

Practitioner information

Introduction

This resource follows on from the resource **7. Business models for enterprise**. It helps learners understand how a business strategy describes the details of how the business will be run to deliver the business model and outperform competitors. Learners explore, in simple terms, how a business strategy describes its internal responses to external factors (the operating environment) and includes decisions about its operations, manufacturing, and finances. The resource also links to the resource **11. Strategic analysis for entrepreneurs**.

Topic links

- Enterprise
- Skills for employability, teamworking, and project management
- Commercial principles in engineering

Suggested learning outcomes

Learners will be able to:

- explain the purpose of a business strategy and how this contributes to success
- explain how the market and operating environment can influence a strategy
- list key decision areas that a strategy might include.

Why this topic is relevant for engineers

Good ideas require good execution. This is why potential investors place such emphasis on a strong strategy for dealing with competitors

and turning the idea into a well-executed product and strong sales. The decisions required need a combination of engineering and business knowledge and understanding.

Delivering the theory: Business strategies deliver your model

- Highlight that exactly what a business strategy (and model) is, and what is in it, is not completely fixed – the terms are used in different ways across the business world.
- Use the diagram to explore how an understanding of the operating environment and business model each feed into a good business strategy that describes key operating, manufacturing, and financial decisions.
- Highlight that these need to be informed decisions – that is, backed up by evidence – and this evidence is provided by strategic analysis, which learners can explore in the resource **11. Strategic analysis for entrepreneurs**.
- Ask learners to suggest different forms of competition in engineering: choice, cost, features and performance, patented processes or mechanisms, registered designs, lifespan, servicing, upgrades, quality, and time.
- Learners could consider the competitive advantages enjoyed by familiar companies like Apple, Tesla, Lidl, Lego, Dyson, or Ocado.
- There is no need to go into detail on core competencies; instead highlight that many of these relate to the knowledge and understanding learners will gain through the engineering elements of your course.
- When noting timescales for strategies, consider the time needed for different tasks including research, product development, investment in new facilities, product lifespans, etc.

Practitioner information

Delivering the theory: Strategy and the operating environment

- This sheet links to PESTLE in the resource **11. Strategic analysis for entrepreneurs**.
- Highlight how the operating environment is not one single thing but the entirety of influences on a company. The operating environment exerts these influences via the markets the company services, which are constantly changing in response to these factors.
- You may wish to help learners understand that a market is a large group of customers for a product or service (for example, robots). This can be divided into segments that represent customers with different needs (for example, those wanting large industrial robots, warehouse automation, or autonomous drones).
- Ask learners to suggest other examples of possible opportunities and risks for engineering in general and/or for specific engineering sectors like transport, healthcare, energy, manufacturing, etc.
- Emphasise the importance of responding to the operating environment. Learners could suggest what risks arise if a company fails to innovate, invest, manage its costs and prices, or revise its products and services in response to changes.

Delivering the theory: Strategy and the organisation

- This is a simple introduction to some of the key areas of decision-making learners might encounter as managers or entrepreneurs.

- Highlight how every enterprise is unique but all must focus on these three areas of the business: operations, manufacturing, and finance. A software enterprise won't manufacture but it must instead make decisions about servers and bandwidth that correlate with decisions about manufacturing capacity.
- Note that the example is a scaleup: a startup that has successfully launched and is now entering the growth phase.
- Learners can discuss and share their own ideas before reviewing the example.

Delivering the case study: Competitive advantage

- This links to the case study in the resource **7. Business models for enterprise** but it stands alone.
- Use this case study to give learners a simple introduction to factors in the operating environment, sources of competitive advantage, decisions, and risks (which resources **11. Strategic analysis for entrepreneurs** and **13. Risk and failure in enterprise** also explore).
- Note that MachineCo is the sole distributor of these CNC machines, which suggests that there currently is no direct competition for the kind of machining they offer – but will this always be the case?
- Discuss how risks are always inherent in enterprise (which is why investors ask for a high rate of return, since they will lose money on some investments). The business strategy helps investors understand the operating environment, identify risks (as well as opportunities), and understand how these can be eliminated or managed.