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A Strategic Audit of SeaWorld

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SeaWorld Strategic Audit

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EXECUTIVE SUMMARY

SeaWorld Parks & Entertainment is an American theme park and entertainment company headquartered in Orlando, Florida. The company itself is a subsidiary of SeaWorld Entertainment Inc. and owns and operates thirteen recreational destinations in the United States. Eight of which are classified as theme parks, while the other five are classified as water parks.

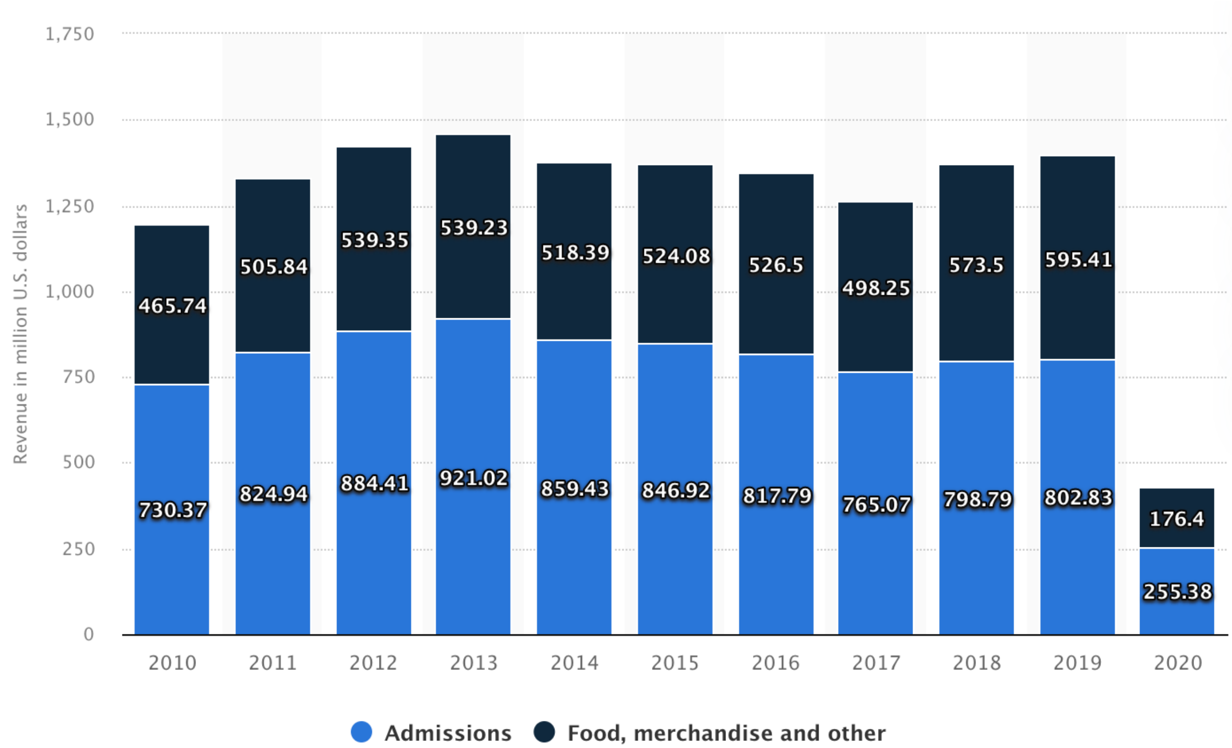
SeaWorld opened its first location in San Diego on March 21, 1964 when it began with only a few dolphins, sea lions, 6 attractions, and 22 acres of land. SeaWorld then looked to expand into the Midwest and found a suitable location in Aurora, Ohio, but this presented a new problem to their business model. Instead of being able to stay open all year around in San Diego, SeaWorld had to contend with harsher weather conditions in the winter in the Midwest and was forced to keep operating months to mid-May until mid-September. In 2009, SeaWorld was sold to the Blackstone Group, which was later renamed SeaWorld Parks & Entertainment. After experiencing success in the United States, SeaWorld and its owners elected to announce a move to step foot abroad and expand into the UAE. Since then, SeaWorld has continued to see all-time highs in terms of its finances. With the sole exception of the COVID-19 pandemic starting in March 2020, SeaWorld has continued to be economically viable and continues its success.

In a recent annual report, Seaworld described its business model as, “ a leading theme park and entertainment company providing experiences that matter and inspiring guests to protect animals and the wild wonders of our world. We own or license a portfolio of recognized brands including SeaWorld, Busch Gardens, Aquatica, Discovery Cove, Sesame Place and Sea Rescue. Over our more than 60-year history, we have developed a diversified portfolio of 12 differentiated theme parks that are grouped in key markets across the United States. Many of our theme parks showcase our one-of-a-kind zoological collection and feature a diverse array of both thrill and family-friendly rides, educational presentations, shows and/or other attractions with broad demographic appeal which deliver memorable experiences and a strong value proposition for our guests.”

This strategic audit was conducted using Seaworld’s annual reports, news, financial statements, and analyses of the industry conducted across the internet. This strategic audit uses information available to the public to determine how Seaworld seeks to benefit shareholders, and an examination of the quality of the strategic decisions that Seaworld has made. In this audit, there will be both qualitative and quantitative data used to describe the firm and analyze it. There will also be an analysis of how Seaworld’s strategic decisions will affect the firm’s future.

STRATEGIC LEADERSHIP

SeaWorld's business model relies on both animal exhibits as well as amusement park rides. The company's marine mammal presentation is one of its biggest assets. The goal is to help guests explore the wonders of the world around them, while inspiring them to take action to protect wild animals and places.



SeaWorld's vision is to be the leader in saving natural life and places across the globe. The firm are one of the world's foremost zoological organizations and a global leader in animal husbandry, behavioral management, veterinary care, and animal welfare. Additionally, SeaWorld have rescued and rehabilitated more than 39,000 animals over the last 50 years. Currently, there are 12 destinations and regional theme parks. Their accolades include winning Parent's Choice and Emmy Awards for Sea Rescue and The Wildlife Docs. The Wildlife Docs celebrate real stories of rescue and rehabilitation. Furthermore, SeaWorld pushes for various programs, including plastic reduction in their parks, renewable energy at their parks, and solar ray energy. In San Diego, Solar energy accounts for 80% to 90% of park energy consumption. Additionally, SeaWorld strives to reduce waste and emissions. The firm have lowered greenhouse gas emissions by 9% from 2014 to 2017 and increased recycling of waste materials by more than 50%. Lastly, SeaWorld focuses on providing sustainably-sourced food, such as sustainable seafood, crate-free pork, eggs from cage-free chickens, certified organic coffee, and locally-sourced seafood.

