

# AL Business Studies 9707

## 6AL : Strategic Management

### Recommended Prior Knowledge

This unit introduces some new subject content and identifies some diagnostic ideas, concepts and techniques that have been applied specifically to management at the strategic level of business activity. It does, however, also gather together business concepts that have been examined at the functional level of business activity in many topic areas of the syllabus. Topics such as business objectives, business management, business leadership, business performance, organisational culture, and competitive advantage will be emphasised at the strategic level.

### Context

This unit provides an understanding of the role and significance of strategic business decision-making in all types of organisations – small and large, commercial, public sector, and not-for-profit. Critical to this understanding is recognition that decision-making at the strategic level of an organisation is a distinctive and very demanding type of business activity that has developed its own body of business ideas, concepts and techniques.

The assumptions that underpin the study of strategy and strategic management include the following:

1. Strategy is concerned with the long-term direction, survival and success of a business.
2. Strategic decisions are concerned with the totality and scope of business activities.
3. Strategic management is the activity of establishing strategic objectives in a business environment through careful analysis of a business's-competitive position, identifying and making strategic choices for the future, and implementing the necessary change required to achieve these strategic objectives.

The unit is ideal for student-based activities examining how organisations, local and global, seek to manage strategy in the face of intense competition and continuous uncertainty and unpredictability.

### Outline

Following an examination of the characteristics of strategic decisions and the process of strategic management, the unit adopts a popular model of strategic management – Analysis, Choice and Implementation – and covers the important concepts and techniques associated with each of the three parts of this model.

**References to the endorsed textbook, A level Business Studies, 2<sup>nd</sup> edition by Peter Stimpson and Al Farquharson are in RED. Although activities have been selected from this book, these are only suggestions – there are many other useful activities that can be undertaken including others in the endorsed textbook and associated CD-ROMs and in other recommended textbooks.**

## Suggestions for teaching strategic management

- Where possible, invite senior managers from local companies to discuss their strategic management decisions (e.g. local banks, telecommunication companies, retailers etc).
- Develop some local case studies through examining local company annual reports, corporate planning documents, media reports of performance and require students to examine the relevance and application of strategic concepts and techniques to these scenarios.
- Source some international examples of companies that are distinctive because of their successful/weak performance, or their particular business models, or their strategic response to challenging situations. The focus should be on how strategic management techniques and concepts are used to make company decisions.
- There are some useful generic sites for case studies, such as: <http://www.thetimes100.co.uk>. However, simply Googling **the name of the company** (e.g. Wal-Mart stores, Exxon Mobil, General Electric, Hewlett Packard, Microsoft, Coca-Cola) will usually provide information on mission, values, objectives, strategic plans, strategic initiatives and performance; or Google **the name of a company – case studies** will produce useful and relevant material. If you Google, for example, **Toyota – case studies**, you will find some interesting material on the troubles of Toyota in 2009 as it had to recall vehicles because of defective quality. E.g.: <http://www.business-ethics.com/2010/01/2123-toyota-recall-five-critical-lessons>  
These focus on issues such as Toyota's values and culture, lean production and quality assurance, and contingency management.  
Further suggestions for case study material are:  
**British Petroleum (BP) – case studies** – strategic contingency management.  
**Wal-Mart – case studies** – creating and managing strategic success.  
**South West Airlines – case studies** – developing and maintaining a distinctive business model.  
**General Motors – case studies** – strategic survival planning.
- The attraction of teaching strategic management is that external and internal environments are continually changing and company environments are often challenging and turbulent. So specific instances of opportunities and threats in particular company and industrial situations are readily available and it is possible to build up quickly a personal bank of real, live, local, national and international case study material that reveals the reality of strategic management decision making and objective setting.

