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.** |

**CH. 5 BUSINESS-LEVEL STRATEGY: CREATING AND SUSTAINING COMPETITIVE ADVANTAGES** *(Before starting this chapter, please revisit Porter’s five forces and Value chain analysis utilizing the book and lecture ppt. Strategy spotlights and Executive interview in this chapter are optional reads. Read them only for further understanding of some of the concepts. No need to read the initial paras, go straight to the section below)*

**Types of Competitive Advantage and Sustainability\*\*** *(Recognize that you are moving from Analysis to Formulation/decision part of the book. This topic is about making certain decisions based on five-forces and value chain. In other words, 5-forces and value chain will be the analyses part of the strategic management process and generic strategies will be the subsequent decision. We are also considering how to continually ‘sustain’ the competitive adv. and not just how to gain it. Keep this in mind as you go through this section. Read this entire section)*

**Overall Cost Leadership**

Experience curve

Competitive parity

**Overall Cost Leadership: Improving Competitive Position vis-à-vis the Five Forces**

**Potential Pitfalls of Overall Cost Leadership Strategies** *(No need to read this.)*

**Differentiation**

Cost parity

**Differentiation: Improving Competitive Position vis-à-vis the Five Forces**

**Potential Pitfalls of Differentiation Strategies** *(No need to read this.)*

**Focus**

Cost focus

Differentiation focus

**Focus: Improving Competitive Position vis-à-vis the Five Forces**

**Potential Pitfalls of Focus Strategies** *(No need to read this.)*

**Combination Strategies: Integrating Overall Low Cost and Differentiation** *(Focus on understanding the following concepts.)*

Mass customization

Data analytics (Big Data)

**Integrated Overall Low-Cost and Differentiation Strategies: Improving Competitive Position vis-à-vis the Five Forces**

**Pitfalls of Integrated Overall Cost Leadership and Differentiation Strategies** *(No need to read this.)*

**Can Competitive Strategies Be Sustained? Integrating and Applying Strategic Management Concepts** *(Consider this question but there is no need to read this section)*

**Industry Life-Cycle Stages: Strategic Implications** *(There is no need to read this section)*

# Guidance to approaching the De beers case

The De Beers case will be used for two different topics. For each topic, use the relevant concepts for analyzing the case.

# With De Beers and the related topic of business strategy, we are moving from strategic analysis into the strategy formulation part of the strategic management process. This is where we assess the impact of the major decisions or changes in strategic direction that the firm undertakes in terms of its overall position in the industry/market segment. As mentioned in the chapter outline above, this session considers what you can potentially decide based on the five forces and value chain. In other words, the 5-forces and value chain will be the analyses, and generic strategies will be the subsequent formulation of strategy. Please, revisit Porter’s five forces and Value chain analysis utilizing the book and lecture ppt. In this session, we are also considering how to ‘sustain’ the competitive adv. and not just how to gain competitive adv. We apply these principles for our case analysis as well.

Our case discussion will proceed through the following stages; you can do the same for your analysis.

1. Factors that are driving the change in strategy from Old to New
   1. Relate the forces of change to various concepts from Porter’s five forces, such as barriers to entry, concentrated buyers etc.
   2. Study the diamond value chains that are already provided in the case (Exhibit 1). Analyze how and why Lev Leviev poses a threat in terms of the value chain.
2. Factors that are likely to help De Beers succeed with the new strategy
   1. Relate the NEW strategy (page 9) with the most appropriate generic strategy type that can help De Beers succeed. In other words, try to fit the New strategy within the following categories – Overall cost leadership; Broad differentiation; Focus (Cost or Differentiation). Think of the reasoning for your categorization.
   2. You can also consider what generic strategy De Beers ‘should’ be following given all the threats it faces.
   3. Analyze how specific characteristics of a generic strategy you have selected will help overcome some of the forces identified before.
   4. Consider how you can relate generic strategies to corporate social responsibility.

# Guidance questions for the de beers case

Guidance questions are meant to provoke a thought process. Ponder over them, especially when the answers are not evident. Remember, in a case discussion there are **no right answers but only better answers**.

**Questions related to change in strategy**

1. What do you think are the most important factors driving De Beers to change its strategy? Utilize concepts form five forces to explain why you consider something as a challenge.
2. From a value chain perspective, why is Lev Leviev such a big threat.

**Questions related to formulation of the NEW strategy**

1. For the NEW strategy do you think going private will help or hurt?
2. Predict the future changes for the following based on the NEW business strategy:
   1. CSO
   2. ‘Sightholders’
   3. Current stockpile
   4. Lev Leviev
3. What aspects of the New strategy can be placed under each of these generic strategies
   1. Overall cost leadership
   2. Broad Differentiation
   3. Focus strategy
      1. Cost focus
      2. Differentiation focus

**Questions related to success of new strategy**

1. What are the key challenges in rolling out the NEW strategy?
2. Do you think De Beers can persist with its the NEW business strategy in the long term? Answer the question in terms of financial and social (social responsibility) factors.
3. Would you do something different if you were De Beers?