



# Strategy

*"Strategy is about making choices; it's about deliberately choosing to be different."*

- Michael Porter

# What makes a manager great?



# Corporate vs. Business strategy

## Corporate strategy

Which industry or industries should the company compete in?

What would be the geographical scope of our operations – national, international, global?

Should we diversify our business, and if yes, at what level?

Organization in terms of product development, marketing, production, sales, customer service, and distribution? In-house, or outsourced?

Should the company enter alliances or make acquisitions?

## Business strategy

What type of resources and capabilities should our company develop to gain a competitive advantage over competitors?

What is an efficient way to manage different business units to achieve strategic synergies?

How should the company monitor the industry environment, so its strategies conform to the market needs?

# Mission statement, vision statement, values

**MISSION STATEMENT** addresses the question  
“What is the fundamental reason for our organization’s existence?”

*“To accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible”, Tesla*

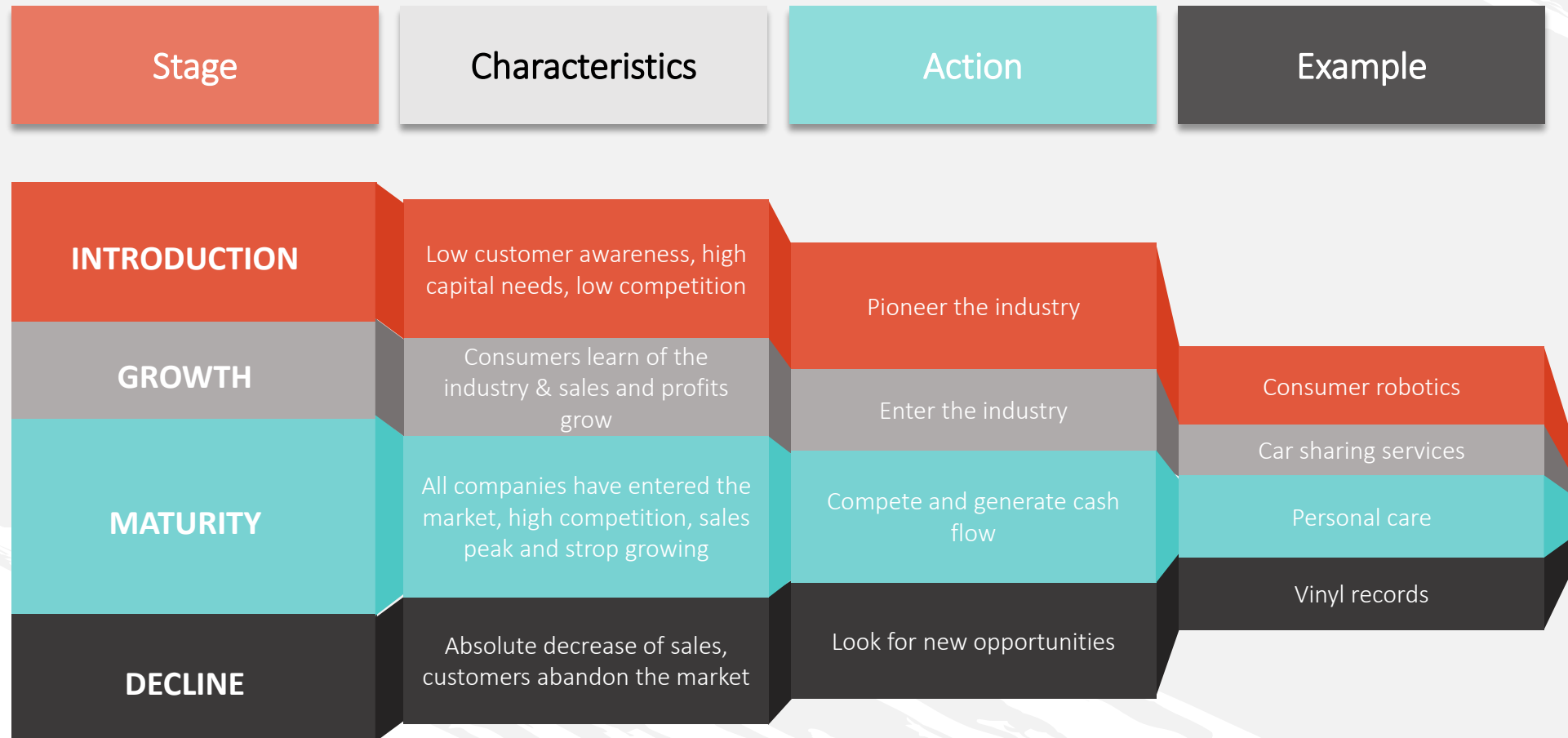
**VISION STATEMENT** describes the desired future position of the company  
“What do we want to achieve in the future?” and “Who do we want to become?”

