

# Unit 23: Principles of Business Strategic Planning and Development

**Unit reference number:** F/506/4459

**QCF Level:** 4

**Credit value:** 5

**Guided learning hours:** 17

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## Unit aim

This unit provides the learner with an understanding of the benefits and process of strategic planning the different frameworks and models used in a strategy audit. The unit also provides an introduction to the use of different models in strategy formulation.

## Unit introduction

Business strategy is about setting or reviewing the overall direction of the organisation. Strategic planning provides a framework for informing the direction a business will take and allows it to decide what activities to develop in order to meet its objectives'.

You may not be asked to lead in formulating a strategy at an early stage in your career but you may be involved in helping to implement it. You will need to understand the importance of strategic planning and development to your organisation as you may be called upon to explain why certain changes are taking place, and having an understanding of how strategy is formulated could be very helpful.

In this unit you will learn about the role and benefits of strategic planning in businesses, how businesses go about the process of strategic planning, the frameworks and models commonly employed and the influence of stakeholders on strategy. You will explore the importance of strategic planning; for example, the formulation of strategies to maximise opportunities and minimise threats faced by the organisation. You will consider the analytical tools and techniques used in strategic audit. Finally, you will investigate how organisations formulate strategy, including deciding which products or services to invest in and selecting strategies to maintain, grow or even shrink their business.

## Learning outcomes and assessment criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria determine the standard required to achieve the unit.

### On completion of this unit a learner should:

Learning outcomes	Assessment criteria
1 Understand the benefits and process of strategic planning	1.1 Analyse the relationship between 'strategy' and 'tactics' 1.2 Analyse the benefits of strategic planning to an organisation 1.3 Discuss strategic planning as a tool for formulating and implementing business strategy 1.4 Evaluate the role of stakeholders in developing organisational strategy
2 Understand the different frameworks and models used in a strategy audit	2.1 Analyse the different techniques used to conduct a strategic analysis of the business environment 2.2 Explain how a SWOT analysis is generated from a strategy audit 2.3 Interpret SWOT and PEST analyses in particular contexts 2.4 Evaluate the use of Porter's Five Forces Analysis in strategic analysis
3 Understand the use of different models in strategy formulation	3.1 Assess how product portfolio analysis supports the formulation of a product strategy 3.2 Analyse different growth strategies in strategy formulation 3.3 Apply strategies for the growth of an organisation in differing contexts

## Unit content

### 1 Understand the benefits and process of strategic planning

*Strategic planning:* business strategy; purpose of strategy in dictating activities; achievement of strategic goals; controlling use of all resources; long term orientation

*Tactics:* e.g. 'the chosen types of activities needed to achieve the objectives' (Goldratt, Goldratt, Abramov); sub-goals; using sub-set of resources; shorter term than strategy

*Relationship:* difference between strategy and tactics; interdependence of strategy and tactics; levels of organisation from which strategy and tactics derive, e.g. top management develop strategy, unit managers develop tactics

*Process of strategic planning:* identify direction, provide a framework for action, identify resources required, identify timeframes, identify subsidiary plans and actions, enable formulation of tactics, identify risks, specify contingency plans

*Benefits of strategic planning:* establish priorities; raise awareness of strengths and weaknesses; recognize opportunities and threats, e.g. Taylor and Hussey's approaches to planning; informal or formal planning; traps to avoid in formal planning Ringbakk or Steiner 1979

*Strategic planning:* tool for business strategy; Mintzberg (1989) strategies either planned or emerge; entrepreneurial mode, adaptive mode; strategic planning, e.g. implementation planning; planning process helps implementation (finite detail, monitoring and control processes, buy-in)

*Role of stakeholders:* e.g. 'any group or individual who can affect, or is affected by, the performance of the organisation' (Freeman 1984); internal and external stakeholders, e.g. employees, suppliers, local community; role of stakeholders in developing organisational strategy, e.g. Newbound and Luffman's (1979) current and future strategies affected by pressures; stakeholder theory (Freeman 1984)

### 2 Understand the different frameworks and models used in a strategy audit

*Strategic analysis of business environment:* purpose; strategic audit; internal and external

*External Analysis:* macro and micro; micro: factors in micro-environment; Porter's 5 forces as measures of competition (potential entrants, suppliers bargaining power, industry competitors, bargaining power of buyers, substitutes); limitations of Porter's 5 forces model; macro: PESTEL (political, economic, social, technological, environmental, legal)

*Internal Analysis:* strategic capability; resources (tangible, intangible, unique); competences; core competences; value chain analysis

*SWOT:* strengths, weaknesses, opportunities, threats; potential opportunities and threats in environment; organisation's strengths/weaknesses to exploit/overcome them; how SWOT is developed from internal and external analyses

### 3 Understand the use of different models in strategy formulation

*Product portfolio:* definition, e.g. 'range of items sold by a business'; concept of portfolio of products or services

*Product portfolio analysis:* BCG (Boston Consultancy Matrix) (1968); snapshot of product

*Portfolio growth:* market share; determination of strategy depending on product position in matrix; link to overall organization strategy

*Strategy formulation:* growth; consolidation; survival; contraction; market leadership

*Growth strategies:* types of growth; Ansoff's growth matrix, e.g. market penetration, market development, product development, diversification; use in determining product and market growth strategies; McKinsey Growth Pyramid, e.g. generic options and investment structures

*Differing contexts:* sector, e.g. public, private, not for profit; size of organisation; life-cycle stage of organisation; mission; vision; key stakeholders; market types and characteristics

## Essential guidance for tutors

### Delivery

For this unit tuition for the learning outcomes lends itself to flexible delivery approaches. Tutors can deliver the unit using a wide range of teaching and learning strategies including lectures, discussions, seminar presentations, case studies, video clips, internet research and library resources, where the learner can work individually and in a group researching and gathering information about the subject.

