

Bus 260a  
Competition and Strategy

## Course Content and Organization

Ben Gomes-Casserres

Brandeis University  
International Business School

8 CHAPTER 1 • INTRODUCTION

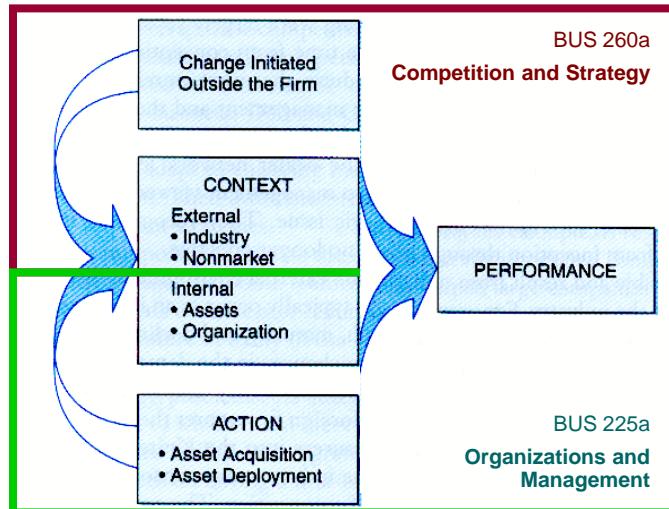


FIGURE 1-2 Dynamics of Business Strategy

Source: Saloner, Shepard, and Podolny, *Strategic Management* (New York: John Wiley, 2001).

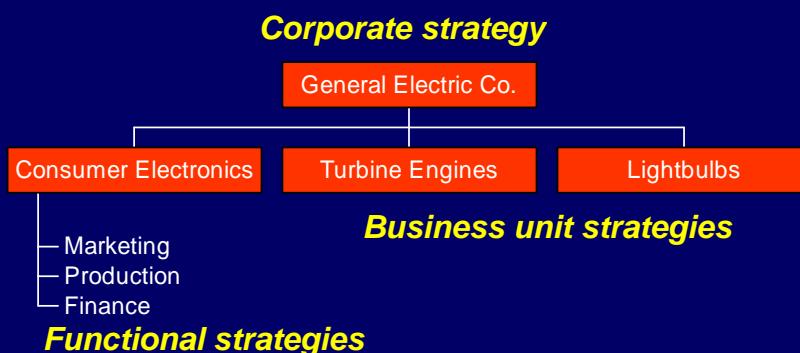
## Functional areas of business

- Control
- Marketing
- Production
- Finance
- Strategy
- Organization

General Management

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## Levels of strategy in organizations



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## A definition of business strategy

The set of **goals** and **functional policies** that collectively define the way **a business** uses **internal and external resources** and **positions** itself in its **environment** to achieve and **sustain** superior performance.

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## Pre-history of strategy: 1950s

**S**trengths

*Distinctive competence*

Internal to the firm

Compared to rivals

**W**eaknesses

**O**ppORTunities

*Industry structure*

External to the firm

**T**hreats

Compete with rivals

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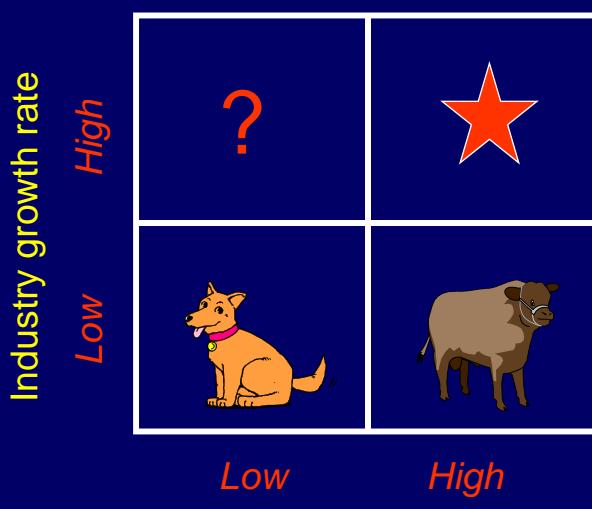
## History of strategic thinking

- *Industrial Organization* 1970s
  - Structure, conduct, performance
  - Barriers to entry
- *Game Theory* 1980s
  - Competitive reaction
  - First-mover advantages
- *Theory of the Firm* 1990s
  - Capabilities and resources
  - Boundaries of the firm
- *Organizational Economics* 2000s
  - Information and incentives
  - Coordination and control

