Exercise walk-through

Business strategy ▪ 6.2

eXercise

You must be able to

- explain what a strategy is and how it builds competitive advantage
- carry out and read a **SWOT analysis**
- analyse and evaluate the usefulness of strategic planning tools

Method — Strategy and SWOT

- **Strategy:** a long-term plan to reach the firm's main objectives.
- **Competitive advantage:** a reason customers choose you over rivals — lower cost or a better product.
- **SWOT: S**trengths and **W**eaknesses (internal) + **O**pportunities and **T**hreats (external).
- Other planning tools weigh choices by their likely outcomes — e.g. a **decision tree**.

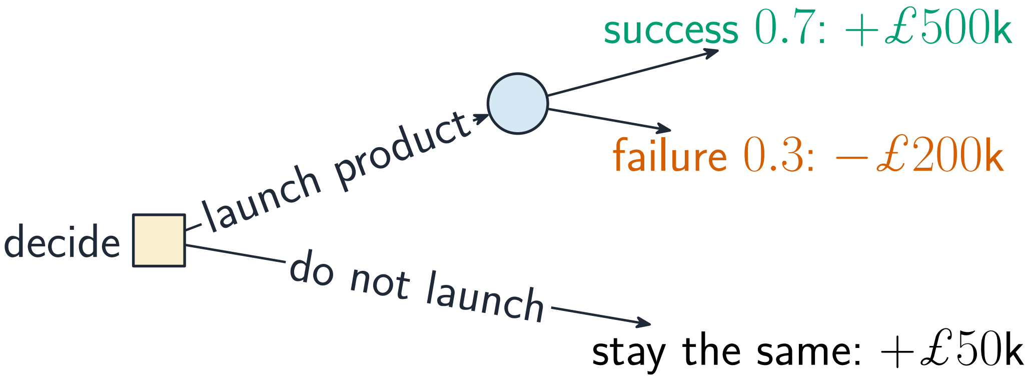
Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

Method — Strategy and SWOT

	helpful	harmful
internal	**Strengths** what it does well	**Weaknesses** what it does poorly
external	**Opportunities** chances to grow	**Threats** dangers it faces

SWOT: internal strengths and weaknesses, external opportunities and threats

Method — Strategy and SWOT



A decision tree weighs each choice by the probability and payoff of its outcomes

Practice 2.1 ▪ 2 marks

Define the term *strategy*.

Solution 2.1

Method: Strategy and SWOT

Worked steps

a long-term plan of action designed to reach the firm's main objectives (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ▪ 2 marks

State what the letters of **SWOT** stand for.

Solution 2.2

Worked steps

Strengths, Weaknesses, Opportunities, Threats (2 for all four; 1 for a partial list).

Practice 2.3 ▪ 2 marks

State the difference between a *strength* and an *opportunity* in a SWOT analysis.

Solution 2.3

Worked steps

a strength is an **internal** factor the firm does well; an opportunity is an **external** chance to grow (2 for a clear difference; 1 for a partial idea).

Exam-style 3.1 ▪ 3 marks

Explain one benefit to a business of carrying out a SWOT analysis.

Solution 3.1

Method: Strategy and SWOT

Worked steps

[3] **AO1** 1 — name a benefit (shows the firm's position; guides strategy; spots threats early). **AO2** up to 2 — develop it, e.g. SWOT highlights a strength the firm can use to take a market opportunity $\rightarrow$ a clearer, better-targeted strategy (2 developed / 1 limited).

Exam-style 3.2 ▪ 8 marks

Analyse two ways a business could build a **competitive advantage** over its rivals.

Solution 3.2

Method: Strategy and SWOT

Worked steps

[8] For **each** of two ways: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *lower cost*: invest in efficient machinery → lower cost per unit → can undercut rivals' prices and win share. *Differentiation*: a better-quality or unique product → customers prefer it → loyalty and a higher price. Maximum 4 per way, 8 total.

Exam-style 3.3 ▪ 12 marks

Evaluate the usefulness of SWOT analysis to a business planning its future strategy.

Solution 3.3

Method: Strategy and SWOT

Worked steps

[12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Useful:** simple, gives a clear overview of internal and external position, supports strategy and spots threats. **Limited:** it is only a snapshot, can be subjective, lists factors without ranking them, and does not make decisions. Judgement: SWOT is a helpful starting tool but must be combined with deeper analysis and good judgement — its value depends on the quality and honesty of the information used.