APPENDIX 1.A

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 the corporation's policies? 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 (employees) 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? Are board members concerned with environmental sustainability?

5. How long have the board members 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? Do they evaluate management's proposals in terms of environmental sustainability?

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 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 promoted internally or externally hired?
4. Has top management established a systematic approach to strategic management?
5. What is top management's 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. Are strategic decisions made in an environmentally sustainable manner?
9. Do top executives own significant amounts of stock in the corporation?
10. Is top management sufficiently skilled to cope with likely future challenges?

III. External Environment: Opportunities and Threats (SW**OT**)

A. Natural Physical Environment: Sustainability Issues

1. What forces from the natural physical environmental are currently affecting the corporation and the industries in which it competes? Which present current or future threats? Opportunities?
   a. Climate, including global temperature, sea level, and fresh water availability
   b. Weather-related events, such as severe storms, floods, and droughts
   c. Solar phenomena, such as sun spots and solar wind
2. Do these forces have different effects in other regions of the world?

B. 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?

C. 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 (that is, 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?

D. Summary of External Factors *(List in the EFAS Table 4–5, p. 126)*

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 (**SW**OT)

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 the corporation 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 environmental sustainability?
4. What is the culture's position on other important issues facing the corporation (that is, on productivity, quality of performance, adaptability to changing conditions, and internationalization)?
5. Is the culture compatible with the employees' diversity of backgrounds?
6. Does the company take into consideration the values of the culture of each nation 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 and/or budgets?
      ii. Are they consistent with the corporation's mission, objectives, strategies, and policies and with internal and external environments?
   b. How well is the corporation performing in terms of analysis of market position and marketing mix (that is, product, price, place, and promotion) in both domestic and international markets? How dependent is the corporation on a few customers? How big is its market? Where is it gaining or losing market share? What percentage of sales comes from developed versus developing regions? Where are current products in the product life cycle?
      i. What trends emerge from this analysis?
      ii. What impact have these trends had 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 the 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. Does marketing consider environmental sustainability when making decisions?
   g. 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, and policies and programs?
      i. Are they clearly stated or merely implied from performance and/or budgets?
      ii. Are they consistent with the corporation's mission, objectives, strategies, and policies and with internal and external environments?
   b. How well is the corporation performing in terms of financial analysis? (Consider ratio analysis, common size statements, and capitalization structure.) How balanced, in terms of cash flow, is the company's portfolio of products and businesses? What are investor expectations in terms of share price?
      i. What trends emerge from this analysis?
      ii. Are there any significant differences when statements are calculated in constant versus reported dollars?
      iii. What impact have these trends had 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 the 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. Does finance cope with global financial issues?
   g. 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?
      i. Are they clearly stated or merely implied from performance or budgets?
      ii. Are they consistent with the corporation's mission, objectives, strategies and policies and with internal and external environments?
      iii. What is the role of technology in corporate performance?
      iv. Is the mix of basic, applied, and engineering research appropriate given the corporate mission and strategies?
      v. Does R&D provide the company with a competitive advantage?
   b. What return is the corporation receiving from its investment in R&D?
   c. Is the corporation competent in technology transfer? Does it use concurrent engineering and cross-functional work teams in product and process design?
   d. What role does technological discontinuity play in the company's products?
   e. How well does the corporation's investment in R&D compare with the investments of similar corporations? How much R&D is being outsourced? Is the corporation using value-chain alliances appropriately for innovation and competitive advantage?
   f. Does R&D adjust to the conditions in each country in which the company operates?
   g. Does R&D consider environmental sustainability in product development and packaging?
   h. What is the role of the R&D manager in the strategic management process?
4. **Operations and Logistics**
   a. What are the corporation'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 corporation's mission, objectives, strategies, and policies and with internal and external environments?
   b. What are 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? Are suppliers and distributors operating in an environmentally sustainable manner? Which products have the highest and lowest profit margins?
      i. 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 and/or robots, plant capacities and utilization, productivity ratings, and availability and type of transportation.
      ii. 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, video machines), 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.
   c. 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?
   d. Is there an appropriate mix of people and machines (in manufacturing firms) or of support staff to professionals (in service firms)?
   e. 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 unit of labor, material, and overhead; downtime; inventory control management and scheduling of service staff; production ratings; 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 impact have these trends had 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 managers 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. Do operations adjust to the conditions in each country in which it has facilities?
h. Do operations consider environmental sustainability when making decisions?
i. What is the role of the 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 and/or budgets?
      ii. Are they consistent with the corporation's mission, objectives, strategies, and 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 impact have these trends had 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 relationships 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? Does the company monitor the human rights record of key suppliers and distributors?
   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 for itself and key suppliers in developing nations? Are employees receiving international assignments to prepare them for managerial positions?
   g. What is the role of outsourcing in HRM planning?
   h. What is the role of the HRM manager in the strategic management process?