*“To create economic opportunity for every member of the global workforce.” LinkedIn*

**VALUE STATEMENT** defines the firm’s values and place constraints on how the organization pursues its goals

*“Impactful, dynamic, bold, open, and socially responsible behaviour”, Facebook*

# The industry lifecycle model



# Porter's Five Forces

Analysing the competitive environment in an industry

0  
1

## Forces

THREAT OF NEW ENTRANTS

## Response

Create **barriers to entry**: cost advantage, Economies of scale, product differentiation, access to channels of distribution, government policies, expected retaliation

# Porter's Five Forces

Analysing the competitive environment in an industry

## Forces

0 1  
THREAT OF NEW ENTRANTS

0 2  
THREAT OF SUBSTITUTE PRODUCTS

## Response

Create **barriers to entry**: cost advantage, Economies of scale, product differentiation, access to channels of distribution, government policies, expected retaliation

**Difficult to prevent**: pinpointing which substitute products take the most business is challenging, as is creating barriers to entry for products in different industries

# Porter's Five Forces

Analysing the competitive environment in an industry

## Forces

0 1  
THREAT OF NEW ENTRANTS

0 2  
THREAT OF SUBSTITUTE PRODUCTS

0 3  
RIVALRY AMONG EXISTING FIRMS

## Response

Create **barriers to entry**: cost advantage, Economies of scale, product differentiation, access to channels of distribution, government policies, expected retaliation

**Difficult to prevent**: pinpointing which substitute products take the most business is challenging, as is creating barriers to entry for products in different industries

Estimate **concentration ratio**, determine how fragmented the competition in an industry is, and adapt your competitive model accordingly



# Porter's Five Forces

Analysing the competitive environment in an industry

## Forces

THREAT OF NEW ENTRANTS

THREAT OF SUBSTITUTE PRODUCTS

RIVALRY AMONG EXISTING FIRMS

BARGAINING POWER OF BUYERS

## Response

Create **barriers to entry**: cost advantage, Economies of scale, product differentiation, access to channels of distribution, government policies, expected retaliation

