Session Guidance

# Prep for Lecture – Topic outline

Use the following outline to focus on the parts in the text book that are absolutely necessary. The two exams will be solely based on these topic outlines, which are provided for every class with a lecture part.

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| ***Notes and additional information are provided in italics*. An asterisks symbol (\*) is placed against sections and subsections that need careful attention. Key concepts are highlighted in yellow.** |

**CHAPTER 2. ANALYZING THE EXTERNAL ENVIRONMENT OF THE FIRM**

**Enhancing Awareness of the External Environment** *(this section was already covered in the previous session so no need to read it again)*

**The General Environment** *(You should understand the differences between the segments. Given a particular trend/phenomenon, you should be able to categorize it in the right segment. read just the first couple of paragraphs in each subsection, along with the exhibits 2.2 - General Environment: Key Trends and Events and 2.3 - The Impact of General Environmental Trends on Various Industries. Read this in greater depth only if you have trouble making the distinctions.)*

**The Demographic segment**

**The Sociocultural segment**

**The Political/Legal segment**

**The Technological Segment**

**The Economic Segment**

**The Global Segment**

**Digital Economy: A Fundamental shift in the business environment** *(No need to read this for the purposes of this course but you may want to read it out of interest)*

**The Competitive Environment\*\*\*** *(this is one of the most important sections in the whole course. Spend a lot of time and effort on this )*

**Porter's Five Forces Model of Industry Competition\*\*\* *(read this complete subsection indepth. At the end of the subsection, pay particular attention to “EXHIBIT 2.5 Competitive Analysis Checklist” to ensure you have understood everything)***

**The Threat of New Entrants**

Economies of scale

Product Differentiation

Capital requirements

Switching costs

Cost disadvantages independent of scale

**The Bargaining Power of Buyers**

Backward integration

**The Bargaining Power of Suppliers**

Forward integration

**The Threat of Substitute Products and Services**

**The Intensity of Rivalry Among Competitors in an Industry**

High fixed or storage costs

High exit barriers

**How the Internet and Digital Technologies Are Affecting the Five Competitive Forces** *(Do not read this sub-section)*

**Using Industry Analysis: A Few Caveats** *(Read this to get a sense of possible issues with this frameworks but no need to focus too much on this)*

**Strategic Groups within Industries** *(Do not read this sub-section)*

# Discussion Preparation Guidance (NO case)

In preparation for the classroom discussion please undertake the following exercise for Porter’s five forces:

1. Read the relevant parts of the textbook as noted above.
2. Go through the lecture videos
3. Then revisit each of the five forces one at a time, consider all the sub-concepts
4. For each force/threat come up with an example (company/industry) that is different from what is given in the lecture video to explain the level of threat faced by that company/industry
5. Assess each that force/threat for the selected company/industry by considering each of the factors/sub-concepts. For instance, in threat of new entrants you consider economies of scale, capital requirements etc.
6. Be prepared to explain the concepts and sub-concepts. In class, the factors with sub-concepts, such as economies of scale, backward integration, and High storage cost, will be discussed further.
7. Evaluate each factor within a force/threat to assess whether it contributes towards increase or decrease of the threat. More importantly, have a logic for how/why it increases or decreases the threat.
8. Do your best to understand the factors/sub-concepts using the example you have chosen and be ready to share it in class.