

What is business

what business an organisation wants to be and how it is going to get there

taking decisions which allow an organisation to achieve a sustainable competitive advantage over the long term (Henry, 2021)

Strategy formulation (emergent)

strategy formulation emergent is the process of using available knowledge to document the intended direction of a business

the Ration-
alist
School
(Kenneth
Andrews
and Igor
Ansoff)

an organisation needs to match its strengths and weaknesses which derive from its resources and competencies with the needs of its business environment; formal, systematic approach; achieved using tools such as SWOT

the Learning
School

successful businesses pursue strategies that are opportunistic and adaptive; Mintzberg and Waters suggest 3 approaches to strategy: intended, realised, emergent; "Strategy comes about as a result of a process of learning" (Henry); strategic drift

YIP's global drivers

internal businesses trade in one or more countries

global businesses complete across the globe set up subsidiaries across the globe

YIP's global drivers (cont)

George Yip's framework helps a business determine which parts of an industry can be considered global or not, enabling managers to be able to determine a global strategy by reviewing four key global drivers:

market drivers (who are customers, what are implications); cost drivers (economies of scale + economies of scope); government drivers; competitive drivers

Porter's 5 forces

powerful tool used to analyse the competitiveness of an industry

helps businesses determine the profitability of the industry and main factors that can impact upon it

once businesses understand this, they are then able to determine strategies to improve profitability

threat of new entrants

if new entrants move into an industry they will gain market share and rivalry will intensify; the position of existing firms is stronger if there are barriers to entering the market; if barriers to entry are low then the threat of new entrants will be high, and vice versa

bargaining power of suppliers

if the supplier forces up the price paid for inputs, profits will be reduced

Porter's 5 forces (cont)

bargaining power of customers

powerful customers are able to exert pressure to drive down prices

threat of substitute products

if there are substitutes to a firm's product, they will limit the price that can be charged and will reduce profits; customer loyalty and availability will limit the extent of this threat

intensity of rivalry

competitive rivalry will be higher in an industry with many current and potential competitors

Organisational charts

Weber suggested managers structure their organisations carefully and show their structure using organisational charts. He suggested this in part to reduce nepotism. Weber pursued the internal process management model – bureaucracy – lots of rules

show lines of authority/chains of command; subdivisions/functional areas or departments; levels and tasks; spans of control; roles, responsibility and accountability; channel of communication; specialisation

Henry Fayol's Scalar Chain within his 14 Principles of Management suggested organisations should be structured, and this should be depicted through an organisational chart



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Published 13th November, 2023.

Last updated 13th November, 2023.

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Structuring organisations

centralised	occurs where senior management make most decisions in the organisation
decentralised	occurs when lower level or non-managerial employees make decisions as opposed to senior managers
formalised	is in place where organisations use written or electronic documents to direct and control employees, rather than a friendly chat

Porter's value chain

higher the added value, the more competitive and profitable the organisation becomes	
model focuses on systems with customers at its centre	
focuses on primary activities	production; maintenance; sales; supporting activities; any area that does not add value needs to be restructured

Business entities

sole trader
partnership + LLP
private/public limited company
social enterprises
franchise
legal framework determines who shares in the profits and losses, how tax is paid, and the legal liability

Agile organisations

a company whose structure, policies, and capabilities have been designed to enable employees to quickly respond to changing environments
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Agile organisations (cont)

why adopt agile techniques	globalisation; IT and digital development; economy changes; value of human resources; environmental concerns; ethical influences; political change; lifestyle trends; marketing involvement; legal change; faster product delivery; operational efficiencies; culture issues; necessity to react; strategic development; core competence; pandemic
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traditional structures are replaced by flatter structures, formal working practices and relationships are replaced by new ones with wider reporting lines and new ways of working	flatter structures encourages innovation and engagement
performance replaces presenteeism	
high level of trust placed on employees	
agile organisations succeed if the business culture supports the change	

Agile organisations (cont)

features of agile working practices	efficient use of technology; productive working environment; team working; recognition and use of skills; flexible practices; career development; enrichment; less constraints; empowerment; more remote working; workers autonomy; talent acquisition and retention; job satisfaction; reduced operating costs; motivated staff; lean production; social interaction; career development; efficient space management
benefits of agile organisations	manage and prosper in complex environments; talent to quickly identify threats and identify business opportunities; innovative in product/service creation, but also in creating value; increased business value; long-term approach to business; establishes sustainability



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Published 13th November, 2023.
Last updated 13th November, 2023.
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Agile organisations (cont)

drawbacks of agile organisations

change cannot happen overnight; there must be commitment at all levels; culture is long established and can be a significant barrier; not everyone will buy into the agile concept; benefits may not be clearly measurable and can be very subjective; staff may need to be educated and trained regarding agile processes

What is a competitive strategy

how a business intends to achieve a competitive advantage in its market

competitive advantage is the configuration of an organisations activities which enable it to meet consumer needs better than its rivals (Henry, 2021)

competitive strategy is about being different; it means deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1966)

Strategy loop

just like the Kolb's learning loop

managers make adjustments based on experience

volatile markets offer opportunities and threats, but they are unpredictable so planning is difficult

Strategy loop (cont)

"every strategy is a work in progress that is subject to revision in light of ongoing interactions between the organisation and its environment" (Sull, 2007)

3 levels of strategy

Corporate-level strategy

Business-level strategy

Operational strategies

mechanistic and organic organisations

Burns & Stalker (1961)

links to Quinn's Competing Values Framework

Mechanistic

tall organisations; inflexible; often bureaucracies; fixed roles and rules; emphasis is around control; main goal is efficiency, but are these businesses efficient?

