# TAKING A BITE OUT OF STRATEGIC UNDERSTANDING: THE APPLE ANALYSIS IN A STRATEGIC MANAGEMENT CLASSROOM

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## ABSTRACT

This paper proposes a new process, the APPLE Analysis, for developing pre-analysis comprehension about company conditions, resources, and challenges, as a part of the undergraduate strategic management curriculum. The results of its first application indicate strong student support for its ability to deliver on content outcomes, with 74.9% noting its value.

## INTRODUCTION

Strategic Management (previously referred to as Business Policy) is often found as a capstone course in colleges of business. While these courses continuously evolve in response to the evolution of the field, most involve a focus on a "strategic assessment" that seeks to incorporate the cross-disciplinary learning up to that point in time in the student's curriculum as well as key strategic assessment tools. Often these assignments include evaluating a written case about a focal company or developing a strategic assessment of a firm without the benefit of a published case. Smircich and Stubbart (1985) note that strategic management is organization building that results in a shared interpretation of reality. As such, good strategic analysis must begin by "setting the stage" for the reader.

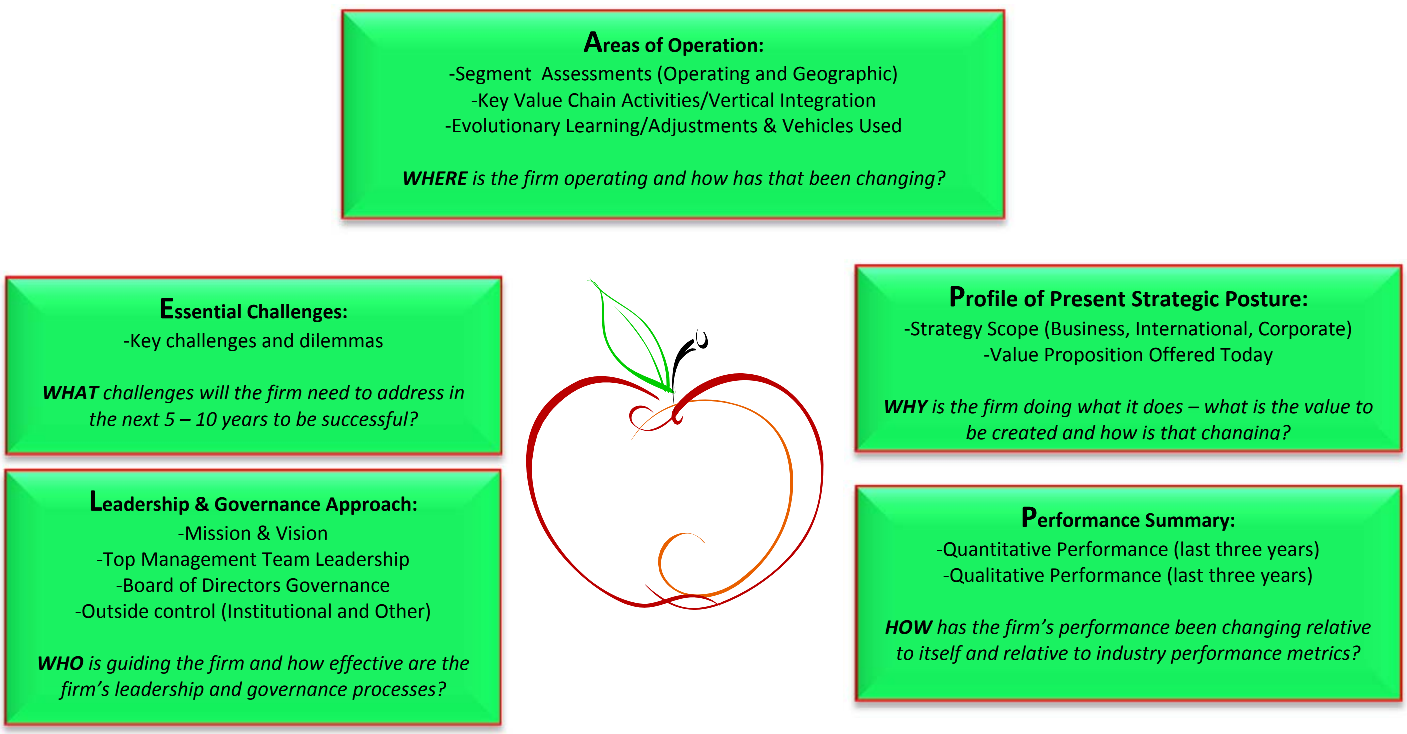
In many strategic management classrooms, traditional external and internal analysis is conducted resulting in a SWOT analysis that is used to justify directions for future actions. However, this approach makes an implicit assumption that the creator of the analysis already understands the company and its context relatively well. Given that a misunderstanding of the range and scope of the firm will precipitate an inaccurate evaluation of the external and internal environments, it becomes clear that defining a process for ascertaining and validating the range and scope of the firm is critical since it stands to reason that if the analyst cannot demonstrate that a full and accurate understanding of the range and scope of the firm, then any analyses and interpretations for further action will be suspect. For example, imagine that an analyst's report recognizes only that XYZ firm has been involved in the plumbing supplies business since the firm's founding and that the firm's performance has been suffering for the last several years. If the team leaves out recognition that XYZ firm has spread itself also across 7 different industries in big acquisitions and diversification moves over the last 4 years, then the reader is left to assume that the team does not understand that the firm has changed substantially over the past several years, the scope of XYZ has changed dramatically, and perhaps these elements have some bearing on why performance might be suffering.

