



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Module: LCMB7003 Strategic Management

Lecturer: Amare Desta & Zulf Khan

Assignment Title: Assessment Component 1 - Individual Report on
“Strategic Analysis and Performance Evaluation of Rolls-Royce Holdings”

Student Name: Gokul Krishnan KG

Student ID: 2433834

Word Count: 5403

Submission Deadline: 01/04/2026

TABLE OF CONTENTS

1	Section 1: Strategic Analysis and Organisational Evaluation.....	3
1.1	Introduction.....	3
1.2	Organisational Context and Overview	3
1.3	External and Internal Environment Analysis	5
1.3.1	External Environment Analysis	5
1.3.2	Critical Success Factors and Strategic Challenges	8
1.3.3	Internal Environment Analysis	9
1.3.4	VRIO Analysis of Strategic Capabilities	11
1.4	CSR and Sustainability Objectives	12
1.5	Organisational Performance: Balanced Scorecard.....	13
1.5.1	Financial Perspective	13
1.5.2	Customer Perspective.....	14
1.5.3	Internal Business Processes	15
1.5.4	Learning and Growth Perspective.....	16
1.6	Strategic Choices and Implementation	17
1.6.1	Business-Level Strategy.....	17
1.6.2	Corporate-Level Strategy.....	17
1.6.3	Evaluation and Recommended Strategic Choices	18
1.6.4	Change Management and Strategic Implementation	18
1.7	Strategic Evaluation and Recommendations	19
1.7.1	SWOT Analysis	19
1.7.2	Strategic Recommendations.....	21
1.8	Conclusion	22
2	Section 2: Reflection on Research and Learning Process.....	23
2.1	Reflective Account.....	23
2.2	References.....	26

SECTION 1: STRATEGIC ANALYSIS AND ORGANISATIONAL EVALUATION

1.1 Introduction

This report is a critical analysis of the strategic management of Rolls-Royce Holdings, a major engineering company in the United Kingdom with its operations in the aerospace, defence and power system. The aim of the report is to analyse the impact of the external environment, the internal resources and strategic capabilities of the organisation on its competitive position and long-term performance. The report uses prominent strategic management models, such as PESTEL, RBV, VRIO, SWOT and Balanced Scorecard, in assessing how Rolls-Royce has applied the concept of competitive advantage, sustainability and change implementation. It states that Rolls-Royce can be strong in technological differentiation and service-led strategy, but that operational resilience, innovation and disciplined strategic execution are the keys to future success.

1.2 Organisational Context and Overview

The Rolls-Royce Holdings is a British multinational industrial technology corporation based in London, which designs, manufactures and services power and propulsion systems, in aerospace, defence and energy sectors. The firm is a global aero-engine manufacturing company that recorded over £21 billion of revenues and employed approximately 50,000 workers in 2025, which indicates its large size and international scope (Rolls-Royce, 2026). It operates in civil aerospace, defence and power systems, and is highly dependent on safety-critical technology to provide power to aircraft, naval systems, and energy infrastructure (Yahoo Finance, 2026).

The company traces its origin to 1904 when a partnership was established by Charles Rolls and Henry Royce on the basis of engineering excellence and innovation. Although originally focused on luxury cars, in the 20th century Rolls-Royce shifted to aerospace technology, especially after the split of its vehicle and reorganisation of the company after financial troubles in 1971 (Amir and Weiss, 2026). Rolls-Royce Holdings plc, a modern organisation, was founded in 2011, a legacy of more than a century of technical advancement (Rolls-Royce, 2026).

The organisation focuses strategically on engineering excellence, innovation and sustainability as guiding principles. Its corporate intent has focused on providing high-technology power solutions to essential applications in the air, at sea and on land that leads to a mission that

focuses on technological leadership and global connectivity (Rolls-Royce, 2026). These principles are enhanced by long-term investment in research and development and strategic emphasis on cleaner and more efficient energy solutions.

The company has a unique business model commonly referred to as power-by-the-hour, in which long term service contracts create recurrent revenue streams in addition to engine sales. It is a model that combines manufacturing and lifecycle service delivery, which strengthens customer relations and revenue stability. Its major operations fall under three main segments, namely Civil Aerospace, Defence, and Power Systems, which form diversified income streams and risk mitigation (Rolls-Royce, 2024).

Rolls-Royce engages in a very competitive environment in the global aerospace and defence sector, which has high entry barriers, high R&D demand and very high regulatory standards. A small number of large players dominate the industry, such as General Electric and Pratt & Whitney, where Rolls-Royce controls about 12% of the international commercial aircraft engine market (Yahoo Finance, 2026). Its competitive advantage has been largely on differentiation via high engineering capacities, good brand name and long-term service agreements, which help the firm sustainably in the technologically sophisticated and capital-intensive market.

1.3 External and Internal Environment Analysis

1.3.1 External Environment Analysis

Factor	Analysis
Political factors	Rolls-Royce is highly exposed to political decisions because aerospace, defence and nuclear activities depend on government procurement, industrial policy and geopolitical stability. In 2025, the UK government selected Rolls-Royce SMR as the preferred bidder to partner with Great British Energy–Nuclear for small modular reactor development, showing how state backing can create strategic growth opportunities beyond core aero-engines (Jolly, 2025). At the same time, the firm identifies intensifying US–China rivalry, protectionism, sanctions risk and Red Sea disruption as factors reshaping trade flows and supply chains. This means political support can open markets, but geopolitical fragmentation can also raise input costs, delay deliveries and force strategic reassessment of sourcing and international operations (UK Government, 2025). For Rolls-Royce, political conditions therefore act both as a growth enabler and a constraint on execution.
Economic factors	The company’s performance is closely linked to macroeconomic cycles in aviation and defence. Civil Aerospace benefits from the continued recovery in long-haul travel: IATA projected 2025 air passenger demand to grow by 5.8%, while Rolls-Royce’s 2024 annual report showed underlying revenue rising 17% to £17.8 billion (IATA, 2025). However, economic pressures remain significant. Rolls-Royce stated that supply-chain constraints would continue to affect 2025 cash flow, while Reuters reported that airline customers faced over \$11 billion in extra costs from supply-chain disruption in 2025 (Hepher and Plucinska, 2025). Inflation, higher financing costs and fragile industrial output in major economies therefore increase cost pressure and operational risk even when demand remains strong. Strategically, this reinforces the importance of aftermarket revenues, cost discipline and supply-chain resilience.

