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Internal Analysis in Practice: Templates for Firm and Case Analysis

Michael E. Dobbs, Eastern Illinois University

Case analysis is the foundation of business education at many educational institutions. However, there are significant challenges related to the use of cases with particular types of students, in courses with specific structural elements, and with a lack of guidance provided to students. While working with practicing managers, small business owners, and students, I developed a set of templates to aid in the assessment of a firm's internal workings (to be used in conjunction with other templates addressing environmental, competitor, industry, and other factors). These internal analysis templates provide a structure that is systematic yet adaptable and has improved the quality of analysis and strategic insight demonstrated by student users. In this paper, I provide a copy of the templates, describe their structure and use, provide an example of a partially completed template, and discuss possible modifications and extensions.

In 1870, the dean of Harvard Law School began to teach with cases. 50 years later, in 1920, Harvard Business School (HBS) followed suit and spearheaded the case method of teaching adopted by so many business schools (Garvin, 2003). Over the course of decades, students benefited from the many advantages of the case method developed at HBS and its myriad derivatives. However, the use of cases for the purpose of teaching business principles and decision making presents challenges that, if not proactively addressed, substantially impede learning and perhaps even teach or reinforce undesirable processes and practices (Yeaple, 2012). One common set of problems involves superficial analysis that is *ad hoc* and lacks systematic rigor; this may lead to hasty, ill-informed decisions championed more by an advocate's persuasiveness than his/her accuracy or correctness (Yeaple, 2012; Bennis & O'Toole, 2005; Garvin, 2003). The use of more systematic analysis tools in case and organizational analysis can significantly address this particular set of challenges of case-based learning. A comprehensive analysis of a case may involve environmental, industry, and internal analyses along with the development of strategic options, a decision making framework, and implementation plans. Each of these components of case analysis can be enhanced through the use of systematic frameworks that guide learners in a more structured manner. The scope of this paper is limited to descriptions, explanations, and examples of Internal Analysis Templates I developed over the course of several years to assist students and managers in understanding the internal workings of an organization in a more comprehensive, systematic, and generalizable way.

CHALLENGES IN USING CASES

Cases can be used in a variety of ways to teach business principles and best practices. The case method developed by HBS involves students analyzing a business situation from the decision maker's point of view, developing alternative courses of action, and making recommendations for action. In the classroom, rather than hearing a lecture from a professor, speaking is dominated by students (about 85% of class time), while the professor's role is to serve as guide through critical issues of the particular case (Harvard Business School, 2012). This is certainly not the one and only way cases are used in business classes. From small group exercises (in and out of the classroom), to presentations (individual and group), to instructor-based case analysis, there are seemingly endless ways for faculty members to utilize cases in their teaching. But with this wide range and usage of cases in the classroom come significant

challenges involving 1) characteristics of students, 2) course structures, and 3) guidelines provided to students.

Students who lack experience. For students who are not managers and have not had management or other professional experience, the use of cases frequently has less than optimal outcomes. Because these types of students have fewer experiences from which to draw, they have fewer analysis and management “tools” in their toolboxes, and some may be more motivated by grades than the application of principles to their lives and/or careers. In analysis conducted by these types of students, key issues are frequently not identified, analysis tends to be shallow if not incorrect altogether, and alternative courses of action generated satisfy rather than optimize. These outcomes lead not only to poor recommended decisions, but worse yet, poor analytical habits that may impact students for years. Why then are cases used so predominately in business schools? One reason may be that the use of cases is particularly useful and insightful for students who are practicing managers. Being familiar with real world situations and processes, and motivated by a desire for application, students who are managers are capable of excellent insight without extensive instruction. Case work designed with practicing managers in mind but used with inexperienced students yields less than desirable results. One purpose of the internal analysis templates is to provide inexperienced students with some of the systematic perspective of a practicing manager.

Millennials and learning preferences. Another factor affecting how students learn may be the generation to which they belong. As of 2013, traditional college-aged students are classified as Millennials, or members of Generation-Y. While people in this generation are very media-conscious and familiar with how technology contributes to an increasingly complex environment (Considine, Horton, & Moorman, 2009), they also long for the stability that authority and structure brings (Jonas-Dwyer & Pospisil, 2004; Moore, 2007). In addition, they expect high levels of service, low levels of “busy work,” and will not hesitate to voice their frustrations or dissatisfaction when those expectations are not met (Black, 2010; Eisner, 2011). The templates provide the structure desired by these Millennials allowing them to spend more time on analysis and less on formatting their written work and potentially leading to higher overall levels of satisfaction with the education process.