As for SeaWorld's major goals, it pledged $10 million to fund research and conversation for killer whales in the wild, which is the largest private commitment of its kind. This fund will increase prey ability, improve habitat quality, and strengthen management through valuable research. Additionally, the SeaWorld and Busch Gardens Conservation Fund non-profit has given over $17 million in support of approximately 1200 projects across the globe to preserve and maintain natural life and places. SeaWorld also wishes to confront the rising tide as well as improve animal care. For the rising tide, their goal is to help breed aquacultured fish. Meanwhile, for animal care, the goal is to enrich the environment, provide health and nutrition, and analyze animal behavior. Plus, SeaWorld provides health screenings and preventive care through animal experts (zoologists, dieticians, veterinarians). Here are a few accolades achieved as well.

Management

Marc Swanson (CEO) is a 20-year veteran of SeaWorld, holding the CAO position from 2012 to 2017. In August of 2017, he served as the CFO and Treasurer of the company. Since September 2019, he has held the title of CEO. Previously, he was the Vice President of Performance Management and Corporate Controller of SeaWorld from 2011 to 2012. Before SeaWorld, he was the Corporate Controller of Busch Entertainment Corporation from 2008 to 2011. He holds a bachelor's degree in accounting from Purdue University and an MBA from DePaul University. Additionally, he is a certified public accountant.

Elizabeth Castro Gulacsy (CFO and Treasurer) served as the CAO from August 2017 to April 2021, before becoming the CFO and Treasurer in May 2021. Some additional titles she held in the company before these were Corporate Vice President of Financial Reporting and Director of Financial Reporting. Prior to joining the SeaWorld team, she served as the CAO and Corporate Controller for Cross Country Healthcare from 2006 to 2011. From 1997 to 2002, she served as an Audit Manager. She holds a bachelor's and master's degree in accounting from the University of Florida and is a certified public accountant.

Tony Taylor (Chief Legal Officer and General Counsel) has been the CLO, General Counsel and Corporate Secretary since 2010, leading the Government Affairs team since 2017. He holds a bachelor's degree in political science and speech communication from the University of Missouri as well as a juris doctor degree from Washington University

Dr. Christopher Dold (Chief Zoological Officer) served as CZO since April 2016 and leads the team of zoological professionals and overseas animal programs, rescue and rehabilitation, science, conservation and education. Prior to these positions, he served as the Vice President of Veterinary Services from 2008 until April 2016. Prior to joining the company, he was a National Academies-National Research Council Postdoctoral Clinical Fellow with the US Navy Marine Mammal Program, and completed a University of California-Davis Internship in Marine Mammal Medicine and Pathology at The Marine Mammal Center in Sausalito, California. He is a member of the American Veterinary Medical Association, International Association for Aquatic Medicine, European Association for Aquatic Mammals, and the American Association of Zoo Veterinarians. He received a Bachelor of Science degree in zoology from the University of Wisconsin-Madison and his doctorate in veterinary medicine from the University of Wisconsin-Madison School of Veterinary Medicine.

Sharon Nadeau (Chief Human Resources Officer) was appointed CHRO in July 2019. Prior to this, she was a Senior Advisor for Cerberus Capital Management. She graduated from Liberty University with a bachelor's degree in Accounting and from the University of Virginia with a master's degree in tax.

Christopher Yarris (CAO) has served since April 2021. Prior to this, was the Corporate Controller of Norwegian Cruise Line Holdings from 2020 to 2021. Other titles he held at various companies include, CFO and Vice President and Corporate Controller. He holds a bachelor's degree in Accountancy from John Carroll University and is a certified public accountant.

ORGANIZATIONAL STRUCTURE

Seaworld uses a geographic divisional organizational structure. In order to achieve efficiency, Seaworld splits up its business into different segments based on both functions of the business and geographic locations. Due to the fact that Seaworld has theme parks across the world, it makes sense that the business would split up duties based on the proximity to those different parks and by the nature of the work.

Above is an example of what a typical geographic divisional structure looks like. In the case of Seaworld, you can consider each of the project categories on the left of the figure to be the different park locations of Seaworld.

This divisional structure has certainly been advantageous for Seaworld because it allows each location to focus on ways that it can better serve their regions. In addition, as Seaworld opens parks worldwide like their new location in Abu Dhabi, the difference in geographic markets will only become greater. With that being said, it will be beneficial for Seaworld to maintain its current structure because it will allow each different location to treat their customer base differently depending on their preferences.

One of the benefits of the structure that Seaworld employs is that it allows for easier market penetration. Because work is split up geographically, each park is better suited for its customer base and, thus, it is easier for Seaworld to gain a foothold in each region it serves.

While the divisional structure is the correct structure for Seaworld to follow, it can slightly hinder their ability to focus on the direction of the company as a whole. A divisional structure can put a lot of pressure on upper-management to make positive long-term decisions for the company. In addition, divisional structures can reduce cooperation between interacting parts of a company. Although there are a few downsides to Seaworld's structure, a divisional structure is still the most beneficial structure Seaworld can follow.

CORPORATE GOVERNANCE

Board of Directors

SeaWorld's Board of Directors is made up of ten individuals, which can be further divided by eight men and two women, with two of the board members (Neha Jogani Narang and Yoshikazu Maruyama) being minorities. With that, SeaWorld's Board of Directors is not incredibly diverse both in terms of gender, but also racially/ethnically. The Board of Directors is led by their Chairman, Scott Ross, who also is the Founder and Managing Partner for Hill Path Capital LP, which is SeaWorld's largest shareholder. This fact stands out in that there could be more financial factors that are considered and weighed more heavily when issues are presented to the Board of Directors. While there is this aforementioned interesting dynamic and crossover between shareholders and the Board of Directors, SeaWorld's CEO, Mark Swanson, is completely external to the board which indicates that there is not CEO duality at play for SeaWorld.

As far as financial compensation goes for each member of the Board of Directors, their compensation is received entirely through stock awards. Each member receives stock options, restricted stocks, stock bonuses, and RSUs, all of which range from $63,806 to $374,475 in total compensation for the 2020 fiscal year. Below is a figure that showcases the total compensation of each individual serving on the Board of Directors.

Board of Directors in SeaWorld Entertainment, Inc.

For its 2020 fiscal year, SeaWorld Entertainment, Inc., listed the following board members on its annual proxy statement to the SEC.

NAME	TOTAL COMPENSATION
Charles I. Koppelman	$242,860
James Chambers	$258,624
Kimberly Schaefer	$63,806
Neha Jogani Narang	$230,055
Ronald Bension	$244,652
Scott Ross	$374,475
Thomas Moloney	$252,631
Timothy J. Hartnett	$64,186
William Gray	$254,029
Yoshikazu Maruyama	$244,273

SeaWorld's Board of Directors is also broken up into four committees that work together and individually to assess and address different issues that may arise: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and the Revenue Committee. Each director is expected to make the full effort to attend each meeting of the Board as a whole, but also each meeting for their committee and each annual meeting of stockholders. The Audit Committee is essentially responsible for everything related to both internal and external audits that the firm pursues. For example, committee members would be responsible for selecting which accounting firm will conduct an audit as well as overseeing all of the internal audits that occur on a regular basis. The Compensation Committee reviews all of the annual compensation policies for SeaWorld as well as evaluate the CEO's performance in comparison to the corporate goals that had previously been established. From this evaluation, the Board is able to decide on the CEO's proper annual compensation. The Nominating and Corporate Governance Committee is responsible for everything related to the addition of new directors to the Board. One of their core responsibilities is to ensure that the process of nominating and appointing a new director to the Board is done ethically and that there are no conflicts of interest at play. Finally, the Revenue Committee is to provide guidance to SeaWorld management on potential revenue growth strategies, both in the short-term and the long-term. Shown below is a table representing where each current director is assigned in terms of committees they serve on as well as which director serves as the Chair of the committee.