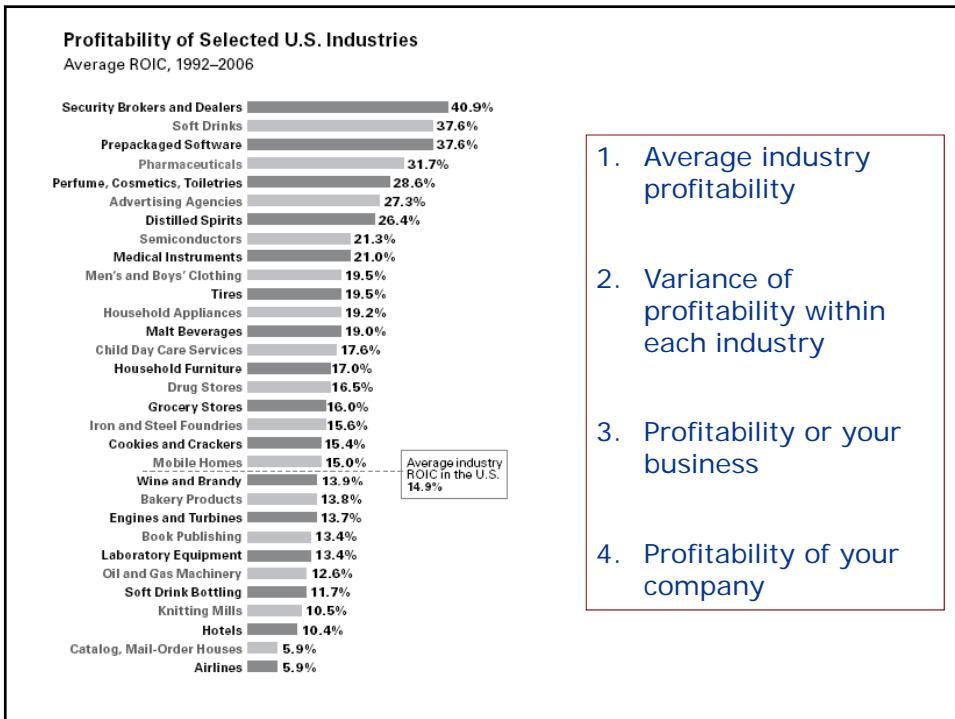
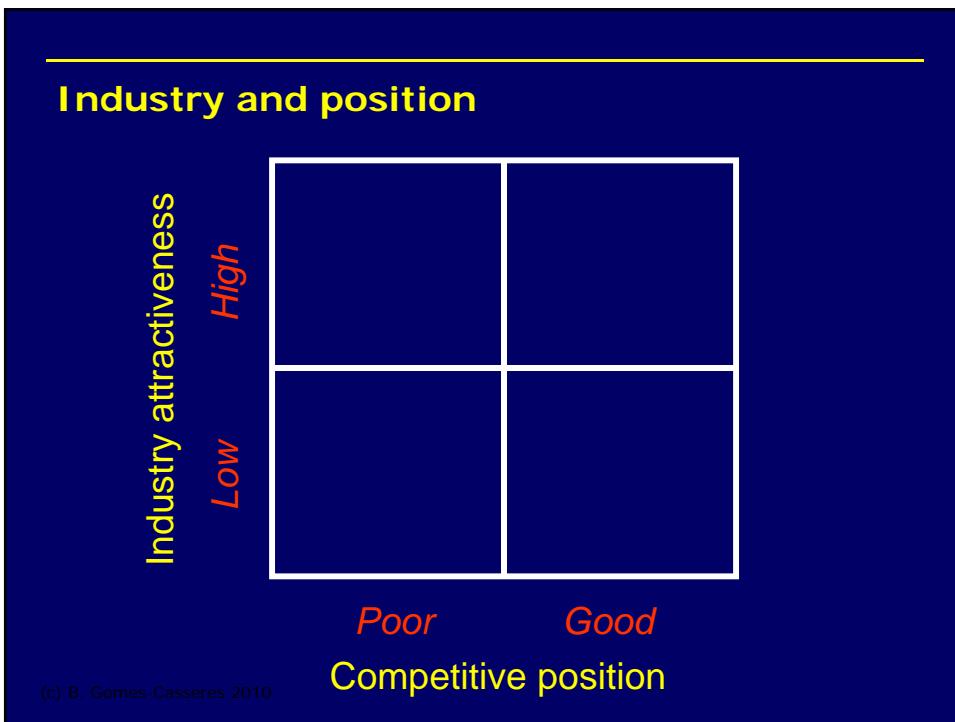
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## The BCG Matrix

