

Strategic Management and Business Analysis

Second Edition

Wyn Jenkins and David Williamson

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Strategic Management and Business Analysis

How can managers analyse their current and future business strategies? The first part of this textbook introduces the fields of business analysis and strategic management to provide students with an understanding of the key questions that need to be asked to understand an organisation's options.

The second part of the book provides tools and techniques to help organise and improve corporate strategy. Uniquely, the authors provide resources to assess aspects of strategic goals that are sometimes overlooked, such as financial performance, ethical and environmental considerations and business models. They cover a diverse range of companies from supermarkets like Aldi and Tesco to Caermory Whisky and also Chinese manufacturing.

This textbook is perfect reading for students who want to apply strategic thinking to organisations and it benefits from the inclusion of new case studies throughout the text as well as ten extended cases in the third part of the book.

Wyn Jenkins is an independent education consultant and teacher.

David Williamson is an Associate Dean at Staffordshire University.

'Understanding the linkages between research concepts and the actual practice of management can be a challenge for those charged with making strategic decisions in a dynamic business environment. In this book, Jenkins and Williamson help managers focus their efforts on the right questions, provide frameworks to answer them, and offer contemporary illustrative case studies. An excellent, unpretentious and utilitarian book.'

Anthony J. Ward, Senior Lecturer,
University of Chester, UK

'This textbook takes a refreshing view on strategic management. The four essential questions of strategy provide a "real life" perspective as to what strategy is about. I commend the authors' effort to bring strategy to life and showing its intricacy, complexity and how it operates within an uncertain realm. The balance of theory, examples and case studies from a variety of regions will help engage both students and lecturers.'

Véronique Ambrosini, Professor, Monash
University, Australia

'In *Strategic Management and Business Analysis*, theory and practice go well together. As a teacher, I note that there is often a need for attention to applied case studies in order to improve students' understanding of the business world. Teaching theory alone is not always so fruitful, and the understanding of Strategic Management should include a balanced mix of synergies between theory and practice. Williamson and Jenkins provide sound support in this direction.'

Fei Peng, Associate Professor, Shanghai Lixin
University of Commerce, China

'The textbook is an improved and updated version of the existing very successful edition by the same authors that I have used extensively at the MBA level. It is organized in a logical and understandable manner and contains the most important and useful information for both the researcher and the business analyst. It is written by experts who have excellent credentials both as academics and business practitioners at international level.'

Georgios Blanas, Professor and Dean of the Business
and Economics School, University of Applied
Sciences of Thessaly, Greece

'This text excellently combines the academic concepts that are necessary to understand Strategic Management, with current business cases and business world examples unlike other comparable texts. The authors provide a user-friendly text that is clear and well laid out from the outset and easy for students to follow.'

David Floyd, Senior Lecturer, The University
of Lincoln, UK

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Some of the more complex tables in this book use line separators for clarity

Introduction

Our experiences have indicated that students and managers benefit greatly when they apply systematic analytical frameworks to strategic problems. This book is designed to help managers evaluate the strategic health and position of an organisation by asking the reader to follow the easy-to-understand framework provided in Part I of the book. The framework encourages the asking of important questions, and then supports the answering of these questions by directing the reader to the support materials provided in Part II of the book. To investigate the questions even further, and to witness the richness of the subject, we also encourage readers to access the original sources, theories and frameworks cited in the text.

The book invites the reader to be the practitioner and to apply the strategic questions in three main ways:

- 1 By encouraging the evaluation of the reader's own organisation.
- 2 By encouraging students and managers to access publicly available company and market data and to take on the role of a potential investor.
- 3 By encouraging the use of case studies, with students and managers acting as consultants.

The book has three parts with the second and third parts supporting the framework outlined in Part I.

Part I

This outlines the framework for strategic analysis and provides the basis for:

- Analysing the strategic position of 'real life' and 'case study' organisations;
- Generating and evaluating strategic options; and
- Understanding and implementing strategic change processes.

Part II

The chapters in this part answer the questions posed in Part I. By exploring the issues surrounding these questions they also introduce the student and manager to the wider academic literature.

Part III

This part contains advice on analysing case studies and elaborates on how the framework introduced in Part I can be used in case study analysis. We hope you find the case studies, which are from a number of different kinds of organisations, interesting and challenging. We hope you will be able to decide if all the models put forward can be adapted to use in different contexts. We encourage you to use data from observations and from secondary sources.

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Part I

The four big questions you need to ask

The big questions in strategic management

Strategic management is concerned with shaping the destiny of an organisation. It is about:

- Putting an organisation into an optimum business position.
- Sustaining and improving that position by the deployment and acquisition of appropriate resources and by monitoring and responding to environmental changes.
- Monitoring and responding to the demands of key stakeholders.

For organisational strategists to achieve these aims they must be able to answer the following questions:

- 1 Where is the organisation now?
- 2 What options are open to the organisation?
- 3 What is the best way forward for the organisation?
- 4 How is this to be achieved?

Our framework is based around these questions, and the better the answers to these questions the better the chance of developing and implementing winning strategies. However, answering these questions can be very difficult and the questions have therefore been broken down into their component parts to make the process more manageable.

Guidance note 1.0

We are not trying to suggest that effective strategic management can be achieved by using frameworks and models blindly – we are suggesting that strategic models are useful practical tools when employed by managers and students who understand the limitations of the models, the limitations of the data available and the theory dependency of data collection. Our experience indicates that the appropriate and questioning use of models is an effective vehicle for learners, full-time students and practising managers to gain insights into strategic management problems and processes. We believe that it is important to always remember that models are imperfect representations of complex realities, which should be used to aid thinking not as a substitute for it. Our aim is to develop the knowledge and skills that will allow potential and current managers to participate in the development of organisational strategy.

1 The first big question: where is the organisation now?



1.1 Introduction

It is logical to answer this question at two distinct organisational levels:

- 1 The corporate level or multi-strategic business unit (SBU) level.
- 2 The single business or SBU level.

Guidance note 1.1

A strategic business unit (SBU) can be defined as a unit that produces products or services for which there is an identifiable group of customers. Divisions or units of organisations are frequently defined on this basis, for example an adhesive company will have an automotive division, a packaging division and a DIY division, and a university will have different faculties and/or schools. Units can also be defined geographically (for example Australian and European divisions). In some organisations divisions are defined both by product group and geographical location (for example Australian Automotive Division). The corporate centre normally allows the divisions to operate with varying degrees of operational and strategic autonomy within an overall centrally controlled framework. Organisation structures and centre-division relationships are discussed in Chapter 5.



Figure 1.1 Corporate strategy and business strategies



Figure 1.2 Understanding strategy in organisations

Figure 1.1 outlines the basic corporate model. In multi-business organisations, each business unit can be judged in terms of its own performance, and how that performance contributes to the performance of the total corporate organisation. Within the corporate whole, individual businesses have to be managed and business strategies pursued. The overall corporate strategy and the strategies of sister businesses will influence the strategy of an individual business. Figure 1.2 provides an overview of the major variables that have to be considered when trying to understand the strategies of an organisation.

1.2 The analytical process

To understand a complex corporate (multi-divisional) organisation we have to have a process that considers the whole as an entity, and as the sum of its parts. Equally, a business unit or individual company cannot be understood without considering its wider environment and linkages, including linkages arising from its ownership structure because this influences both its management style and its access to resources. Because corporate- and business-level analyses are interwoven we use an algorithm that helps the reader to ask key questions about the businesses being studied in the context of their ownership relationships.