Course structure simplification effects. Course structure characteristics can also lead to challenges using cases. Cases utilized for semester-long projects easily allow enough time for a more in-depth and comprehensive treatment. However, cases are more frequently utilized for a single class period or less. Such a short time frame necessitates narrowing the focus, simplifying the issues, and/or reducing the information of the case. While these actions are convenient for the sake of the structure of the course, if not counterbalanced with other types of coursework, use of cases in such environments can provide students with a distorted view of the professional world they desire to enter. That world, in reality, is much more expansive, complex, and dynamic; and it requires managers who can move beyond the narrowed, simplified, and reductionist cases used to instruct them. The internal analysis templates presented here are designed to capture more of this complex nature of firms. While certainly not comprehensive, the systematic nature of the templates can guide students toward less superficial analysis.

Dearth of instruction, examples, and guidance. Yet another factor that leads to challenges in case usage centers on the instructions or guidance provided to students by faculty or available through resources (e.g., textbooks). I surveyed leading Strategic Management textbooks (Napshin, 2010) and found a wide range of guidance for case analysis (see Table 1). Most provide an appendix with general guidelines for effective case analysis (e.g., identifying key issues problem, information sources for research, financial analysis ratios, etc.). However, only a few provide detailed, specific formatting structures; and fewer still provide such for the internal analysis portion of a case analysis (see David, 2011; Wheelen & Hunger, 2013). Also, comprehensive examples of case analyses are generally not provided, leaving students to develop their own systems for analysis or rely on instructors to provide

TABLE 1 - CASE AND INTERNAL ANALYSIS GUIDELINES IN LEADING STRATEGIC MANAGEMENT TEXTBOOKS

Author(s) (© Date)	Title	Case Analysis Guidelines	Internal Analysis Guidelines
Barney (2011)	<i>Gaining and Sustaining Competitive Advantage</i>	No appendix or specific guidelines	Most extensive discussion of VRIO
Coulter (2013)	<i>Strategic Management In Action</i>	5-page appendix	List of questions by functional area
David (2011)	<i>Strategic Management: Concepts and Cases</i>	11-page appendix	<i>Internal Audit</i> organized by functional area
Dess, Lumpkin, Eisner, & McNamara (2012)	<i>Strategic Management: Text & Cases</i>	22-page appendix	Concepts only
Hill & Jones (2013)	<i>Strategic Management: An Integrated Approach</i>	16-page appendix	Strength/weakness checklist
Hitt, Ireland, & Hoskisson (2013)	<i>Strategic Management: Competitiveness & Globalization</i>	9-page appendix:	Concepts only
Marcus (2011)	<i>Management Strategy: Achieving Sustained Competitive Advantage</i>	None	Concepts only
Pearce & Robinson (2013)	<i>Strategic Management: Planning for Domestic & Global Competition</i>	9-page appendix	10-page appendix with functional area coverage
Rothaermel (2013)	<i>Strategic Management: Concepts and Cases</i>	10-page appendix	Concepts only
Thompson, Peteraf, Gamble, & Strickland (2012)	<i>Crafting & Executing Strategy: The Quest for Competitive Advantage</i>	None (resources online)	Strength/weakness lists
Wheelen & Hunger (2012)	<i>Strategic Management and Business Policy: Toward Global Sustainability</i>	1 chapter with 3 appendices (28 pages)	<i>Internal Factor Analysis Summary</i> (IFAS)

them. Perhaps textbook authors do not want to impede on structures preferred by instructors. However, providing no structure whatsoever leaves students to rely on their own experiences and knowledge; and as has already been discussed, students without significant experience are ill-prepared to systematically assess an organization's strengths and weaknesses with sufficient detail and nuance.

INTERNAL ANALYSIS TEMPLATES

As opposed to students without a great deal of professional experience, students in an intensive, professional M.B.A. program generally have a very strong desire to take the principles, practices, and tools learned during a particular evening's class and apply them the next morning to the issues facing the organizations for which they work. It was in such an environment that I made my initial, rudimentary attempts at developing guides to help students (most of whom were practicing managers) apply various analytical frameworks to cases and their companies. Over the course of years, I continued to refine the emerging set of templates as I interacted with different types of students, consulting clients, academics, and professional analysts. My students and I used the templates to analyze large, small, and entrepreneurial businesses; government agencies; nonprofit and charitable organizations, and other types of organizations.