6. **Information Technology (IT)**
   a. What are the corporation's current IT objectives, strategies, policies, and programs?
      i. Are they clearly stated or merely implied from performance and/or budgets?
      ii. Are they consistent with the corporation's mission, objectives, strategies, and policies and with internal and external environments?
   b. How well is the corporation's IT 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 impact have these trends had 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 IT provide the company with a competitive advantage?

c. How does this corporation's IT performance and stage of development compare with that of similar corporations? Is it appropriately using the Internet, intranet, and extranets?
d. Are IT 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 and virus protection, conduct system analyses, and implement interactive decision-support systems?
e. Does the company have a global IT and Internet presence? Does it have difficulty with getting data across national boundaries?
f. What is the role of the IT manager in the strategic management process?

D. Summary of Internal Factors *(List in the IFAS Table 5–2, p.164)*

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 functions or activities are candidates for outsourcing?

V. Analysis of Strategic Factors (SWOT)

A. Situational Analysis *(List in SFAS Matrix, Figure 6–1, p. 179)*

Of the external (EFAS) and internal (IFAS) factors listed in III.D and IV.D, which are the strategic (most important) factors 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 they are changed, what will be the effects on the firm?

VI. Strategic Alternatives and Recommended Strategy

A. Strategic Alternatives *(See the TOWS Matrix, Figure 6–3, p. 182)*

1. Can the current or revised objectives be met through more careful implementation of those strategies presently in use (for example, fine-tuning the strategies)?
2. What are the major feasible alternative strategies available to the corporation? What are the pros and cons of each? Can corporate scenarios be developed and agreed on? (Alternatives must fit the natural physical environment, societal environment, industry, and corporation for the next three to five years.)
   a. Consider *stability*, *growth*, and *retrenchment* as corporate strategies.
   b. Consider *cost leadership* and *differentiation* as business 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 your recommended strategy on the company's core and distinctive competencies?

VII. Implementation

A. What Kinds of Programs (for Example, Restructuring the Corporation or Instituting TQM) Should Be Developed to Implement the Recommended Strategy?

1. Who should develop these programs?
2. Who should be in charge of these programs?

B. Are the Programs Financially Feasible? Can Pro Forma Budgets Be Developed and Agreed On? Are Priorities and Timetables Appropriate to Individual Programs?

C. Will New Standard Operating Procedures Need to Be Developed?

VIII. Evaluation and Control

A. Is the Current Information System Capable of Providing Sufficient Feedback on Implementation Activities and Performance? Can It Measure Strategic Factors?

1. Can performance results be pinpointed by area, unit, project, or function?
2. Is the information timely?
3. Is the corporation using benchmarking to evaluate its functions and activities?

B. Are Adequate Control Measures in Place to Ensure Conformance with the Recommended Strategic Plan?

1. Are appropriate standards and measures being used?
2. Are reward systems capable of recognizing and rewarding good performance?

APPENDIX 12.C

Example of Student-Written Strategic Audit

(For the 1993 Maytag Corporation Case)

I. Current Situation

A. Current Performance

Poor financials, high debt load, first losses since 1920s, price/earnings ratio negative.

- First loss since 1920s.
- Laid off 4,500 employees at Magic Chef.
- Hoover Europe still showing losses.

B. Strategic Posture

1. **Mission**
   - Developed in 1989 for the Maytag Company: "To provide our customers with products of unsurpassed performance that last longer, need fewer repairs, and are produced at the lowest possible cost."
   - Updated in 1991: "Our collective mission is world class quality." Expands Maytag's belief in product quality to all aspects of operations.
2. **Objectives**
   - "To be profitability leader in industry for every product line Maytag manufactures." Selected profitability rather than market share.
   - "To be number one in total customer satisfaction." Doesn't say how to measure satisfaction.
   - "To grow the North American appliance business and become the third largest appliance manufacturer (in unit sales) in North America."
   - To increase profitable market share growth in North American appliance and floor care business, 6.5% return on sales, 10% return on assets, 20% return on equity, beat competition in satisfying customers, dealer, builder and endorser, move into third place in total units shipped per year. Nicely quantified objectives.
3. **Strategies**
   - Global growth through acquisition, and alliance with Bosch-Siemens.
   - Differentiate brand names for competitive advantage.
   - Create synergy between companies, product improvement, investment in plant and equipment.

