

Strategic Management

How automotive organisations decide where to compete, how to win, and how to survive

Learning Outcomes

- Explain the purpose of strategic management and its importance for automotive, motorcycle, and motorsport organisations operating in complex and uncertain environments.
- Analyse the external business environment using appropriate strategic frameworks (e.g. PESTLE and Porter's Five Forces) to identify key risks and opportunities facing the automotive sector.
- Recognise and discuss key internal organisational factors that influence strategic decision-making in engineering-led businesses (e.g. resources, capabilities, leadership, and structure).
- Critically assess strategic challenges and trade-offs faced by senior management in automotive and motorsport contexts, including regulation, competition, sustainability, and technological change.
- Apply strategic analysis tools to a real-world automotive scenario to support evidence-based, board-level decision-making.

What is Strategic Management?

Strategic management consists of the analysis, decisions, and actions an organisation undertakes in order to create and sustain competitive advantages.

(Dess, 2024)





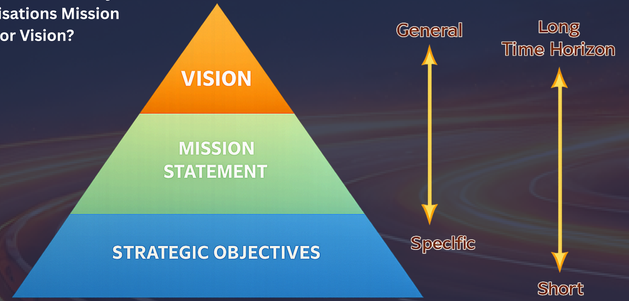
Strategic Direction & Corporate Objectives



Alan Mulally, former CEO of Ford Motor Company, stressed the importance of perspective in creating a sense of mission:
"What are we? What is our real purpose? And then, how do you include everybody so you know where you are on that plan, so you can work on areas that need special attention."

- **Purpose defines why the business exists (its mission, reason for existence, and ultimate goal).**
- **Philosophy dictates how the business operates (the core beliefs, values, and principles that guide daily behavior and decision-making).**

Can you think of any organisations Mission or Vision?



Company	Vision	Mission	Philosophy
Toyota	Creating Mobility for All	Happiness for All	The Toyota Way & guiding principles
Honda	Serve people worldwide with joy of expanding life's potential (2030)	High-quality products & global satisfaction	Respect for the individual & the Three Joys

How would you ensure your managers/employees lived this?

A **PESTLE analysis** studies the key external factors (Political, Economic, Sociological, Technological, Legal and Environmental) that influence an organisation. It can be used in a range of different scenarios, and can guide people professionals and senior managers in strategic decision making.

Political

- Government policy and regulation
- Trade agreements and tariffs
- Industrial strategy and public investment

Economic

- Economic growth and consumer demand
- Inflation, interest rates, and cost pressures
- Exchange rates and global market stability

Social

- Changing consumer preferences
- Demographic trends
- Attitudes toward sustainability and mobility

Technological

- Rate of technological innovation
- Digitalisation and automation
- Research and development intensity

Legal

- Industry-specific legislation and standards
- Health and safety requirements
- Employment and intellectual property law

Environmental

- Climate change and sustainability pressures
- Emissions targets and environmental regulation
- Resource use and waste management

PESTLE





VRIO framework is the tool used to a analyse organisations's internal resources and capabilities to find out if they can be a source of sustained competitive advantage. The term VRIO comes from the words value, rarity, imitability and organisation.

VALUE

- Does the resource enable the firm to exploit opportunities or neutralise threats?
- Does it increase customer value through differentiation or lower cost?
- Does it improve efficiency, quality, or competitiveness?
- Resources that do not add value create a competitive disadvantage
- The value of resources must be reviewed regularly, as conditions change

RARITY

- Is the resource controlled by few or no competitors?
- Do only a small number of firms possess it?

Rare and valuable resources can create a temporary competitive advantage.
Common but valuable resources remain essential for staying competitive.

IMITABILITY

- Is the resource difficult or expensive to copy, buy, or substitute?
- Can competitors easily replicate or replace it?

