

# The Venture Capital Problem Set



**THE ENVIRONMENT**



**STRATEGIC CAPABILITIES**



**STRATEGIC PURPOSE**



**BUSINESS STRATEGY**



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## Strategy: long-term direction of an organisation

- Alfred D. Chandler: 'the determination of the long-run goals and objectives of an enterprise and the adoption of courses of action and the allocation of resource necessary for carrying out these goals'
  - Michael Porter: 'competitive strategy is about being different. it means deliberately choosing a different set of activities to deliver an unique mix of value'
  - Henry Mintzberg: 'a pattern in a stream of decisions'
  - Exploring Strategy: 'the long-term direction of a organisation'
- 

# What is strategy?

## Defining strategy

**The long term**  
These features, however, suggest organisations should think of themselves as  
concerning their state of business or activity defined by their business strategy of  
year.

- Mission: 7. actions over activities
- Human: 7. activities that provide new sources of profit
- Human: 7. capabilities for which humans are

**Strategic direction**  
Over the years, strategies follow some kind of long-term direction or trajectory  
**Organisation**  
Organisations involve complex relationships, both internally and externally (e.g. stakeholders)

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## Levels of Strategy

**Corporate-level strategy**  
is concerned with the overall scope of an organisation and how value is added to  
the constituent business of the organisational network.

**Business-level strategy**  
is defined from the individual business units to compete in their markets for markets.

**Operational strategies**  
are concerned with how the components of an organisation deliver effectively the  
corporate and business-level strategies in terms of processes, programmes and people.

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## Thecasesolutions.com Strategy statements

should have three main themes: the fundamental goals  
(mission, vision or objectives) that the organisation seeks;  
the scope or domain of the organisation's activities; and  
the particular advantages or capabilities it has to deliver  
all of these.

**Mission**  
refers to goals and refers to the desired future state of the organisation. "What business are we in?"

**Vision**  
refers to goals and refers to the desired future state of the organisation. "What do we want to achieve?"

**Objectives**  
more precise and ideally quantifiable statements of the organisation's  
goals over some period of time. "What do we have to achieve in the  
coming period?"

**Scope**  
refers to three dimensions: customers or clients, geographical  
location, and the extent of internal activities (vertical  
integration).

**Advantage**  
describes how the organisation will achieve  
the objectives. It has not for itself in its  
chosen domain.

# Defining strategy

## **The long term**

Three horizons framework suggests organisations should think of themselves as comprising three types of business or activity defined by their 'horizons' in terms of years

- *Horizon 1: current core activities*
- *Horizon 2: activities that provide new sources of profit*
- *Horizon 3: possibilities for which nothing is sure*

## **Strategic direction**

Over the years, strategies follow some kind of long-term direction or trajectory

## **Organisation**

Organisations involve complex relationships, both internally and externally (e.g. stakeholders)

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# Levels of Strategy

## **Corporate-level strategy**

is concerned with the overall scope of an organisation and how value is added to the constituent business of the organisational whole

## **Business-level strategy**

is about how the individual business should compete in their particular markets

## **Operational strategies**

are concerned with how the components of an organisation deliver effectively the corporate- and business-level strategies in terms of resources, progresses and people

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## Strategy statements

should have three main themes: the fundamental goals (mission, vision or objectives) that the organisation seeks; the scope or domain of the organisation's activities; and the particular advantages or capabilities it has to deliver all of these

### **Mission**

relates to goals and refers to the desired future state of the organisation. 'What business are we in?'

### **Vision**

relates to goals and refers to the desired future state of the organisation. 'What do we want to achieve?'

### **Objectives**

more precise and ideally quantifiable statements of the organisation's goals over some period of time. 'What do we have to achieve in the coming period?'

### **Scope**

refers to three dimensions: customers or clients; geographical location; and the extent of internal activities ('vertical integration')

### **Advantage**

describes how the organisation will achieve the objectives it has set for itself in its chosen domain



# Introduction

## **Macro-environment**

- consists of broad environmental factors that impact to a greater or lesser extent on almost all organisations
- PESTEL: analysis to identify the key drivers of change

## **Industry, Sector**

- made up of organisations producing the same sort of products or services
- five forces framework: understanding the attractiveness of particular industries or sectors and potential threats from outside the present set of competitors

## **Competitors and markets**

- most immediate layer surrounding organisations
- strategic groups: identify different kind of competitors

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# The macro-environment

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### PESTEL framework

#### Politics

influences from political movements, campaign groups and concerned media

#### Economics

macro-economic factors such as exchange rates business cycles and differential economic growth rates around the world

#### Social

changing cultures and demographics; behavior of the people

#### Technological

internet, nano technology or the rise of composite materials

#### Ecological

'green' environment issues, such as pollution, waste and climate change

#### Legal

legislative and regulatory constraints or changes

Three concepts are useful for focusing on change while at the same time avoiding too much detail

1. **High-level concepts** are useful for focusing on change while at the same time avoiding too much detail

2. **Medium-level concepts** are useful for focusing on change while at the same time avoiding too much detail

3. **Low-level concepts** are useful for focusing on change while at the same time avoiding too much detail

### Building scenarios

1. Defining scenario scope
2. Identify the key drivers for change  
--> PESTEL analysis can be used
3. Developing scenario 'stories'
4. Identifying impacts
5. Establishing early warning systems