	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Revenue Committee
Scott Ross		X, Chair	X	X
Ronald Bension	X			X
James Chambers		X	X, Chair	X
William Gray	X		X	X
Timothy Hartnett	X			
Charles Koppelman			X	X
Yoshikazu Maruyama		X		X, Chair
Thomas E. Moloney	X, Chair	X		
Neha Jogani Narang				X
Kimberly Schaefer				X

Code of Conduct

SeaWorld also follows a clear Code of Conduct that is applicable to all of it directors, officers, and employees, including the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and other senior financial officers. The Code of Conduct itself is broken up into six main articles: a Statement of Policy, Legal Compliance, Conflicts of Interest, Use of SEA property, Financial Integrity, and Confidentiality.

As another part of the Code of Conduct, directors, officers, and employees are provided with three different methods that can be used in the event of reporting a violation or a suspected violation: a toll-free phone line, in writing, or through a website. In case any employee would be worried about potential ramifications of reporting or suspecting a violation, SeaWorld enforces a strict non-retaliation policy. This policy is put in place to prohibit any retaliatory actions that may be taken against an employee who makes a report in good faith even if the allegations are proven to be false. Shown below is SeaWorld's acknowledgment and implementation of their Code of Conduct in their 2021 Proxy Statement.

Code of Conduct

We maintain a Code of Business Conduct and Ethics that is applicable to all of our directors, officers, and employees, including our Chairman, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other senior financial officers. The Code of Business Conduct and Ethics sets forth our policies and expectations on a number of topics, including conflicts of interest, compliance with laws, use of our assets, business conduct and fair dealing. This Code of Business Conduct and Ethics also satisfies the requirements for a code of ethics, as defined by Item 406 of Regulation S-K promulgated by the SEC. The Company will disclose within four business days any substantive changes in or waivers of the Code of Business Conduct and Ethics granted to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website as set forth above rather than by filing a Form 8-K.

The Code of Business Conduct and Ethics may be found on our website at *www.seaworldentertainment.com* under Investor Relations: Corporate Governance: Governance Documents: Code of Business Conduct and Ethics.

As described in our Code of Business Conduct and Ethics, the Company's directors, officers and employees are provided with three avenues through which they can report violations or suspected violations with respect to addressing any ethical questions or concerns: a toll-free phone line, in writing, and a website. The toll-free number for the Company's directors, officers and employees is available 24 hours a day, 7 days a week. Directors, officers and employees can choose to remain anonymous in reporting violations or suspected violations. In addition, we maintain a formal non-retaliation policy that prohibits action or retaliation against any director, officer or employee who makes a report in good faith even if the facts alleged are not confirmed by subsequent investigation.

Largest Stockholders

As previously mentioned, the current Chairman of the Board of Directors, Scott Ross, is also the Founder and Managing Partner of SeaWorld's largest stockholder, Hill Path Capital LP. Not only is Hill Path Capital LP the largest stockholder, it also has a 35.96% stake in SeaWorld, totaling 27,205,306 shares owned. In comparison to some of the other large stockholders that SeaWorld has, The Vanguard Group is the second-largest with only 6.59% stake, totaling 4,986,936 shares. Melvin Capital Management LP is the third-largest stockholder with a 6.50% stake, totaling 4,920,000 shares. Nomura Securities Ltd. is the fourth-largest stockholder with a 6.01% stake, totaling 4,547,481 shares. Finally, Barrow, Hanley, Mewhinney & Strauss are the fifth-largest stockholders with a 5.81% stake, totaling 4,395,171 shares.

Clearly, there is a significant discrepancy when it comes to the amount of share that each individual group has. With Hill Path Capital LP being the largest stockholder, it makes sense that their Founder and Managing Partner would have a strong voice on the Board of Directors. However, as alluded to before, this introduces the potential for finances to outweigh any other justification for strategic decision-making on issues brought to the Board. In ensuring this does not become the primary factor that is considered, SeaWorld has protected itself under its Code of Conduct. In their article on potential conflicts of interest, it should be reported under the circumstance that any conflicts may arise during typical business operations. Should financial implications to best affect the stock price of the firm become a driving factor in decision-making, it would serve as an indicator that this may be a conflict of interest.

Shared below is a figure that represents the top SeaWorld stockholders with the previous five (Hill Path Capital LP, The Vanguard Group, Melvin Capital Management LP, Nomura Securities Ltd, and Barrow, Hanley, Mewhinneey & Strauss) leading the way.

Top 10 Owners of SeaWorld Entertainment Inc

Stockholder	Stake	Shares owned	Total value ($)	Shares bought / sold	Total change
Hill Path Capital LP	35.96%	27,205,306	2,025,162,979	0	0.00%
The Vanguard Group, Inc.	6.59%	4,986,936	371,227,516	-33,411	-0.67%
Melvin Capital Management LP	6.50%	4,920,000	366,244,800	+1,485,000	+43.23%
Nomura Securities Co., Ltd. (Priv...	6.01%	4,547,481	338,514,486	-39,082	-0.85%
Barrow, Hanley, Mewhinney & Strau...	5.81%	4,395,171	327,176,529	-303,909	-6.47%
BlackRock Fund Advisors	4.13%	3,124,019	232,551,974	+70,535	+2.31%
Amalgamated Gadget LP	2.46%	1,857,108	138,243,120	+1,857,108	--
Hood River Capital Management LLC	2.23%	1,683,507	125,320,261	+5,200	+0.31%
Canada Pension Plan Investment Bo...	1.66%	1,253,190	93,287,464	+205,490	+19.61%
Two Sigma Investments LP	1.53%	1,158,962	86,273,131	-7,421	-0.64%

EXTERNAL ENVIRONMENT

PESTEL Analysis

There are several different factors affecting the amusement park industry. The most influential politcal factor is employee compensation policies. There is a lot of debating right now as to how employees deserve to be paid and treated overall. The amusement park industry must account for new and evolving legislation regarding payment of workers. For example, a ballot initiative that would require a $15 minimum wage in Florida was recently passed.

The economy suffered greatly in 2020 due to the Covid-19 pandemic. All nonessential businesses, including amusement parks, were forced to shut down for months. Many people experienced a decrease in disposable income available, making them less likely to make unnecessary purchases. Now that the United States economy has been recovering from the effects of the pandemic, consumers have more financial security again. This means that consumers are more likely to spend money on entertaining experiences like a day at an amusement park.