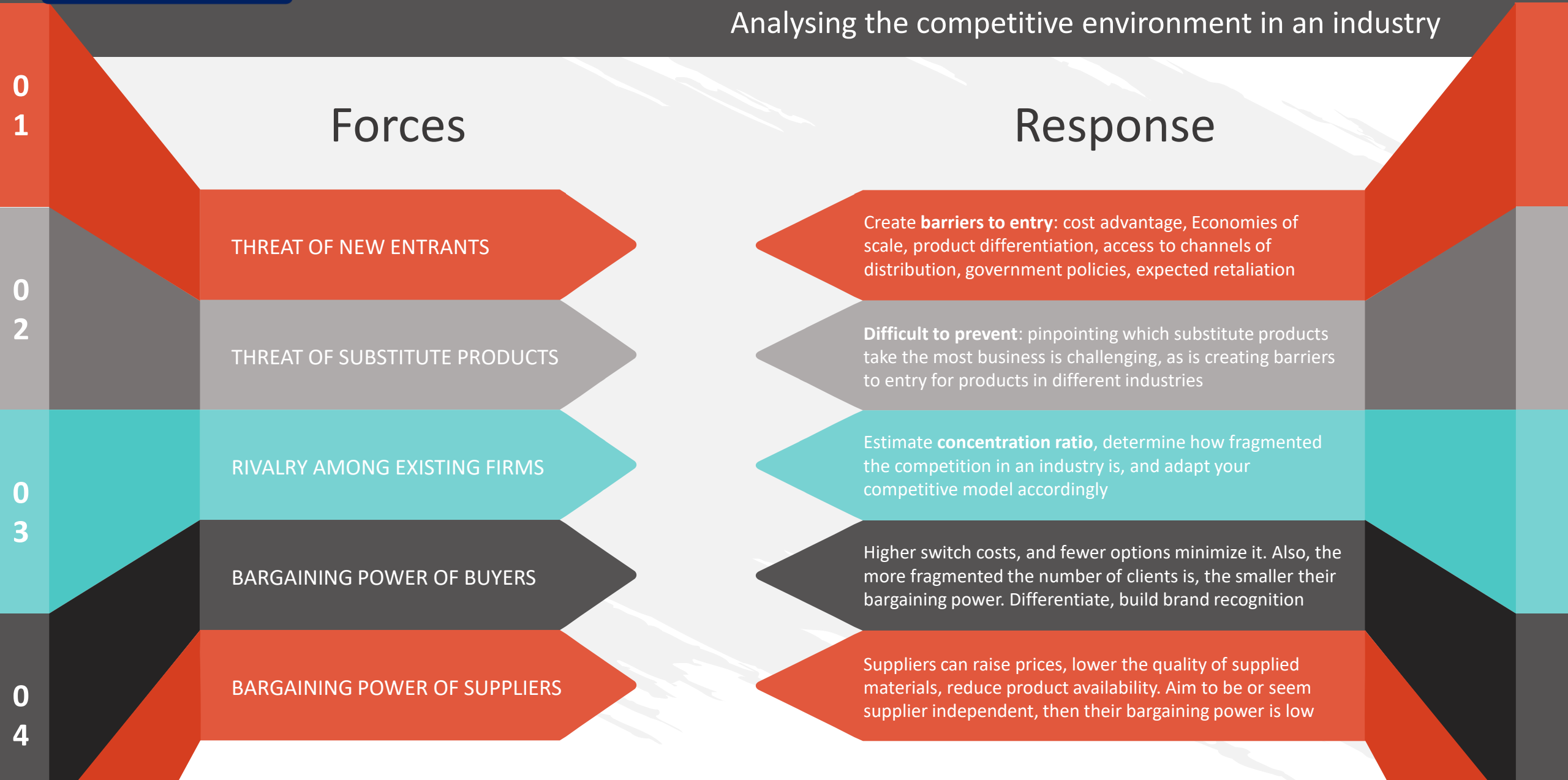
**Difficult to prevent**: pinpointing which substitute products take the most business is challenging, as is creating barriers to entry for products in different industries

Estimate **concentration ratio**, determine how fragmented the competition in an industry is, and adapt your competitive model accordingly