AO	Learning outcomes	Suggested Teaching activities	Learning resources
6AL.1	<b>What is strategic management?</b>	<p>Students will need to understand some basic definitions of Strategic Management and be able to differentiate between strategic decisions and operational/tactical decisions.</p> <p>Useful activities include:</p>	<p><b>Chapter 34</b>  <a href="http://en.wikipedia.org/wiki/Strategic_management">http://en.wikipedia.org/wiki/Strategic_m  management</a>  This provides a sound review of the historical development of strategic management and its limitations.  <a href="http://www.quickmba.com/strategy">http://www.quickmba.com/strategy</a>  This useful link introduces some basic definitions of strategy and strategic management, with further links to a number of specific strategy concepts and techniques.  <a href="http://www.bnet.co.uk">http://www.bnet.co.uk</a>  This link provides worldwide free membership and offers strategic definitions, articles and case studies.  <a href="http://www.introduction-to-management.24xls.com/en204">http://www.introduction-to-  management.24xls.com/en204</a>  This link provides a range of definitions and characteristics of the strategic management process.</p>
	<ul style="list-style-type: none"> <li>• What is strategic management?</li> <li>• Why is strategic management necessary?</li> <li>• Why should strategy determine organisational structure?</li> <li>• How does business strategy determine competitive advantage?</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Key stages of strategic management. Reasons why important.</b></li> <li>• <b>Business Strategy or business tactics?</b></li> <li>• <b>Corporate Strategy and organisational structure.</b>  Why do many businesses pay more attention to structure than to strategy – especially when change is made?</li> <li>• <b>Business Strategy and competitive advantage.</b></li> <li>• Explore what strategies the following businesses might develop to achieve competitive advantage. <ol style="list-style-type: none"> <li>1. A commercial airline.</li> <li>2. A multinational car manufacturer.</li> <li>3. An international fund-raising charity.</li> </ol> </li> </ul>	
	<b>Reinforcement</b>	<ul style="list-style-type: none"> <li>• <b>Revision questions and GlaxoSmithKline case, plus essays.</b></li> </ul>	

AO	Learning outcomes	Suggested Teaching activities	Learning resources
6AL.2	<b>Strategic analysis</b>	<p>Strategic managers focus on 3 specific strategic questions:</p> <ol style="list-style-type: none"> <li>1. What is the current state of our business?</li> <li>2. Where do we want to go with our business?</li> <li>3. How do we get there?</li> </ol> <p>The strategic analysis stage of managing at the strategic level seeks to answer the first of these three questions. The focus is on establishing the impact on strategy of the external environment and the business's strategic capability – its internal resources and competencies. Students need to understand how a number of important diagnostic frameworks and concepts have been developed to assist strategic managers to analyse critically the existing and potential strategic position of their business.</p>	Chapter 35
	SWOT analysis	<p>Useful activities include:</p> <ul style="list-style-type: none"> <li>• <b>Strategic analysis of LVM Ltd.</b></li> <li>• Conduct a SWOT analysis of a local business using a SWOT template.</li> <li>• Critically evaluate the strengths and weaknesses of the SWOT analytical tool.</li> </ul>	<p><a href="http://www.quickmba.com/strategy">http://www.quickmba.com/strategy</a> – provides outline definition and examples.  <a href="http://www.businessballs.com">http://www.businessballs.com</a> – provides a SWOT template that can be applied to any business.</p>
	PEST analysis	<p>Useful activities include:  <b>Activity 35.2 – use a PEST template to analyse the macro-economic environment for a foreign retailer in your country.</b></p>	<p><a href="http://www.businessballs.com">http://www.businessballs.com</a> – provides a PEST template that can be applied to any business.</p>
	Business vision/mission statement and objectives	<p>Useful activities include:</p> <ul style="list-style-type: none"> <li>• <b>Vision statement – Mission statement.</b></li> <li>• Examine the mission statement of:  Levi Strauss &amp; Co  Nike  Coca Cola  BP</li> <li>• Evaluate the impact of these mission statements on business strategy</li> </ul>	<p><a href="http://www.missionstatements.com">http://www.missionstatements.com</a> – gives a categorisation of mission statements and access to the Fortune 500 company mission statements.  <a href="http://business-resources.suite101.com">http://business-resources.suite101.com</a> – provides examples of mission statements and analyses the essential elements of effective mission statements.</p>