There are two main sociocultural factors influencing the amusement park industry. The first is lingering health and safety concerns due to the Covid-19 pandemic. Although the world is beginning to move on, some people are still highly cautious when interacting with others. These consumers probably would not want to mingle with large crowds at an amusement park. The second factor is the animal rights movement. Many people are strongly against animal cruelty and will not support any company that does not practice ethical treatment of animals. SeaWorld is one of the companies within the amusement park industry that has encountered this issue the most. Since the popular documentary, *Blackfish,* came out, SeaWorld has been dealing with a major controversy regarding how it treats its animals, particularly its killer whales. As a result, some people refuse to ever visit SeaWorld.

The business world is constantly changing due to new technological advancements, and the amusement park industry is no exception. For example, parks like Walt Disney World and Universal aim to include high-tech features within their rides and attractions. Some features are meant to impress consumers, while others are meant to customize each visitor’s experience. Augmented reality and virtual reality are two major ways in which amusement parks are achieving this. Using new technologies is also an effective way to appeal to younger generations.

The main ecological factor affecting the industry is climate. Amusement parks and water parks are great options for people who want a break from hot weather. This is a big reason why companies like SeaWorld and Universal only open locations in places with warmer climates, such as Florida and southern California. The other reason is that some attractions simply cannot be enjoyed in a cold environment. Constant high temperatures allow for parks to remain open all year round.

Amusement parks are constantly trying to come up with new ideas for the next greatest attraction. One tool that businesses can take advantage of is intellectual property rights. With legal ownership of different resources and concepts, amusement parks are given a great opportunity for growth.

Profit Potential

As of 2021, SeaWorld has a profit margin of 4.2%. Growth within the amusement park industry has slowed between 2016 and 2021, decreasing at about 17.6pp each year. Of course, the Covid-19 pandemic is largely responsible for these numbers. Amusement parks earn most of their revenue by selling entrance tickets. Since most businesses were forced to shut down 2020, amusement parks like SeaWorld were not able to obtain this revenue. In general, the volatility of revenue within the industry is quite high. Fortunately, with the end of the pandemic, analysts are expecting the amusement park industry to become more profitable. In the years 2021 through 2026, there is a great opportunity for high revenue growth.

Porter’s Five Forces

The threat of new entrants within the amusement park industry is low. Entering the amusement park industry requires a significant amount of time, money, and other resources, even when it comes to simply building a new park. Also, there are already several well-established businesses within the industry that have instilled an expectation of high quality within park visitors. This can make it hard to be successful as a newcomer.

Almost all of the companies in the amusement park industry buy raw materials from numerous suppliers. Suppliers in dominant positions can decrease the margins that SeaWorld Entertainment, Inc. can earn within the market. However, there are enough different options for suppliers that parks can pick and choose who it wants to do business with. Also, since amusement parks do not rely on just one type of supplier to fulfill their needs, it is less likely that suppliers will come together to raise prices.

The power of buyers is low for the amusement park industry. Prices for tickets, food, and merchandise have been on the rise for years at parks like Walt Disney World. Despite this, demand for these products still remains quite high. It is clear that visitors get enough value out of their amusement park experiences to think that the high costs are worth it. This is especially true when parks practice differentiation, giving consumers a unique experience.

For this industry, the threat of substitutes is moderate. On one hand, there are many different types of entertainment. Instead of going to amusement parks, consumers can go to concerts, theatrical performances, sporting events, and more. There is a wide array of options available, some of which are much less expensive than buying an amusement park ticket. On the other hand, amusement parks offer their visitors a unique and immersive experience which creates a lot of value in the eyes of consumers. This allows them to successfully compete with other entertainment options.

Rivalry among competitors is the only force that is high within the amusement park industry. A great number of parks are open all across the United States, creating a large list of competitors. The sheer abundancy of parks makes it hard for some businesses to stay ahead. SeaWorld is the most concerned about other big industry players. Some of the company’s main competitors are Walt Disney World, Universal, Cedar Fair, and Six Flags. In comparison to some parks, SeaWorld is much more expensive to visit, making it a less attractive option to certain consumers. This competition can take a toll on the long term profitability of the organization.

COMPETITIVE DYNAMICS

The intensity of the competition within the industry is strong. Seaworld Entertainment Inc and Six Flags Entertainment Corp recorded revenue at $1.5B, making up 30.05% of the four-firm concentration ratio. Meanwhile, Madison Square Garden Entertainment recorded revenue at $652.05M, making up 13.06% of the four-firm concentration ratio. Lastly, there is Cedar Fair LP recording revenue at $1.34B, making up 26.84% of the four-firm concentration ratio. The four-firm concentration ratio suggests that the competition within the industry appears to be relatively evenly distributed. However, the two main competitors appear to be Seaworld and Six Flags.

Six Flags is the most direct competitor with SeaWorld. Resources and product markets are similar for the two. However, Seaworld differentiates itself from Six Flags through its animal and educational exhibits. For the geographic regions of competition between the two, the parks are in competition within both Houston and San Diego. However, SeaWorld has no competition with Six Flags in Orlando.

The global amusement parks market is expected to decline from $73.5 billion in 2019 to $71.6 billion in 2022. This 2.7% decline can be attributed to reduced consumer income and confidence around the world. Failure to contain the pandemic in the U.S. has also led to reduced profit expectations since it accounts for 33% of the global market this past year. However, there is hope on the horizon since an expected vaccine and revamped health and security measures are expected to lead to global growth of 9% in 2022. Mobile app revenue is expected to reach $935 billion in 2023. Theme parks are expected to continue investing in the development of mobile apps, a trend that has been building for many years. Although park apps are not new, increased investment in loyalty and engagement solutions such as waiting time at rides is expected to increase.

Strategic Actions

Dynamic pricing has become the preferred pricing method. Pricing will be based on length of stay, day of the weak, season, and real-time reactions to weather instead of daily or weekly pricing. Advances in technology make this pricing model possible.

In 2022, there will be complete re-training of employees to ensure that health and safety procedures are followed. Additionally, consumers must have confidence that the offered experience is safe. Theme parks will have to look at how it can manage these differences through employee de-escalation training. Many companies will also seek to revise their policies to reduce liability.

Another impact of the pandemic will be the increased adoption of touchless technology at all customer experience levels. This transition means touchless ticketing, fewer doorknobs, and touchless sinks in restrooms. Additionally, more companies will adopt AI predictive analytics programs that will streamline operations. Theme parks are investing in AI applications that will help set dynamic pricing and analyze target park capacity.

Changes in the food experience accompany moves towards a more immersive guest experience. Theme parks are noticing that healthier ingredients combined with regional specialties are a good way to boost profits; vegan and sustainable options are increasing. New designs for food preparation and eating areas are also being implemented with the co-utilization of kitchens for multiple eateries and larger dining areas.

Generation Z and Millennials are the largest customer base of theme parks, so putting pressure on the theme park industry to use clean energy sources, reduce waste, and offer vegan food options are taking priority. Additionally, parks are cutting the use of straws and adopting plant-based options.