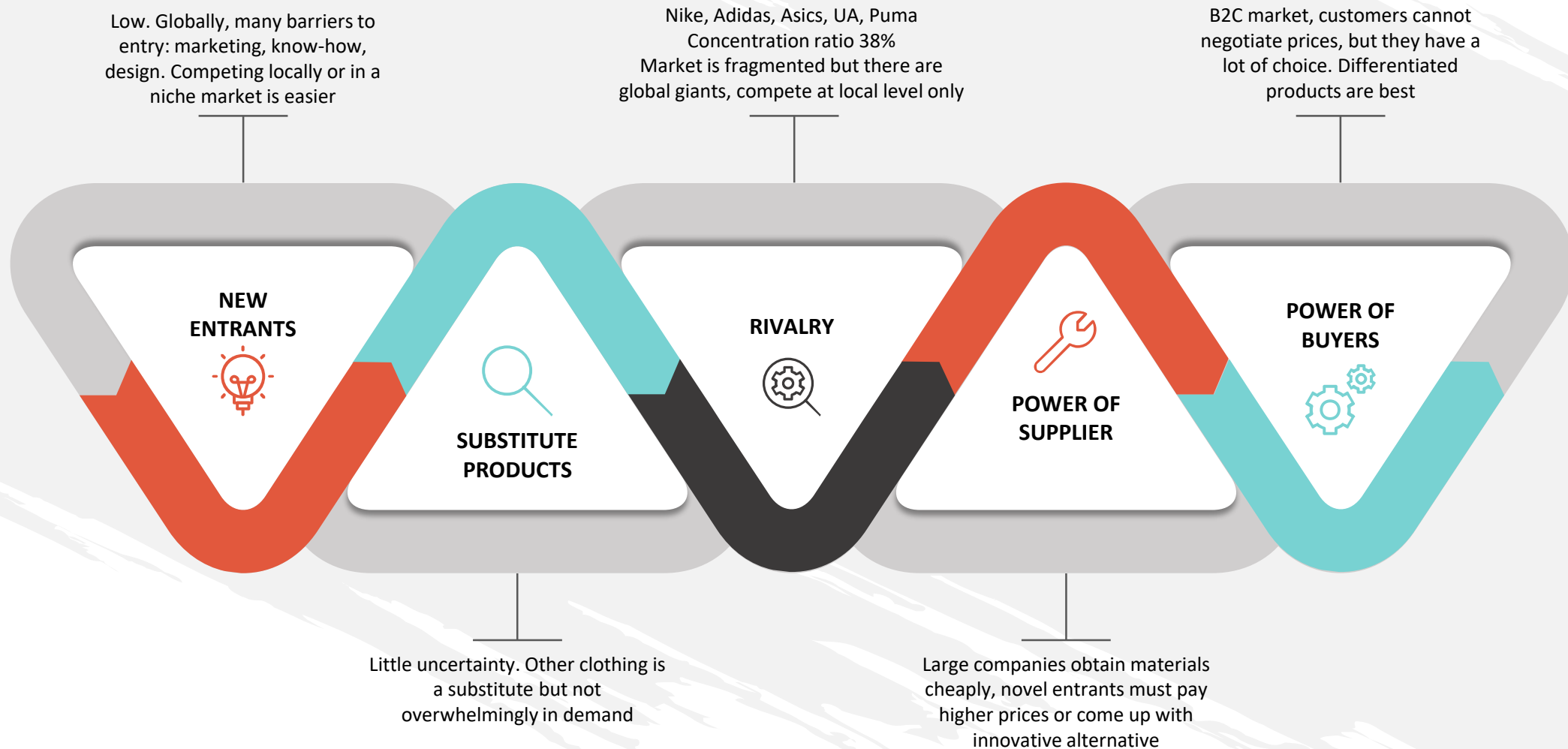
Higher switch costs, and fewer options minimize it. Also, the more fragmented the number of clients is, the smaller their bargaining power