Boston Consulting Group



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## Bus 260a: Learning Goals

- Understand the role of strategy in business
- Develop an approach to diagnosing strategic issues
- Learn frameworks and concepts that are useful in strategic thinking
- Apply strategic thinking in range of industry and company contexts
- Identify salient strategy issues from messy, real-world data
- Exchange ideas in debates with your peers

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## Bus 260a: Requirements

- Frameworks (text book and HBR articles)
- Case studies (HBS packet)
- Preparation, presence, participation
- Midterm (written case analysis)
- Final (paper)
- Presentations

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## Bus 260a: Grading

	Parts I and II	Parts III, IV, V
<b>Class contribution *</b>	<b>20%</b>	<b>20%</b>
<b>Midterm exam</b>	<b>25%</b>	
<b>Final paper **</b>		<b>35%</b>

\* Effective contribution = Cumulative quality of class contributions =  
= f (Preparation, Presence, Participation)

\*\* Paper = analysis of strategic issue; groups (2-3) OK.

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# Fundamentals of Strategy

**Ben Gomes-Casseres**

Notes on lectures given throughout the course

Brandeis University  
International Business School

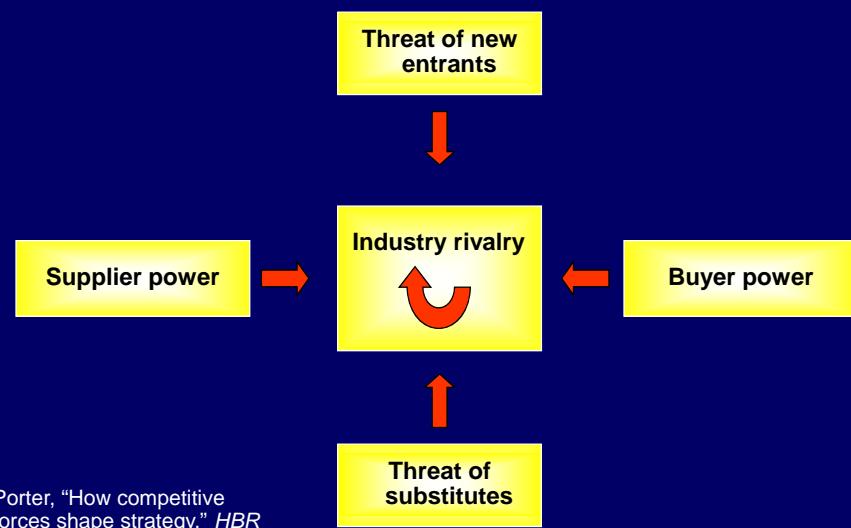
## Ten sets of concepts in strategic thinking

1. BCG matrix – updated
2. Porter's Five Forces
3. Generic strategies
4. Sources of competitive advantage
5. Capabilities, positions, and activities
6. International and global strategy
7. Porter's Country Diamond
8. Multi-business (corporate) strategy
9. Organizational strategy
10. Value-chain competition

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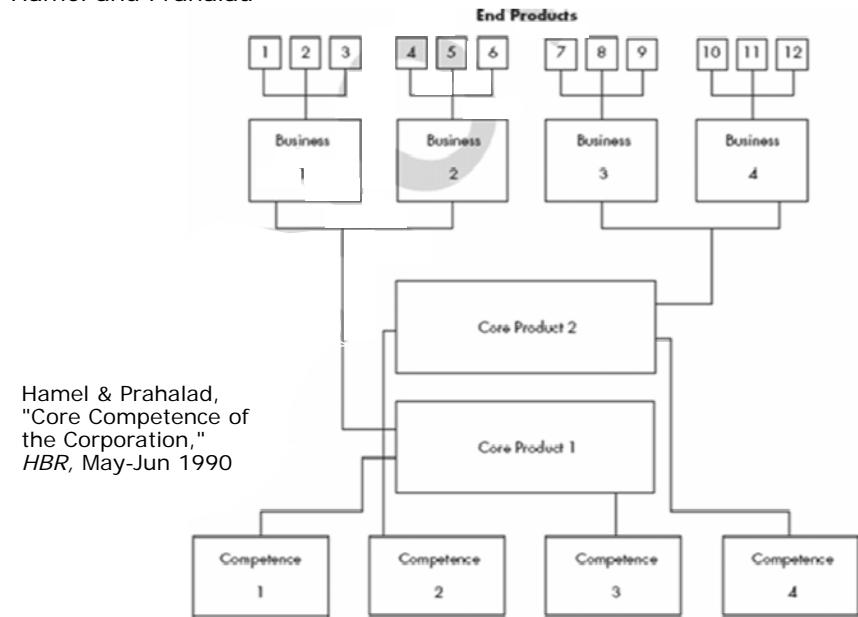
## Analyzing the competitive environment