INTERNAL ANALYSIS

View on Environment

Despite strong industry competition and challenges the firm has faced through the pandemic, the executive management team is optimistic about SeaWorld's ability to continue to innovate in the market and maintain a competitive advantage. In the fourth quarter and fiscal year 2021, the firm experienced record levels of revenue, net income, and adjusted EBITDA. Though SeaWorld declared these numbers would have been even higher if not for the limited attendance related to COVID-19, the firm attributes its success to a dedicated executive team, a resilient business model, and successful implementation of proven business strategies.

In the fiscal year 2020, the firm's financial performance was negatively impacted by the COVID-19 pandemic, which ultimately resulted in SeaWorld closing all of its parks on March 16, 2020. Again in February 2021, due to local mandates and restrictions, SeaWorld San Diego was forced to close which further negatively affected the performance of the firm. By quarter four of 2021, all parks were operating without capacity limitations, however, restricted guest attendance from international individuals and decreased group-related attendance has hindered the firm's performance. This is a continuing concern for SeaWorld, given that the pandemic has impacted both the general and industry environments. To combat this and attract customers in a period of uncertainty, SeaWorld parks has implemented increased safety for both guests and employees, including remote work, social distancing, daily temperature checks, and increased facility sanitation. Despite challenges faced by SeaWorld and the theme park industry from the pandemic, the firm still believes that performance will return to pre-pandemic highs due to the nature of the industry. SeaWorld believes that the theme park industry offers a strong customer value proposition, and it will provide large long-term cash flow and growth.

Customers

SeaWorld has a self-proclaimed broad demographic appeal due to the nature of the different theme parks within the firms. SeaWorld has theme parks that appeal to older individuals, like SeaWorld, or younger children and families like Sesame Place. This differentiation among products, paired with geographic location, allows the firm to attract multiple types of individuals. The target market is young individuals and families with disposable income. Disposable income is a key piece of the target demographic, given that the firm is not pursuing a cost leadership strategy and SeaWorld parks are some of the most expensive in the country.

SeaWorld is appealing to these markets through offering differentiated products within each park, but also among all the parks in the country. In all twelve parks the philosophy of "education and learning through entertainment" is the foundation upon which the facilities are structured. SeaWorld parks offer a wide variety of products or services that appeal to many age groups, including thrill roller coasters, family-friendly rides, animal shows and interactive animal experiences. Furthermore, the parks offer a variety of food, drinks, and souvenirs. Due to this, SeaWorld attracts more than just families and has a large customer base of younger individuals. Other SeaWorld parks, like Sesame Place, are oriented to attract families with young children. The park theme is a Sesame Street-themed amusement and water park that offer more child-friendly attractions.

Resources and Capabilities

SeaWorld has a wide variety of tangible and intangible resources that support the capabilities and core competencies of the firm. It identifies these resources and capabilities as "competitive strengths" that help the firm maintain a strong position in the industry and generate growth.

Brands and Intellectual Property: SeaWorld has a wide variety of intellectual property that attracts customers and generates revenue. It includes trademarks, service marks, domain names, and copyrights. SeaWorld leverages this IP, along with licensed brands such as Sesame Street, to gain an advantage over other amusement parks.

Large Zoological Collection: SeaWorld believes one of its strongest resources is its zoological collection, which is one of the largest in the world. Furthermore, the firm's ability to present the animals in a differentiated, interactive and educational manner increases the value of the resource for both SeaWorld and its customers. This resource is a major source of competitive advantage in the amusement park industry due to its value, rarity, and cost.

Employees with Specialized Animal Expertise: SeaWorld considers its animal expertise staff some of the most experienced and qualified in the world, which makes the firm a leader in animal welfare, enrichment, and veterinary care. The firm has dedicated capital to ensuring the staff can provide the animals with world-class care and habitats that promote health and happiness.

Differentiated Theme Parks: SeaWorld's differentiated theme parks and subsequent diversified portfolio is a strong resource that the firm leverages to gain a competitive advantage. The firm operates twelve parks, including three of the top 20 most attended theme parks and four of the top 10 most-attended waterparks. In aggregate, the parks have 650 attractions, 88 animal exhibits, 114 programs and 204 rides. Each park has received numerous awards regarding resources and capabilities, including the best U.S. amusement parks, best water parks, best food destinations, and multiple animal conservation awards.

Care for the Natural World: SeaWorld focuses largely on philanthropic efforts, particularly related to animal care and the communities where the parks are located. Efforts and capital are focused in three areas: animal preservation, youth education, and community initiatives. Animal preservation efforts are a core capability of the firm, as SeaWorld advertises for customers to "visit with purpose." SeaWorld has been working in animal rescue and rehabilitation for more than 50 years and has made over 39,000 rescues. This business function is necessary for the sustainability of the animal attractions industry, as well as bringing customers who are interested in animal preservation efforts to the parks and rescue locations.

Competitive Advantage

SeaWorld's competitive advantage is derived from its animals and the expertise of the trainers at the parks. The firm is pursuing a differentiation strategy. In their annual reports, the executive management team consistently places an emphasis on innovation, knowledge, and fostering the resources at the core of their business. Animals and animal training expertise sets SeaWorld apart from competitors in the amusement park industry and adds value to the consumer experience.

These resources, both tangible and intangible, are sources of a sustainable competitive advantage given the VRIO framework. In tandem, these resources are rare and extremely valuable in terms of customer value and industry market share. Furthermore, it is costly to imitate because SeaWorld has decades of experience and a bred population of animals. Finally, the business is organized to capture the value these resources offer in the industry. Animals are the focal attraction of almost every park under the SeaWorld brand name. The firm has recognized these resources as a source of competitive advantage and has used this to capture market value by placing emphasis on them.

Aside from recognizing profit from these resources, SeaWorld has continued to invest capital into both philanthropic and business projects to keep these resources sustainable. SeaWorld heavily invests capital into the well-being of the animals and staff, but it also invests in wildlife conservation. This education and awareness surrounding marine life allow for SeaWorld to be socially conscious while remaining a profitable and desirable business.

PERFORMANCE ANALYSIS

	EPS 2019	**EPS 2020**	**EPS 2021**
Seaworld	**2.11**	**(3.99)**	**3.28**
Six Flags	**1.10**	**(4.99)**	**1.50**
Cedar Fair	**3.03**	**(10.45)**	**(0.86)**

Due to the extreme external circumstances caused by the COVID-19 pandemic, this report will focus mostly on comparing Seaworld's 2019 fiscal year versus their 2021 fiscal year. 2020 should truly be considered an outlier in the case of Seaworld and its competitors.

Seaworld actually recovered rather tremendously from the COVID-19 pandemic. Seaworld posted stronger earnings per share in 2021 than it did in 2019. Not only did Seaworld see higher earnings per share than in 2019, but it also saw revenues grow more than 7 percent from 2019 to 1.5 billion dollars in 2021. Strangely, this growth of revenue accompanied an attendance drop of 2.4 million as compared to the 2019 fiscal year. With the revenue increase, net income also increased from its 2019 total to 257 million dollars.

