

Exploring corporate strategy and performance reports

Kimberly M. Green
University of West Georgia

ABSTRACT

This article presents a class exercise that guides students in investigating corporate performance reports and communications. The framework provided by the instructor directs students in retrieving information relevant to strategic management for two companies and in evaluating patterns observed in the information. A list of information items on which to build the analysis is provided to the students and presented in this article. The exercise is designed for a capstone business strategy course delivered online. As an online discussion, the activity creates interdependence in the analysis and builds the online community of the class. The activity ties the classroom to practice by giving undergraduate students experience in making meaningful use of corporate reports to evaluate business strategy fundamentals.

Keywords: corporate performance reports, strategic business analysis, business strategy, online class discussion, business information literacy



Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

The exercise presented in this article guides students in investigating the reports and communications of corporations. Students in a capstone class in strategic management have covered functions of business and seen examples of companies in their prerequisite classes. Examples in class and in textbooks can be the end result of retrieving and assembling information from multiple sources, such as the balanced scorecard that displays several categories of performance metrics from different sources. Having not participated in creating the examples, students have limited experience with the on-going, detailed nature of the corporation's communication with outside stakeholders, how to assemble that information for analysis, and how to interpret it in context.

In this exercise, students work directly with the reports that publicly traded companies make available such as annual financial reports, strategy presentations, press releases, statements of social responsibility positions, and other communications that provide details about the company's strategy. Students retrieve information relevant to strategic management and build an analysis interactively through posts and responses in an online discussion. Structure is provided for the analysis through specific questions that direct the students to draw connections between information items and to consider functional and stakeholder perspectives. This article presents instructions for setting up the exercise and a teaching note that identifies key takeaways.

THEORETICAL FOUNDATIONS

An organizing framework is a metacognitive strategy for engaging the brain in learning (McGuire, 2015). This exercise aids students in organizing their knowledge about the strategic analysis of corporate information. Content that is fundamental in strategic management courses is the process of formulation, implementation, and evaluation by which strategy is crafted, put into practice, and then assessed and revised as necessary (Hitt, Ireland & Hoskisson, 2016; Ketchen & Short, 2018). These steps are directed by strategic decision-makers who design and execute the content of strategy and monitor performance. The information items in this exercise demonstrate these categories of strategy content, strategic decision-makers, and performance tracking. This exercise helps students of strategic management organize their understanding about what is being decided, who is deciding, and how outcomes are measured.

The strategic management process is based on analyzing information and on using the analysis to make decisions, to take action, and to adapt and learn (Grant & Baden-Fuller, 2018; Homkes & Sull, 2016). Information literacy skills in the identification, retrieval, and use of relevant information (American Library Association, 2015) support effective strategic management when information relevant for decision-making is assembled and evaluated. Discipline-specific information literacy supports individuals' self-efficacy, which is associated with learning (Rovai, 2007).

Connectedness and community in online classes have been associated with student learning and persistence (Liu, Magjuka, Bonk & Lee, 2007; Rovai, 2003). Activities that demonstrate the interdependence of students help to build community and to facilitate students' perceptions that they and their contributions matter (Weidman & Bishop, 2009). In addition to learner-learner interaction, learner-content interaction (Rovai, 2007; West, 2010) contributes to the effectiveness of online learning.

Learning Objectives

With this activity, students build information literacy and analysis skills in strategic management. Specifically, students gain experience with:

- Retrieving data relevant for strategic business analysis from detailed corporate reports
- Identifying reasons that the data items are relevant to business decisions and performance
- Explaining the usefulness of the information and analysis for different stakeholder groups

SET-UP AND OPERATION OF THE EXERCISE

This exercise operates as a discussion forum for online classes of the strategic management capstone. Choosing from a list of information items available in corporate reports, each student reports to the class one information item relevant to business strategy fundamentals for each of two companies. The instructor specifies the items to retrieve and companies to investigate. Through posting and responding across a set of topics and measures relevant to strategic management, the class together builds a picture of each company and a comparison of the companies. To avoid having more than one student contribute the same item, students will need to have access to view all earlier posts prior to submitting their own.