In strategic management instructional contexts, this process is complicated by the traditional layout of the textbooks that begin with an overview to strategic management without any analytical processes attached, and then turn rapidly either to external analysis and/or internal analysis components for which analytical processes and/or components are addressed. In practice, strategic management instructors noted that this distinction was very important to developing a clear understanding of the breadth and depth of the firm that framed a clear foundation for future realistic directions.

**The Development of the APPLE Analysis Assignment**

On the basis of reviewing and trying several different approaches, the authors at a AACSB-accredited College of Business located in the Southeastern University arrived at the acronym APPLE (Figure 1) (Areas of Operation, Profile of Present Strategic Posture, Performance Summary, Leadership and Governance Approach, and Essential Challenges) to develop in student analysts an appreciation of the development and range of the firm to present. The assignment called for students to craft a consultancy report that covered the following issues as a preliminary step to the completion of a comprehensive consulting report for a publicly traded firm. The APPLE Analysis was to include no more than 10 pages of textual analysis, with supporting appendices, tables, graphs, and charts to be included and interpreted and appended beyond the 10 pages.

**Figure 1. APPLE Analysis Summary Segments**




The following paragraphs describe the key focus of these segments as individually and collectively they attempt to demonstrate a strong understanding by the student of the historical evolution and present position of the firm before the student analyst attempts to apply external or internal analyses attempting to justify a particular course of action.

## THE PIECES OF THE APPLE ANALYSIS

The APPLE Analysis examines the firm's present

- **A**reas of Operation
- **P**rofile of Present Strategic Posture
- **P**erformance Summary
- **L**eadership & Governance Approach, and
- **E**ssential Challenges.

These five perspectives provide insight into the *where*, *why*, *how* and *who* questions that can guide what can be done for the future. As noted by Maranville (2011), the process of strategic management is about understanding the frameworks and analyses such that one can manage both the art and science elements of strategic prescriptions effectively and not just follow the crowd.

**1. Areas of Operation**

To communicate clearly that the student analyst understands the firm, they must communicate a clear understanding of the scope of the firm's activities at present. In other words, the student analyst must communicate that he or she understands WHERE the firm is operating. To do so, focus on three different perspectives and a summary of those insights to define the potential for opportunities for improvement and resources to do so in the future:

(a) The key activities and product/service categories in which the firm is involved, which includes the major product/service categories; performance of and reliance on major operating segments (including both geographic and product). The student analyst's explanation of the spread of these activities will demonstrate comprehension of the complexity of the firm and the extent to which it is tied to multiple types of value creating activities or focused on a more limited and defined set of these activities;