While it does seem odd that a large drop in attendance would lead to such a big leap in revenues, said leap can be attributed to the premium packages customers purchased during the 2021 fiscal year. During that year, Seaworld restructured its revenue model to include more premium items available for customer purchase. During the 2021 fiscal year, Seaworld saw more of its patrons purchase these higher-priced tickets and items to ensure an experience with little waiting. With that said, although attendance at parks was down by 2.4 million people when compared to 2019, Seaworld's revenue per capita increased by more than 20% leading to the higher revenues and net income that Seaworld achieved in the 2021 fiscal year.

In the fiscal year 2021, Seaworld not only returned their stock price, revenues and net income to pre-COVID-19 levels, but it also surpassed them.

During their revenue stream restructure, Seaworld found ways to cut costs and raise prices. Seaworld introduced automation to aid in cost cutting. The seaworld mobile app now provides many of the services that used to require man-power. The app provides visitors with directions, ticket packaging upgrade capabilities and it can access some discounts. The introduction of the mobile app into the park experience allowed Seaworld to limit its workforce, and, thus, cut costs. This cost cutting has directly led to the improved net income seen in the 2021 fiscal year.

In addition, the mobile app allowed for the company to offer more add-ons that increased visitors' in-park spending. In all, the ease of the mobile app encouraged customers to spend after they had already purchased tickets. With that said, Seaworld merchandise, clothing, food and snack spending made up 43 percent of all revenues during the 2021 fiscal year.

The attention put on their mobile capabilities allowed Seaworld to both cut labor costs and to increase revenue generated from in-park sales, so it can be seen as one of the large reasons that Seaworld recovered so well from the COVID-19 pandemic compared to their competitors.

Seaworld's digitalization is not the only way it has increased revenues. The firm also partners with local hotels, transportation services, and restaurants to create entire vacation packages centered around their Seaworld parks. For example, at their San Diego park, SeaWorld offers vacation packages in which visitors stay at the Hampton, Hilton or Fairfield and then are transported to and from the hotel to the park. These alliances with hotels and other businesses around the areas within which the park operates allows Seaworld to charge even higher prices for their services.

To look more particularly at their most recent performance, Seaworld reported a strong fourth quarter of the 2021 fiscal year. During that fourth quarter, the firm reported a 3.22 EPS which was actually around 50 cents higher than many investors forecasted (Seeking Alpha).

Moving forward, Seaworld appears to be in a strong financial position. Their stock price, EPS, revenues and net income all either best their main competitors, or are in line with their figures. Also, Seaworld is ahead of its competitors digitally which leads to their ability to cut costs more efficiently than said competition. Additionally, Seaworld's future prospects appear fruitful. With SeaWorld Abu Dhabi set to open in the United Arab Emirates this year, Seaworld is in a position to further grow their revenues.

BUSINESS-LEVEL STRATEGY

SeaWorld uses a differentiation strategy. Since it is an amusement park, SeaWorld offers typical amusement park attractions. These include water rides, children's rides, and three rollercoasters. However, SeaWorld is so much more than a typical amusement park. What makes SeaWorld so special is, of course, the animals. SeaWorld is home to several different species that are native to the ocean, including dolphins, whales, penguins, sea lions, and more. Visitors of the park do not simply get to see the animals, they get to interact with them. There are options to watch animals perform in shows, or guests can pay extra to have personal encounters. For example, there is an opportunity to get into a pool and swim with some of the dolphins. Experiences like that are not easy to find. In fact, SeaWorld is the only major theme park that has a focus on wildlife. This allows SeaWorld to advertise a highly unique value proposition to its target market. It costs a lot of money for SeaWorld to offer these types of encounters, which means that ticket prices are high. For this reason, SeaWorld's differentiation strategy is focused. The company's scope of competition is to attract families with disposable income, which is a fairly narrow group.

SeaWorld may use differentiation, but it is certainly not a Blue Ocean company. The park sells tickets at a cost that is higher than many of its competitors. Fortunately, some of SeaWorld's competitors, like Walt Disney World and Universal, do not use a cost-leadership strategy either. These two parks, along with SeaWorld, are able to create such great value in the eyes of their consumers that high entry prices can be overlooked. On the other hand, competitors like Six Flags and Cedar Fair do pursue a cost-leadership position within the amusement park industry. For those on a budget, these parks are much more attractive options. A single-day ticket to Six Flags costs $34.99, just a third of the price for a single-day ticket to SeaWorld. SeaWorld would have to find some serious way to cut down costs in order to compete with a cost-leadership strategy. Even if they were able to do so, cutting costs would likely jeopordize the differentiation strategy that makes SeaWorld so unique and successful. Trying to do both at once would not be realistic or wise.

Amusement Park	**Price of a Single-Day Ticket**
SeaWorld	$118.99

Walt Disney World	$109.00 (select 1 park out of 4)
Universal	$109.00 (select 1 park out of 2)
Six Flags	$34.99

CORPORATE-LEVEL STRATEGY

Diversification

SeaWorld pursues a dominant business strategy. 11 of the 12 SeaWorld locations are amusement parks that feature rides, attractions, food, and merchandise. Despite many parks having different themes, aesthetic appeal, or licensed feature brands it can all be considered a single business because the parks share the same business model and core competencies. The other location is Discovery Cove Orlando, which is an all-inclusive day resort that features animal encounters in a tropical environment. Unlike the other parks which focus on rides or animal shows, Discovery Cove is a hands-on park where customers can swim with dolphins or snorkel with stingrays. This is the only location that leverages similar but unique core competencies to create customer value. This SBU should be considered a minor business unit due to the resources and capabilities needed to be an effective business. While infrastructure, animals, and food are shared capabilities, the location is organized in a different fashion than the amusement parks due to its resort style and services offered.

Revenue is broken down in the financial statements by admission and food, merchandise, and other. Each year, admission accounts for about 55% to 65% of total revenue, while the rest is complementary activities such as food, merchandise, toys, books, and technology accessories. As a whole, SeaWorld is a fairly undiversified business. Aside from having a dominant strategy, their product diversification is low because the firm mainly sells admission, food, or merchandise which is similar between all of the amusement park locations. Many of the parks operate under different names than SeaWorld, such as Busch Gardens, but the product offerings are still narrow and similar. The only exception to this is the Discovery Cove resort, which offers a differentiated product that still leverages the same resources and competencies.

Seaworld is not highly geographically diverse because it only operates in five states: Florida, Texas, California, Virginia, and Pennsylvania. In 2020, more than 70% of revenues were generated in Florida, primarily due to more lenient restrictions related to the pandemic. This presents a geographical risk. A natural disaster, economic hardship, or political turmoil in Florida will damage the business because of how concentrated profit is to the area. SeaWorld is in the process of opening an amusement park in Dubai, however the location has yet to open. SeaWorld has intentionally grouped parks in key cities and tourist hubs in the U.S. which allows them to achieve economies of scale in multiple regions. It also allows the firm to cross market and bundle tickets at multiple locations with hotels to create vacation packages.