The full text of all instructions provided to the students is presented in the appendices. Appendix A includes the details that orient students to the assignment, that explain the purpose of the assignment and its connection to the practice of management, and that guide students in their search for the information required in the assignment. Appendix B presents the list of information items students retrieve. Appendix C states the specific assignment questions used as prompts for the discussion board.

The information items are commonly available in public disclosures or marketing materials of corporations. Publicly traded firms must disclose information about financial performance and leadership. The annual reports that firms prepare to review the year's performance or 10-K filings submitted to the Securities and Exchange Commission (SEC) are available through companies' Investor Relations pages of their websites or through the SEC's EDGAR system (<https://www.sec.gov/edgar/searchedgar/companysearch.html>). Through their websites, companies also present information that provides stakeholders with insight into the firm's products, community involvement, and positions on issues such as ethics and sustainability. Even students who are comfortable with internet searches usually are not familiar with corporations' websites. The instructions (Appendix A) provide guidance to navigate through a company's website or to access the EDGAR system.

Appendix B lists the information items for use in this exercise. Each student chooses or is assigned one item (or more, as the instructor prefers). This list of 45 items is effective for a class size of 35 – 40 so that each student gets some choice rather than just taking the one that is left. For items that could present several results, such as risks of the business as stated in the 10-K or topics of press releases, the list allows for more than one student to search and report from that set of results. The information items presented in the tables were chosen to relate to the content (e.g., mission statement), decision-makers (e.g., executive compensation), and evaluation of strategy (e.g., earnings per share). Instructors can modify or expand the list using ideas from particular textbook chapters, cases covered in class, or variables specific to certain industries.

The assignment is designed using two companies from the same industry or similar industries. Using two companies demonstrates that much of corporations' public information is

presented in a consistent format. Using companies from the same industry or similar industries shows how companies find competitive positions by varying factors such as size, location, product lines, or target market. The companies should be publicly traded due to their required financial reporting covering performance metrics. Examples of companies that can be effective topics for this exercise include consumer products firms such as Procter & Gamble, Colgate-Palmolive, and The Clorox Company or firms in the breakfast food and snack industry, such as Kellogg's, General Mills, or Mondelez. Examples of companies in related industries are Nike and Tapestry (the parent of Coach and Kate Spade) that deal in shoes, clothing, and accessories for different market segments. As shown in Appendix A, the instructions for students would provide directions to access the sources of information specific to the companies in the exercise.

Appendix C presents the specific questions that guide the discussion. In addition to reporting their selected item, students consider the functional area(s) and stakeholders are associated with or affected by the information revealed in the item. Because the instructions do not provide a full justification for the use of each information item upfront, the ties between items and similarities and differences between the companies emerge through the discussion.

Variations

For class sizes that exceed the 45 items listed for this exercise, the instructor can include more than two companies and assign companies to students to ensure that all are covered. For smaller classes, the instructor can require students to retrieve and report more than one information item. An approach that places greater emphasis on the interdependence of the students' work would include a quiz over the content information at the close of the assignment. This approach is similar to the jigsaw model explained by Weidman and Bishop (2009) for building cooperation. For a quiz that draws on the content of the discussion, the instructor should design questions for which the answers are not so specific that mild inaccuracies in the discussion posts would prevent successful completion of the quiz.

TEACHING NOTE FOR THE EXERCISE

The learning objectives for this exercise cover the skills of retrieving pertinent information, identifying relevance for decision-making, and explaining how the information is used. Students apply these information literacy skills in the discipline-specific context of strategic management. The information items that form the basis of the exercise (as shown in appendix B) cover content of strategy (items under the headings Strategy Basics and Communications and Policies/Values), strategic decision-makers (Information about Executives and Board of Directors), and performance feedback (Stock Information and Financial Performance Information).

The discussion questions (see Appendix C) guide the analysis from a functional perspective and from a stakeholder perspective. For one question, students explain how different functions within a business (marketing, operations, finance, etc.) contribute to implementing or addressing items relevant to strategy. For another question, students evaluate how different stakeholder groups are interested in or affected by the information in the analysis. The exercise not only generates interdependence and community among students in the class, it also illustrates the interrelatedness of functions (i.e., departments) as a business develops and implements strategy. This approach demonstrates how the students' majors are integrated into

the study of strategic management. Through the discussion posts, students see the cumulative value of the information.