Porter's Five Forces



## The idea of core competence

Hamel and Prahalad

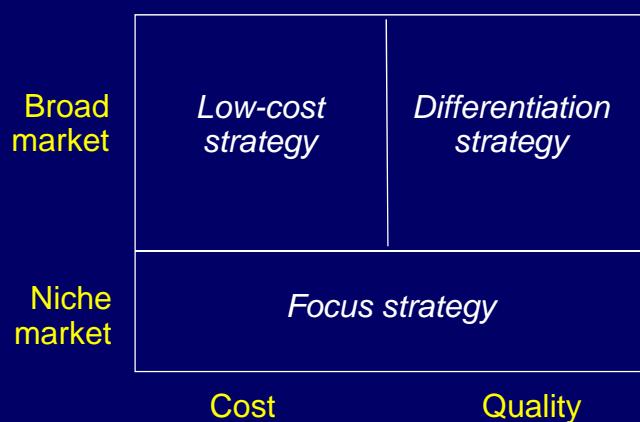


### Core competence may yield profits if . . .

- Valuable to buyers, who will pay for it
- Unique, or at least a scarce capability
- Hard to imitate or substitute
- Slow in becoming obsolete or eroding
- You are able to appropriate the value

Collis & Montgomery, "Competing on Resources," *HBR*, Jul-Aug 1995.

## Porter's "generic strategies"



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## Sources of competitive advantage