4. **Policies**
   - Cost reduction is secondary to high quality.
   - Promotion from within.
   - Slow but sure R&D: Maytag slow to respond to changes in market.

II. Strategic Managers

A. Board of Directors

1. Fourteen members—eleven are outsiders.
2. Well-respected Americans, most on board since 1986 or earlier.
3. No international or marketing backgrounds.
4. Time for a change?

B. Top Management

1. Top management promoted from within Maytag Company. Too inbred?
2. Very experienced in the industry.
3. Responsible for current situation.
4. May be too parochial for global industry. May need new blood.

III. External Environment (EFAS Table; see Exhibit 1)

A. Natural Environment

1. Growing water scarcity
2. Energy availability a growing problem

B. Societal Environment

1. **Economic**
   a. Unstable economy but recession ending, consumer confidence growing—could increase spending for big ticket items like houses, cars, and appliances. **(O)**
   b. Individual economies becoming interconnected into a world economy. **(O)**
2. **Technological**
   a. Fuzzy logic technology being applied to sense and measure activities. **(O)**
   b. Computers and information technology increasingly important. **(O)**
3. **Political–Legal**
   a. NAFTA, European Union, other regional trade pacts opening doors to markets in Europe, Asia, and Latin America that offer enormous potential. **(O)**
   b. Breakdown of communism means less chance of world war. **(O)**
   c. Environmentalism being reflected in laws on pollution and energy usage. **(T)**
4. **Sociocultural**
   a. Developing nations desire goods seen on TV. **(O)**
   b. Middle-aged baby boomers want attractive, high-quality products, like BMWs and Maytag. **(O)**
   c. Dual-career couples increases need for labor-saving appliances, second cars, and day care. **(O)**
   d. Divorce and career mobility means need for more houses and goods to fill them. **(O)**

C. Task Environment

1. North American market mature and extremely competitive—vigilant consumers demand high quality with low price in safe, environmentally sound products. **(T)**
2. Industry going global as North American and European firms expand internationally. **(T)**
3. European design popular and consumer desire for technologically advanced appliances. **(O)**
4. **Rivalry High**. Whirlpool, Electrolux, GE have enormous resources & developing global presence. **(T)**
5. **Buyers' Power Low**. Technology and materials can be sourced worldwide. **(O)**
6. **Power of Other Stakeholders Medium**. Quality, safety, environmental regulations increasing. **(T)**
7. **Distributors' Power High**. Super retailers more important: mom and pop dealers less. **(T)**
8. **Threat of Substitutes Low**. **(O)**
9. **Entry Barriers High**. New entrants unlikely except for large international firms. **(T)**

IV. Internal Environment (IFAS Table; see Exhibit 2)

A. Corporate Structure

1. Divisional structure: appliance manufacturing and vending machines. Floor care managed separately. **(S)**
2. Centralized major decisions by Newton corporate staff, with a time line of about three years. **(S)**

B. Corporate Culture

1. Quality key ingredient—commitment to quality shared by executives and workers. **(S)**
2. Much of corporate culture is based on founder F. L. Maytag's personal philosophy, including concern for quality, employees, local community, innovation, and performance. **(S)**
3. Acquired companies, except for European, seem to accept dominance of Maytag culture. **(S)**

C. Corporate Resources

1. **Marketing**
   a. Maytag brand lonely repairman advertising successful but dated. **(W)**
   b. Efforts focus on distribution—combining three sales forces into two, concentrating on major retailers. (Cost $95 million for this restructuring.) **(S)**
   c. Hoover's well-publicized marketing fiasco involving airline tickets. **(W)**
2. **Finance** (see **Exhibits 4 and 5**)
   a. Revenues are up slightly, operating income is down significantly. **(W)**
   b. Some key ratios are troubling, such as a 57% debt/asset ratio, 132% long-term debt/equity ratio. No room for more debt to grow company. **(W)**
   c. Net income is 400% less than 1988, based on common-size income statements. **(W)**
3. **R&D**
   a. Process-oriented with focus on manufacturing process and durability. **(S)**
   b. Maytag becoming a technology follower, taking too long to get product innovations to market (competitors put out more in last 6 months than prior 2 years combined), lagging in fuzzy logic and other technological areas. **(W)**