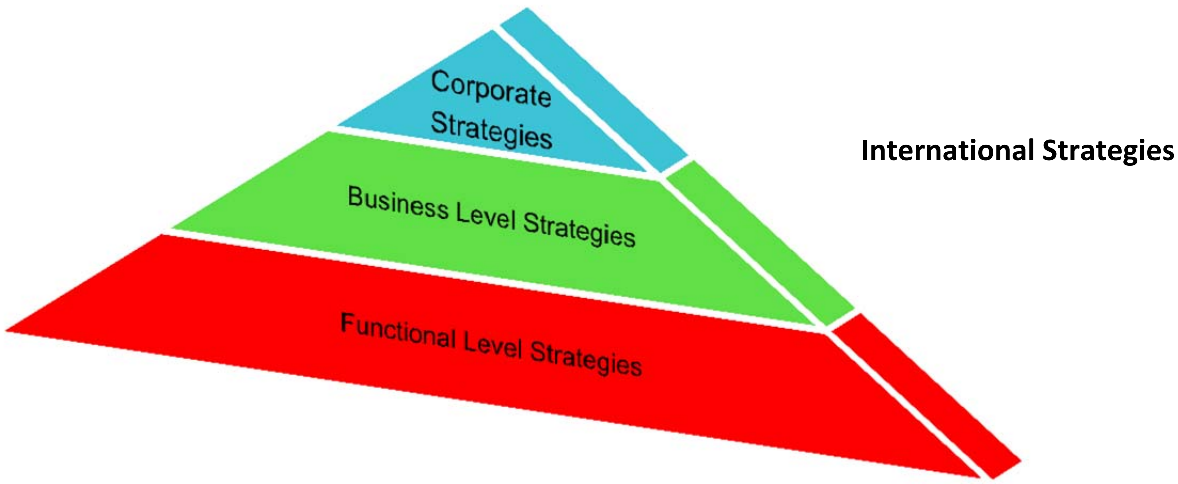
(b) An overview of the key value chain activities the firm is involved in and how vertically integrated the firm is at present. While the first insight provides perspective on the scope of the activities of the firm, this second perspective sheds light on the breadth and depth of focus in different value chain activities. Vertical integration is the ownership (or other control) of various stages of the value chain activities of the firm. Vertical integration may provide some benefits to firms, as it can help to lend greater control over the procurement of needed input for the firm (backward integration) and/or greater control through the distribution process of the firm's outputs. However, vertical integration can also provide challenges to firms since the activities are provided for internal consumption and therefore may lack the market-based incentive to excel. Moreover, firms competing in multiple value chain activities are challenged to be effective competitors relative to all firms in each of the respective value generating activity areas. In other words, an auto manufacturer, such as GM, that owns a battery production firm to fulfill a dedicated supplier base for its car batteries, must be competitive with up-to-the-minute technologies and processes for not only auto manufacturing, but also for battery development and manufacturing; and

(c) An explanation for the critical evolutionary adjustments that have brought the firm to BOTH the current range and scope of activities as well as the key learning and skills areas it has available in its arsenal for future competitive engagement. Analyzing the evolution of the firm requires a reading of the timeline of the firm and then making an assessment of what the major milestones are in the company's history <u>and</u> what these milestones mean the company has learned/has experienced. To frame an analysis of this perspective, use the timeline (and a review of past and more recent news releases of the firm and even stock trading history) to develop and support your assessment of the key developmental phases through which the firm has evolved and to denote the key learning and skills in the firm's arsenal.

**2. Profile of the Firm's Present Strategic Posture**

After denoting the areas in which the firm operates (WHERE?), it is critical to explore WHY the firm is performing the activities in which it is currently engaged. The current strategic posture of the firm should provide a clear framework for why these activities of the firm are occurring. As shown in Figure 2 below, the firm's leadership develops strategies at different levels within the organization. Traditionally these strategies are organized into a pyramid. The challenge within most strategic management textbooks is that while there is a basic definition of corporate strategy in the first chapter, there is no way to understand how to apply it in the firm's analysis. As such, student analysts are left until Chapters 7 or 9 in the textbook to learn about how to apply this level of analysis, while they usually begin cases or other applied analysis much earlier in the course of the semester. Our approach differs in that the complexity is developed from the beginning such that students understand the interdependence of their thinking at the business level with potential resource demands or provisions at the corporate level of more complex firms (and their lack of such resources in a very simple firm).

**Figure 2: Layers of Strategy Within An Organization**




The assessment should include preliminary evaluations of strategic commitments from four perspectives: (1) Corporate; (2) Business; (3) Functional; and (4) International. Our approach relies on the idea that since overall corporate leadership directs resources around the firm, the analysis should begin with the corporate strategy of the firm. This level asks the critical questions about the industries in which the firm is operating and how resources are allocated among the various lines of business in which the firm operates. This perspective helps to shed light on how focused the activities and attention of management are on a single line of business. Differing diversification strategies can be used to spread the firm's attention across multiple industries and lines of business to garner benefits such as economies of scope or scale, resource sharing, internal financial synergies, among others. Identifying which strategy the firm appears to be seeking sheds light on its support and future resource contributions and commitments to the industries in which the firm is involved.