Social factors	Social trends affect Rolls-Royce through passenger behaviour, workforce expectations and talent availability. Rising global mobility supports demand for widebody aircraft engines and long-term service agreements, but the aerospace industry also faces a tightening labour market for highly specialised engineering and digital skills (Abu Talib <i>et al.</i>, 2025). Rolls-Royce itself frames “talent and capability” as a principal strategic risk and has responded by investing £28 million in learning and development in 2024, delivering over 1 million hours of formal learning. The firm also reported a 74% response rate to its employee survey and over 1,200 colleagues volunteering in its internal change-maker network, indicating that employee engagement has become strategically important during transformation (Rolls-Royce, 2026). Therefore, social factors matter not only through customer travel demand but also through the company’s capacity to attract, retain and mobilise skilled labour in a knowledge-intensive sector.
Technological factors	Rolls-Royce operates in an industry where competitive advantage depends on constant innovation, certification and digital integration. The company’s 2024 report highlights continued investment in UltraFan, SMRs, hydrogen technologies and digital tools to improve supply-chain visibility and product efficiency. The Trent XWB-84 EP achieved certification in December 2024 and delivers around a 1% improvement in fuel efficiency, while the UltraFan demonstrator was successfully tested using 100% sustainable aviation fuel (Oakley, 2023). More broadly, recent research shows that Industry 4.0 capabilities are becoming critical success factors in aerospace and defence because smart manufacturing, advanced analytics and digital integration strengthen efficiency, traceability and resilience (Khan <i>et al.</i>, 2024). Consequently, technological change is not optional for Rolls-Royce; it is central to product leadership, cost control and future decarbonisation.

Environmental factors	Environmental pressures are intensifying because aviation and power systems are under strong decarbonisation pressure. Rolls-Royce states that approximately 97% of its emissions footprint comes from Scope 3 category 11 emissions, meaning the use of sold products dominates its climate exposure. The group has committed to net zero by 2050 and to reducing Scope 1 and 2 emissions by 46% by 2030 against a 2019 baseline (Raihan, 2025; Rolls-Royce, 2024). It is also pursuing lower-carbon technologies such as SAF-compatible engines, hydrogen demonstrators and SMRs. These efforts are shaped by broader sectoral climate governance, including ICAO's CORSIA framework and the wider policy push to decarbonise aviation (ICAO, 2024). Environmental pressure therefore creates compliance costs and investment demands, but it also offers Rolls-Royce an opportunity to differentiate through cleaner propulsion and energy-transition technologies.
Legal factors	The legal environment is especially stringent because Rolls-Royce operates in safety-critical and defence-sensitive markets. The company must comply with aviation certification rules, export controls, sanctions regimes, data-privacy obligations, anti-bribery legislation and financial-reporting standards. Its annual report explicitly notes exposure to country aviation authorities, import and export restrictions including sanctions, and the UK Bribery Act (Rolls-Royce, 2025). It also reports mandatory employee compliance learning on data privacy and export control, alongside preparations for additional UK Corporate Governance Code reporting requirements. Legally, this means strategy implementation is inseparable from compliance capability: any failure in certification, ethics or export-control management could delay programmes, restrict market access and damage reputation in highly regulated global markets.

1.3.2 Critical Success Factors and Strategic Challenges

Sustained technological innovation, regulatory certification capability, lifecycle service revenues, supply-chain reliability and access to highly skilled engineering talent are key factors to critical success in the aerospace and defence industry (Hu *et al.*, 2026). The given factors particularly concern Rolls-Royce since the large civil aero-engine competition is not so much about volume but about long-term product performance, safety, fuel efficiency, and aftermarket support. The 2024 outcomes of Rolls-Royce indicated high sensitivity to the following success factors: the flying hours on large engines were 103 percent of 2019 figures, and underlying operating profit had increased to £2.5 billion, with better performance across the group caused by higher Civil Aerospace aftermarket revenues and improved performance (Rolls-Royce, 2025). According to industry evidence, smart manufacturing, digital integration, and advanced analytics have now become critical success factors in the aerospace and defence sector as they enhance efficiency, traceability, and operational resilience (Deloitte, 2025).

Nevertheless, Rolls-Royce experiences significant strategic challenges as well. Recurring aerospace supply-chain disruption continues to limit production and cash-conversion in the industry, despite high passenger demand, with IATA predicting 5.8 passenger demand growth in 2025, and Rolls-Royce still reportedly struggling with tariff uncertainty and supply pressure (Reuters, 2025; IATA, 2025). Moreover, strategic complexity is increasing due to geopolitical tensions, sanction risk, decarbonisation, and labour shortages; it is especially a challenge to a firm that relies on global operations, or one that relies on certification-driven innovation and long payback periods to become competitive (McGuire, 2014).