An example of how the class might draw connections between items and consider functional and stakeholder perspectives is noticing that a company that has operated for many years has brands in several different product lines, sells products in many countries, and reports sizeable revenues. However, that company might also have a low growth rate in revenues due to the difficulty of growing over the large base and the challenges of finding expansion opportunities. The company might pay dividends as another way of providing returns. From a functional perspective, students could address whether the company's social media content focuses more on reporting community involvement efforts or on promoting specific products. From a stakeholder perspective, a company's large size could be useful for employees because it provides many opportunities to move to different departments or countries. On the other hand, creditors could be concerned if the company's size and growth had been financed heavily by debt and the debt-to-equity ratio had become too high.

This exercise be effective both for instructors who prefer to intervene and comment frequently during a discussion and for those instructors who prefer to comment infrequently and summarize at the end. Because each student is presenting a different item, the instructor can comment frequently without giving away answers to later responders or biasing the direction of the analysis. On the other hand, by commenting frequently, an instructor can correct major misconceptions as they arise. Regardless of the degree of intervention during the discussion, the instructor can provide a summary of key takeaways at the end of the exercise to increase the likelihood that a larger number of students will read the feedback. The feedback can summarize major findings, correct misconceptions, and point out the ways in which this exercise forms a foundation to support several assignments later in the course. For example, the board of directors will be seen again in the coverage of corporate governance, and the information about different products and different countries will be further developed in a subsequent discussion about diversification.

Common Takeaways and Instructor Observations

A useful outcome of this exercise is that the instructor can detect and correct misconceptions that students hold about business. The following examples of common takeaways and misconceptions are items that the instructor could call to students' attention during the discussion or in a summary explanation at the end of the exercise.

Some items in the recommended search list deal with a description of the companies, such as age, location, and size (e.g., revenues, assets, employees). Students are often surprised to realize that they use products from companies that have existed for more than 100 years and adapted over time. Headquarters location can present unexpected insight about the reasons for locations, such as the U.S. breakfast cereal companies headquartered in the Midwest near the farms. A common mistake is misstating the scale of numbers. For example, students will forget the necessary 000's and state revenues or assets as thousands or millions instead of billions. They do not catch their own error because they do not have a frame of reference for the typical size of companies.

Students are confused by the idea that board members are not employees of the company, yet they are compensated for being on the board. Further, board members are employed in high-level positions with other companies. The idea that board composition and member

demographics are important issues in strategic decision-making is a new notion for most students. The ages of board members, their backgrounds, and other jobs are related to experience with making business decisions and navigating business cycles.

The instructor can vary the information items to align with variables and measures that are specific to certain industries. For example, airlines reporting higher revenue per passenger mile have a strategy based on long-haul routes. Social media companies evaluate the performance of their strategy by tracking the number of accounts or number of posts.

Grading

In deciding on the weight of this assignment in the course grade, instructors should consider the extent to which this material is new for students and students' perceived risk of being wrong as they undertake an unfamiliar task. The instructor might recognize the attempt more than the accuracy if students are engaging with this content or analysis for the first time. The elements of the assignment can serve as components for a scoring rubric. Specifically, the initial post consists of three elements (i.e., presenting the information item for each company, identifying the business functional area closely associated with the item, and explaining why stakeholders find the information useful), and the comments on other students' posts require drawing some connection between items. Allocating points for the students own post (about 60% - 70% of the points) and for comments on other students' posts (30% - 40% of the points) encourages attention both to one's contribution and to the interaction. Deductions from the points for the initial post are made for significant inaccuracies in the information reported, the explanation of the perspectives of different functional areas of the business, or the explanation of the perspectives of different stakeholders. The points for responses encourage the interaction that is core to this assignment, and deductions are made if the responses are not analytical (e.g., only "I agree") or do not attempt to make connections between two or more items.

