task is to combine all its team members’ varied expertise, vision, and knowledge to create a comprehensive view of where the company is at that point in time, as well as where it wants to go in the future.

Companies and organizations that have gained considerable experience from conducting this process annually usually have formed very disciplined and efficient strategic planning committees. These organizations, in turn, provide good and consistent credible information to become the basis of strategy formulation. Each committee member recognizes the importance of his or her role in providing the necessary and accurate information that will ultimately create the best competitive strategy the company can hope to achieve.

The SWOT analysis is comprised of four sections (strengths, weaknesses, opportunities, and threats). Two of these sections focus on the company’s internal environment, the other two focus on the company’s external environment. The reason the cross-functional team on the strategic planning committee is so important is that every member’s primary job function responsibility focuses on one or both of these areas. Using the structured format of collecting the information through the environmental scanning process, committee members have the perfect vehicle to share what they have seen affecting their area throughout the year and how it may affect the company in subsequent years. In addition, through this systematic collection and analysis of information, the company can determine if it uses, or has used its resources in the best manner to exploit those opportunities (Wheelen et al., 2015).

The internal environment consists of strengths and weaknesses perceived or determined by the conducted analysis. The company has the capacity and the ability to control both strengths and weaknesses. Weak or poor leadership may prevent the firm from increasing its strengths. A strong culture may perpetuate a weakness. In the end, the company has the responsibility to have the courage to accept its own internal advice on the best ways it should move forward. The elements that make up the internal environment are structure (chain of command), culture (beliefs, expectations, values), and resources (assets, skills, competencies, knowledge).

The external environment consists of opportunities and threats. It is also important to note the company has very little, or no ability to control opportunities and threats. In this case, the firm must be as prepared as possible to take advantage or to mitigate either situation. So, the key for the best way in which to engage opportunities and threats is to ensure the capacity of the firm is prepared accordingly. The elements that make up the external environment are natural environment (resources and climate), societal environment (general forces), and task environment (industry analysis).

In many instances, marketing takes the lead in sharing with the committee the information it has collected about the company’s current competitive position in the marketplace. Typically, all of the SWOT elements are
listed. From this initial shortlist, the other key cross-functional areas can begin to add to the analysis according to their capability. Often, much overlap and intense discussion exists about the information brought forward by these groups, their perception of the environment, and ultimately the information’s usefulness to the analysis. Those organizations with strong, disciplined leadership in this area see these kinds of intense discussions as a positive, distinctive competency for the company, as well as for its continued growth and development. Less skilled or disciplined companies will sometimes see this activity as a threat that requires careful and tight guidance. The latter approach defeats the purpose of the SWOT analysis, which is to perform a careful self-inspection of the company.

The marketing department, in its view of the internal and external environment, may see its message as a strength for the company. Marketing may also see the company’s customer service as a weakness, making the firm less competitive. The production people may counter with the argument that marketing makes claims about the product that it cannot sustain, causing unhappy customers. Similarly, production may agree with marketing, but say it fails in its customer service because it has too few staff to adequately respond to its growing number of customers. This scenario would mean the finance and human resource departments would then need to join in and further explore these claims. The human resource department may defend its level of permissible hiring by showing evidence of how it stays within the appropriate hiring ratios mandated by top management. The finance group may show evidence of productivity performance ratios that support one of the other department’s claims. All these discussions happen repeatedly as each new environmentally scanned input is discussed by the committee before becoming a part of the final SWOT analysis.

Out of this discussion comes a clearer communication and appreciation between the cross-functional members of the committee. From this improved level of communication, unexplored opportunities previously overlooked may present themselves. Conversely, new target market sectors that were once thought to be highly desirable for exploitation may actually have an excessive compliance price tag, rendering them not profitable or desirable at all.

Finally, the committee needs to sort out the elements of the SWOT analysis and properly place them in their respective categories. During this part of the process, the committee will look for redundancy. The committee also looks for improperly labeled category elements. For example, a weakness labeled as a threat is something the company can control if it musters the will to do so. SWOT committees must carefully scrutinize opportunities because most have an economic impact on the company requiring significant resources to take advantage of the proposed opportunity.

A SWOT committee must also carefully scrutinize strengths. The committee must remind itself the SWOT analysis process is a critical self-inspection of the company. The analysis is not another feel-good marketing communication about what the firm does well. A committee must carefully adhere to the criteria for the company strength. A committee must recognize real company strengths and distinctive competencies are not all that numerous in a firm. If the committee finds itself with a very long list of strengths compared to a very short list of weaknesses, the company must inspect very carefully the imbalance.

Companies can go through an extensive SWOT analysis along with other forms of internal and external reviews. In the case of some companies, such as Amazon.com, the process of kaizen was used to expand the development of improvements throughout the company. Kaizen is a Japanese term meaning to improve a process or continuous improvement. The goal is to have multiple layers of people in an organization contribute to the efficiency of the company.

In the case of Amazon.com, Dr. Pete Trzop created one of the most successful kaizens relating to the review and changes of environmental related processes, energy use, and best practices for conservation of resources. Dr. Trzop developed EARTH kaizens in the Campbellsville, Kentucky site and quickly expanded into the Green Amazon.com program. This program went through a name change after Dr. Trzop left the company to become the Amazon.com Green program.

Members of each facility performed the EARTH kaizens in the global network of Amazon.com with the focus on how to make process improvements and changes to save monies and resources aligned with becoming a more environmentally friendly company. The program had participants of multiple layers of workers, associates, and managers. Dr. Trzop designed the Green Amazon.com program to make an environmental change to the company, but made from a business bottom line, financial decision. By the end of the 2000s, they considered EARTH kaizens one of the best kaizens in the history of the company.
During the time of analysis, the members of the committee concurrently gather information from their respective areas across the company to provide input on the creation of the SWOT analysis. Once the committee collects, compiles, reviews, and finalizes its report, the committee meets with top management for yet another careful scrutiny of the SWOT analysis. Top management will review it with the focus on ensuring that the committee has left out nothing relevant or important. Management will also look for anything redundant or nonessential. This part of the process is very important because the completed SWOT analysis will become the foundation for the next step in the strategic planning process, which is strategy formulation.

Reference