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	Boston Matrix	Useful activities include: <ul style="list-style-type: none"> <li>• <b>Applying the Boston Matrix.</b></li> <li>• Consider how the Boston Matrix might be a valuable tool for a strategic manager in assessing the current and potential strength of a business.</li> </ul>	<a href="http://www.tutor2u.net">http://www.tutor2u.net</a> - provides exercises to test understanding of the matrix.
	5 Forces Analysis	Useful activities include: <ul style="list-style-type: none"> <li>• <b>Which industry is more competitive?</b></li> <li>• Use Porter's 5 Forces model to evaluate the degree of competition in an industry of your choice (local and international).</li> </ul>	<a href="http://www.mindtools.com/pages/article/newTMC_08.htm">http://www.mindtools.com/pages/article/newTMC_08.htm</a> - gives a definition of the tool, with an example and worksheet. <a href="http://www.quickmba.com/strategy/porter.shtml">http://www.quickmba.com/strategy/porter.shtml</a> - provides a detailed explanation of the content and application of the tool.
	Core Competencies	Useful activities include: <ul style="list-style-type: none"> <li>• <b>Core competencies in practice.</b></li> <li>• Select a business that is currently very successful and identify core competencies that explain why it has a competitive advantage over its rivals.</li> </ul>	<a href="http://tutor2u.net/business/strategy/core_competencies.htm">http://tutor2u.net/business/strategy/core_competencies.htm</a> - provides an explanation of the origin of the concept and gives a business example. <a href="http://www.valuebasedmanagement.net/methods_corecompetence.html">http://www.valuebasedmanagement.net/methods_corecompetence.html</a> - compares the core competence concept with Porter's 5 Forces tool. <a href="http://www.clarity-consulting.com/developing_a_core_competence_strategy_summary.htm">http://www.clarity-consulting.com/developing_a_core_competence_strategy_summary.htm</a> - outlines the relevance of core competencies for IT companies.
	Reinforcement	<ul style="list-style-type: none"> <li>• <b>Revision questions and 'cash cow at the dairy' plus essays</b></li> </ul>	

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6AL.3	Strategic choice	<p>In answering the second strategic question – ‘where do we want to go with our business?’ – strategic managers have to make choices concerning the scope and future direction of the business. These include, for example, decisions about the portfolio of products and the spread of markets. A number of specific techniques have been developed and adopted by strategic managers to help in the identification of different strategic options and deciding between them.</p>	Chapter 36
	Ansoff Matrix	<p>Useful activities include:</p> <ul style="list-style-type: none"> <li>• <b>Caffé Nero and Asda - contrasting strategies to achieve growth.</b></li> <li>• Having applied the Ansoff Matrix to a local/national/international company, evaluate the advantages and limitations of using this technique to identify and make strategic choices.</li> </ul>	<p><a href="http://www.tutor2u.net/business/strategy/ansoff_matrix.htm">http://www.tutor2u.net/business/strategy/ansoff_matrix.htm</a> and <a href="http://www.businessballs.com/freebusinessplansandmarketingtemplates.htm">http://www.businessballs.com/freebusinessplansandmarketingtemplates.htm</a> give a full explanation of the tool that assists businesses decide their product and market growth strategy.</p>
	Force Field Analysis	<p>Useful activities include:</p> <ul style="list-style-type: none"> <li>• <b>Major changes proposed at Buildit Construction plc.</b> Students will find it useful to understand how this technique is used, not only for analysing strategic choice options but also for analysing and implementing strategic change – the third stage of the strategic management process.</li> <li>• Conduct a Force Field Analysis on a real or hypothetical business situation and assess the value of the technique for making strategic choices <u>and</u> bringing about change.</li> </ul>	<p><a href="http://www.mindtools.com/pages/article/newTED_06.htm">http://www.mindtools.com/pages/article/newTED_06.htm</a> explains how to use the tool – with a free worksheet. <a href="http://www.boleroassociates.com/library/analysis.pdf">http://www.boleroassociates.com/library/analysis.pdf</a> gives a full explanation of how to use the tool with an example and a free template. <a href="http://tutor2u.net/business/strategy/change-management-force-field-analysis.html">http://tutor2u.net/business/strategy/change-management-force-field-analysis.html</a> explains the link between Force Field Analysis and change management.</p>
	Decision Trees	<p>Useful activities include:</p> <ul style="list-style-type: none"> <li>• <b>Location decision tree.</b></li> <li>• <b>Expansion decision.</b></li> <li>• <b>Decision trees – an evaluation.</b></li> <li>• <b>Which market?</b></li> </ul>	<p><a href="http://www.mindtools.com/dectree.html">http://www.mindtools.com/dectree.html</a>  <a href="http://www.decision-making-confidence.com/decision-trees-examples.html">http://www.decision-making-confidence.com/decision-trees-examples.html</a>  <a href="http://www.time-management-">http://www.time-management-</a></p>