CONCLUSION

This exercise connects students with sources of information for strategic analysis that are used in the practice of management. It provides them with experience in integrating concepts from different fields of business and considering multiple perspectives. Course content and the world can seem disconnected if one does not know where to go to see the content in action. By interacting in the collection and analysis of strategic management information, students build a picture that fits the pieces of information together. Students gain experience not only with analyzing information but also with constructing the set of information that is useful for the evaluation. Compiling the information and evaluating patterns provide a framework for students to organize their thinking about business strategy.

REFERENCES

- American Library Association. (2015). Framework for information literacy for higher education. Retrieved April 14, 2019 from <http://www.ala.org/acrl/standards/ilframework>.
- Grant, R.M. & Baden-Fuller, C. (2018). How to develop strategic management competency: reconsidering the learning goals and knowledge requirements of the core strategy course. *Academy of Management Learning & Education*, 17(3), 322-338.

- Hitt, M.A., Ireland, R.D. & Hoskisson, R.E. (2016). *Strategic Management: Competitiveness & Globalization*, 12ed. Boston: Cengage.
- Homkes, R., & Sull, D. (2016). Translating strategy into results. *London Business School Review*, 27(1), 34 – 37.
- Ketchen, D. & Short, J. (2018). *Mastering Strategic Management*, 2ed. Flat World Knowledge.
- Liu, X., Magjuka, R.J., Bonk, C.J. & Lee, S. (2007). Does sense of community matter? An examination of participants' perceptions of building learning communities in online courses. *Quarterly Review of Distance Education*, 8(1), 9-24.
- McGuire, S.Y. (2015). *Teach students how to learn*. Sterling, VA: Stylus.
- Rovai, A.P. (2003). Strategies for grading online discussions: Effects on discussions and classroom community in internet-based university courses. *Journal of Computing in Higher Education*, 15(1), 89-107.
- Rovai, A.P. (2007). Facilitating online discussions effectively. *Internet and Higher Education*, 10(1), 77-88.
- Weidman, R. & Bishop, M. J. (2009). Using the jigsaw model to facilitate cooperative learning in an online course. *Quarterly Review of Distance Education*, 10(1), 51-64.
- West, R.E. (2010). A student's guide to strengthening an online community. *TechTrends*, 54(5), 69-75.

APPENDIX A

The following example of the instructions provided to students uses the companies Procter & Gamble and The Clorox Company. This example is worded here using the conversational tone with which it is stated for the class.

Text of Instructions Provided to the Class

In the study of business strategy, we have ready access to many reports and statements direct from corporations. Companies with stock that is publicly traded are required to make information about their operations and performance results available to the public. We have ready access to this information through the companies' websites.

For this assignment, we will work together to build a profile of two companies. The two companies we will investigate are Procter & Gamble and The Clorox Company. The stock for each of these companies is publicly traded. So, their websites will disclose a significant amount of information about their strategies and their performance. These companies sell many similar products, and for several products, they are competitors. Also, you may be familiar with many of the products sold by these companies but not be familiar with the companies.

To find the information we'll need for Procter & Gamble (P&G), start with the main P&G website <https://us.pg.com/>.

- At the bottom of the main webpage, you'll find the link for "Partners & Investors" and "Our Company." At the top, you'll find links for "Our Brands," "Our Impact," and "Our Story."
- Once you've clicked on those main menu links, you'll be taken to pages where the links to detail will be in the middle of the page.
 - For example, the "Our Company" page has options such as "Structure & Governance" and "Leadership".

- The “Investor” page takes you to a new page with choices such as “Stock Information,” “Financial Reporting,” and “Company Strategy.”

To find the information we’ll need for Clorox, start with the main website www.thecloroxcompany.com.

- At the top of the main webpage, links that will be helpful are “Who We Are,” “Brands,” “Corporate Responsibility,” and “Investors.” Note that this approach is typical for most companies. To find corporate strategy and performance info, you will find that you have to look for the links either at the top or the bottom of the main webpage.
- Once you’ve clicked on these selections, you’ll be taken to pages that have several more helpful links for finding the information you will need.
 - For instance, on the “Who We Are” page, you see links for “Mission,” “Our Heritage,” and “Governance.”
 - The “Investors” menu has links for “Board of Directors,” “SEC Filings,” “Annual Reports,” “Investor Fact Sheet,” “Codes of Conduct,” and others.

