

Theme 3: Business decisions & strategy

3.1 Business objectives & strategy

- 3.1.1 Corporate objectives
- 3.1.2 Theories of corporate strategy
- 3.1.3 SWOT analysis
- 3.1.4 Impact of external influences

Explain the difference between a functional objective and a corporate objective:

- Label Ansoff’s matrix:
- Outline what each stage involves

Market	Existing		
	New		
		Existing Product	New

What is meant by a sustainable competitive advantage?

What did Porter mean when he said if businesses fail to adopt one of his generic strategies they are ‘stuck in the middle’?

Outline Porter’s Strategic Matrix:

Cost leadership	
Differentiation	
Cost focus	
Differentiation focus	

- List the three types of distinctive capability:
- - 
  -

Key Term	Definition
Business aims	
Mission Statements	
SMART objectives	
Distinctive Capability	
Ansoff’s Matrix	
Corporate strategy	
Boston Matrix	
SWOT analysis	
Porter’s Five Forces	

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3.1 Business objectives & strategy

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Where can a business gather appropriate information to help develop a business strategy:

Internal Audit

External Audit

1. Label the SWOT analysis
2. Outline examples for each segment

Internal		
External		

What does PESTLE stand for?  
List some examples of the factors:

P	
E	
S	
T	
L	
E	

- Give three possible examples of uses for SWOT analysis:
1.
2.
3.

Label Porter’s 5 forces and outline how the forces determine/influence the profitability of an industry:


How do industries differ?

Outline the characteristics:

Competitive markets	Uncompetitive markets

Theme 3: Business decisions & strategy

3.2 Business growth

- 3.2.1 Growth
  - 3.2.2 Mergers and takeovers
  - 3.2.3 Organic growth
- 3.2.4 Reasons for staying small

What do you know about:

Internal economies of scale

External economies of scale

Think: Ways, Pros, Cons....

What are the benefits of growth?

- ✓
- ✓
- ✓
- ✓
- ✓
- ✓

What are the problems arising from growth?

What are the main reasons for mergers and takeovers?

- 
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What is the difference between hostile and friendly takeovers?

What might shareholders feel about organic growth?

Key Term	Definition
Economies of Scale	
Overtrading	
Diseconomies of scale	
Mergers	
Takeovers	
Synergies	
Organic Growth	
Inorganic Growth	
USP	

Theme 3: Business decisions & strategy

3.2 Business growth

- 3.2.1 Growth
  - 3.2.2 Mergers and takeovers
  - 3.2.3 Organic growth
- 3.2.4 Reasons for staying small

What do you know about:

Methods of growing organically

Think: Ways

What are the key financial risks and rewards from mergers and takeovers?

- x
- x
- x
- x
- ✓
- ✓
- ✓
- ✓

What are the pros of organic growth?

- ✓
- ✓
- ✓
- ✓
- ✓

What are the cons of organic growth?

- x
- x
- x
- x
- x

Why is organic growth less risky than inorganic growth?

What are the main reasons for staying small?

- 
- 
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Why might small businesses still be able to compete in competitive markets?

What is meant by:

Integration:	
Horizontal integration:	
Vertical integration:	
Forward vertical integration:	
Backward vertical integration:	

Why might a business decide to vertically merge / takeover?

Why might job losses result from a takeover or merger?

Theme 3: Business decisions & strategy

3.3 Decision-making techniques

- 3.3.1 Quantitative sales forecasting
  - 3.3.2 Investment appraisal
- 3.3.3 Decision trees
  - 3.3.4 Critical Path Analysis

FORMULA / QUANTITATIVE

Payback period:

Average Rate of Return (ARR):

Discounted cash flow (Net Present Value /NPV):

What do you know about:

Quantities Sales  
Forecasting

Think: Method, Ways, Pros, Cons....