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6AL.4	<b>Strategic implementation</b>	<p>The third critical strategic question – ‘how do we get there?’ – requires strategic managers to plan and manage the strategic decisions taken to ensure that they are implemented and that they work. This implementation phase demands particular skills and competencies of strategic managers as they seek to:</p> <p>(a) plan and control strategy implementation – ‘hard’ skills, and            (b) develop and support change management cultures – ‘soft’ skills.</p> <p>This section will focus on a number of key concepts and techniques associated with effective strategic implementation.</p>	Chapter 37
	Business Plans	<p>Useful activities include:</p> <ul style="list-style-type: none"> <li>• Importance of business plans.</li> <li>• Corporate plans – what do they contain?</li> <li>• New goals for Cadbury plc.</li> <li>• Examine the important difference between a business plan for a new business and a strategic plan for an existing business seeking to grow.</li> <li>• Review the well established methodology and discipline of corporate/strategic planning and identify how this planning draws on many of the techniques and concepts studied in the Strategic Management 6AL unit.</li> </ul>	<p><a href="http://www.businessballs.com/freebusinessplansandmarketingtemplates.htm">http://www.businessballs.com/freebusinessplansandmarketingtemplates.htm</a> - describes different types of business plans, with a free template.</p> <p><a href="http://www.businesslink.gov.uk">http://www.businesslink.gov.uk</a> - and search for ‘strategic plan’.</p> <p><a href="http://www.managementhelp.org/plan_d ec/str_plan/str_plan.htm">http://www.managementhelp.org/plan_d ec/str_plan/str_plan.htm</a> gives a detailed explanation of strategic planning for non-profit and for-profit organisations. See also:</p> <p><a href="http://www.quickmba.com/strategy/strategic-planning">http://www.quickmba.com/strategy/strategic-planning</a></p>
	Corporate culture and strategic implementation	<p>Useful activities include:</p> <ul style="list-style-type: none"> <li>• Porsche culture contributes to success.</li> <li>• Examine the concepts of ‘healthy’ and ‘unhealthy’ organisational cultures.</li> <li>• Review how Force Field Analysis and the first two components of SWOT (S + W) might be used to identify the characteristic</li> </ul>	<p><a href="http://www.referenceforbusiness.com/management/Sc-Str/Strategy-Implementation.html">http://www.referenceforbusiness.com/management/Sc-Str/Strategy-Implementation.html</a> - provides an article on implementing strategic plans, including a discussion of culture and change.</p>



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		features of an organisational culture that might help or hinder the implementation of a strategic plan.	
	Developing a change culture	Useful activities include: <ul style="list-style-type: none"> <li>• <b>President Supermarkets – a case study in cultural change.</b></li> <li>• If you were a senior strategic manager in a large bureaucratic organisation, explain how you would change the culture to create a more flexible, responsive and customer-orientated business.</li> </ul>	<a href="http://www.en.wikipedia.org/wiki/organizational_culture">http://www.en.wikipedia.org/wiki/organizational_culture</a> - provides a very comprehensive review of culture typologies and a strong section on culture change, notably the Kotter change model.
	Managing and controlling strategic change	Useful activities include: <ul style="list-style-type: none"> <li>• <b>Constant change a feature of modern industry.</b></li> <li>• Identify key leadership and management skills required to successfully implement change at the strategic level of a business.</li> <li>• Explore the view that effective strategic change requires transformational, visionary and charismatic leadership.</li> <li>• How important is emotional intelligence for a strategic change manager/leader?</li> <li>• Compare Kurt Lewin's change model with J P Kotter's '8 Steps to Successful Change'.</li> </ul>	<a href="http://www.businessballs.com/changemanagement.htm">http://www.businessballs.com/changemanagement.htm</a> provides a review of principles underpinning successful change management, including Kotter's '8 Steps to Successful Change'. <a href="http://www.managementhelp.org/org_chng/org_chng.htm">http://www.managementhelp.org/org_chng/org_chng.htm</a> - provides a wide range of discussion topics about change management including specific reference to culture and leadership issues. <a href="http://www.strategies-for-managing-change.com/kurt-lewin.html">www.strategies-for-managing-change.com/kurt-lewin.html</a> - gives a comprehensive explanation of the Lewin change model.
	Contingency planning and crisis management	Useful activities include: <ul style="list-style-type: none"> <li>• <b>Setting the scene: planning for the worst pays off.</b></li> <li>• <b>Stop and think: Cadbury had a plan ready.</b></li> <li>• Examine how a business might react and respond to a major world economic recession.</li> <li>• Review the response of British Petroleum (BP) to the oil leak in the Gulf of Mexico in 2010. What lessons are there for strategic</li> </ul>	<a href="http://en.wikipedia.org/wiki/crisis_management">http://en.wikipedia.org/wiki/crisis_management</a> - provides detailed information on types of crises, models and theories of crisis management, and examples of successful crisis management. <a href="http://tutor2u.net/business/strategy/crisis-management-planning-and-">http://tutor2u.net/business/strategy/crisis-management-planning-and-</a>