1.3.3 Internal Environment Analysis

Resources / Core Competencies	Type	Strategic implications
Global production and service network	Tangible resource	Rolls-Royce operates across 48 countries with 42,400 employees, giving it global reach, customer proximity and stronger service responsiveness in aerospace, defence and power systems (Rolls-Royce, 2026).
Liquidity and financial reserves	Tangible resource	With £8.1 billion liquidity, £82.1 billion order backlog and £2.425 billion free cash flow in 2024, Rolls-Royce can fund innovation, absorb shocks and support long-cycle investments (Rolls-Royce, 2025).
Installed engine and power systems base	Tangible resource	Its large installed base supports recurring aftermarket demand, customer lock-in and extensive operational data, strengthening long-term revenue stability.
Brand and intellectual property	Intangible resource	Brands such as Trent, TotalCare, Pearl, mtu and UltraFan strengthen differentiation, customer confidence and technological distinctiveness in highly specialised markets.
Engineering know-how	Intangible resource	Rolls-Royce's accumulated expertise in propulsion, defence and power systems is path-dependent and difficult for rivals to imitate, making it strategically valuable under RBV logic (Barney <i>et al.</i> , 2001).
R&D base	Intangible resource	Gross R&D expenditure of £1.5 billion in 2024 supports innovation, product improvement and adaptation to industry shifts

		such as decarbonisation and digitalisation (Rolls-Royce, 2025).
Long-term service contracting	Capability	The firm's ability to manage TotalCare and CorporateCare agreements transforms product sales into predictable lifecycle income and strengthens customer retention.
Lifecycle performance management	Capability	Rolls-Royce can monitor, forecast and optimise engine performance over time, improving maintenance planning, contract value and operational efficiency.
Cross-segment systems integration	Capability	Its ability to transfer engineering knowledge across civil aerospace, defence and power systems creates economies of learning and strategic flexibility (Rolls-Royce, 2025).
Propulsion systems engineering	Core competency	This is a core competency because it underpins product performance, safety certification and technological leadership, all of which are difficult to imitate (Barney, 1991).
Aftermarket service excellence	Core competency	Rolls-Royce's strength in maintenance, repair and long-term support increases switching costs and supports sustainable competitive advantage through recurring revenue (Rolls-Royce, 2025).
Strategic customer relationships	Core competency	Long-term contracts with airlines, governments and defence clients create trust-based, hard-to-replicate relationships that strengthen market position and revenue visibility.

1.3.4 VRIO Analysis of Strategic Capabilities

Resources, capabilities and competencies	Valuable	Rare	Imitable	Organised	Sustainable Competitive Advantage
Global production and service network	Yes	No	Yes	Yes	Competitive Parity
Liquidity and financial reserves	Yes	No	Yes	Yes	Competitive Parity
Installed engine and power systems base	Yes	Yes	No	Yes	Yes
Brand and intellectual property	Yes	Yes	No	Yes	Yes
Engineering know-how	Yes	Yes	No	Yes	Yes
R&D base	Yes	No	Yes	Yes	Competitive Parity
Long-term service contracting	Yes	Yes	No	Yes	Yes
Lifecycle performance management	Yes	Yes	No	Yes	Yes
Cross-segment systems integration	Yes	Yes	No	Yes	No
Propulsion systems engineering	Yes	Yes	No	Yes	Yes
Aftermarket service excellence	Yes	Yes	No	Yes	No
Strategic customer relationships	Yes	Yes	No	Yes	Yes

1.4 CSR and Sustainability Objectives

CSR strategy of Rolls-Royce is becoming more integrated into the bigger goal of making the company a sustainably distinctive engineering company instead of viewing responsibility as a side show of reputational activity (Smith, 2003). It practices governance, climate transition, safety, responsible sourcing, employee development and community impact, as an aerospace and defence company is not just under the microscope when it comes to its financial performance but also its environmental and social footprint (Williment, 2025). In 2024, the company associated sustainability reporting with the board control by the Safety, Ethics and Transparency Committee and external assurance of the chosen environmental data, which indicates that CSR is becoming more institutionalised as a part of corporate governance than a symbolic aspect (Rolls-Royce, 2025).

Its environmental vision focuses on net zero by 2050, decarbonizing operations and technologies that support customers (King, 2024). According to Rolls-Royce, approximately 97 percent of its emissions footprint is due to the utilization of sold products, hence cleaner propulsion and energy technologies are strategically vital but not optional. The company is therefore investing in the compatibility of sustainable aviation fuel, hydrogen testing and small modular reactors. The fact that the Trent XWB-84 EP has been successfully certified in 2024 with approximately 1% higher fuel efficiency and the ongoing work on Rolls-Royce SMR demonstrate the interdependence of sustainability efforts with product design and market prospects (Rolls-Royce, 2025; Young, 2025).

It is a significant strength: decarbonisation contributes to differentiation, regulatory alignment and long-term aviation- and energy-revenue prospects (Smith, 2003). Nevertheless, Rolls-Royce CSR performance is still inconclusive. Its strategic intent is believable, yet its footprint remains dominated by customer use-phase emissions, and the company has admitted that its Scope 3 baseline continues to develop in certain reporting contexts. This implies that Rolls-Royce has achieved significant advancements in governance and innovation, but the future credibility of its CSR strategy will hinge on whether technological commitments will be reflected in the scale of reduced emissions (Rolls-Royce, 2024).

