

## HL only

### Topic 6: Business strategy

This topic does not add new content to the Diploma Programme business and management course, but gathers together and synthesizes business ideas, concepts and techniques from the topics in the HL course. The use of these ideas, concepts and techniques will allow informed decisions to be made about the future direction of an organization. This will be assessed through a question in section C of paper 1 requiring a strategic response.

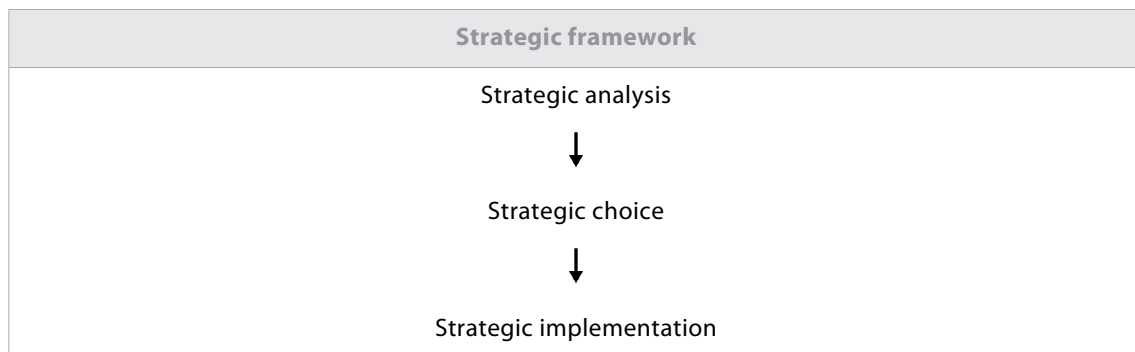
Cross-referencing to other topics is shown throughout the three stages of the strategic framework (figure 1). It provides a framework for students to think in an integrated and holistic fashion about the future strategy of an organization, given a range of information about the present and the past. The skills developed in this topic are particularly relevant when taking a case-study approach to learning and assessment, and in preparation for the internal assessment. The strategic framework is useful as a tool for synoptic assessment and revision. However, it is expected that this approach will be little more than a formalization of existing good practice.

Materials used to present the topic should allow the student to apply business theories learned in the classroom to real-life situations. Source materials might include business case studies, biographies, the Internet, and newspaper/magazine articles about management action and reaction to issues or challenges facing individual firms and industries.

Strategy is about asking questions: what, why, when, how, where and who?

Strategic management is the management of the long-term activities of the business, which includes the integration of strategic analysis, strategic choice and strategic implementation.

Figure 1



#### Stage 1: Strategic analysis—where is the business now?

Deciding where the business is now involves an analysis of its internal and external situation. This analysis will dictate the nature of future strategy. The opportunities and threats faced will vary according to the nature of the business. An analysis of the present market and the firm's competitive situation will influence the aims, objectives and core principles. The starting point for this analysis will probably be through the use of a SWOT and PEST analysis (topics 1.5, 1.6).

Questions to be considered **may** include the following.

- Is the business new or established? (Topic 1.2)
- Who are the stakeholders? (Topic 1.4)

- Is the business in the profit or not-for-profit sector?
  - Types of organization (Topic 1.2)
- What are the objectives of the organization? (Topic 1.3)
- How does the vision/mission statement reflect what the organization is doing now and where it is heading? (Topic 1.3)
- What are the attitudes of the business to risk? (Topics 1.3, 2.4, 2.6)
- What is the firm's present financial situation, and is it conducive to change? (Topics 1.8, 3.5)
  - Financial analysis and ratio analysis (Topics 3.5, 3.6)
- Is the present product portfolio adequate and appropriate?
  - Boston matrix (Topic 4.3)
- What are the resources available to the business? (Topic 1.1)
- What are the competitive forces facing the business in the market?
  - Porter's five forces market analysis (Topic 4.2)
- Should the organization enter international markets? (Topic 4.7)

### **Stage 2: Strategic choice—where is the business aiming to be?**

Once the business has identified its position in the market, it needs to consider its objectives in the short, medium and long term. To achieve this, the business must examine market opportunities and threats, and then plan for the future.

Questions to be considered **may** include the following.

- Why are business plans important? (Topic 1.6)
- How are markets developing?
  - Sales forecasting (Topic 4.2)
- Which new market opportunities are available?
  - Market research (Topic 4.2)
- What are the future directions available to the firm? (Topic 1.7)
- When is expansion desirable and achievable?
  - Small versus large organizations (Topic 1.7)
  - Cash-flow forecasts (Topic 3.3)
  - Gearing (Topic 3.6)
  - Sources of finance (Topic 3.1)
  - Human resource planning (Topic 2.1)

- How can the core competencies of the business be developed?
  - Potential growth strategies—such as Ansoff’s matrix (Topic 1.7)
  - Investment appraisal (Topic 3.2)
- What are competitors doing, and how can their offer be matched or improved upon?
  - Benchmarking (Topic 5.4)
- How do the processes of decision-making help to direct the business?
  - Scientific and formal decision-making (Topic 1.6)
  - Decision trees (Topic 1.6)
  - Force field analysis (Topic 1.8)
- What are the measures of success?
  - Return on capital employed (Topic 3.6)
  - Market share (Topic 4.1)
  - Motivation and productivity (Topic 2.5)

**Stage 3: Strategic implementation—how is the business going to achieve its objectives?**

Having decided on the future direction of the business, its mission, aims and objectives, how will the business put its strategies into operation?

Questions to be considered **may** include the following.

- How can the firm develop competitive advantage?
  - Porter’s generic strategies (Topic 1.7)
- Which new products and/or services should be developed? (Topic 4.3)
- Which new technologies could be applied? (Topics 1.6, 2.3, 4.3)
- How can differentiation be achieved? (Topic 4)
- How should the business plan for changes in the size and nature of business operations?
  - Workforce planning (Topic 2.1)
  - Recruitment and training (Topic 2.1)
  - Developing flexible working patterns (Topic 2.1)
  - Homeworking (Topic 2.1)
  - Investment appraisal (Topic 3.2)
- What is the appropriate scale of operation?
  - Economies and diseconomies of scale (Topic 1.7)

- Which growth methods can and should be selected?
  - Internal/organic growth (Topic 1.7)
  - External growth: mergers and acquisitions (Topic 1.7)
  - Globalization of sales, manufacturing and operations (Topic 1.9)
- Which marketing strategies can be implemented?
  - Market leadership and market penetration pricing (Topic 4.4)
  - Segmentation, targeting and positioning (Topic 4.2)
  - Distribution chain management (Topic 4.6)
  - E-commerce (Topic 4.8)
- What is the appropriate organizational structure?
  - Flattening hierarchies (Topic 2.2)
  - Decentralization (Topic 2.2)
  - Flexible organization structures such as Handy's shamrock (Topic 2.1)
- What is the appropriate management and leadership style? (Topic 2.4)
- How should the firm incorporate social responsibility and ethical approaches? (Topic 1.3)
- How can change be managed effectively?
  - Developing a change culture (Topic 1.8)
  - Contingency planning and crisis management (Topic 2.8)