Vertical Integration

SeaWorld is integrated into multiple parts of the value chain to achieve vertical integration. There are three core activities SeaWorld performs in a value chain that indicates it has vertically integrated in the amusement park industry to capture more value. The first activity is marketing and sales. This is a key piece of the firm's ability to create revenue. To effectively market and generate sales, SeaWorld performs large amounts of data collection on the target markets in the industry and provides direct marketing to those individuals.

SeaWorld markets itself through many avenues to achieve sales. Commercials, website ads, billboards, and posters are all ways the firm chooses to market itself. It also runs promotional campaigns to attract customers, such as season passes and holiday sales. Many of the current advertisements have centered around new roller coasters and rides that SeaWorld is constructing in multiple locations. As the firm aims to add more thrill attractions, it has likewise increased advertising for the new rides like the Ice Break at SeaWorld Orlando. On the sales side, the firm sells tickets through their website and in-person at the door. Furthermore, SeaWorld sells food, drinks, and merchandise in the parks, while having branded merchandise available through ecommerce.

The next piece of the value chain the firm operates in is operations. The daily operations needed to run each park such as animal experts to run shows, ride operators for attractions, retail merchandise, restaurants, sanitation, etc. These are activities that SeaWorld takes on to run everyday business and service the customers. This is an essential aspect of the value chain because it is where most customer value is found. These operations define the core competencies of the business that give SeaWorld a competitive advantage over other amusement parks.

The final stage of the value chain that SeaWorld has forward integrated into is after-sales service and support. The firm provides customer service representatives to resolve issues and provide support to customers either post-sale or post-visitation of the park. Potential issues relate to billing, location or date switching, ticket cancellation, refunds, or returns for merchandise. Positive customer service experiences after-sales is a way for SeaWorld to build a reputable brand and attract customers to return. For this reason, the firm handles these issues internally instead of outsourcing to another business or country.

MERGERS AND ACQUISITIONS

Over the last five years, SeaWorld has made the attempt to acquire some of its competitors, most recently, Cedar Fair. After an initial bid for $3.4 billion was made on February 1, 2022, Cedar Fair responded with a resounding rejection on February 16, 2022, stating that accepting the offer did not have the firm’s “best interests” in mind. While this was an attempt to buy out a current competitor and even diversify its portfolio in terms of offerings, this was an attempt that did not materialize into a new opportunity for SeaWorld.

However, a more successful example of a merger came in the form of SeaWorld’s expansion abroad as it announced a partnership with Miral, a real estate developer in Abu Dhabi, to open a SeaWorld location in Abu Dhabi that is set to open to the public by the end of 2022. This is a partnership/merger that has been going on for the last six years as in 2016, Miral had officially announced the new location had been confirmed. One of the primary reasons for this merger and partnership between SeaWorld and Miral was to ensure that the UAE, and Abu Dhabi more specifically, would be able to bring about the next generation of marine life theme parks to the

Yas Islands. In particular, the SeaWorld location in Abu Dhabi will be home to Yas SeaWorld Research and Rescue Center, which will be the UAE's first dedicated marine research, rescue, rehabilitation and return center. In this center, SeaWorld will also be providing world-class facilities to support regional and global conservation efforts.

With the initial partnership being announced in 2016, there has been a significant amount of time for the stock market to respond to this news. Since that time, there have also been several factors that have affected SeaWorld's stock price such as the COVID-19 pandemic. During the pandemic's peak, stock prices would drop by as much as $20 per share. However, since the 2016 announcement, SeaWorld has experienced roughly a $50 per share increase in stock price. While this increase cannot be fully attributed to the launch of the location in Abu Dhabi, the intention of global expansion is certainly a good sign that will ultimately result in benefits for the firm. The below image shows the significant growth that SeaWorld has faced since its 2016 announcement.

Seeing as this new location in Abu Dhabi has yet to open, it may be too early to decide fully whether or not this partnership and merger should be viewed as a success. With that being said, it should also be mentioned that the announcement of this merger in 2016 marked the beginning of the upward trajectory for SeaWorld's stock price. From 2013 up until 2016, the stock price was relatively stable with a moderate decline. However, the 2016 news started the upward trend that really started to take off right before the pandemic began and has continued to increase drastically as safety regulations have started to loosen.

Once the location does open in Abu Dhabi, there will be a variety of metrics that should be assessed to indicate whether or not the merger was a success. One of these key metrics being the firm's stock price. By all accounts, that does not appear to indicate that this merger was a wasted effort, but there are still other key metrics to factor into the equation. Some of those metrics would include the number of visitors/customers on a daily basis and a thorough understanding of different sales metrics such as gift shop sales and restaurant sales.

One of the interesting things that makes this global expansion unique is that as far as it has been advertised, it does not appear that SeaWorld is putting extensive effort into differentiating their services and their offerings to better suit the different demographic and culture the firm is expanding into. While the business is not differentiating with their offerings, the approach being taken is related to ensuring that this is one of the biggest tourist attractions in the UAE. This is being done primarily by featuring six different realms that can offer a more immersive experience for visitors in addition to dynamic habitats that will house different species together, as the animals will be in their natural habitat. In addition to the immersive experience, SeaWorld is making sure that this location features the world's largest and most expansive marine-life aquarium as it will house more than 68,000 animals. Some of the animals that will be most highly sought after and will highlight the offerings include sharks, schools of fish, manta rays, and sea turtles.

STRATEGIC DECISION

One of the most important recent strategic decisions that SeaWorld had to make was how to properly respond to the COVID-19 pandemic. Seeing as the entirety of the value proposition that SeaWorld offers to customers is dependent on being able to be in a physical location at one point in time, the pandemic was a significant hindrance to its current business model. However, it is also important to recognize that while there were business implications to experience based on the proposed adaptation to new guidelines, SeaWorld was also able to highlight the financial implications to anticipate from the pandemic.

Following the nationwide lockdown orders, SeaWorld was forced to close down all of its locations, which also meant sending home each of the non-essential employees. Obviously, since there are live animals to manage, there were some employees who were still required to go to work to ensure that the animals were well taken care of. This leads to the strategic decision of trying to minimize financial responsibilities as much as possible during the early stages of the pandemic, while still making sure that the animals there did not face any neglect.

The primary goal of making this decision was to ensure that SeaWorld had the proper type of flexibility in its finances to operate at a sustainable level during a time of great uncertainty. With that, some of the steps that SeaWorld elected to take were to reduce overall expenditures, prioritize continuing care for the animals, credit facility and liquidity, and rely slightly on the increased attendance from January and February 2020.

The primary area where SeaWorld was able to effectively cut down on the expenditures during the early stages of the pandemic was within the compensation of its executives. SeaWorld decided to reduce its executive officers' base salaries by 20% up until the point where the parks were able to resume normal business operations. This also manifested in the form of cutting down on marketing during the early stages and eliminating all non-essential operating expenses. Doing this allowed SeaWorld to reflect on their current expenses and realize which ones were vital to operations and which could be eliminated for the foreseeable future.

In continuing to care for the animals that are at each park, this reaffirmed that SeaWorld is committed to animal rescue work. Not only this, but SeaWorld's zoologists were able to continue working and take proper care of each and every animal. This also was an indication that there were plans in place to have a successful reopening once safety guidelines were loosened in various regions.