You can also access a company’s 10-K annual report filing through the Securities and Exchange Commission’s EDGAR system at this website address:

<https://www.sec.gov/edgar/searchedgar/companysearch.html>

- At the link above, you can search by company name. You may have to try several variations to identify how the company is recorded at the site. For example, The Clorox Company can be found by searching for “Clorox.”
- The report that you will find most useful is the 10-K, which is the name for the annual filing. You can scroll through the available reports, or you can enter “10-K” in the “Filings” search field to narrow the list.

I’ve listed for you 45 data items that are relevant to the study of strategic management.

Choose one of the items from the list and locate that data for both The Clorox Company and Procter & Gamble.

Only one person may report each item. Post an item that no one else has already posted. (This shouldn’t be a problem – there are more items in the list than there are students in the class.)

Some tips for your search:

- You will need to look through the different menu selections to find where the company has reported the information you are seeking.
- For some of the items, you’ll need to open the annual report filed with the Securities and Exchange Commission (“SEC”). The annual report form is the 10-K. This report is available through the companies’ websites or through the SEC’s EDGAR database.
- The 10-K reports follow a standard format. You’ll find a table of contents at the beginning of the report – the contents are essentially the same for all companies. So, your efforts to understand one 10-K will pay-off in terms of helping you understand all companies’ 10-Ks. The 10-K may be searchable, particularly if it is posted in Word document format. (If you are looking for the number of employees then, try searching for “employees.”)
- As you’ll see in the Table of Contents for the 10-K report, the report begins with a description of the company’s business and a list explaining the risks of the business.
- There is a section of the 10-K that gives bio info about the CEO and the board of directors. If you are looking for info about top management or the board, you might find it here.

- The second half of the 10-K report covers the financial performance. There is a financial summary. And the complete financial statements and footnotes to the statements follow later in the document. If you are looking for financial info, start here.
- If you have trouble finding info about things like shares outstanding or CEO compensation, you might find that information in filings with the SEC other than the 10-K – take a look. Try the 10-K first, but don't be reluctant to click on a few of the other filings, too, to see what they contain.
- Many companies no longer prepare an annual report in addition to the 10-K. The 10-K report they file with the SEC is the only annual report. However, other companies prepare a traditional annual report that includes a letter from the CEO at the start of the report to summarize the year's activity and performance results. That letter can be very helpful.
- The annual report format also allows for descriptions and pictures of activities and products that the company wants to highlight. The tone is more conversational than the 10-K, and you might find that it offers insight into elements such as the values that the company wants to emphasize.

APPENDIX B

The following list is provided to the students to select an information item for retrieving and reporting in the discussion. These sets of items cover the content of strategy (items under the headings Strategy Basics and Communications and Policies/Values), strategic decision-makers (Information about Executives and Board of Directors), and performance feedback (Stock Information and Financial Performance Information).

Strategy Basics

- (1) Vision and/or mission statement (Some companies use other words – such as “purpose statement” or “Our values”. Which do these companies use?)
- (2) Company's year founded and its age
- (3) Headquarters location
- (4) Number of employees
- (5) The business segments or subsidiaries (a section of the 10-K usually covers this)
- (6) The company's main products (the 10-K will summarize products)
- (7) Does the company sell products in countries other than the U.S? If possible, identify one or more products sold elsewhere but not in the United States.
- (8) One principal risk of the business (usually in a section near the beginning of the 10-K)
- (9) A second principal risk of the business (the 10-K lists several risks)
- (10) Something you found interesting about the history of the company

Communications and Policies/Values

- (11) Headline on/topic of a recent press release (Press releases are posted by the company about itself on its website. Do not search the Internet for an article written about the company.)
- (12) Headline on/topic of a different recent press release (see note above)

- (13) Any sustainability/green/environmental policy mentioned? If yes, what are some main points?
- (14) Any ethics code or integrity statement posted? If yes, what are some main points?
- (15) Any other statements of values not covered above? If so, what?
- (16) Which social media sites does the company use to communicate with the public? Are they active? What types of things are they communicating?
- (17) Does the company tweet? If so, what is a recent announcement or statement made through Twitter?
- (18) What does the company identify as some “Frequently Asked Questions” about itself that it answers on the website (just one or two questions)?
- (19) From the presentations posted on the website, what is one of the recent conferences (name, location, date) at which an executive spoke about the company’s current strategy and performance? Conferences are typically hosted for stock analysts and have names such as “Global Industry Strategy Conference”.