Key Term	Definition
Timer series analysis	
Correlation	
Investment Appraisal	
Payback Period	
Average Rate of Return	
Discounted Net Cash Flow (NPV)	
Critical Path Analysis	
Decision Tree	

What are the four main components that a business wants to identify in time series data:

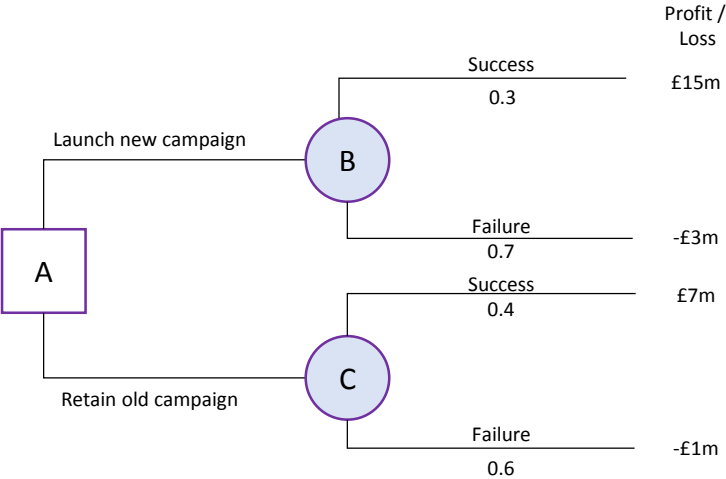
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Theme 3: Business decisions & strategy

3.3 Decision-making techniques

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- 3.3.2 Investment appraisal
- 3.3.3 Decision trees
- 3.3.4 Critical Path Analysis

A simple decision tree based on a decision whether to retain an existing advertising campaign or begin a new one



- Work out the
- a) Expected value for launching the new campaign
  - b) Expected value for retaining the old campaign
  - c) Identify the best selection

FORMULA / QUANTITATIVE

Expected Monetary values (EMV):

Critical Path Analysis

Key Term	Definition
Node	
EST	
LFT	
Float	

What are the benefits & drawbacks of using decision trees?

- ✗
- ✗
- ✗
- ✓
- ✓
- ✓

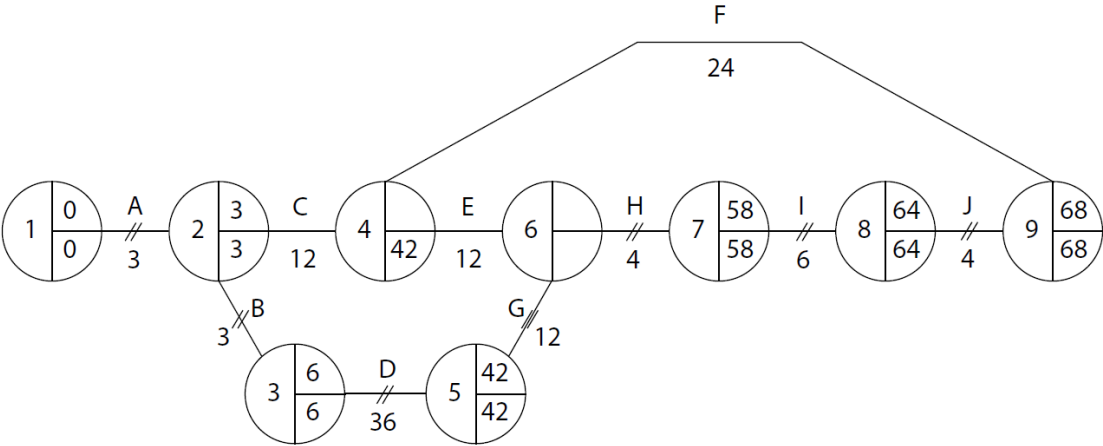
What is the purpose of a critical path analysis?

What are the benefits & drawbacks of using CPA?

- ✗
- ✗
- ✗
- ✓
- ✓
- ✓

Complete the exam question:

Sample Assessment Material: Paper 2



- a) Calculate the total float for Activity E. (4)

Theme 3: Business decisions & strategy

3.4 Influences on business decisions

- 3.4.1 Corporate influences stakeholders
- 3.4.2 Corporate culture
- 3.4.3 Shareholders versus
- 3.4.4 Business ethics

Complete the table:

	Short-termism	Long-termism
Characteristics		
Drawbacks	x x x x x	

What are the main influences on business decisions?

