

Unit 3: Strategic Decision Making

Unit reference number:	K/506/3662
QCF Level 5:	BTEC Professional
Credit value:	6
Guided learning hours:	32

Unit aim

This unit will study the role of information in strategic decision making and how information systems can support business activity

Unit summary

Businesses have to adapt and change in response to internal and external factors if they are to survive. Strategic development necessitates strategic decision making to shape the future purpose and direction of businesses.

In this unit you will learn about the role of information in strategic decision making. Markets are fluid and businesses need to understand the markets in which they operate in order to capitalise on any changes. For example, regulations and public concerns in respect of carbon emissions require vehicle manufacturers to make strategic decisions about engine technologies and the associated investment in research, development and production. To make such decisions businesses need extensive, reliable information support systems to ensure effective decisions are made. These can be based on quantitative approaches but these may have limitations when qualitative information for decision making is considered. Strategic decision making may involve the application of structured tools in order to make optimal decisions that will ensure a business' survival and development.

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 role of information in strategic decision-making	1.1 Discuss the link between strategic decision making and business goals 1.2 Evaluate the role of information in strategic decision-making 1.3 Evaluate the requirement for integrated information systems to support strategic decision-making 1.4 Discuss the need to align information systems with business strategy 1.5 Assess the need for a corporate information systems strategy
2 Understand how information systems support business activity	2.1 Evaluate the contribution of information systems to business planning 2.2 Assess the value of information systems to business-decision making 2.3 Assess the role of information systems in supporting business operations
3 Understand quantitative approaches to strategic decision-making	3.1 Analyse ways in which quantitative approaches are used to support strategic decision-making 3.2 Evaluate the reliability of quantitative techniques used in strategic decision-making 3.3 Evaluate the limitations of quantitative techniques in strategic decision-making
4 Understand systems approaches to strategic decision-making	4.1 Evaluate the contribution of systems approaches to strategic decision-making 4.2 Discuss how decision making theories can inform strategic decision-making 4.3 Analyse the limitations of decision making theories in strategic decision-making

Unit content

1 Understand the role of information in strategic decision making

Information: quality of information e.g. complete, organised, accurate, relevant, reliable, intelligible, timely, fit-for-purpose; type of information (tacit, explicit); provision of certainty; risk reduction; informed decision making; prompt decision making; control (strategic, managerial); competitive advantage, business insights; evaluate strategic options; communication with relevant stakeholders;

Information systems: networks (intranets, extranets); world wide web; hardware; software; communications; management information systems (MIS); decision support systems (DSS); automated decision making; systems integration; shared data; systems connectivity; alignment with business strategy; costs; benefits; corporate information systems strategy;

2 Understand how information systems support business activity

Planning: informed decision making; uncertainty reduction; factoring risk; formulating plans; objective setting; establishing benchmarks; implementing vision; efficient use of resources; improved competitively; systems efficiencies

Decision making: levels of decision making (strategic, tactical, operational); problem definition; analysis of alternatives; prioritising options; selecting from alternatives; fallback options; quantifying costs and benefits of decisions; improved reliability; speed of decision making; issues requiring decisions (bounded, unbounded); unintended consequences

Operations: operational areas e.g. manufacturing; distribution; marketing; customer relationship management; finance; human resources; activities (plan, co-ordinate, monitor, feedback, control, optimise)

3 Understand quantitative approaches to strategic decision-making

Quantitative approaches: statistical techniques; operational research; linear programming; business analytics; game theory; project management (critical path management [CPM], performance evaluation review technique [PERT]); process planning; simulation; use of software tools e.g. statistical analysis system (SAS), Statistical Package for the Social Sciences (SPSS), enterprise resource planning

Limitations: assumptions; quality of data; qualitative factors; reliability of technique; confidence in output information; predictive usefulness; system shock (exogenous, endogenous); interpretive subjectivity

4 Understand systems approaches to strategic decision making

Systems approaches: approaches e.g. soft systems methodology, viable systems model, system dynamics, strategic options development and analysis, critical systems heuristics; advantages and limitations of systems approaches

Decision making theories: choice under uncertainty; theories e.g. rational model; incremental decision making model; mixed scanning model; contingency theory; expected utility theory; limitations of decision making theories e.g. assumptions; incomplete problem definition, information overload, subjectivity

Essential guidance for tutors

Delivery

For this unit, tuition for the learning outcomes lends itself to flexible delivery. Tutors have the opportunity to use as wide a range of teaching and learning strategies as possible, including lectures, discussions, seminar presentations, case studies, video clips, internet research and library resources.