Information about Executives

- (20) CEO’s (Chief Executive Officer) name, age, and years with the company.
- (21) Is the CEO also the chairman of the board of directors? If so, did he or she assume these two positions at the same time?
- (22) The CEO’s annual compensation amount
- (23) What are the job titles of the people who are considered members of “executive management”? (Note: We are not looking for board of directors in this item. Top management is different from the board of directors.)

Board of Directors

- (24) Number of board members
- (25) Age range of the board members
- (26) Range of the years of service of the board members (years on the board)
- (27) Other jobs of the board members (Most are CEO’s for some other companies – which companies?)
- (28) Are there any insiders on the board (insiders are people who are also employees of the company)? If so, how many and which ones?
- (29) Compensation amount for board members. (This info is likely available in the proxy statement and announcement for the annual meeting.)

Stock Information

- (30) Stock price for any recent day’s closing price and from 5 years ago
- (31) Number of shares of stock outstanding (Note: This is not the day’s trading volume. The total number of shares outstanding is greater than the number that trades on any given day.)
- (32) The market capitalization (i.e., stock price multiplied by total shares outstanding) and the value of 1% of the company’s shares.
- (33) Date and location of the annual shareholders’ meeting (The date is not exactly the same each year, but it occurs around the same time each year.)

Financial Performance Information

- (34) Date of the company's fiscal year end
- (35) Annual revenues from most recent fiscal year
- (36) Annual revenues from about 5 years ago
- (37) Total assets from most recent fiscal year
- (38) Profitability = Return on Sales (calculated as net income divided by total revenues)
- (39) Debt/Total Assets (the debt ratio calculated as debt divided by assets)
- (40) Debt/Equity (a debt ratio calculated as debt divided by equity)
- (41) Cash amount on the balance sheet and cash as a percent of total assets
- (42) Earnings per share (EPS) for the most recent fiscal year
- (43) Does the company pay dividends? If so, how much per share for the most recent fiscal year?
- (44) Who signs the 10-K report? How long is the 10-K report (how many pages)?
- (45) Which accounting firm audited the financial report? What opinion did the auditors express in the summary letter? Did these companies receive an "unqualified" opinion? What does this mean?

APPENDIX C

The following directions and questions are used as prompts for the discussion board.

Questions for the Discussion Posts

Frame your post to the discussion board using the following questions as a guide for your analysis:

(1) Find your data item for both Procter & Gamble and The Clorox Company and report those findings. (Report an item that no other student has used. Include the number of the item in your post for easy reference.) Compare Clorox with Procter & Gamble and explain similarities and differences.

(2) The information items from which you chose cover activities that represent the work of the different functional areas of business (e.g., marketing, operations, finance, accounting, human resources, etc.). The work of those functions is interrelated and integrated in the strategy of the company. For the data items you retrieved, comment on which functional area(s) of the business would have responsibilities related to that item and would be able to influence the company's performance on that item. Why is the information critical or important for strategic decision making? How does this information relate to or inform strategic analysis, formulation, implementation, and evaluation?

(3) The information items that you are analyzing will be of interest to various groups of stakeholders (e.g., employees, creditors, investors, suppliers, customers, communities, government, etc.). For which stakeholder group(s) is the information item that you retrieved likely to be useful? For each group that you identified, why is this information useful?

Then, in your comments on the posts of at least two other students, compare the information posted by other students with the information that you found. Identify connections between items of information. For example, what do you notice about how a company with many products presents itself on social media? Does the company comment about its products

or about other activities in which it engages? Does the company with higher revenues have higher or lower net income (i.e., more or less profitable)? Explain how the patterns that you are seeing in the information give a picture of the strategy of these firms or their performance.