Organic

flatter organisations; fewer rules; decentralised; flexible bottom-up; employees involved more in decision-making process; human relations model

PESTLE analysis

Political

competition policy; industry regulation; government spending and tax policies; business policy and incentives

Economic

interest rates; consumer spending and income; exchange rates; business cycle (GDP)

Social

demographic change; impact of pressure groups; consumer tastes and fashions; changing lifestyles

PESTLE analysis (cont)

Technological

disruptive technologies; adoption of mobile technology; new production processes; big data and dynamic pricing

Legislation

employment law; minimum/living wage; health and safety laws; environmental legislation

Ethical + environmental

sustainability; tax practices; ethical sourcing; pollution & carbon emissions

must be relevant and personal to the organisation

useful when done well

quite often done badly

Porter's generic strategies

Kay's RAI

distinctive capabilities; unique to each business; critical for establishing competitive advantage

cost leadership

striving to be lowest-cost provider in market; increased profit with market level prices/increase market share with lower prices

differentiation

involves a business operating in a mass market but adopting a unique position; usp may mean premium price; easy to copy

focus

targeting a narrow range of customers; closely aligned to niche marketing; cost focus/- differentiation focus



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Published 13th November, 2023.

Last updated 13th November, 2023.

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Liability

limited liability company a business that is owned by its shareholders, run by directors and, most importantly, where the liability of shareholders for the debts of the company is limited; business is a separate entity to the shareholders of a business; investors can only lose the money they have invested and no more

unlimited liability company owner is liable for the debts run up in trading

Ansoff's Matrix

gives managers options to achieve growth using one of more of the strategies suggested

market penetration business aims to sell existing products into existing markets; aims to increase market share by reducing price, increasing advertising or improving distribution

market development business aims to sell existing products into new markets; businesses retain existing markets whilst moving into new markets by altering products or developing new ones

product development business aims to sell new products into existing markets; exploits existing customer base

diversification business aims to sell new products in new markets; horizontal and vertical integration; very risky

Ansoff's Matrix (cont)

businesses can pursue more than one strategy at any one time

Different structures

entrepreneurial structures centralised structure revolves around founder of business; founder makes all decisions; employees may not have clearly defined roles and will work long hours; flexibility a strength

traditional (tall) structures narrow spans of control; long chain of command; more promotional opportunities; functional structure

flat structures middle layer (middle managers) removed; based around teamwork and collaboration; open culture; wide spans of control; short chain of command; respond faster to market changes; innovative; manager overload; lack of promotion opportunities; lack of close supervision may lead to poor decision making so a drop in productivity

Different structures (cont)

matrix structures combines functional and divisional structure; occurs when projects run; attempt to increase organisational flexibility and meet needs of rapidly changing market; those involved have two bosses; can be productive and break down silos; may place more pressure and conflict on team members; may create role incompatibility; may create role ambiguity

networks outsourced activities controlled by a central hub, organisations that outsource all activities other than central capabilities are called hollow organisations; core capabilities retained centrally; where manufacturing is outsourced; organisations are known as modular organisations useful in fast moving industries; flexible; need to agree and understand goals



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Published 13th November, 2023.

Last updated 13th November, 2023.

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Different structures (cont)

virtual organisation employees physically dispersed; organisations need to be flexible and responsive to change; customisation and personalisation key features; cost effective; less risky; collaboration of other organisations to form a virtual organisation developing products/services; no hierarchical relationship; made possible by technological advances; useful if dynamic and globalised markets

holacracy an organisation that focuses on autonomy and self-governance; employees are not told how to work but belong to voluntary groups who listen to new ideas or problems and come up with solutions together; decision making by everyone rather than a line manager/HR manager; engagement and motivation increases as employees experience autonomy, mastery and meaning (Daniel Pink); originated from anti-totalitarian political writer Arthur Koestler

Organisational life cycle

creation (non-bureaucratic) few staff; few written rules; few formalised processes

young (pre-bureaucratic) growth and expansion; more staff; rules and guideline established

mid-life (bureaucratic) becoming large in market; many rules; many hires; decentralised structure

maturity (very bureaucratic) risk of stagnation and inflexible approach

SWOT analysis

Internal strengths + weaknesses

External opportunities + threats

strengths of SWOT analysis logical structure; focuses on strategic issues; encourages analysis of external environment

limitations of SWOT too often lacks focus; independent; needs to be regularly reviewed as can quickly become out of date

Levels of goals and their importance

strategy is shaped by the mission a mission statement creates a shared and clear sense of purpose/a broad vision; it powerfully communicates intentions which inspires and motivates employees to realise the organisation's visions of the future

Resources and competencies

valuable capabilities enable a business to exploit an internal opportunity or neutralise an external threat; in regards to revenues and costs, any positive impact is a valuable capability

rarity capabilities are rare if only one organisation has them, i.e. visionary leadership

imitability difficult to retain as competitors copy

organisation this may be location, knowledge, the right policies, control system and procedures

make or buy anything that is not a core competence may be outsourced, which may keep costs down but then it is open to supplier price hikes/supply issues



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