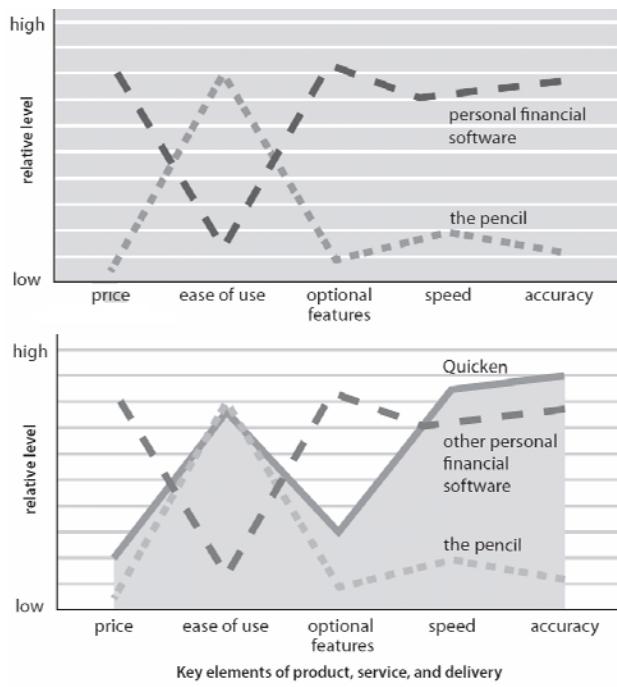


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## Value curves

Chan and Mauborgne

Chan and Mauborgne,  
"Creating new market space,"  
HBR Jan-Feb  
1999



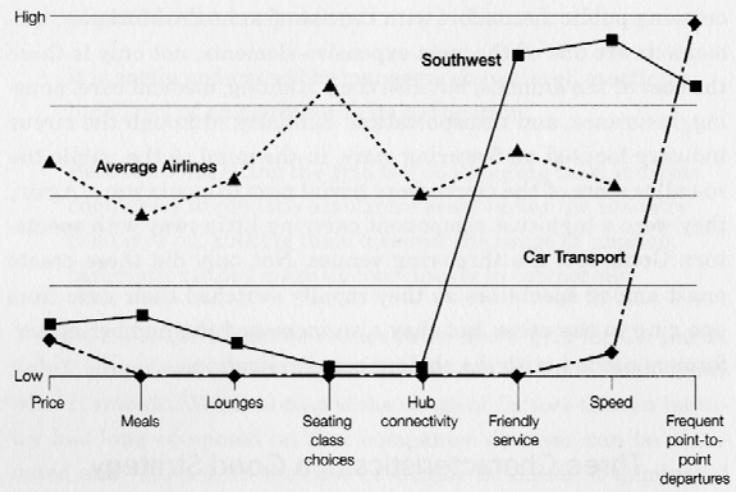
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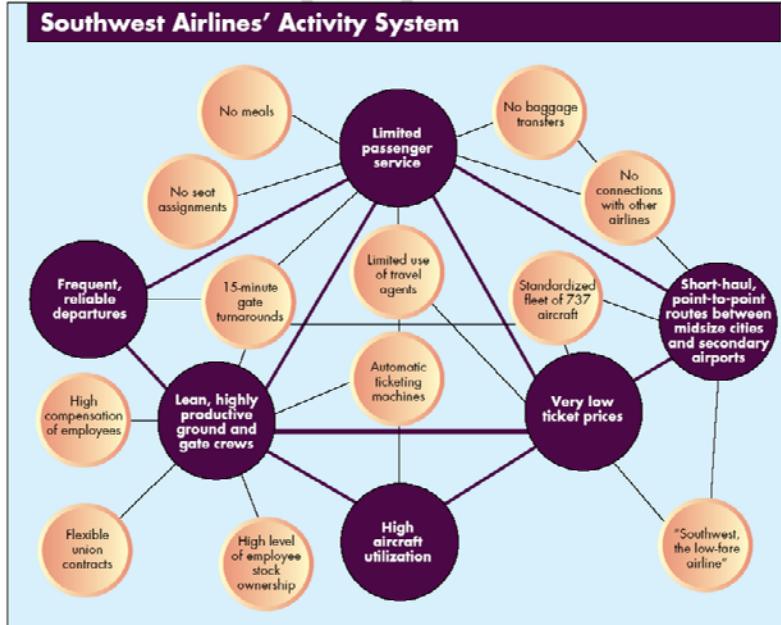
## BLUE OCEAN STRATEGY

FIGURE 2-6

### The Strategy Canvas of Southwest Airlines

Chan and Mauborgne,  
Blue Ocean Strategy, HBS  
2006.





Porter, "What is strategy?" HBR Nov-Dec 1996.

## Competitor analysis

- Compare activities, cost, prices
- Compare motivations, behavior
- Forecast their moves and reactions to yours
- Influence competitor behavior
- Fight, accommodate, ally

Game theory rule:  
"Think ahead and reason backward"

## Three international strategies

- Multi-domestic
  - Replicate the business in different locations
  - Advantages developed in one (home?) country
- Global
  - Integrate globally
  - Single brand and globally-scaled production
  - Advantages derive from scale, diversity, flexibility
- Arbitrage
  - Trade and transfer products and services
  - Advantages arise from combining locations

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## Sources of international advantage

### Firm-based

- Technology and brands
- Capabilities and experience
- Scale and scope
- Strategy and structure

### Country-based

- Factors of production
- Structure of industry
- Patterns of demand
- Industry clusters

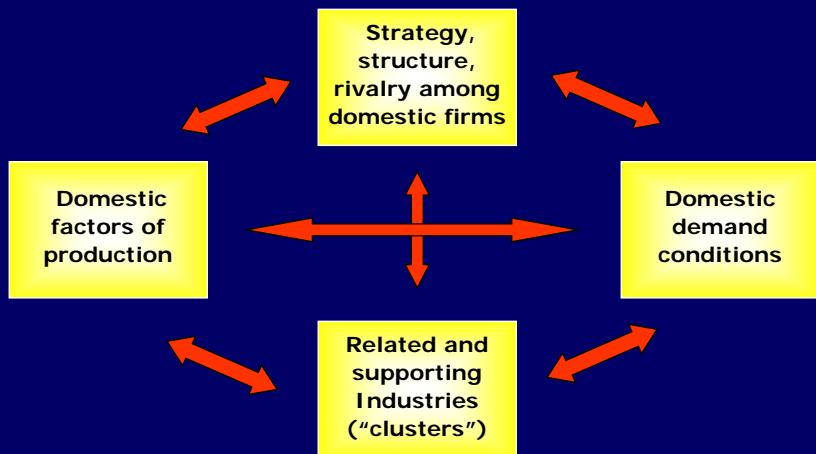
### Government-based

- Trade protection
- Subsidies, preferences
- Investment regulation
- Bargaining power

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## Analyzing country competitiveness