As the templates improved, it seemed that students' strategic insights did as well. Rather than exhibiting a superficial familiarity with terminology like *core competence* and *inimitability*, students and professionals using the templates seemed to have a deeper understanding of the organizations being analyzed. This translated into more nuanced recognition of organizational strengths and weaknesses. Granted, not all users of the templates have become proficient in the application of them – far from it in many cases. However, in my experience, each of the challenges described earlier regarding the challenges of using cases is lessened significantly when these templates are used, although I have been unable to verify this empirically due to unstandardized evaluations of student learning outcomes.

As for the internal analysis templates themselves, the latest versions are presented in Appendix A. The first four templates are divided into functional areas of an organization: management, marketing, finance, and operations. These templates share a common format. The fifth template, however, is different in its structure and is designed to assist students in assessing potential core and/or distinctive competencies of an organization using the VRIO framework (Barney, 2011).

Template Formatting

All of the functional area templates share the same underlying format. The particular functional area to be analyzed is identified at the top and for each area there are three broad categories (with three subcategories for each) plus an "other" category. The functional areas, categories, and subcategories are tiered as follows. For management: top management team (board, chief executive officer, and management team); human resources (recruitment & selection, training & development, and compensation & benefits); and organizational issues (structure, culture, and development). For marketing: market segmentation (geographic, demographic, psychographic); product/service (functionality, design, support); pricing & promotion (pricing, promotion, placement); and positioning in the other category. For finance: activities (revenue, expenses, inventory); liquidity & leverage (accounts receivable, liquidity, leverage); and profitability (profits, returns, earnings). For operations: production/service systems (processes, equipment, adaptability); information technology (resources, processing, security); and logistics (channels, facilities, inventory).

Within each subcategory, a brief list of possible items to be used in the analysis is provided. For example, for the "organizational culture" subcategory (under "organizational issues" within the management template), the following list of items is provided: shared beliefs, behavioral norms, strength of culture, mission match, and subcultures. This and similar lists for each subcategory are designed to be starting points for analysis. Given that students may not have their own experience to reliably guide them, these starting points may provide much needed guidance and are generalizable to a wide variety of cases. However, these lists are just starting points and students are encouraged and instructed prior and during use of the templates to include other types of information as well.

The second column of the template provides space for students to provide their assessments of each of the categories and subcategories. They are asked to describe each subcategory; assess any link to the firm's mission, strategy, or core competence; any benchmarks to industry leaders; and any other applicable analysis. The space provided is only a general guideline. The template is provided in .docx format so students are able to expand the size of the box as needed. The last two columns, labeled "S" and "W," provide a place where students can indicate whether the particular area being analyzed is a strength or a weakness for the organization. An item can be judged a strength, a weakness, both, or neither. This allows the internal analysis to be plugged in very quickly and easily to any type of SWOT analysis that is used as part of an overall case analysis.

The final page of the template is designed to assist students in assessing possible core competencies of the firm using Barney's (1991) VRIO framework (value, rarity, inimitability, and organization). In the first row, students are to replace the text "To Be Assessed" with the competency they wish to analyze (sometimes this is provided for them by the instructor). For each of the VRIO components, there is an area for students to write their analysis and a scale to indicate the level of each based on their analysis. The higher (more to the right) each of the components are assessed, the more likely this core competence will translate into sustained competitive advantage for the firm. Assessing this aspect of a firm is the purpose of the last row of the template. Students indicate, based on their scale assessments of the VRIO components whether the core competence in question provides a competitive disadvantage, competitive parity, competitive advantage, or sustained competitive advantage for the firm.

Example Template: Management of Toyota

Seeing an example of a completed template concretely illustrates the mechanics of the templates and provides additional clarity for users. Included as Appendix B is an example template assessing the management and core competence of Toyota based on Case 26 in Wheelen & Hunger (2013). The case discusses at length the surprising quality issues at the world's quality leader for automobile manufacturing. Only the management and VRIO templates are provided due to space limitations, but the form and structure is the same for all five of the forces. The text in italics font is meant to represent the hand-written analysis of a template user.

Possible Modifications and Extensions

The internal analysis templates presented here have evolved over time and significant alterations have been made to address observed confusion on the part of users and to strengthen their practical use. In addition to strategic management textbooks and literature, colleagues from various business disciplines have been consulted to benefit from their perspectives regarding their specific functional area expertise and these consultations will continue and should yield further improvements. Future modifications are also likely as feedback is received from new and wider audiences.