# Porter's Five Forces

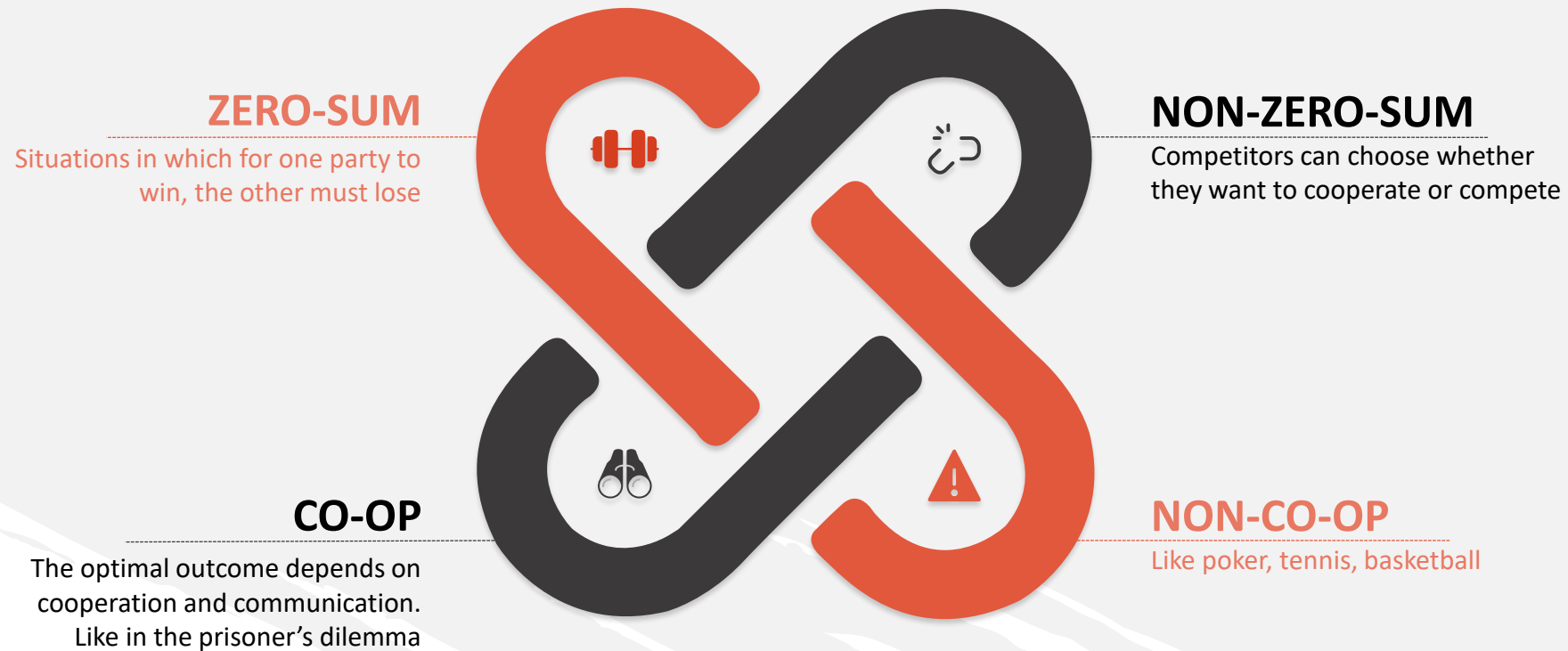
Analysing the competitive environment in an industry



Example: an analysis of the global sportswear industry (mature market)



Because decisions made by one company depend on decisions made by others



# Prisoner's dilemma

Two criminals arrested, suspected in a robbery. Police officers hold the two criminals in different interrogation rooms and offer them the following options.

If one confesses and the other one doesn't, the one who's confessed walks away free, while the other receives a 10-year sentence.

If both confess, they will receive a 5-year sentence each.

And if neither one confesses, they will both walk away free.



The diagram consists of two overlapping triangles. A smaller black triangle on the left is labeled 'OPTIMAL GLOBAL SOLUTION' and contains a lightbulb icon. A larger teal triangle on the right is labeled 'NASH'S EQUILIBRIUM' and contains a gear icon. The teal triangle is positioned such that its left side overlaps the right side of the black triangle, illustrating that the Nash equilibrium is not the optimal global solution.

NASH'S  
EQUILIBRIUM

If a player chooses a strategy and other players can't benefit by changing their strategies.  
For example, if one of the prisoners confesses, they would face 0-5.

Deny confessing altogether

OPTIMAL GLOBAL  
SOLUTION

# Prisoner's dilemma

## Tobacco company example (real life)

In 1971, the American government banned cigarette companies from advertising their products on TV. Instead of hurting their business, because less consumers would see their brand advertising...

All four major tobacco companies registered higher profits than before.


