

# The firm and its environment

## Strategy in one sentence

Long-term direction of an organisation (internal + external). Mintzberg: *a pattern in a stream of decisions*.

## Strategy statement (Collis and Rukstad, ~35 words)

| Part                         | Check                                                                   |
|------------------------------|-------------------------------------------------------------------------|
| <b>Objective</b>             | measurable + time-bound (not mission or values)                         |
| <b>Scope</b>                 | customers/offering, geography, vertical; also what you do <i>not</i> do |
| <b>Competitive advantage</b> | value proposition + internal alignment (unique activities)              |

On the exam: recognise the objective in running text.

## Levels of strategy

- **Corporate:** scope and portfolio (vertical, horizontal, geographic)
- **Business:** competing in a market, competitive advantage
- **Functional:** R&D, IT, marketing

## Rumelt

Bad: fluff, not facing the challenge, goals = strategy, dog's dinner. Good: diagnosis + guiding policy + coherent actions.

## Strategy development

| Concept         | Meaning                            |
|-----------------|------------------------------------|
| Intended        | the plan                           |
| Deliberate      | plan that works                    |
| Unrealized      | plan that does not work            |
| Emergent        | arises bottom-up, through learning |
| <b>Realized</b> | <b>deliberate + emergent</b>       |

Rational-analytic = prescriptive (how it should go). Mintzberg = descriptive (how it really goes). Examples: Ikea, Slack.

## PESTEL (macro, non-market)

**Political - Economic - Social - Technological - Ecological - Legal** (also STEEP, SEPTEMBER)  
Aim: opportunities and threats, **key drivers for change** (greatest impact). Not a fill-in matrix.  
PESTEL = non-market, macro level. Five Forces = market, industry level.

## Forecasting

Single-point, range, alternative futures. Megatrends, inflexion points, weak signals. Predicts.

## Scenario analysis (does not predict)

1. Scope (industry, region, years)
  2. Key drivers: impact, uncertain, **mutually independent**
  3. 2×2 matrix, 4 scenarios with name and story
  4. Impact and robustness of the strategy
  5. Monitor (early warning indicators)
- Pitfalls: dependent drivers, jumping straight to the company, calculating probabilities, ghost scenarios.

## Exam tips

- Full sentences, English technical terms, show the argument.
- Form: 3 sub-questions (15 points): name, choose and justify, compare.
- Word limit is hard: 20 / 40 / 75 / 150.

## Mnemonics

- **PESTEL** = Political, Economic, Social, Technological, Ecological, Legal (law).
- **OSA** = Objective, Scope, Advantage.
- **Realized = D + E** (Deliberate plus Emergent).

## Key terms (never translate)

strategy   strategy statement   objective   scope  
competitive advantage   value proposition  
internal alignment   levels of strategy  
corporate level   business level   functional strategies  
three horizons   purpose   vision   mission  
intended strategy   deliberate strategy  
unrealized strategy   emergent strategy  
realized strategy   rational-analytic   PESTEL  
non-market   key drivers for change   forecasting  
single-point forecast   range forecast  
alternative futures   megatrends   inflexion points  
weak signals   scenario analysis   ghost scenarios  
early warning indicators   Five Forces