1.5 Organisational Performance: Balanced Scorecard

1.5.1 Financial Perspective

Objectives	KPIs	Initiatives
Improve profitability	- Underlying operating profit - Operating margin	- Continue transformation programme - Improve pricing and commercial discipline - Raise Civil Aerospace aftermarket profitability (Rolls-Royce)
Strengthen cash generation	- Free cash flow - Cash conversion - Net cash position	- Grow LTSA balances - Improve working capital - Reduce supply-chain disruption impact (Rolls-Royce)
Increase return on capital	Return on capital (ROC)	- Prioritise higher-return projects - Tighten capital allocation - Improve divisional efficiency (Rolls-Royce)
Sustain revenue growth	- Revenue - Aftermarket revenue - Engine flying hours	- Expand service revenues - Benefit from large-engine flying-hour recovery - Support OE and aftermarket mix improvement (Rolls-Royce)
Enhance shareholder value	- EPS - Dividends - Share buybacks	- Reinstate and grow dividends - Execute multi-year share buyback supported by stronger balance sheet (Rolls-Royce)

1.5.2 Customer Perspective

Objectives	KPIs	Initiatives
Improve customer reliability	• Engine time on wing • In-service reliability • Disruption rates	• Continue Trent durability upgrades • Improve maintenance planning and fleet support (Rolls-Royce)
Strengthen customer retention	• LTSA/TotalCare contract renewals • Repeat orders • Contract balance growth	• Expand long-term service agreements • Deepen airline and defence customer partnerships (Rolls-Royce)
Enhance service responsiveness	• Turnaround time • Spare engine availability • On-time MRO delivery	• Improve supply-chain visibility • Raise spare parts and repair capacity (Rolls-Royce)
Support fleet utilisation	• Large-engine flying hours • Engine availability	• Align service capacity with demand recovery • Use flying-hour data to support customers proactively (Rolls-Royce)
Build product trust and value	• Customer adoption of new engines • Performance milestones	• Deliver certified, more efficient products such as Trent XWB-84 EP and Pearl platforms (Rolls-Royce)

1.5.3 Internal Business Processes

Objectives	KPIs	Initiatives
Improve operational efficiency	• Operating margin • Total cash costs/gross margin • Free cash flow	• Continue transformation programme • Simplify processes • Tighten cost control
Strengthen delivery and service execution	• On-time delivery • Spare parts availability • MRO turnaround time	• Expand repair capacity • Improve planning • Increase supply-chain visibility
Enhance product quality and reliability	• Engine durability • Time on wing • In-service disruptions	• Deliver Trent durability upgrades • Improve testing and preventive maintenance
Accelerate innovation and process improvement	• R&D spend • Certification milestones • New product development progress	• Invest in UltraFan • SMRs and digital tools • Improve engineering and industrial processes
Improve safety and compliance	• Safety incidents • Audit outcomes • Compliance training completion	• Strengthen safety culture • Maintain governance and quality assurance systems

1.5.4 Learning and Growth Perspective

Objectives	KPIs	Initiatives
Build critical skills and leadership depth	• Training hours • Leadership pipeline • Internal promotion rate	• Expand technical, digital and leadership development programmes • Strengthen succession planning (Rolls-Royce, 2025).
Improve employee engagement and culture	• Employee survey participation • Engagement score • Retention rate	• Use culture-change programmes, manager accountability and employee feedback systems to raise commitment and performance (Rolls-Royce, 2025).
Strengthen innovation capability	• Gross R&D expenditure • Patents • Certification milestones	• Sustain R&D investment (£1.5bn in 2024) • Support UltraFan, SMR and digital engineering projects (Rolls-Royce, 2025).
Enhance digital and technical capability	• Digital adoption rate • Productivity gains • Engineering efficiency	• Invest in digital tools, analytics and smarter industrial processes across business units (Rolls-Royce, 2025).
Support workforce capacity	• People count • Specialist hiring • Skills coverage	• Recruit and retain specialist engineers across 48-country operations to sustain long-term growth (Rolls-Royce, 2025).

1.6 Strategic Choices and Implementation

1.6.1 Business-Level Strategy

On the business level, Rolls-Royce does not pursue cost leadership but differentiation strategy. Competition in aero-engines, defence propulsion and power systems is not about the lowest-cost producer but about engineering performance, safety, fuel efficiency, reliability and long-term service value (Stekovic and Pereira, 2025). Its competitive advantage lies in the high technologies, including the Trent engine family, aftermarket service offerings, including TotalCare, and entry barriers through certification, intellectual property, and accumulated engineering experience (Rolls-Royce, 2024). This aligns with Porters opinion that differentiation suits where customers place more value on performance, reliability and technical prestige than price. The recent performance of Rolls-Royce strengthens this positioning: in 2025, the underlying operating profit increased to £3.5 billion and operating margin to 17.3% with the Civil Aerospace margin standing at 20.5% and the company supported by better performance of its aftermarket and commercial optimisation instead of low-cost volume competition (Rolls-Royce, 2025).

Its present strategic position is thus premium, service-based and technology intensive. Rolls-Royce has the strongest presence in multi-faceted, mission-dependent markets where customers need long life of assets and integrated service provision (Rolls-Royce, 2025). The company has concentrated on time on wing, durability and contractual profitability in Civil Aerospace, long-cycle programmes and national security demand in Defence, and energy-transition opportunities in Power Systems. It is significant that CEO Tufan Erginbilgic aimed to reshape Rolls-Royce with customers, not against customers, as that kind of approach will help the company to turn around, that is, to enhance product reliability and customer economics without sacrificing the relations built on trust (Sandle *et al.*, 2023).

1.6.2 Corporate-Level Strategy

Rolls-Royce undertakes related diversification as opposed to unrelated diversification at the corporate level. It operates the Civil Aerospace, Defence, Power Systems and emerging energy technologies portfolio, but they are interconnected by the common propulsion, complex systems engineering, safety-critical manufacturing, and long-term servicing competences (Stekovic and Pereira, 2025). This brings scope and cross-sector knowledge transfer economies. One vivid example is the creation of small modular reactors (SMRs), which expands the nuclear and systems-engineering experience of the firm into low-carbon energy

(Pfeifer *et al.*, 2025). This plan is more logical than diversification on steroids since it leverages existing capabilities and diversifies risk in nearby sectors without losing strategic focus.