Porter's Country Diamond



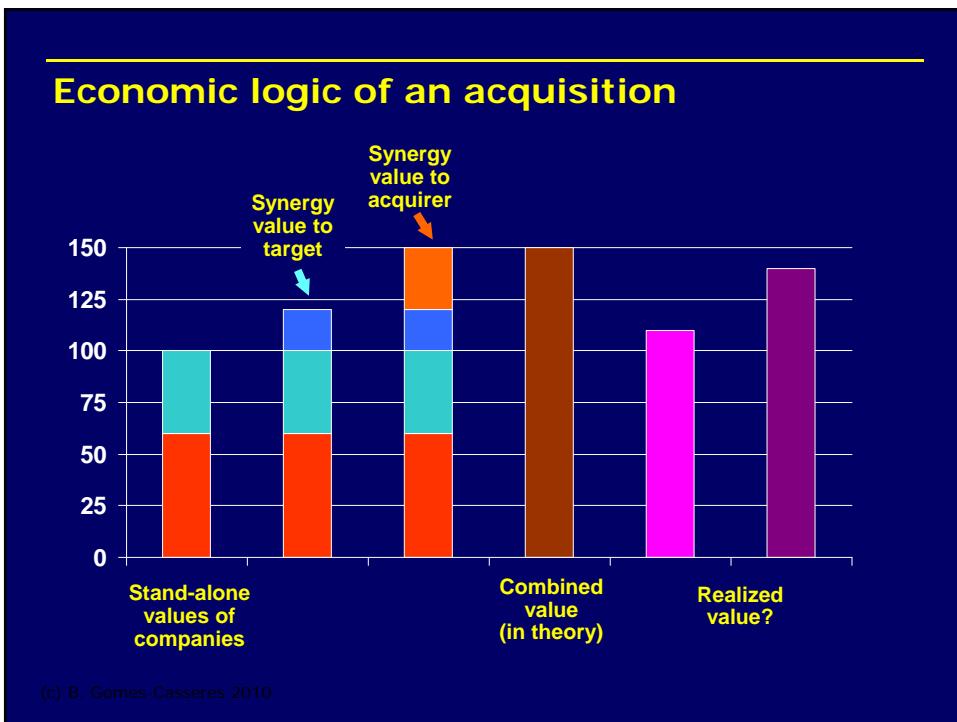
Source: Michael Porter, *Competitive Advantage of Nations*, 1990.

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## The logic of corporate strategy

- Strategic spillovers
  - Positive or negative
  - Shared resources, capabilities, information
  - Bargaining power with buyers and suppliers
  - Customized inputs/outputs in vertical chain
  - Diversification? Cost of capital?
- Managing strategic spillovers
  - Organizational architecture
  - Flow of information
  - Allocation of resources
  - Processes and culture

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Corporate strategy: Add value to stand-alone

+

Acquisition strategy: Add more value than you pay

Corporate strategy: Add value to stand-alone

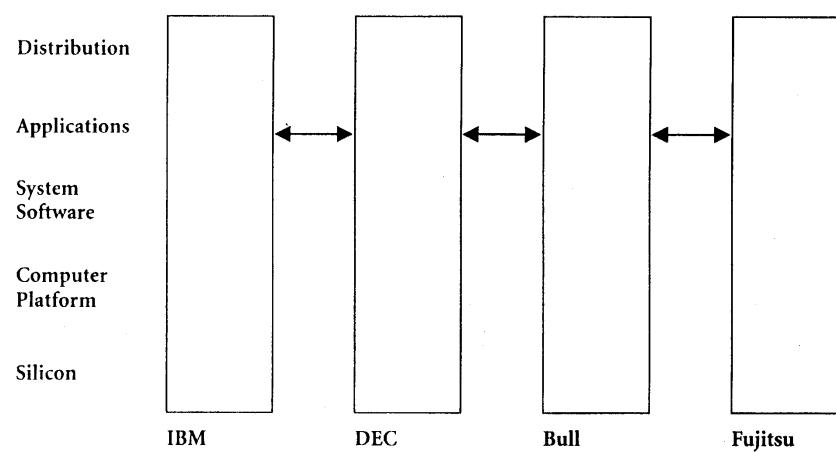
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Acquisition strategy: Add more value than you pay

=

**"Parenting advantage":**  
Add more value than alternative owner

**THE "OLD" COMPUTER INDUSTRY**  
**Vertically Integrated Firms Competing Across All Segments**



Source: Yoffie, *Competing in the Age of Digital Convergence* (HBS Press, 1997).