Tutors can illustrate points with reference to examples of businesses that demonstrate best practice. 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 decision making.

For learning outcome 1 the tutor could introduce the topic with a presentation, followed by a discussion or debate on the link between strategic decision-making and business goals, the role of information systems and the need to align this with the business strategy. Learners could carry out research on integrated information systems that support strategic decision-making and evaluate the outcome.

For learning outcome 2 learners could research academic websites on information systems and how they influence business planning and decision making, learners could then present their work in groups to the whole class, followed by tutor led discussion or debate.

For learning outcome 3 the tutor could present the topic supported by handouts and supporting articles, learners could then carry out additional research on methods used to conducting a quantitative approach to support strategic decision-making and evaluate its reliability and limitations and present their findings in a report.

For learning outcome 4, following a tutor led introduction, learners could carry out additional research into the methods and contribution of a systems approach towards strategic decision-making, and analysing any limitations and to present their findings to the whole class.

Assessment guidance

Centres will devise and mark the assessment for this unit. Learners must meet all assessment criteria to pass the unit.

A range of assessment instruments can be used such as (but not confined to) reports, proposals, plans, presentations, question and answer, case studies, exercises, simulations, All assessment methods are acceptable provided the assessment enables the learner to produce relevant evidence that can be judged against the assessment criteria.

For AC1.1 the learner could discuss the link between strategic decision-making and business goals in a piece of written work, for AC1.2 and 1.3 the learner could use a work-based problem that requires the learner to evaluate the role of information and integrated information systems to support strategic decision-making, using evidence from the problem to support their evaluation. For AC1.4 and 1.5 the learner could produce a report to assess the need for a corporate information systems strategy and discuss the need to align information systems to business strategy.

For AC2.1, 2.2 and 2.3, learners could research academic and business websites on the contribution of information systems to business planning and decision making and supporting business operations, and then present their findings in a report and make a presentation to deliver to the whole class.

For AC3.1, 3.2 and 3.3, learners could research academic websites and produce a report on quantitative approaches to support decision-making, the reliability of quantitative techniques as well as evaluating their limitations.

For AC4.1, 4.2 and 4.3, learners could conduct research and evaluate the contribution of systems approach decision making, discuss decision making theories and analysing its limitations, and make a presentation to the whole class.

Assessment can be for individual learning outcomes, for groups of learning outcomes within a unit and can be combined with the assessment of outcomes and criteria from other units. This latter would require an assessment map to identify where outcomes and criteria are assessed.

Assessment in this unit could be integrated with the assessment in Strategic Business Management and Planning

Resources

Books

Cameron, E. and Green, M., *Making Sense of Change Management: A Complete Guide to the Models Tools and Techniques of Organizational Change*, (3rd edition), Kogan Page, 2012, ISBN: 9780749464356

Harvard Business Review on Decision Making, Harvard Business School Press, 2001, ISBN: 9781578515578

Hoch, S. J., Kunreuther, H. C. and Gunther, R. E. (editors), *Wharton on Making Decisions*, (New edition), John Wiley and Sons, 2004, ISBN: 9780471689386

Monahan, G. E., *Management Decision Making: Spreadsheet Modeling, Analysis, and Application*, Cambridge University Press, 2000, ISBN 9780521781183

Wang, C., *Managerial Decision Making Leadership*, John Wiley and Sons, 2010, ISBN: 9780470825259

Journals

Management Today, Haymarket Media Group Ltd. has articles on management topics including strategic change and decision making.

Websites

www.managers.org.uk - Chartered Institute of Management provide practical advice on management issues with a range of online resources on management topics. Membership is required to access the materials.

<http://managementhelp.org/personalproductivity/problem-solving.htm> - The Free Management Library: information on decision making and strategic management.

Podcasts

The Bottom Line Podcasts and Downloads chaired by Evan Davies or Stephanie Flanders. The podcasts bring together current practitioners to discuss current business matters. Many podcasts touch on topics relevant to the unit. They can be searched through and downloaded from www.bbc.co.uk/podcasts/series/bottomline/all. For example, the podcasts on Decision Making, Transformation, Futurology for Business and Planning for the Future consider aspects of strategic change and decision making.

Broadcasts

In conjunction with the Open University the BBC series Business Boomers looks at a number of current business developments including strategic development and decision making.