Global expansion is also core to corporate strategy, though it is selective and capability-based, not indiscriminate. Rolls-Royce is already global, with production, servicing and defence relationships, and therefore global expansion is not so much about entering new spaces but rather the intensification of relationships in lucrative markets and programmes. Its international presence serves airlines, defence customers and industrial clients in various jurisdictions, and long term service contracts base international revenues (Rolls-Royce, 2024). Meanwhile, the management is now more disciplined in deciding where the growth shall be, particularly due to geopolitical tensions, sanctions risk and vulnerability of the supply chain. This implies that future growth must focus on markets and programmes in which Rolls-Royce can build upon its installed base, service capacity and regulatory reputation instead of pursuing size in its own right.

1.6.3 Evaluation and Recommended Strategic Choices

This leaves the most suitable strategic decision as holding on to differentiation on the business level and associated diversification on the corporate level with selective international expansion (Markides and Williamson, 1994). The aspect of cost leadership would not be appropriate as Rolls-Royce competes in high-specification segments with long development times, stringent certification processes, and customers who prioritise performance over prices (Rolls-Royce, 2024). Related diversification is best since it enhances resilience and the company can capitalise on shared technologies in aerospace, defence and energy. This mix can be used strategically to develop sustainable competitive advantage by tying premium positioning to portfolio balance and long-term service revenues.

1.6.4 Change Management and Strategic Implementation

Regarding implementation, Rolls-Royce has been able to handle change using a multi-year transformation programme that was initiated under Erginbilgic when he termed the company as a burning platform (Katz, 2023). This strategy involved commercial discipline, cost effectiveness, cultural transformation, better capital allocation and operational effectiveness. Reuters reported that this turnaround storey represented a sharp reversal of past disappointments, and the published statistics indicate that the programme has significantly enhanced profitability, cash flow and investor confidence. According to the 2025 annual report, transformation-related charges in 2025 were reduced to £44 million compared to £234 million

in 2024, which implies that the programme was transitioning out of restructuring and in to embedded performance improvement (Chopping, 2025).

The organisational performance has been significantly affected. Rolls-Royce 2024/25 results indicate greater margins, increased free cash flow, improved mid-term and renewed shareholder returns, such as a multi-year share buyback initiative (Rolls-Royce, 2025). These results show that managing change has not been only symbolic but it has yielded quantifiable strategic benefits.

1.7 Strategic Evaluation and Recommendations

1.7.1 SWOT Analysis

Factor	Analysis
Strengths	- Rolls-Royce competes through high-performance aero-engines, defence propulsion and power systems rather than price, supported by strong certification barriers and deep technical know-how. This strengthens premium positioning in mission-critical markets. - Long-term service agreements and installed fleet support generate recurring, higher-margin revenues; management highlighted stronger aftermarket profit performance as a major driver of future growth. - The portfolio across Civil Aerospace, Defence, Power Systems and SMRs reduces reliance on one market while leveraging common capabilities in complex systems engineering. - In 2025, Rolls-Royce reported £20.1 billion revenue, £3.5 billion underlying operating profit, £3.3 billion free cash flow and £1.9 billion net cash, giving it greater strategic flexibility (Rolls-Royce, 2025).
Weaknesses	Management continues to identify supply-chain constraints as a headwind, which affects engine deliveries, spare parts availability and cash conversion. This weakens operational control.

	• A significant share of profitability still depends on widebody flying hours and aftermarket utilisation, making performance sensitive to airline demand shocks (Rolls-Royce, 2025). • Aerospace engines require substantial R&D, certification and lifecycle investment, which raises execution risk and slows strategic adjustment. • Rolls-Royce has had to prioritise Trent durability improvements, showing that product performance issues can directly affect customer satisfaction and profitability (Makortoff and Jolly, 2025).
Opportunities	• The UK government's selection of Rolls-Royce SMR creates a major opportunity to commercialise its nuclear capability in low-carbon power. • New data-centre business helped drive Rolls-Royce's 2025 profit growth, indicating strong expansion potential in Power Systems (Young, 2025). • Stronger flying hours support engine servicing, LTSA revenues and fleet utilisation, particularly in Civil Aerospace. • Management's upgraded mid-term ambitions suggest scope for further value creation through commercial discipline, cost improvement and better contract quality (Rolls-Royce, 2026).
Threats	• Tariff risk and wider geopolitical tensions remain a concern, potentially increasing costs and disrupting trade and sourcing (Young, 2025). • Rolls-Royce faces powerful competitors such as GE Aerospace and Pratt & Whitney in engines and other global players in adjacent sectors, limiting pricing freedom. • Industry-wide shortages can delay production recovery and damage service responsiveness even when end-market demand is strong (Sandle <i>et al.</i>, 2023). • Aerospace and power markets face rising expectations for cleaner propulsion and lower-emission systems, requiring heavy ongoing investment and technological success.

1.7.2 Strategic Recommendations

The most pressing short-term solution that Rolls-Royce can adopt is to increase operational performance in the Civil Aerospace by expediting durability repair, enhancing time on wing and stabilising supply chain. Such a suggestion is explained by the fact that management has found Civil Aerospace as the biggest source of future profit growth, as well as admitted that supply constraints are still tricky and that margin growth will have to rely on improved engine efficiency and contract quality (IATA, 2025). The firm has already increased its mid-term target of 21-23 margin on Civil Aerospace and has already mentioned that time on wing by modern engines was set to increase by over 80 percent, with much of it to be achieved by 2025 (Reuters, 2025). Consequently, a new strategic direction is not immediately recommended but increased implementation of current priorities in terms of supplier collaboration, increasing repair-capacity, and accelerated implementation of product improvements, since reliability issues influence customer confidence, the cost of shop visits and aftermarket profitability directly.