Next, student analysts are asked to review the business strategy of the firm. In his 1980 book, entitled *Competitive Strategy*, Michael Porter identified three basic generic competitive strategies which focus on the firm's commitment to value delivery. In other words, this generic business strategy model seeks to answer the question, "How will the firm compete in the XYZ industry?" Firms can focus on differentiating based on key tangible (best technology, reliability, fastest service fulfillment, engaged customer service) or intangible (brand name, image, customization) features which tend to drive up costs of operating (differentiation). Examples of firms pursuing such strategies include Nike, Apple, and Mercedes Benz. Alternatively, firms can also work to drive down costs across the value chain (e.g., shortening the value chain, removing activities, outsourcing, reducing product breadth, limiting customization choices, shoring up supply chains). Examples of firms pursuing such an approach include Dollar Tree and Wal-Mart, as well as Ryanair. Firms also have the choice of whether to pursue a broad market position or to seek a narrower (focused/niche) level of operations. Later researchers identified successful efforts of some firms to pursue hybrid strategies given the opportunities in the global marketplace to recognize both cost cutting and differentiating features simultaneously. Thus, some firms have been able to walk the tightrope of pursuing a combined strategy (best cost provider) that integrates some benefits from both low cost and differentiation. Therefore, the following five strategies are available for firms to pursue at the generic business level: Focused Low Cost, Broad-based Low Cost, Focused Differentiation, Broad-based Differentiation, and Best Cost. More recently, Kim and Mauborgne (2009) have noted the importance of also considering a blue ocean strategy which adopts a comprehensive set of new practices and processes for competing in a given industry to win customers. Firms such as Ryanair in the European Union have done so by revolutionizing air travel. In addition to identifying the firm's basic generic competitive business-level strategy, it is important to consider how aggressive and fast the firm is in supporting new initiatives and activities. Is the firm a first-mover, a second-mover, a follower, or a late adopter?

Another perspective to be gained regarding strategy at the business-level is the profile of the firm when delivering on its strategy. Miles and Snow (1978), in their critically acclaimed book, "Organizational Strategy, Structure, and Process," offered a typology which defined four generic categories that define a firm's approach to the marketplace. This typology included the following:

1. Defenders – these organizations have very narrow product-market exposure, and they focus on limited adjustments to continue delivering value in these chosen markets.
2. Prospectors – these organizations are consistently seeking new market opportunities and often experiment and adopt new processes, technologies, and/or structures to deliver on these opportunities.
3. Analyzers – these organizations operate in multiple product markets, with some markets being very stable (in which the firm maintains clear focus on existing processes) and some markets still developing (in which the firm observes and adapts very quickly).
4. Reactors – these organizations either fail to perceive market changes or else they are unable to adapt to those changes that they do perceive.

As the student analyst works to develop a clear statement of the types of business-level strategic postures that the firm is pursuing, he or she will also develop a more complete understanding of the types of benefits the firm's leadership appears to be seeking. With this business level profile information in hand, the student analyst will be able to consider the types of Functional Level Strategies the firm employs. The next phase looks at each of the functional level strategies to identify what explicit approaches are being adopted, and how they support the business and corporate-level strategies. For example, consideration of the types of marketing efforts being targeted help to reinforce or show a need to reinforce clearly stated business objectives.

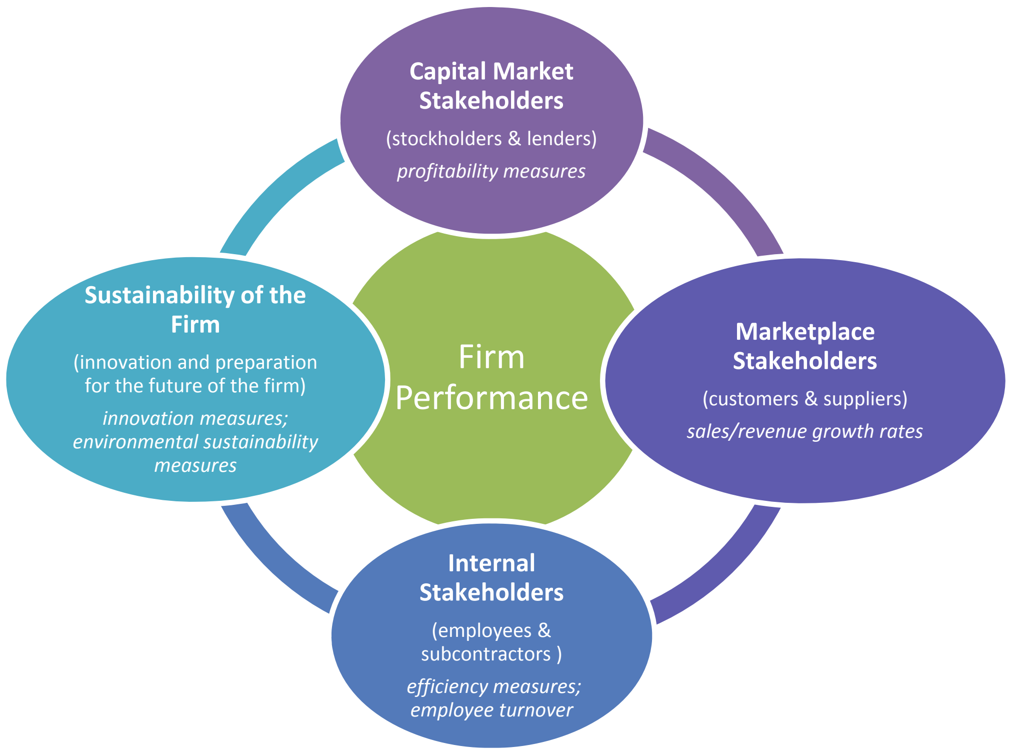
The next perspective needed is to articulate the current international scope of strategy. Ghoshal and Nohria (1993) defined four different international strategies that firms can adopt to compete internationally, including home replication, multidomestic, global, and transnational. Of course, some firms have very limited involvement internationally and so the first question to consider is whether the firm has significant activities abroad and to what extent those efforts have been strategically programmed versus opportunistically acted upon. Certainly the adoption of a particular strategy does not mean that it will be successful, as shown by Wal-Mart's decision to apply the home replication strategy to its market entry and management styles in Germany failed dramatically, while others such as HP have found that changing the expectations for subsidiaries to adopt and fulfill global mandates has been very successful.

