

## 9 Strategic methods: how to pursue strategies

- 1 Survival, increased profit and reduced risk.
- 2 This involves reducing the size of a business and may be undertaken in an economic downturn or a declining market in order to reduce the costs of a business.
- 3 Bulk buying (jet fuel), technical (buying bigger aircraft: lower unit costs), financial (easier and cheaper to secure loans against assets).
- 4 Bulk buying (raw ingredients such as cocoa), managerial (division of labour on the production line), technical (can buy more automated machinery).
- 5 Economies of scope is an economic theory stating that the average total cost of production decreases as a result of increasing the number of different products produced, e.g. Kellogg's.
- 6 Poor communication, lack of control, alienation of the workforce.
- 7 Overtrading is the situation where a business grows too quickly, undertaking more business than its working capital can cope with.
- 8 The experience curve is the idea that the more you do something, the better you get at it, enabling quicker and cheaper production. Economies of scale refer to a reduction in cost as a result of an increase in size of an operating unit.
- 9 Synergy is the idea that the value and performance of two businesses combined will be greater than the sum of the two parts ( $2 + 2 = 5$ ).
- 10 Greiner's model of growth describes six different phases of a business's growth, from creativity to alliances, and provides a framework to help understand different organisational structures and coordination methods.
- 11 Horizontal is at the same stage of the same production chain, vertical is at a different stage of the same production chain and conglomerate is merging or taking over a totally different business.
- 12 A lack of detailed research, culture clash, resistance from employees.
- 13 A merger occurs when two (or more) firms agree to join together to become one firm. A joint venture is an arrangement where two or more firms agree to pool their resources together to achieve a task, but where they remain separate firms.
- 14 It is a quick method of growth, finance is provided by the franchisee and the franchisee is likely to be highly motivated.
- 15 Product innovation is redesigning the product. Process innovation is redesigning the way in which the product is made but not necessarily changing the final product. Product innovation is the development of new products, whereas process innovation is the development of better methods of production.
- 16 To compete in such a market, the business will almost certainly need to differentiate its output and so it is likely to embark on product innovation.
- 17 Shareholders (who are focused on profit) might try to lower the cost of production. Survival pressures may also dictate that the costs of production need to come down. Therefore, in both scenarios, the firm will try to innovate its process.
- 18 R&D is necessary to stay one step ahead of competitors and therefore for the survival and growth of the business. Failure to innovate can lead to failure, e.g. Nokia and BlackBerry.
- 19 An intrapreneur is an entrepreneur who exists within an established business.
- 20 Benchmarking is a strategic and analytical process of continuously measuring an organisation's products, services and practices against a recognised leader.
- 21 Intellectual property (IP) is an intangible asset belonging to the owner or an organisation. It may be protected by patents, copyrights or trademarks.
- 22 Book publisher: copyright. Fashion label: trademark. VR cameras: patent.
- 23 Growth, profit, economies of scale and to diversify risk. (Any three of these.)
- 24 Local wages, government legislation on workers' rights, average property rental prices. (Any two of these.)
- 25 Availability of resources, government legislation on the environment, culture, availability of skilled labour, existing infrastructure. (Any two of these.)
- 26 Off-shoring is the moving of the operations of a business to another country.
- 27 Cost advantages may no longer be so great and the benefits include 'made in Britain' and protection of IP.
- 28 The pressure for local responsiveness and the pressure for global integration (cost reduction).
- 29 They may struggle to retain staff. Productivity may fall, depending on the skills of new workers. Recruitment may be difficult if the local labour force doesn't have the appropriate skills.
- 30 The term 'digital technology' is used to describe the use of digital resources to effectively find, analyse, create, communicate and use information in a digital context.
- 31 Big data refers to the ever-increasing amounts of structured, semi-structured and unstructured data that have the potential to be mined for information, whereas data mining is the process used by organisations to turn large amounts of big data into useful information.
- 32 Enterprise resource planning (ERP) is the business management software system by which an organisation manages and integrates the important parts of its business. It has a number of advantages, including improved speed, efficiency, integration and flexibility, that may result in better analysis and planning capabilities, better management of resources, greater customer satisfaction and lower costs.
- 33 With digital technology there is likely to be a high initial investment, and change within an organisation can lead to stress and lower morale.

**34** HR can communicate with staff via digital communications more quickly and easily. They can run training courses online. They can conduct wellbeing surveys online too.

**35** They might be able to target their consumer base with more accuracy and through specialist social media platforms. Product design may be influenced by new digital technology.