- 
- 
- 
- 

What is meant by:  
Evidenced based decision making:

Subjective based decision making?

When might subjective decision making be more appropriate?

Outline the below cultural indicators:

Surface manifestations:

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Core organisational values:

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Basic assumptions:

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How is organisational structure formed?

Why is it difficult to establish corporate culture?

Key Term	Definition
Asset striping	
Evidence based decision making	
Subjective based decision making	
Strong culture	

Outline the four main types of organisational culture:

Power	Role
Task	Person

### Theme 3: Business decisions & strategy

#### 3.4 Influences on business decisions

- 3.4.1 Corporate influences stakeholders
- 3.4.2 Corporate culture
- 3.4.3 Shareholders versus
- 3.4.4 Business ethics

Complete the below table:

	Stakeholder	Interests / objectives
Internal Stakeholders		
External Stakeholders		

Explain the difference between 'shareholder approach' and the 'stakeholder approach':

How does organisational culture affect:  
Motivation:

Organisation structure:

Change (new management / mergers & takeovers):

How might the objectives the objectives of shareholders and employees come into conflict?

Explain the trade-offs between profit and ethics:

Key Term	Definition
Ethics	
CSR	
Ethical codes of practice	

Complete the below:

Factor	How ethics are tested
Advertising	
Supply Chain	
Pay & rewards	
Pricing	
Personal selling	
Contracts	
Environment	
International trade	



**Theme 3: Business decisions & strategy**

**3.5 Assessing competitiveness**

- 3.5.1 Interpretation of financial statements
- 3.5.2 Ratio analysis
- 3.5.3 Human resources

Outline the components of a profit and loss account:

Component	Details
Revenue	
Cost of sales	
Gross profit	
Selling expenses	
Administrative expenses	
Operating profit	
Finance costs	
Profit for the year (net profit)	
Profit for the year (net profit) after tax	

Outline the stakeholder interest in the P&L account:

Shareholders	
Managers & directors	
Employees	
Suppliers	
The government	

Outline the components of a balance sheet:

Component	Details
Non-current assets	
Current assets	
Current liabilities	
Non-current liabilities	
New assets	
Equity	

Outline the stakeholder interest in the balance sheet:

Shareholders	
Managers & directors	
Suppliers & creditors	
The government	

**Theme 3: Business decisions & strategy**

**3.5 Assessing competitiveness**

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**FORMULA / QUANTITATIVE**

Gearing:

Return On Capital Employed (ROCE):

Labour productivity:

Labour turnover:

Labour retention:

Absenteeism:

What does the gearing ratio show?

What does ROCE show?

What are the limitations of ratio analysis

- ×
- ×
- ×
- ×
- ×
- ×

What are the causes of high labour turnover?

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Why is labour turnover seen as a problem for business?

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Why might labour turnover be beneficial for business?

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- 

What strategies can be adopted to improve productivity and retention, and reduce turnover and absenteeism?

Key Term	Definition
Intra-firm comparisons	
Inter-firm comparisons	
Window dressing	
Labour productivity	
Labour retention	
Labour turnover	
Rate of absenteeism	

Theme 3: Business decisions & strategy

3.6 Managing change

- 3.6.1 Causes and effects of change
- 3.6.2 Key factors in change
- 3.6.3 Scenario planning

What are the causes of change in business?

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What key areas determine the success of change?

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Why might a large firm find change more difficult than a smaller firm?

What are the main steps in scenario planning?

What are the three most likely scenarios businesses should plan for?

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- 

How does a business plan for risk mitigation?

Key Term	Definition
Organisational change	
Management of change	
Contingency plan	
Scenario planning	
Risk assessment	

How may change impact on the below areas:

Area	Changes in organisational size	Poor Business Performance	PESTLE Factors	Changes in ownership
Competitiveness				
Productivity				
Financial Performance				
Stakeholders				