**3. Performance Summary**

Developing a perspective of how well the intended (WHY) activities of the firm have delivered value requires the student analyst to review the performance of the firm. Performance assessments from multiple perspectives yield valuable insights that complement (and sometimes contradict!) one another.

The need for multiple perspectives was realized in the 1990s with the development of the Balanced Scorecard. The Balanced Scorecard is a tool used by more than 70% of Fortune 500 companies to assess and manage strategic performance by actively seeking to recognize that firm leadership cannot serve only one of its stakeholder groups at the expense of the others and maintain the commitment of all groups to the organization's future. So to engender a clear commitment to seeing performance as more than just top and bottom line income statement performance, the student analyst will also need to address explicitly performance from the perspective of 4 critical stakeholder groups as shown in Figure 3.

**Figure 3. Critical Stakeholder Groups & Performance Measures Using the Balanced Scorecard**




To review and understand performance in these areas comprehensively, it is important to examine both performance across the range of these perspectives relative to the firm's *own past performance* as well as relative to *industry averages* for the key industry segments. Performance can be assessed from both qualitative and quantitative perspectives. Quantitative assessments utilize objective measures that are widely available to show how the firm has delivered on key performance areas relative to its own historical performance and relative to industry averages. Such insights are derived by obtaining market share measures through market reporter and other publicly available sources, stock price and volume graphs over longer time periods compared to industry competitors and major indices, and financial statements of the firm, available through S&P NetAdvantage, Mergent, or the firm's own financial statement or investor information reporting pages. These analyses provide the following insights:

a) a summary of the firm's market share position relative to competitors (based on industry and brand market share measures) as well as an evaluation of how this position has been changing and the impact of these changes on the firm;
b) stock price relative to the firm's key rivals in the industry and relative to a/the major stock index/indices and what these observations tell about the relative performance of this firm and the direction it is going;

c) raw financial statements (balance sheet, income statement, cash flows) and key insights derived from observing those statements reported in terms of:
    a. horizontal (trends) analysis of the balance sheet and income statement as well as vertical (common sized) analysis of the balance sheet and income statement
    b. cash flow analysis and evaluation of cash flow and cash flow to inventory (if appropriate) measures; and

d) key ratio analyses over the past three years for the firm that capture assessments of profitability, management effectiveness, efficiency, financial strength, growth and valuation, debt management, inventory management, turnover, economic value added, and market value added, as well as what these measures tell about the financial health of the firm over the time frame included AND with focus on how these ratios compare to critical industry averages.

Qualitative assessments focus on more subjective criteria that are developed from multiple sources. Such indicators include rankings, ratings, reviews (e.g., Top 100 Places to Work, Industry Leadership Roles, Best or Worst Board ratings). These evaluations and assessments provide insights into key performance measures and indicate how the firm is regarded relative to others in the industry as well as other firms in all industries. They provide insights especially into the internal stakeholders, marketplace, and sustainability perspectives of the Balanced Scorecard introduced above. For example, Apple and Google are viewed as leaders in technology and innovation not just in their core industries but across all industry settings. As such, leaders and executives from these companies are seen as fertile ground for recruitment to other sectors and industries to provide leadership on innovation and process changes to convert firms in those industries as well. SAS has been noted as among the best places to work for many years because its focus on employee development and well-being. This focus has translated well into innovative products and limited turnover which both help to serve effectively clients of the firm. After calculating and discussing the insights from each of these analysis areas, the student analyst should be able to summarize how effectively the firm has been able to deliver on the strategies to date. This summary is critical to defining areas of needed action for the future and/or areas of concern.