By addressing SeaWorld's pre-existing revolving credit facility, the firm was able to liquidate some of its assets to cover the credit itself as well as any of the monthly expenses. It was estimated that as far as monthly expenses go, SeaWorld would have to pay $25 million per month in total if the parks remain closed. By liquidating some of its assets, it ensured that SeaWorld would have the financial flexibility to cover all of the anticipated monthly cash outflows.

Finally, relying on the increased attendance from January and February 2020 certainly gave SeaWorld some confidence going into the early months of the pandemic and reassured the firm that these attendance numbers were attainable once again following the reopening of parks. Not only this, but the increased attendance gave SeaWorld extra flexibility in its assets to cover some of the early anticipated expenses. A significant number of companies struggled during the early stages of the pandemic due to the inflexibility of their assets, and as a result, were forced to close. Thankfully for SeaWorld, it did not face a similar fate.

Looking ahead to where this decision landed SeaWorld, the anticipated effects from a pandemic still occurred, but SeaWorld was not damaged nearly as much as other competitors were. SeaWorld faced a drop in stock price and an obvious drop in revenue over the course of the months where the parks were forcibly closed. However, as we have seen in previous visual displays, following the initial dip in stock price or the initial dip in revenue, SeaWorld quickly resumed its upward trajectory in both categories and has begun reopening its parks. One interesting thing to note about the reopening part of the strategic decision is that there are still several disclaimers on the SeaWorld website regarding the inherent risk that customers would face if they were to attend one of the SeaWorld locations. SeaWorld clearly indicates that it can not be held responsible if one of its customers were to test positive for COVID-19 after attending one of its locations. However, the decision to reopen locations was entirely based on the local health and safety guidelines. SeaWorld had to contend with varying levels of infection rates in different states and different political affiliations in each state to inform whether or not SeaWorld was able to reopen for regular business operations.

Thomas Wolfe
Honors Reflection

1. I believe that the audit process served as a capstone project for two main reasons. First, it allowed us to work for an extensive period of time in a group setting. Second, it allowed us to take a deep dive into one single subject. Group settings are becoming more and more prominent in the business world as we move towards a more connected world. Just the other day, my dad mentioned that he was on a project with a person from Switzerland, India and New York city. To me, that shows that communication skills are gaining importance in today's business climate, and the only way to improve those skills are to practice them in a setting where a group of folks relies on you to do your job. To work well with others has always been a crucial part of any job, but, in my opinion, it is only becoming more important in a digital world. Second, the project served as a capstone because it allowed our group to focus on one single subject while using the tools we have gained in our college of business careers. For example, the strategic audit forced our group to look at the firms' financial statements (accounting/finance classes), their marketing/sales strategy (MRKT 357), their marketing channels (MRKT 346), their leadership structures (Management classes), and we had to look at their stock price and earnings per share fluctuations (Finance 361). All in all, it can be easy to see that this can be considered a capstone project because it touched on just about all the subjects we have taken during our time at the college of business.

2. Throughout my life, I have always thought of a company's success as their profit and revenue. While those two things are extremely important to the firm, I now believe it is more important to evaluate a company's competitive standing when attempting to predict their future success (or failure). However, evaluating a company's competitive standing is no small task. In fact, it requires a rigorous evaluation of a firm's external environments and their internal capabilities, strengths, and weaknesses. While those two evaluations can give a good sense as to how the firm competes in a market, it can also be useful to examine the competitors of the firm and their strategies. However, for these purposes, I will focus on describing the nature of external and internal evaluations of a firm.

   We have been given many tools to analyze the external environment of firms. The most useful one, in my opinion, is the PESTEL analysis. The PESTEL analysis forces you to consider the political, environmental, social, technological, economic and legal aspects of an external environment. While the PESTEL analysis does not have much to do with the analysis of competitors, it does a really good job of touching on most of the other circumstances outside of a firm's control. Usually, there are some external aspects that should assist the company in their pursuit of a competitive advantage and some that hinder their ability to do so. That is why it is so important to consider each aspect of the external environment so that the company can then move to see how they can leverage their strengths to either counteract weaknesses or seize opportunities presented by the market conditions.

When we then move to discuss the internal situations of firms, we have another few tools that can help us see where their advantages may lie. For example, a couple tools include the VRIO framework and SWOT analyses. The VRIO framework's use is mostly limited to the product or service that a company provides, but the SWOT analysis could really be used in everyday life if someone so pleased. The VRIO framework analyzes if a firm's product or service is valuable, rare, easily imitable, and if the organizational structure is in place to move the product. The framework does a great job of breaking down the actual value of the most important aspect of a company: the product they are selling. If a company's product is not valuable, rare, and if it is easily imitable and repeatable from an organizational structure standpoint, then the company is unlikely to gain any sort of competitive advantage at all. The SWOT analysis is also a useful tool that can oftentimes guide decision making. The acronym stands for strengths, weaknesses, opportunities, and threats.

Let's consider this example to see how all the aforementioned tools can interact: a firm selling specialty soap is looking to expand to their business to enter the Chinese market. The PESTEL analysis tells us that there is a strong social trend in China that is moving consumers away from generic brands of soap and towards more expensive and customized soaps. Based on the company's SWOT analysis, two of their strengths are they have a lot of capital, and they have previously been successful entering new markets. In addition, in China, their product is extremely rare and valuable due to the new trend in China. At this point, you would likely say that the company's strategic decision to enter China would be a good one. However, there could always be one factor that counteracts those favorable ones. For example, let's say that China initiated a trade embargo with US companies. Then, all of those favorable factors previously mentioned would be completely obsolete. Therefore, it is essential to consider all factors when making strategic decisions, and, more importantly, how those factors interact to create either a positive or negative impact on the strategic decision.

3. I think the strategic audit practice will help me throughout my career. It's funny, initially I didn't really understand the mystrategy assignments that we completed at the beginning of the semester, but by about the third one, I finally realized that the assignments were meant to allow students to recognize that they can view their own lives through a strategic lens. The strategic audit only furthered that brand of thinking for me. You do not have to be a business to make strategic decisions every day. For example, this past year, I decided that I wanted to go to law school. Without even realizing it, in a way, I strategically audited myself before I made the decision. I had to think about what my strengths, weaknesses, goals, and threats to entering law school. I felt my strengths were that I have a good GPA, resume, and have a good shot at getting at least some

scholarships. My weaknesses were financial standing, and I am not a great sit-down for hours on end and read person. My goal is to eventually become an agent for Latin American ballplayers, so the law school path potentially lends itself well to that. Finally, some threats were moving far away from home, not studying for the LSAT enough, and taking on student loans. In the end, I still moved forward with my strategic life decision, but there were certainly tons of factors that I needed to consider. With the tools that this class gave to us to analyze businesses decision making and positions, one can also evaluate their own life and the direction they want to go. This class and audit made me think about my own life strategically, and I believe I will continue to do so at various points throughout my life.

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