The second short-term suggestion is to continue tightening commercial discipline in long-term service agreements and original-equipment contracts. The recent performance gains experienced by Rolls-Royce were partly as a result of repricing, improved quality of contracts and better aftermarket economics, which demonstrates that the key to strategic success lies not just in the engineering team but also in the enhanced contract management (Jolly, 2025).

In the long run, Rolls-Royce ought to focus on two strategic paths, namely scaling Power Systems to meet the needs of data-centres, and developing SMRs into a viable adjacent growth platform. Power Systems is already enjoying high demand and Rolls-Royce anticipates a 20% growth in power generation revenue annually to the mid-term facilitated by specific US capacity investment (Chopping, 2025). Simultaneously, the UK-supported SMR initiative and the overseas interest of Vattenfall and other utilities demonstrate that nuclear-related diversification may become one of the largest future growth drivers should implementation, collaboration and regulatory advancement be maintained (Ford, 2026).

1.8 Conclusion

Rolls-Royce has a robust strategic standing established on the basis of differentiated engineering, long-term service and related diversification across aerospace, defence and power systems. As the analysis indicates, its competitive edge lies in valuable and hard-to-copy resources, especially technical know-how, installed base and lifetime service expertise. Nevertheless, supply-chain disruption, durability problems and decarbonisation pressures are serious challenges to the company. The result of its recent metamorphosis has enhanced its profitability, cash flow and strategic focus, although it will require disciplined implementation in order to maintain this momentum. All in all, Rolls-Royce is better positioned to enhance its long-term competitiveness should it maintain operational plus innovation-driven growth.

SECTION 2: REFLECTION ON RESEARCH AND LEARNING PROCESS

2.1 Reflective Account

During the description phase, I was tasked with creating a strategic analysis of Rolls-Royce based on frameworks like PESTEL, RBV, VRIO, Balanced Scorecard and SWOT. I started with the identification of the current business segments of the company, strategic priorities and the latest trend of performance. Then I collected the evidence using annual reports, investor materials, Reuters coverage, and scholarly materials on strategy and reflection. Once the data had been gathered, I sorted the content into the headings of the assignment and attempted to make sure that each part is not only descriptive but also analytical (Albert and Grzeda, 2014). To give an example, I did not just list the resources of Rolls-Royce, but organised them according to the Resource-Based View and then subjected them to VRIO logic. This methodology echoed the case study in strategy teaching literature that demonstrates that through reflection, students can get beyond memorisation and become more conceptually oriented and operational (van Seggelen-Damen and Romme, 2014).

The process was engaging and demanding in the feelings stage. Initially, I was quite confident since Rolls-Royce is a high-profile organisation with extensive publicly available data. But after commencing to write I realised that too much information can be a curse instead of a blessing. I was indecisive in terms of the balancing between company-reported success and critical assessment, as annual reports inherently paint the company in a positive light (Wilding, 2008). Another issue that I feared was repetition, particularly in cases where financial recovery was visible in various parts like SWOT, strategic positioning and Balanced Scorecard. This put me on high alert of the danger of writing a report that appeared learned but was not analytically diverse. The evidence concerning reflection is that there is importance in admitting uncertainty and emotional reaction since it assists students to understand where real growth is required instead of merely affirming the presumption already in place (Harvey *et al.*, 2025).

When evaluating the stage, I could outline that I have a number of strengths in my process. First, I relied on a diverse collection of evidence, and it enhanced the validity of my analysis. Second, I made connexions between theory and practise instead of viewing frameworks as stand-alone scholarly instruments. As an example, I combined RBV with VRIO to ensure that the resources were identified as well as assessed according to their strategic importance. Third, I also reformulated my work when weaknesses emerged, including when the SWOT strengths were initially overdependent on financial indicators. The analysis balance has been enhanced

by that revision to include technological capability, service model and diversification. Nevertheless, it also had its flaws. In some early drafting, I would focus on finding impressive facts rather than clarifying their strategic significance. I also realised that I sometimes wrote too closely resembling company language, particularly in parts relating to sustainability and transformation. Research on reflective practise indicates that to be effective, reflection must involve not only the description but also questioning of assumptions, evidence, and personal judgement (Wilkin, 2021).

During the analysis, I can observe that the most significant learning fact was the distinction between information gathering and strategic thinking. I was first of all expecting that additional data will automatically generate stronger analysis. In practise, the true difficulty was determining what information was strategic. To illustrate, profit growth by Rolls-Royce was pertinent, but it became analytically useful when I related it to differentiation, aftermarket services and the transformation programme. This made me realise that strategic analysis relies on interpretation, rather than simply on accumulation of evidence. According to reflection literature, structured reflection enhances metacognition awareness and enables the learner to track his/her thinking and not just what he/she knows (Zhai *et al.*, 2023). In my case, this was indeed true: I realised that I have a tendency to overrate quantitative evidence as it is more tangible, despite the fact that other qualitative elements such as customer lock-in, organisational capabilities and change of leadership are equally crucial. I also noticed that the model developed by Gibbs prompted me to slow down and explore why I made some analytical decisions. The very process of reflection enhanced my strategic reasoning, in that sense. This is consistent with the research in management education indicating that reflection has the potential to improve judgement and professional decision-making processes by motivating students to challenge assumptions and to combine experience with theory (Reilly, 2017).

The conclusion phase taught me that my greatest contribution during this assignment was my capacity to integrate company evidence and strategic frameworks in a logical manner. I also got to know that I will be more intentional with the maintenance of critical distance towards corporate narratives and repetition across sections. The exercise has demonstrated that reflective writing is not an incidental skill but a significant academic skill since it demonstrates how analytical writing is constructed, where bias can be introduced, and how performance can be enhanced (Richardson and Maltby, 1995). This is in line with studies that reveal that reflective practise aids in self-assessment, critical thinking and professional development when it is intentional and organised.