4. **Operations**
   a. Maytag's core competence. Continual improvement process kept it dominant in the U.S. market for many years. **(S)**
   b. Plants aging and may be losing competitiveness as rivals upgrade facilities. Quality no longer distinctive competence? **(W)**
5. **Human Resources**
   a. Traditionally very good relations with unions and employees. **(S)**
   b. Labor relations increasingly strained, with two salary raise delays, and layoffs of 4,500 employees at Magic Chef. **(W)**
   c. Unions express concern at new, more distant tone from Maytag Corporation. **(W)**
6. **Information Systems**
   a. Not mentioned in case. Hoover fiasco in Europe suggests information systems need significant upgrading. **(W)**
   b. Critical area where Maytag may be unwilling or unable to commit resources needed to stay competitive. **(W)**

V. Analysis of Strategic Factors

A. Situational Analysis (SWOT) (SFAS Matrix; see Exhibit 3)

1. **Strengths**
   a. Quality Maytag culture.
   b. Maytag well-known and respected brand.
   c. Hoover's international orientation.
   d. Core competencies in process R&D and manufacturing.
2. **Weaknesses**
   a. Lacks financial resources of competitors.
   b. Poor global positioning. Hoover weak on European continent.
   c. Product R&D and customer service innovation areas of serious weakness.
   d. Dependent on small dealers.
   e. Marketing needs improvement.
3. **Opportunities**
   a. Economic integration of European Community.
   b. Demographics favor quality.
   c. Trend to superstores.
4. **Threats**
   a. Trend to superstores.
   b. Aggressive rivals—Whirlpool and Electrolux.
   c. Japanese appliance companies—new entrants?

B. Review of Current Mission and Objectives

1. Current mission appears appropriate.
2. Some of the objectives are really goals and need to be quantified and given time horizons.

VI. Strategic Alternatives and Recommended Strategy

A. Strategic Alternatives

1. *Growth through Concentric Diversification*: Acquire a company in a related industry such as commercial appliances.
   a. ***[Pros]:*** Product/market synergy created by acquisition of related company.
   b. ***[Cons]:*** Maytag does not have the financial resources to play this game.

2. *Pause Strategy*: Consolidate various acquisitions to find economies and to encourage innovation among the business units.
   a. ***[Pros]:*** Maytag needs to get its financial house in order and get administrative control over its recent acquisitions.
   b. ***[Cons]:*** Unless it can grow through a stronger alliance with Bosch-Siemens or some other backer, Maytag is a prime candidate for takeover because of its poor financial performance in recent years, and it is suffering from the initial reduction in efficiency inherent in acquisition strategy.
3. *Retrenchment*: Sell Hoover's foreign major home appliance businesses (Australia and UK) to emphasize increasing market share in North America.
   a. ***[Pros]:*** Divesting Hoover improves bottom line and enables Maytag Corp. to focus on North America while Whirlpool, Electrolux, and GE are battling elsewhere.
   b. ***[Cons]:*** Maytag may be giving up its only opportunity to become a player in the coming global appliance industry.

B. Recommended Strategy

1. Recommend pause strategy, at least for a year, so Maytag can get a grip on its European operation and consolidate its companies in a more synergistic way.
2. Maytag quality must be maintained, and continued shortage of operating capital will take its toll, so investment must be made in R&D.
3. Maytag may be able to make the Hoover UK investment work better since the recession is ending and the EU countries are closer to integrating than ever before.
4. Because it is only an average competitor, Maytag needs the Hoover link to Europe to provide a jumping off place for negotiations with Bosch-Siemens that could strengthen their alliance.

VII. Implementation

A. The only way to increase profitability in North America is to further involve Maytag with the superstore retailers; sure to anger the independent dealers, but necessary for Maytag to compete.

B. Board members with more global business experience should be recruited, with an eye toward the future, especially with expertise in Asia and Latin America.

C. R&D needs to be improved, as does marketing, to get new products online quickly.

VIII. Evaluation and Control

A. MIS needs to be developed for speedier evaluation and control. While the question of control vs. autonomy is "under review," another Hoover fiasco may be brewing.