**4. Leadership and Governance**

While inputs into strategic decisions and their implementation are provided throughout the firm, these activities are coordinated by the leadership of the firm. When performance from both a qualitative and quantitative perspective is positive, it is generally thought that strategic leadership is effective, but when there are demonstrated slides and slips in performance, strategic leadership and/or overall board governance is questioned. Attributing strong performance increases alone, however, has been shown to be inadequate for evaluating the effectiveness of governance, since examples such as WorldCom, Enron, and Tyco show that it is important to dig deeper into noting whether the process of planning for and delivering on effective governance of the firm is likely setting the stage for long-term success or short-term grandstanding. A more holistic approach to effective governance views the process as the sum of the effectiveness of the firm's management of the often conflicting set of demands placed on the firm by its various stakeholder groups. According to Turnbull (1997) as summarized in Figure 4 below, the sum of these parts includes the following public and private sector influences. It is therefore important to evaluate the ways in which the critical leadership groups within the firm consider the resources, control and collaboration needed to manage these various stakeholder groups.

**Figure 4. Influences Affecting the Operations of Publicly Traded Firms**

| Private sector influences | Public sector laws/regulators |
|---|---|
| Customers | Trade practices |
| Competitors | Anti-monopoly |
| Shareholders | Securities |
| Employees | Labour & Equal Opportunity |
| Unions | Arbitration courts, etc. |
| Suppliers | Fair trading |
| Bankers & financiers | Credit & bankruptcy |
| Auditors | Corporate |
| Stock Exchange rules | Federal/State/Local tax |
| Market for shares | Health & safety |
| Media | Environmental |
| Professional associations | Quality |
| Trade associations | Building |
| Directors & Advisers | Community |

Source: Turnbull (1997)

Given the importance of the interaction of top management team, boards of directors, and outside controlling ownership positions in influencing how strategy is derived and implemented, it is critical to focus on effective practices and processes with each of these groups. As a result of this process, it will be possible to denote areas of concern and/or identify best practices that may create a differential advantage over other companies. This analysis should focus on the most critical influencers of strategic direction in the firm: (a) the Board of Directors, (b) the Top Management Team; (c) large external stockholders (whether individual or institutional); and (d) the course agreed upon by these leaders via the firm's vision and mission.

*Contributions and Assessment of the Board of Directors*

When analyzing a company, it is important to review the tools, expertise, resources and connections that are brought together by its leadership and to determine to what extent effective governance mechanisms have been established (The Business Roundtable, 2002). The board of directors' principal responsibility is to hire the chief executive and monitor the actions and decisions of top management to assure that the firm is operated in an effective and ethical manner. As such, the board performs three roles for the firm simultaneously which are described in Figure 5 below.

The board of directors is the group that provides an important linking mechanism and balance between a small team of key managers in the firm and a vast group of shareholders in publicly traded firms and a voice of balance between stakeholders and managers in not-for-profit organizations. In the United States, the law requires that the board have a strict and fiduciary duty to ensure that the company is run in a manner that is consistent with the long term-interests of the owners (shareholders). Good boards require at least some freedom from influence of the firm's CEO to be effective in delivering on their roles. Board requirements differ by country, with some countries, such as Germany, having two-layer boards (supervisory and operating boards). So it is clear that the board plays an important role in affecting management and leadership within an organization. Boards consist of executives that come from other firms, representatives from key stakeholder groups, retired executives with noted experience in desired areas of exposure, and former public officials or non-profit leaders.

**Figure 5: Roles of Boards of Directors**


Source: The Business Roundtable (2002)

Although observation and familiarity with the firm's board is the best way to develop insight as to its effectiveness, several other issues warrant reflection and evaluation, such as the structure, composition, and processes in place. According to The Business Roundtable (2002), the principle responsibilities of the board of directors typically include:

- "Planning for management succession
- Hiring and evaluating the chief executive officer (CEO)
- Understanding, reviewing and monitoring the implementation of the firm's strategic plans
- Understanding and reviewing annual budgets and operating plans
- Focusing on the integrity & clarity of the firm's financial statements and financial reporting

- Engaging outside auditors and considering independence issues
- Advising management on significant issues facing the corporation
- Reviewing and approving significant corporate actions
- Reviewing management's plans for business resiliency
- Nominating directors and overseeing corporate governance."

Therefore, the following issues should be evaluated with respect to any board:

1. **Board Composition and Performance** – *How many insiders (executives) versus outsiders (non-executives) are on the board?*
2. **Leadership/Chairmanship** – *Is the chairman's position on the board independent of the executives or is it held by the CEO?*
3. **Term Limits and Time Together as a Board** – *Are there term limits for membership on the board, and how long has the present board been together?*
4. **Frequency of Meetings/Contact with Top Executives –** *How often do board members have access to top management?*
5. **Committee Structure** – *How many and what kind of committees guide board action? How independent are these committees? At a minimum, public companies should have Nominating, Audit, Governance and Compensation Committees with independence.*
6. **Linkage to Long-term Performance -** *To what extent are board members affected by the decisions taken as a board? (How much stock does each board member hold?)*
7. **Diversity of Backgrounds and Resources Brought to the Firm through Board Membership –** *what range of behaviors and resources are brought to the board to assist in the strategy, service and control components of the board's responsibilities? Consider here not only demographic diversity, but also how the backgrounds and experience of the individual board members provide insight for control, service and strategy roles.*
8. **Oversight Guidance –** *what types of roles, rules, procedures and processes has the board adopted to provide focus and commitment to a common set of values and actions on behalf of the board, executive leadership and other parts of the organization? (E.g., codes of conduct, ethical statements, sustainability initiatives, etc.)*