To enhance future assignments, I would do it in five ways in the action plan stage. First, I would start with a more explicit evidence map to ensure I split financial, operational, strategic and sustainability themes sooner in the process. Second, I would include more peer-reviewed journal materials in the planning stage, and later on, include them to reinforce the already presented points. Third, to establish critical balance, I would develop a stronger comparison between company assertions and outside commentary. Fourth, I would write more succinctly initially to minimise redundancy between frameworks. Lastly, I would still utilise reflective models like Gibbs since studies indicate that scaffolded reflection could positively influence the quality and performance of complex tasks (Liu *et al.*, 2024).

2.2 References

- Abu Talib, M., Nasir, Q., Dakalbab, F. and Saud, H. (2025) 'Future aviation jobs: the role of technology in shaping skills and competencies', *Journal of Open Innovation: Technology, Market, and Complexity*, 11(2), p. 100517. <https://doi.org/10.1016/j.joitmc.2025.100517>
- Albert, S. and Grzeda, M. (2014) 'Reflection in strategic management education', *Journal of Management Education*, 39(5), pp. 650–669. <https://doi.org/10.1177/1052562914564872>
- Amir, A.R. and Weiss, S.I. (2026) *Rolls-Royce PLC: British firm*. Available at: <https://www.britannica.com/money/Rolls-Royce-PLC> (Accessed: 20 March 2026)
- Barney, J. (1991) 'Firm resources and sustained competitive advantage', *Journal of Management*, 17(1), pp. 99–120. <https://doi.org/10.1177/014920639101700108>
- Barney, J., Wright, M. and Ketchen, D.J. (2001) 'The resource-based view of the firm: ten years after 1991', *Journal of Management*, 27(6), pp. 625–641. [https://doi.org/10.1016/S0149-2063\(01\)00114-3](https://doi.org/10.1016/S0149-2063(01)00114-3)
- Chopping, D. (2025) 'Rolls-Royce shares hit record high on dividend return, raised outlook', *The Wall Street Journal*. Available at: <https://www.wsj.com/business/earnings/rolls-royce-resumes-shareholder-payouts-raises-midterm-targets-on-higher-profit-outlook-c9b57b11> (Accessed: 20 March 2026)
- Deloitte (2025) *2025 aerospace and defense industry outlook*. Available at: <https://www.deloitte.com/us/en/insights/industry/aerospace-defense/aerospace-and-defense-industry-outlook/2025.html> (Accessed: 20 March 2026)
- Ford, N. (2026) 'Rolls-Royce SMR project could kickstart EU supply chain', *Reuters*, 8 January. Available at: <https://www.reuters.com/business/energy/rolls-royce-smr-project-could-kickstart-eu-supply-chain--reeii-2026-01-08/> (Accessed: 20 March 2026)
- Harvey, M., Walkerden, G., Semple, A., McLachlan, K., Lloyd, K. and Bosanquet, A. (2025) 'Reflecting on reflective practice: issues, possibilities and guidance principles', *Higher Education Research & Development*, 44(7), pp. 1849–1857. <https://doi.org/10.1080/07294360.2025.2463517>
- Hepher, T. and Plucinska, J. (2025) 'Airlines face \$11 billion supply chain hit in 2025, IATA says', *Reuters*, 13 October. Available at: <https://www.reuters.com/business/aerospace->

[defense/airlines-face-11-billion-supply-chain-hit-2025-iata-says-2025-10-13/](#) (Accessed: 20 March 2026)

Hu, C., Zhou, T., Zhou, D. and Chen, J. (2026) 'Industry 4.0-driven digital transformation for resilient aerospace supply chains: a comprehensive review', *Aircraft Engineering and Aerospace Technology*, 98(3), pp. 415–425. <https://doi.org/10.1108/AEAT-08-2025-0291>

IATA (2025) *Global outlook for air transport June 2025*. Available at: <https://www.iata.org/en/publications/economics/reports/global-outlook-for-air-transport-june-2025/> (Accessed: 20 March 2026)

ICAO (2024) *Carbon offsetting and reduction scheme for international aviation (CORSIA)*. Available at: <https://www.icao.int/corsia> (Accessed: 20 March 2026)

Jolly, J. (2025) 'Rolls-Royce named winning bidder for UK small nuclear reactors', *The Guardian*. Available at: <https://www.theguardian.com/business/2025/jun/10/rolls-royce-uk-small-nuclear-reactors-smr-sizewell-c> (Accessed: 20 March 2026)

Katz, B. (2023) 'Rolls-Royce CEO embarks on “last chance” overhaul at jet-engine maker', *The Wall Street Journal*. Available at: <https://www.wsj.com/finance/rolls-royce-ceo-embarks-on-last-chance-overhaul-at-jet-engine-maker-7cee56d4> (Accessed: 30 March 2026)

Khan, L., Elshennawy, A., Cudney, E. and Furterer, S. (2024) 'Critical success factors for implementing Industry 4.0 in aerospace and defense: a systematic literature review', *Quality Engineering*, 37(3), pp. 369–386. <https://doi.org/10.1080/08982112.2024.2403606>

King, C. (2024) 'Rolls-Royce Holdings generates clean power from CO2 capture', *Energy Digital*. Available at: <https://energydigital.com/articles/rolls-royce-holdings-generates-clean-power-from-co2-capture> (Accessed: 20 March 2026)

Liu, Q., Wang, Y. and Chang, Y. (2024) 'Exploring the effects of scaffolded reflective learning on student teachers' design performance and reflective thinking', *Thinking Skills and Creativity*, 56, p. 101709. <https://doi.org/10.1016/j.tsc.2024.101709>

Makortoff, K. and Jolly, J. (2025) 'Rolls-Royce profits soar 50% on strong demand for jet engines', *The Guardian*. Available at: <https://www.theguardian.com/business/2025/jul/31/rolls-royce-profits-jet-engines-shares> (Accessed: 20 March 2026)

Markides, C.C. and Williamson, P.J. (1994) 'Related diversification, core competences and corporate performance', *Strategic Management Journal*, 15(S2), pp. 149–165.