Win 50 million each, without spending money on advertising

  
OPTIMAL  
SOLUTION

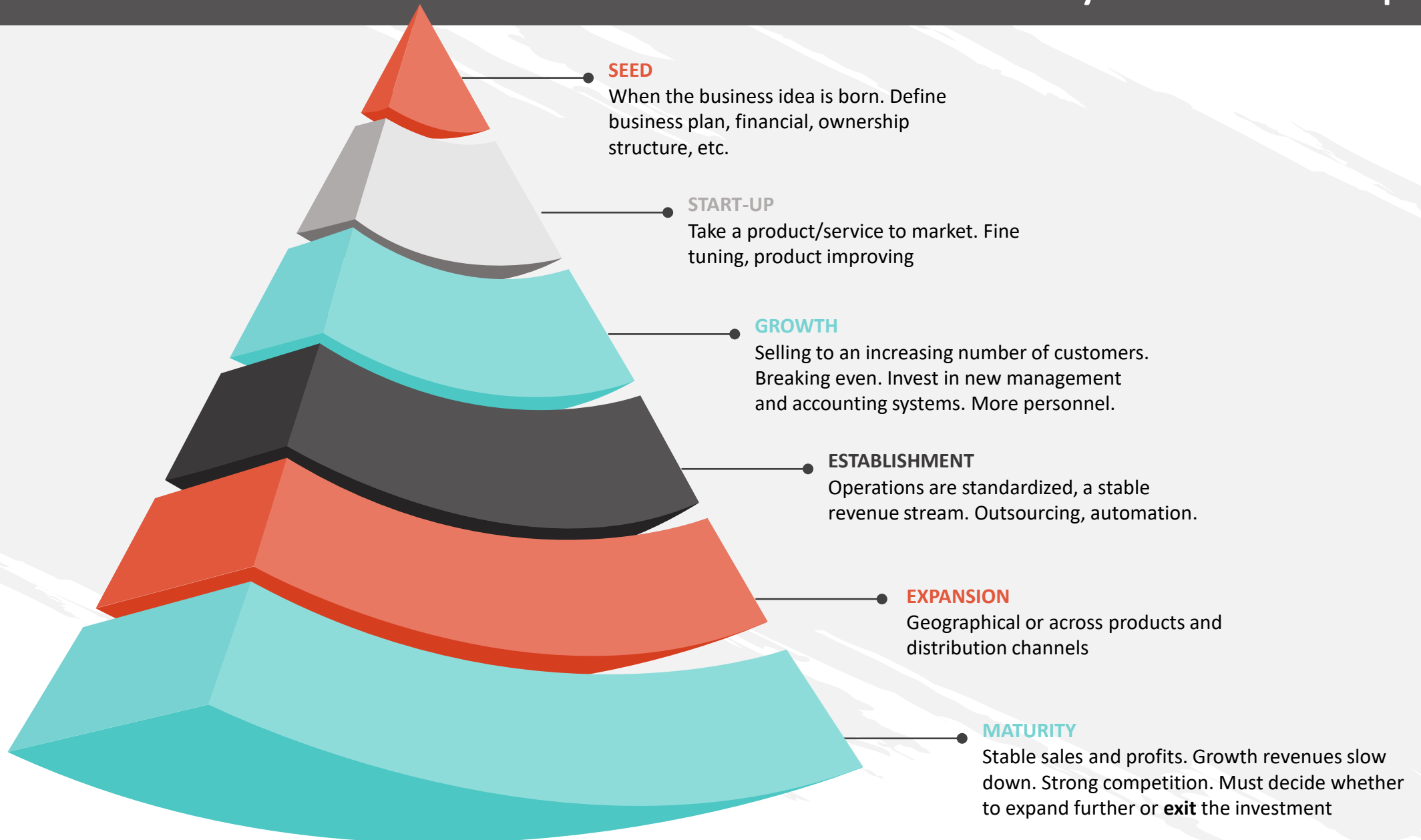
If both companies advertise, each wins \$40 million

  
NASH'S  
EQUILIBRIUM

If Company A advertises and Company B doesn't, then Company A will win \$60 million, and Company B will win \$25 million, and vice versa

  
WORSE OPTION

# The lifecycle of a company



# The lifecycle of a company (ctnd)



## EXIT

Selling the company to another firm operating in the same industry or to financial investors



# Competitive advantage

**Competitive advantage:** when a company provides buyers with comparable value more efficiently than other firms in its industry or creates more value for its buyers

A company has competitive advantage if and only if one or more of the following aspects is better than that of its competitors