A system of indicating which strengths and weaknesses are more important could be integrated into the templates. As is, the templates do not direct the user to distinguish between the most important and least important strengths and weaknesses because students have the opportunity to do so later with a weighted SWOT or MOWST matrix (Dobbs & Pisarczyk, 2012). Another amendment to the templates might include some level of instruction on how to complete them, perhaps as footnotes. And an improved, yet concise description of what is expected in the assessment section may be beneficial.

Case analysis is a powerful tool for use in business education. However, significant challenges exist in its use with the types of business students today, course structures, and resources and guidelines offered to students. The templates presented here have been developed with these challenges in mind. Thus far, usage in classroom and consulting settings has yielded positive feedback and reports of higher

levels of comprehension and better strategic insight. Hopefully this will continue and be enhanced with further feedback and modifications from a wider audience.

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APPENDIX A

Internal Analysis – Management

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Top Management Team	Board Composition Members, experience, activity level, contributions, ownership, etc.			
	Chief Executive Officer (CEO) Experience, performance record, functional background, style, skill			
	C-Level Executives (CFO, CIO, etc.) Internal/external, performance records, succession potential, etc.			
Human Resources	Recruitment & Selection Applicant pool quality, selection procedures, legal compliance, etc.			
	Training & Development Job design/specifications, job descriptions, training system, etc.			
	Compensation & Benefits Base pay, bonuses, working conditions, benefits, etc.			

Internal Analysis – *Management (continued)*

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Organizational Issues	Organizational Structure Groupings, centralization, span of control, teams, coordination, etc.			
	Organizational Culture Shared beliefs, values, behavioral norms; strength of culture; mission match; subcultures; etc.			
	Organizational Development Motivation, goals/objectives, communication, control systems, discipline, org. learning, etc.			
Other Observations				

Internal Analysis – *Marketing*

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Market Segmentation	Geographic Region, urban/rural, climate, population size, etc.			
	Demographic Age, gender, family, generation, income, education, social class, etc.			
	Psychographic Lifestyle, activities, interests, opinions, attitudes, values, etc.			
Product/Service	Functionality Features, benefits, quality, safety, utility, etc.			
	Design Styling, packaging, sizes, variety, aesthetics, branding, research and development of new products, etc.			
	Support Repairs, customer service, warranties, accessories, etc.			

Internal Analysis – *Marketing (continued)*

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Pricing & Promotion	Pricing Strategy, retail/list, discounts, bundling, payment options, credit, etc. Promotion Advertising, sales force, publicity, point of sale, ext. communication, etc. Placement Distribution channels, partnerships, location, convenience, etc.			
	Positioning Market share, competitive position, product life cycle, market rank, etc.			

Internal Analysis – *Finance*

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Activities	Revenue Sales trends, revenue categories, operating income, etc. Expenses Fixed costs, variable costs, taxes, direct/indirect costs, etc. Inventory Inventory turnover, days of inventory, asset turnover, etc.			
	Accounts Receivable Avg. collection period, accounts receivable turnover, etc. Liquidity Current ratio, quick ratio, cash ratio, days of cash, etc. Leverage Debt to equity ratio, debt to asset ratio, financial leverage multiplier, etc.			

Internal Analysis – *Finance (continued)*

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Profitability	Profits Net income, gross profit margin, net profit margin, etc.			
	Returns Return on assets, return on equity, return on sales, etc.			
	Earnings Dividends, earnings per share, price/earnings ratio, stock price, etc.			
Other Observations				

Internal Analysis – *Operations*

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Production/Service Systems	Processes Automation, labor intensity, flow, timeliness, efficiency, TQM, etc.			
	Equipment Age, condition, capacity, utilization rates, maintenance, etc.			
	Adaptability Disruption handling, emergency planning, slack resources, etc.			
Information Technology	Resources Equipment, available technology, IT staff, IT training, etc. Information Processing Data collected, timeliness, efficiency, effectiveness, distribution to employees/decision makers, etc. Security Sensitive data, access to systems, system protection, etc.			