Tutors can illustrate points with reference to examples of businesses that are recognised as having effective strategic planning and development practices. Many learners will use self-directed study together with the expertise and skills they may have developed in a career and be able to reflect on their experience of strategic planning.

To introduce the unit, it could be useful for learners to conduct research into the concept of strategic planning and the frameworks and models that support this. For learning outcome 1, tutor input on the concept of strategic planning can lead to a whole group discussion where learners can contribute based on their research and their experiences of organisational strategy, whether from their employing organisations or societal. It is important that learners are able to underpin their understanding of the concepts with the relevant theories. Learning outcome 2 would be suitable for case studies of strategic audits and the different frameworks/models used, and small group discussions into these supported by tutor input to summarise and emphasise key concepts and principles. This learning outcome presents a good opportunity for learners to reflect on their own experiences of strategic audit, whether as the leader/manager or part of a team in relation to the assessment criteria. For learning outcome 3, a guest speaker with a strategic planning background could be used to introduce the topic by presenting an insight into the use of different models in strategy formulation. This can then be followed up by tutor input and whole group discussion.

## Assessment

Assessment for this unit could be through a written assignment, a reflective journal or perhaps a presentation. If a presentation is used evidence should be collected in the form of an observation record which is sufficiently detailed to enable internal and external verification to take place. This should be supported by other evidence such as the learner's presentation notes, slides or visual aids.

If the learner is concurrently working towards a competency based qualification in management a holistic approach to assessing similarly-themed units within the two qualifications could benefit the learner; for example, the learner could reflect on whether theory can be used to explain their organisation's use of different frameworks and models when planning strategy.

For learning outcome 1, the learner needs to analyse, discuss and evaluate so the assessment method should encourage the type of reflection needed to fulfil these criteria. The learners' work could be based on a case study for a selected organisation which can be supplemented with examples from the learners' own research, observations and experiences. Using a selected organisation allows the learner to consider the practical dimensions of strategic planning, such as the role of stakeholders in AC1.4, in a specific situation.

For learning outcome 2, the learner needs to demonstrate understanding of the different types of strategic environmental analysis and the tools commonly used. AC2.3 requires the learner to interpret SWOT and PEST analysis in particular contexts. As this refers to more than one context the learner will need to use carefully chosen case examples for this assessment criterion. Using one case study for all assessment criteria provides a more meaningful learning experience, demonstrating how the ideas in the criteria are linked and interact in business contexts.

Learning outcome 3 is about models used to assist with making strategic planning decisions. For AC3.3, the learner will need to select a particular organisation, examining its current position and suggesting what growth strategies could be used when the contexts change. For example, a public sector organisation might need to consider an alternative strategy for growth if it were to be privatised or if its mission were changed.

## Indicative resource materials

### Books

Boddy D – *Management: An Introduction* (6th edition) (FT Prentice Hall, 2013)  
ISBN: 9781292004242

Johnson G, Whittington R and Scholes K – *Exploring Strategy: Texts and Cases* (9th edition) (Pearson, 2011) ISBN: 9780273732020

Thompson J and Martin F – *Strategic Management Awareness and Change* (7th edition) (Cengage Learning EMEA, 2014) ISBN: 9781408064023

### Websites

[public.wsu.edu/~engrnmgmt/holt/em534/Goldratt/Strategic-Tactic.html](http://public.wsu.edu/~engrnmgmt/holt/em534/Goldratt/Strategic-Tactic.html) – link to work of Glodrat, Goldrat and Abramov on Strategy and Tactics

[www.forbes.com/sites/mikalbelicove/2013/09/27/understanding-goals-strategies-objectives-and-tactics-in-the-age-of-social](http://www.forbes.com/sites/mikalbelicove/2013/09/27/understanding-goals-strategies-objectives-and-tactics-in-the-age-of-social) – website with some relevant resources on goals, strategy, objectives and tactics

[www.quickmba.com/strategy/porter.shtml](http://www.quickmba.com/strategy/porter.shtml) – website of resources provider with some relevant resources, including Porter's Five Forces

[www.slideshare.net/milesweaver/analysing-the-external-environment-of-business-ie-general-competitive](http://www.slideshare.net/milesweaver/analysing-the-external-environment-of-business-ie-general-competitive) – website for slide-sharing with relevant presentations, including analysing the external business environment

[www.som.cranfield.ac.uk/som/p13903/Think-Cranfield/2009/September-2009/Stakeholder-Engagement-and-Corporate-Responsibility](http://www.som.cranfield.ac.uk/som/p13903/Think-Cranfield/2009/September-2009/Stakeholder-Engagement-and-Corporate-Responsibility) – information on stakeholder engagement and corporate social responsibility

[www.tutor2u.net/business/strategy/Strategic\\_audit.htm](http://www.tutor2u.net/business/strategy/Strategic_audit.htm) – website with relevant resources on strategic audit

### Other

Evan Davis 'Bottom line' podcast – *Rejuvenation*, (03/02/11), available from [www.bbc.co.uk/podcasts/series/bottomline/all](http://www.bbc.co.uk/podcasts/series/bottomline/all)

Evan Davis 'Bottom line' podcast – *Plan B*, (11/11/10), available from [www.bbc.co.uk/podcasts/series/bottomline/all](http://www.bbc.co.uk/podcasts/series/bottomline/all)

Peter Day's 'World of Business' podcast – *The Art of Strategy*, (02/02/13), available from [www.bbc.co.uk/podcasts/series/worldbiz/all](http://www.bbc.co.uk/podcasts/series/worldbiz/all)