Resources may be costly to imitate due to:

- Historical conditions – A racing team that's been competing for 50 years has knowledge you can't just buy.
- Causal ambiguity – A car brand feels "premium", but no one can point to one single reason why.
- Social complexity – A design team that works brilliantly together because they trust each other.

ORGANISATION

- Is the firm structured to fully exploit the resource?
- Are management systems, processes, and policies aligned?
- Does leadership support effective deployment of the resource?
- Without proper organisation, even strong resources will not deliver advantage

VRIO



Valuable, rare, and hard-to-imitate resources can support sustained competitive advantage.

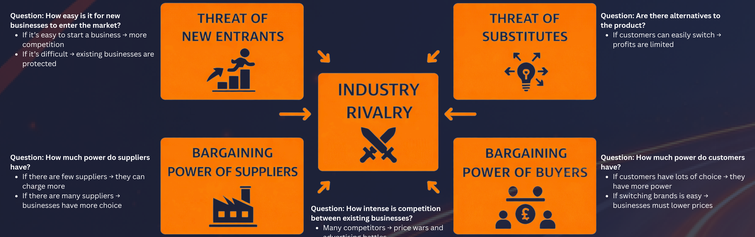
Value
Automotive firms create value through engineering capability, manufacturing efficiency, strong brands, and technological innovation that meet regulatory and customer demands.

Rarity
Specialist engineering expertise, strong motorsport heritage, proprietary platforms, and premium brand reputation can be rare within a highly competitive global market.

Imitability
Capabilities developed through long-term experience, motorsport involvement, complex supply chains, or organisational culture are difficult and costly for competitors to replicate.

Organisation
To gain sustained advantage, manufacturers must have the right structures, leadership, and governance in place to turn engineering excellence into commercial success.

Porter's Five Forces is a market analysis tool which can be used to ascertain both the attractiveness of an industry, and the levels of competition within it. The industry structure framework can be applied at the level of the industry, the strategic group (or group of firms with similar strategies) or even the individual firm.



McLaren

Threat of New Enterants

Traditionally low due to:

- High capital requirements
- Specialist skills and craftsmanship
- Complex supply chains
- High R&D costs (often >20% of revenue for small OEMs)

Electrification is lowering some barriers:

- EVs simplify powertrain complexity
- New entrants (e.g. Tesla, Rimac) have shown rapid brand building is possible
- Strong brand loyalty and emotional customer relationships still protect incumbents

Bargaining Power of Suppliers

Supplier power is moderate to high:

- Few suppliers for high-end components (e.g. brakes, electronics, carbon fibre)
- Quality and reliability are critical

McLaren increased vertical integration post-Brexit:

- Invested £50m in UK carbon-fibre production
- Reduced reliance on European suppliers
- COVID, tariffs, and raw material costs still increase supplier risk

Threat of Substitutes

Very low for luxury performance vehicles

- Products offer a unique experience not easily replaced by public transport and shared mobility

However, internal substitution within the segment is increasing:

- Customers prefer performance cars with everyday usability
- Growth of GTs, SUVs, and high-performance EVs challenges traditional supercars

Bargaining Power of Buyers

Buyer power is high:

- Small, wealthy customer base
- Customers often own multiple vehicles
- Not highly price-sensitive but highly demanding

Purchase decisions influenced by:

- Customer experience
- Dealer networks
- Brand perception and service quality

Competitive Rivalry

Competition is intense:

- Ferrari, Lamborghini, Aston Martin, Porsche

McLaren advantages:

- Strong motorsport heritage (Formula 1)
- Advanced engineering and lightweight design

Weaknesses:

- Limited product diversification
- Heavy reliance on special editions
- Later move into hybrids compared to competitors

It's highly competitive and high risk!

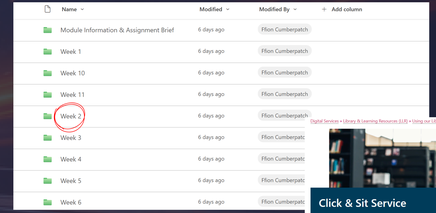


Have we accomplished out Learning Objectives?

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Please review Teams for examples of SWOT/Porters and further reading.



Use Click & Sit to book a meeting space for your team meetings.