<https://doi.org/10.1002/smj.4250151010>

McGuire, S. (2014) 'Global value chains and state support in the aircraft industry', *Business and Politics*, 16(4), pp. 615–639. <https://doi.org/10.1515/bap-2014-0014>

Oakley, T. (2023) 'Rolls-Royce tests “game-changing” greener UltraFan engine technology', *BBC News*, 18 May. Available at: <https://www.bbc.com/news/uk-england-derbyshire-65633884> (Accessed: 20 March 2026)

Pfeifer, S., Pickard, J. and Millard, R. (2025) 'UK chooses north Wales for new generation of nuclear reactor', *Financial Times*. Available at: <https://www.ft.com/content/926e155a-29b6-4c3f-9425-89bbaa9b9eb7> (Accessed: 30 March 2026)

Raihan, A. (2025) 'Sustainable aviation: a critical review of policies, technologies, and future pathways', *Journal of the Air Transport Research Society*, 5, p. 100080.

<https://doi.org/10.1016/j.jatrs.2025.100080>

Reilly, A.H. (2017) 'Using reflective practice to support management student learning: three brief assignments', *Management Teaching Review*, 3(2), pp. 129–147.

<https://doi.org/10.1177/2379298117719686>

Reuters (2025) 'UK's Rolls-Royce confident on targets despite tariff uncertainty', *Reuters*, 1 May. Available at: <https://www.reuters.com/business/aerospace-defense/uks-rolls-royce-confident-targets-despite-tariff-uncertainty-2025-05-01/> (Accessed: 20 March 2026)

Richardson, G. and Maltby, H. (1995) 'Reflection-on-practice: enhancing student learning', *Journal of Advanced Nursing*, 22(2), pp. 235–242. <https://doi.org/10.1046/j.1365-2648.1995.22020235.x>

Rolls-Royce (2024) *Our strategy*. Available at: https://www.rolls-royce.com/about/our-strategy.aspx#/ (Accessed: 20 March 2026)

Rolls-Royce (2025) *Rolls-Royce Holdings plc 2025 full year results*. Available at: <https://www.rolls-royce.com/media/press-releases/2026/26-02-2026-rr-holdings-plc-2025-full-year-results.aspx> (Accessed: 20 March 2026)

Rolls-Royce (2026) *About Rolls-Royce*. Available at: <https://www.rolls-royce.com/about.aspx> (Accessed: 20 March 2026)

- Sandle, P., Young, S. and Hephher, T. (2023) 'Rolls-Royce can grow market share and improve profit, says CEO', *Reuters*, 20 December. Available at: <https://www.reuters.com/business/autos-transportation/rolls-royce-can-grow-market-share-improve-profit-says-ceo-2023-12-20/> (Accessed: 20 March 2026)
- Smith, D.J. (2003) 'Strategic alliances and competitive strategies in the European aerospace industry: the case of BMW Rolls-Royce GmbH', *European Business Review*, 15(4), pp. 262–276. <https://doi.org/10.1108/09555340310483839>
- Stekovic, S. and Pereira, L. (2025) 'Evolution of aero engine materials in the past, present and future perspectives', *Design Science and Innovation*, pp. 199–215. https://doi.org/10.1007/978-3-031-96173-1_15
- UK Government (2025) 'Rolls-Royce SMR selected to build small modular nuclear reactors'. Available at: <https://www.gov.uk/government/news/rolls-royce-smr-selected-to-build-small-modular-nuclear-reactors> (Accessed: 20 March 2026)
- van Seggelen-Damen, I.C.M. and Romme, A.G.L. (2014) 'Reflective questioning in management education', *SAGE Open*, 4(2), p. 215824401453916. <https://doi.org/10.1177/2158244014539167>
- Wilding, P.M. (2008) 'Reflective practice: a learning tool for student nurses', *British Journal of Nursing*, 17(11), pp. 720–724. <https://doi.org/10.12968/bjon.2008.17.11.29644>
- Wilkin, C.L. (2021) 'Developing critical reflection: an integrated approach', *The British Accounting Review*, 54(3), p. 101043. <https://doi.org/10.1016/j.bar.2021.101043>
- Williment, C. (2025) 'Sustainability at Rolls-Royce: clean tech and green aviation', *Sustainability Magazine*. Available at: <https://sustainabilitymag.com/news/sustainability-at-rolls-royce-clean-tech-green-aviation> (Accessed: 20 March 2026)
- Yahoo Finance (2026) *Rolls-Royce Holdings plc (RR.L)*. Available at: <https://uk.finance.yahoo.com/quote/rr.l/> (Accessed: 20 March 2026)
- Young, S. (2025) 'Rolls-Royce wins UK small nuclear reactor deal', *Reuters*, 10 June. Available at: <https://www.reuters.com/business/energy/uk-selects-rolls-royce-smr-build-small-nuclear-modular-reactors-2025-06-10/> (Accessed: 20 March 2026)

Zhai, N., Huang, Y., Ma, X. and Chen, J. (2023) 'Can reflective interventions improve students' academic achievement? A meta-analysis', *Thinking Skills and Creativity*, 49(1), p. 101373. Available at: <https://doi.org/10.1016/j.tsc.2023.101373> (Accessed: 20 March 2026)