B. The acquired companies do not all share the Midwestern work ethic or the Maytag Corporation culture, and Maytag's managers must inculcate these values into the employees of all acquired companies.

C. Systems should be developed to decide if the size and location of Maytag manufacturing plants is still correct and to plan for the future. Industry analysis indicates that smaller automated plants may be more efficient now than in the past.

EXHIBIT 1 EFAS Table for Maytag Corporation 1993

External Factors	Weight	Rating	Weighted Score	Comments
1	2	3	4	5
Opportunities				
■ Economic integration of European Community	.20	4.1	.82	Acquisition of Hoover
■ Demographics favor quality appliances	.10	5.0	.50	Maytag quality
■ Economic development of Asia	.05	1.0	.05	Low Maytag presence
■ Opening of Eastern Europe	.05	2.0	.10	Will take time
■ Trend to "Super Stores"	.10	1.8	.18	Maytag weak in this channel
Threats				
■ Increasing government regulations	.10	4.3	.43	Well positioned
■ Strong U.S. competition	.10	4.0	.40	Well positioned
■ Whirlpool and Electrolux strong globally	.15	3.0	.45	Hoover weak globally
■ New product advances	.05	1.2	.06	Questionable
■ Japanese appliance companies	.10	1.6	.16	Only Asian presence in Australia
Total Scores	1.00		3.15	

EXHIBIT 2 IFAS Table for Maytag Corporation 1993

Internal Factors	Weight	Rating	Weighted Score	Comments
1	2	3	4	5
Strengths				
■ Quality Maytag culture	.15	5.0	.75	Quality key to success
■ Experienced top management	.05	4.2	.21	Know appliances
■ Vertical integration	.10	3.9	.39	Dedicated factories
■ Employer relations	.05	3.0	.15	Good, but deteriorating
■ Hoover's international orientation	.15	2.8	.42	Hoover name in cleaners
Weaknesses				
■ Process-oriented R&D	.05	2.2	.11	Slow on new products
■ Distribution channels	.05	2.0	.10	Superstores replacing small dealers
■ Financial position	.15	2.0	.30	High debt load
■ Global positioning	.20	2.1	.42	Hoover weak outside the United Kingdom and Australia
■ Manufacturing facilities	.05	4.0	.20	Investing now
Total Scores	1.00		3.05	

EXHIBIT 5

Common Size Income Statements for Maytag Corporation 1993

	1992	1991	1990
Net Sales	100.0%	100.0%	100.0%
Cost of Sales	76.92	75.88	75.50
Gross Profit	23.08	24.12	24.46
Selling, general/admin. expenses	17.37	17.67	16.90
Reorganization Expenses	.031	——	——
Operating Income	.026	.064	.075
Interest Expense	(.025)	(.025)	(0.26)
Other-net	.001	.002	.009
Income before accounting changes	.002	.042	.052
Income taxes	.005	.015	.020
Income before accounting changes	(.002)	.026	.032
Effect of accounting changes for post-retirement benefits other than pensions and income taxes	(.101)	------	------
Total Operating Costs and Expenses	74.9	76.0	76.3
Net Income	**(.104)**	**.026**	**.032**

EXHIBIT 6 Implementation, Evaluation, & Control Plan for Maytag Corporation 1993

Strategic Factor	Action Plan	Priority System (1–5)	Who Will Implement	Who Will Review	How Often Review	Criteria Used
Quality Maytag culture	Build quality in acquired units	1	Heads of acquired units	Manufacturing VP	Quarterly	Number defects & customer satisfaction
Hoover's international orientation	Identify ways to expand sales	2	Head of Hoover	Marketing VP	Quarterly	Feasible alternatives generated
Financial position	Pay down debt	1	CFO	CEO	Monthly	Leverage ratios
Global positioning	Find strategic alliance partners	2	VP of Business Development	COO	Quarterly	Feasible alternatives generated
EU economic integration	Grow sales throughout EU	3	Hoover UK Head	Marketing VP	Annually	Sales growth
Demographics favor quality	Simplify controls	3	Manufacturing VP	COO	Annually	Market research user satisfaction
Trend to super stores	Market through Sears	1	Marketing VP	CEO	Monthly	Sales growth
Whirlpool & Electrolux	Monitor competitor performance	1	Competition committee	COO	Quarterly	Competitor sales & new products
Japanese appliance companies	Monitor expansion	4	Head of Hoover Australia	Competition committee	Semi-annually	Sales growth outside Japan