To complete this evaluation as comprehensively as possible, student analysts can be encouraged to work through Mergent, the company's investor relations posting, or S&P Netadvantage to develop a summary appendix that includes the backgrounds of each of the members of the board of directors, indicating clearly the background (professional and educational profiles, age and gender), stock holding in the firm, and indication of whether the person is an insider or outsider. Then, after reviewing this basic background, as well as the Governance page of the firm's Investor Relations or homepage, they can develop <u>and support</u> responses to items 1 – 8 above. Ultimately student analysts should summarize whether you believe that the firm's board of directors is able to provide effective fulfillment of the roles noted above.

*Contribution and Assessment of Top Management Team*

While the Chief Executive Officer (CEO) is the key architect of organizational strategy, the collaboration of the entire top management team is critical to successful strategy development and execution. Aside from the CEO, other top management team members may include the CFO (Chief Financial Officer), the CIO (Chief Information Officer), Controller, Counsel and Senior/Executive Vice Presidents of key business areas within the organization. To some extent, who these key leaders are depends upon the firm's industry and its own internal organizational structure. Close familiarity with the individual executives who lead a company is most helpful to understanding their motives and commitments to the organization over self. According to The Business Roundtable (2002), senior/top management (TMT) responsibilities include:

- "Operating the corporation
- Strategic planning
- Preparing annual budgets and operating plans
- Selecting qualified management and establishing an effective organizational structure
- Identifying and managing risks
- Ensuring integrity in financial reporting
- Demonstrating strong and decisive leadership of values
- Exerting effective internal controls."

Therefore, the following issues should be evaluated with respect to the TMT:

1. **Diversity and Background of the Top Management Team –** *what resources are brought to the team by its membership?*
2. **Stability of the Top Management Team** – *how long has the top management team been together?*
3. **Linkage of the Top Management Team to Decisions Undertaken –** *how much might the TMT be affected by its strategic decisions? (How much stock does each member of the top management team own in the firm?)*

To complete this evaluation, student analysts can consult Mergent, the company's investor relations posting, or S&P Netadvantage, popular press items, and analyst insights to develop a summary appendix that includes the backgrounds of each of the top management team members, indicating clearly the background (professional and educational profiles, age and gender), stock holding in the firm. Then, reviewing this basic background, as well as the investor relations pages and annual reports, they can develop <u>and support</u> responses to items 1 – 3 above. Ultimately a conclusion should be reached about whether the student analysts believe that the firm's top management team is adequately composed to provide effective strategic leadership and implementation for the firm's strategies. For example, in December 2011, Avon's Andrea Jung stepped down as CEO and maintained only her position as Chairman of the Board for the firm, noting that the performance slowdowns in several sectors required these roles to be different to enable the CEO to focus entirely on rebuilding positions lost.

*Assessment and Control by Outside Investors*

Over 60% of the stock of publicly traded firms in the United States is held by institutional investors such as pension funds, mutual funds among others. In addition, powerful families (e.g. Tyson, Heinz, etc.) often hold a significant share of stock in what used to be private, family-owned companies that have now transitioned into publicly traded firms. Finally, individual investors, such as Carl Icahn in Clorox, hold large ownership positions within individual firms. As such, these individuals or institutions may use their voting power to push for specific types of strategic decisions in a firm. The more concentrated the ownership -- in individual hands or in the hands of institutional investors -- the more likely that undue pressure can be exerted from these sources on decision making and processes within the firm either by these individuals voting with their shares to change board members who share their beliefs about desired strategic directions of the firm or through initiating takeover bids that take management attention away from managing the firm while the Top Management Team deals with the challenges posed by the takeover bid. Therefore, it is important to consider the following:

1. **Concentration of ownership** – *how concentrated is the ownership of the firm and what, if any, influence are these groups imposing or capable of imposing on strategic decision making? What percent of the firm is owned by outside investors (individual or institutional)?*

To evaluate this potential for control and influence, student analysts should look to the institutional and individual holdings in the firm to determine if any entity holds more than 5% of the stock of the firm. This information can be identified through public filings and through access via databases such as Mergent or S&P Net Advantage, but be sure to check the recency of the information! If specific institutional or individual investors hold large chunks of the stock of the firm, then one should recognize the ability of these institutions or individuals to put pressure on the leadership of the firm to pursue specific decisions. Such pressure may, or may not, be in the best future interest of the firm as a whole.

