

SCEQA Framework

SITUATION

- Where are we now vs. where do we want to be?

COMPLICATIONS

- What are the hurdles that may prevent us from getting to where we want to be?

ENABLERS

- What do we have (or face) that can help us get we want to be?

CORE QUESTION

- Hence, what is the core question that needs to be solved?

ANSWER

- What actions can we take to address the core question?

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Maldives Key Takeaways

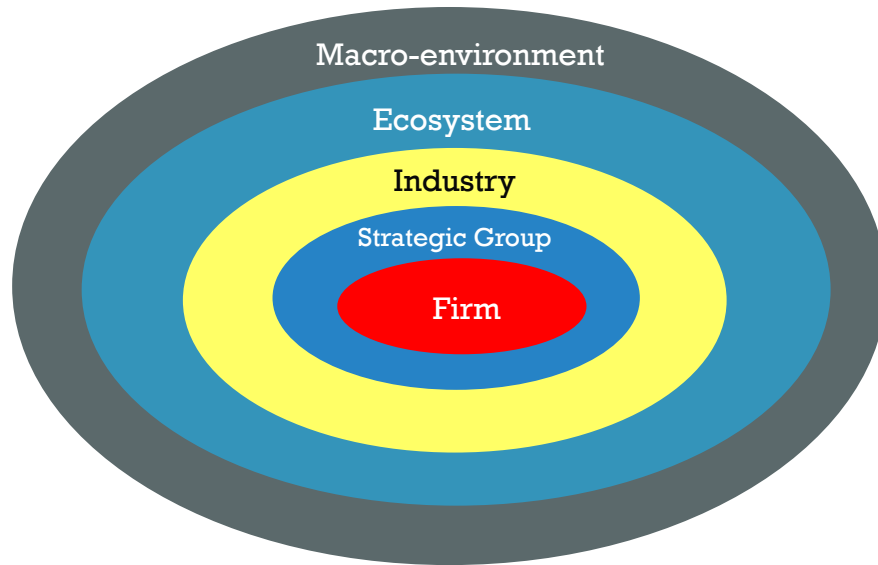
This class is about teaching **you** to solve firms' **complex** problems.

- For **complex** problems, the questions are unclear and the answer is rarely apparent.
 - Looking too narrowly limits creativity.
 - Looking too broadly makes it hard to get started.
 - “Plunging in,” is a trap that can lead you to **solve the wrong problem**.

By applying the right framework and knowing the core concepts of strategy, you can be more **CONFIDENT** that your answer is the right one.

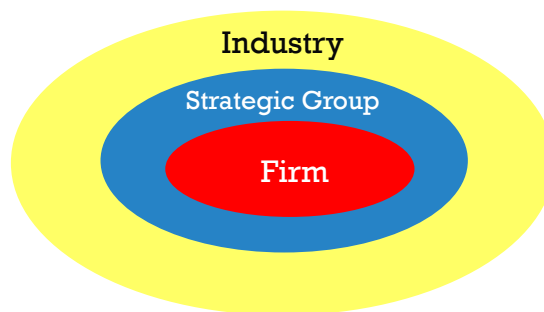
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Components of a Firm's Environment







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Components of a Firm's Environment







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Two Extreme Industry Structures

	Producers	Consumers
<ul style="list-style-type: none"> ▪ Monopoly <ul style="list-style-type: none"> ▪ One seller and many buyers ▪ Unique product ▪ Restrictions on entry 		
<ul style="list-style-type: none"> ▪ Perfect Competition <ul style="list-style-type: none"> ▪ Many buyers and sellers ▪ Identical product ▪ Perfect information ▪ Free entry and exit 		

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Four Industry Structures

	Producers	Consumers
<ul style="list-style-type: none"> ▪ Monopoly <ul style="list-style-type: none"> ▪ One seller and many buyers ▪ Unique product ▪ Restrictions on entry 		
<ul style="list-style-type: none"> ▪ Monopolistic Competition ▪ Oligopoly 		
<ul style="list-style-type: none"> ▪ Perfect Competition <ul style="list-style-type: none"> ▪ Many buyers and sellers ▪ Identical product ▪ Perfect information ▪ Free entry and exit 		

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What is Industry Attractiveness?

- Overall profit prospects above average = Attractive
- Overall profit prospects below average = Unattractive

Note: Point of industry analysis is to determine source/s of profitability, not just attractiveness

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R.T.E. Cereal in 1994

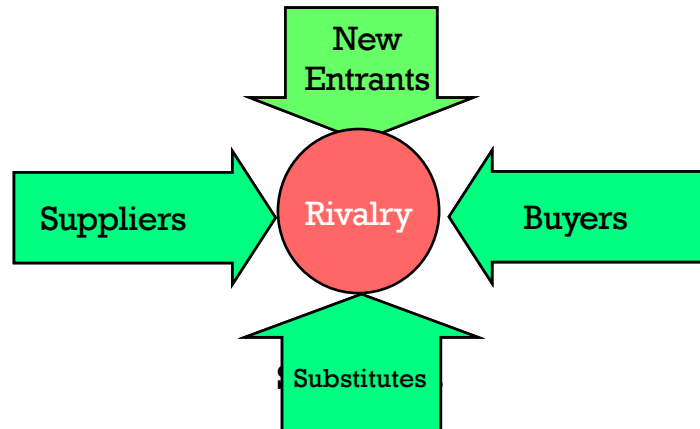
In Your Teams:

Construct part of a 5-Forces Analysis of the RTE Cereal Case.

- Teams 1 & 2: Suppliers
- Teams 3 & 4: Buyers
- Teams 5 & 6: New Entrants
- Teams 7 & 8: Substitutes

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Porters Five Forces Model



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Power of Suppliers

- Depends on the relative bargaining leverage of suppliers
- Questions to ask:
 - How concentrated are the suppliers?
 - How crucial is a supplier's product?
 - What are the buyers' switching costs?
 - What is the threat of vertical integration?

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Threat of New Entrants

- Based on barriers to entry

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Threat of New Entrants



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Threat of Substitutes

- Substitutes are products from different industries that may attract customers

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Power of Buyers

- Depends on the relative bargaining leverage of buyers
- For RTE Cereals, who are the buyers?

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Power of Buye



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Rivalry

- Typically the most powerful force

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