Internal Analysis – *Operations (continued)*

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Logistics	Channels Supplier/distributor relationships, coordination, transportation, etc.			
	Facilities Age, condition, suitability, safety, upgrades, comparability, etc.			
	Inventory Controls, security, turns, quality, management, internal distribution, etc.			
Other Observations				

Internal Analysis – *VRIO*

Core Competence: <i>To Be Assessed</i>	
V	Low Value High Value
R	Not Rare Very Rare
I	Easy to Imitate Difficult to Imitate
O	Poorly Organized Organized to Leverage
Competitive Disadvantage Competitive Parity Competitive Advantage Sustained Comp. Advantage	

APPENDIX B

Internal Analysis – Management

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Top Management Team	Board Composition Members, experience, activity level, contributions, ownership, etc.	Board infighting over family/nonfamily control and management of the company. Lack of definitive position created room for politics and positioning among executives.		✓
	Chief Executive Officer (CEO) Experience, performance record, functional background, style, skill	Akio Toyoda, appointed president/CEO spring 2009, is grandson of founder and represents family control and values. Specifically a long-term orientation with emphasis on quality, sometimes at the expense of company growth and achievement of short-term financial goals. At 52 years old, regarded as young by Japanese executive standards.	✓	✓
	C-Level Executives (CFO, CIO, etc.) Internal/external, performance records, succession potential, etc.	Top U.S.-based executives had little input into production, design, financial, or other types of decisions. They were primarily expected to handle marketing and sales. They had little knowledge of what was going on with other functions. Communication was very poor at this level of the organization.		✓
Human Resources	Recruitment & Selection Applicant pool quality, selection procedures, legal compliance, etc.	Toyota, like other foreign auto manufacturers, established manufacturing plants in the U.S. with workers not represented by unions. Frequently they were able to “cherry pick” ideal sites with high levels of qualified workers.	✓	
	Training & Development Job design/specifications, job descriptions, training system, etc.	Toyota had highly developed manufacturing processes built around continuous improvement that needed to be adapted to U.S. workers. This seems to have been accomplished rather successfully.	✓	
	Compensation & Benefits Base pay, bonuses, working conditions, benefits, etc.	Due to the lack of unions, Toyota was able to have lower compensation and benefit (e.g., pensions) costs for its employees.	✓	

Internal Analysis – Management (continued)

Subcategories		Assessment (descriptions, mission support, benchmarks, etc.)	S	W
Organizational Issues	Organizational Structure Groupings, centralization, span of control, teams, coordination, etc.	Highly centralized control of engineering, product development, production, financing and most other areas in Japan. Marketing and sales were decentralized to other geographic areas. Efficiency high; adaptability and responsiveness low.	✓	✓
	Organizational Culture Shared beliefs, values, behavioral norms; strength of culture; mission match; subcultures; etc.	Very strong organizational culture: 14 principles of the “Toyota Way.” Supports continuous quality improvement. But strong national Japanese culture and American culture sometimes in conflict leading to miscommunication and a failure to address significant issues.	✓	✓
	Organizational Development Motivation, goals/objectives, communication, control systems, discipline, org. learning, etc.	Oil sludge issues with vehicles began cropping up in the late 1990’s; product recalls nearly doubled from 2003-2004. Then the accelerator problems started. Toyota’s ability to learn from problems, take corrective action, and improve processes was very weak during this period. Perhaps due to structural and cultural issues listed above.		✓
Other Observations		Toyota and its products are highly visible. When problems arise, media outlets may be very interested, as may government oversight bodies. Managing these and other similar publicity distracts management from core issues.		✓

Internal Analysis – VRIO

Core Competence: <i>The Toyota Way</i>	
V	Low Value ————— High Value Continuous quality improvement allowed Toyota to become the leader in reliability and many other features the car-buying public desired. Sales increased until Toyota sold more vehicles around the world than any other company.
R	Not Rare ————— Very Rare While quality control processes and technologies have proliferated in the auto industry, Toyota's progress down the learning curve still provides it with abilities very rare with other firms.
I	Easy to Imitate ————— Difficult to Imitate Other auto manufacturers have been trying to imitate Toyota for decades now with mixed success. Toyota has managed to stay ahead of the rest up to this point, but it is being seriously challenged now by Korean manufacturers such as Hyundai.
O	Poorly Organized ————— Organized to Leverage Structural issues, cultural issues, management infighting have all combined to contribute to Toyota's failure to fully leverage the benefits of the Toyota Way. This is what keeps this core competence from being a distinctive competence leading to sustained competitive advantage. The good news for Toyota is that this can be addressed.
Competitive Disadvantage Competitive Parity Competitive Advantage Sustained Comp. Advantage	