*Assessment of the Mission and Vision*

The firm's vision and mission provide those inside and outside the firm with a clear idea of the direction and focus of the firm's activities – and therefore these statements serve as guides to the kinds of decisions and actions that should be supported by the firm's leadership. Clearly the vision and mission should be reflective of the actual strategic profiles being enacted by the firm. Otherwise, the vision and mission should be revised <u>OR</u> the strategic profiles should be adapted. This evaluation should include an assessment of the adequacy and appropriateness of each of these statements in clearly articulating and supporting the firm's stated direction. It is important to evaluate the following issues for each firm's vision and mission.

The vision directs the future of the firm. It should be a clear statement that guides future decision making on issues such as product/market/customer/technology and ethics issues, but it should also enable enough flexibility to allow the firm to be responsive to market conditions. A well-communicated vision functions as a valuable managerial tool to give the organization a sense of direction and shape organizational identity. It serves to inform all stakeholders where the company is headed, and it enables these important groups to view all actions of the firm as being supportive of this direction thereby creating further legitimacy for the firm. Perhaps most importantly, the vision provides reference points for management and employees to act in manners fitting with the future focus to which the firm has committed. To evaluate the vision, Gamble and Thompson (2009) propose that the following aspects be considered:

1. Clarity - paints a picture of the kind of company management is trying to create and the market positions the company is striving to stake out;
2. Directionality - is forward-looking; describes the strategic course that management has charted and the kinds of customer/product/market/technology changes that will help the company prepare for the future;
3. Focus - specific enough to provide managers with guidance in making decisions and allocating resources;
4. Feasibility - within the realm of what the company can expect to achieve in due time;
5. Desirability - why the chosen path makes good business sense and is in the long-term interest of stakeholders (especially shareholders, employees and customers); and
6. Understandability - explainable in 5-10 minutes, and ideally can be reduced to a simple, memorable slogan.

The firm's mission should articulate what the firm is at present. To evaluate the mission statement, the following issues should be considered:

1. Is the statement clear but short?
2. Does it identify the customers to be served?
3. Does it give insight to the breadth of the firm's product focus?
4. Does it explicate the firm's commitments to stakeholders and describe how they will be fulfilled?

At the conclusion of evaluating each of these indicators of leadership and governance, student analysts should provide a summary statement indicating how the assessments and analyses create an overall picture of the effectiveness of the current leadership and governance practices as they apply to the range of stakeholders the firm faces at present and how they adequately prepare the firm for the long-term.

5. Essential Challenges

The APPLE Analysis ends with a consideration of WHAT to do about the current situation. On the basis of an accurate and complete assessment of the current scope of the firm and its evolution up to the present (Areas of Operation - WHERE), a clear consideration of the committed approaches that have led to those positions thus far (Profile of Competitive Strategies - WHY), recognition of the performance outcomes that have resulted to date (Performance Assessment – HOW), and explicit consideration of how the current leadership processes, practices and people have provided guidance to this process (Leadership and Governance – WHO), the student analyst is now ready to make some preliminary assessments about the key challenges that face the firm at present. These issues should be stated as problems/issues the firm must address, not as suggestions for what it should do. Focus should be given to the most critical challenges. Since the first four areas of the APPLE Analysis have just provided an overview of the firm, the findings from these sectors should point to where some of these challenges lie.

## RESULTS AND DISCUSSION

At the conclusion of the APPLE Analysis, the student analyst is now ready to move into looking at what is happening to change the environment in which the firm operates. The addition of the APPLE Analysis allows student analysts a pre-exposure to the company as a whole. As such, there is a higher likelihood that they will be able to better incorporate the insights derived from the various components of the external and internal analyses more traditionally completed as a part of the strategic assessment processes used for case studies and company projects.

Results from the first semester's application of this process indicate that of the 216 students who worked through this APPLE Analysis assignment found it to be very valuable to their understanding of course concepts, with 74.8% reporting that it was very valuable or extremely valuable (a 4 or 5 on a 5-point Likert style scale). Furthermore, student projects and overall analysis increased over previous semesters in both quality and depth of analysis, a further indicator that the APPLE Analysis was helpful to achieving course outcomes. As such, further refinement of the process is being planned. It is clear that the addition of the APPLE Analysis was helpful to improving student learning outcomes, concept familiarity, and depth of analytical reasoning in the strategic management course.

Such efforts are critical to defining appropriate ways to engage students with strategic management concepts. Assignments such as the APPLE Analysis help to provide one way to help students develop a quick oversight to the critical aspects that will ground the company's ability and willingness to act in certain ways in the future. Other approaches that help to advance this effort should be explored and further research is needed on the most crucial components of this analysis.

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