Great products



High brand recognition



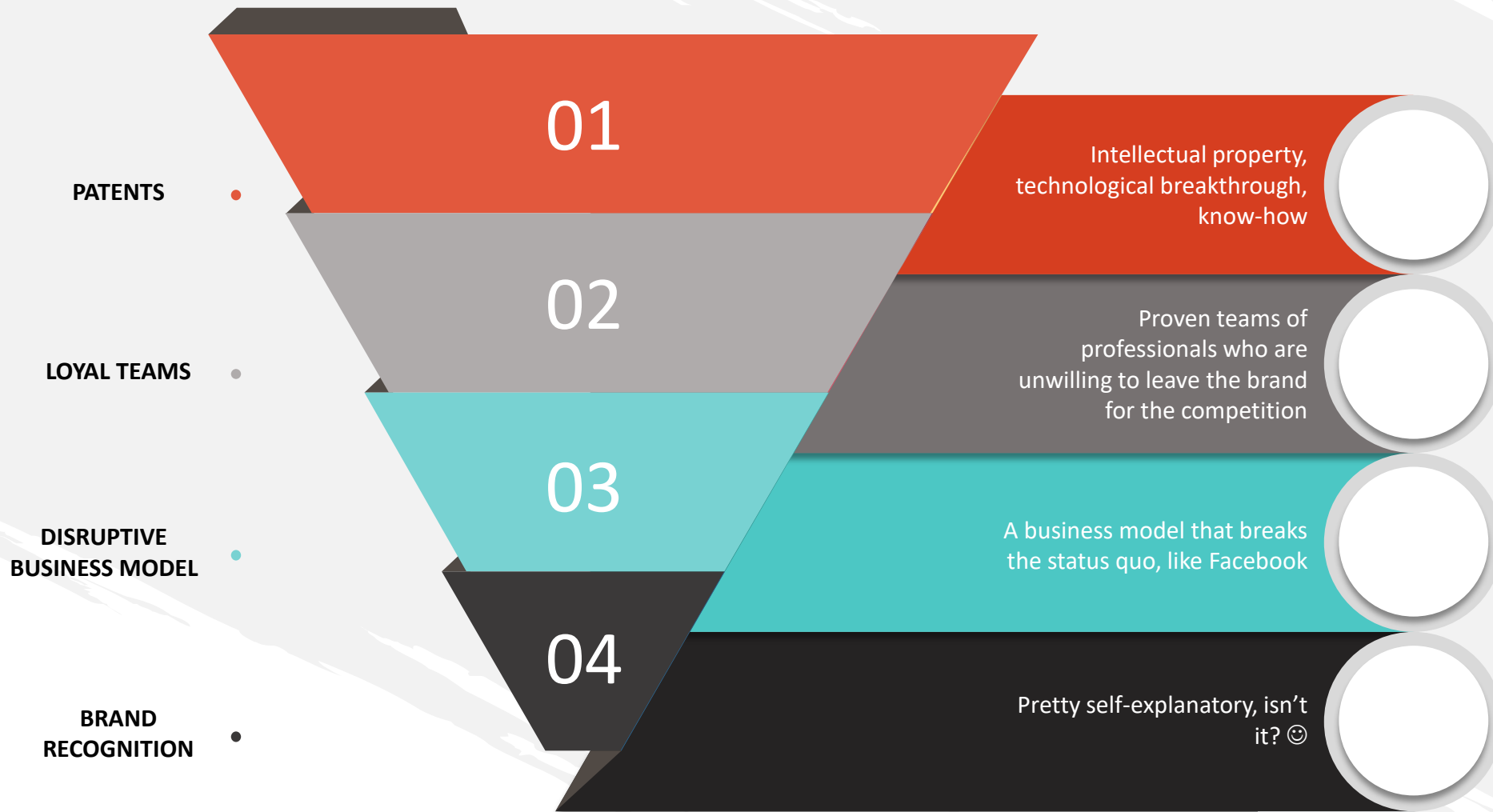
Large distribution networks



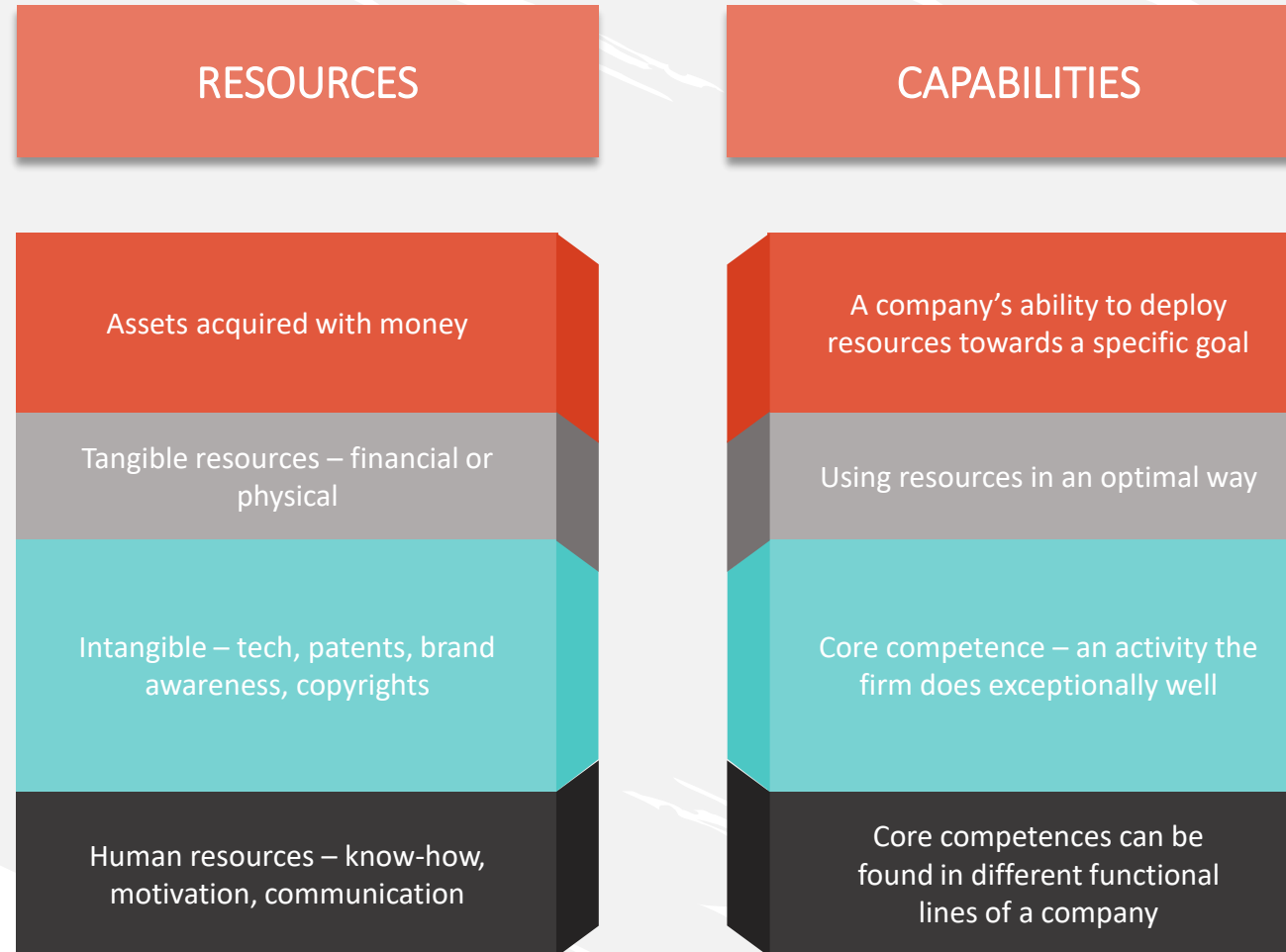
Talented staff



# Sources of sustainable competitive advantage



# Resources vs Capabilities



Companies should build a resource-based strategy that fully exploits their current capabilities

# Gaining a competitive advantage

## ASSESS RESOURCES

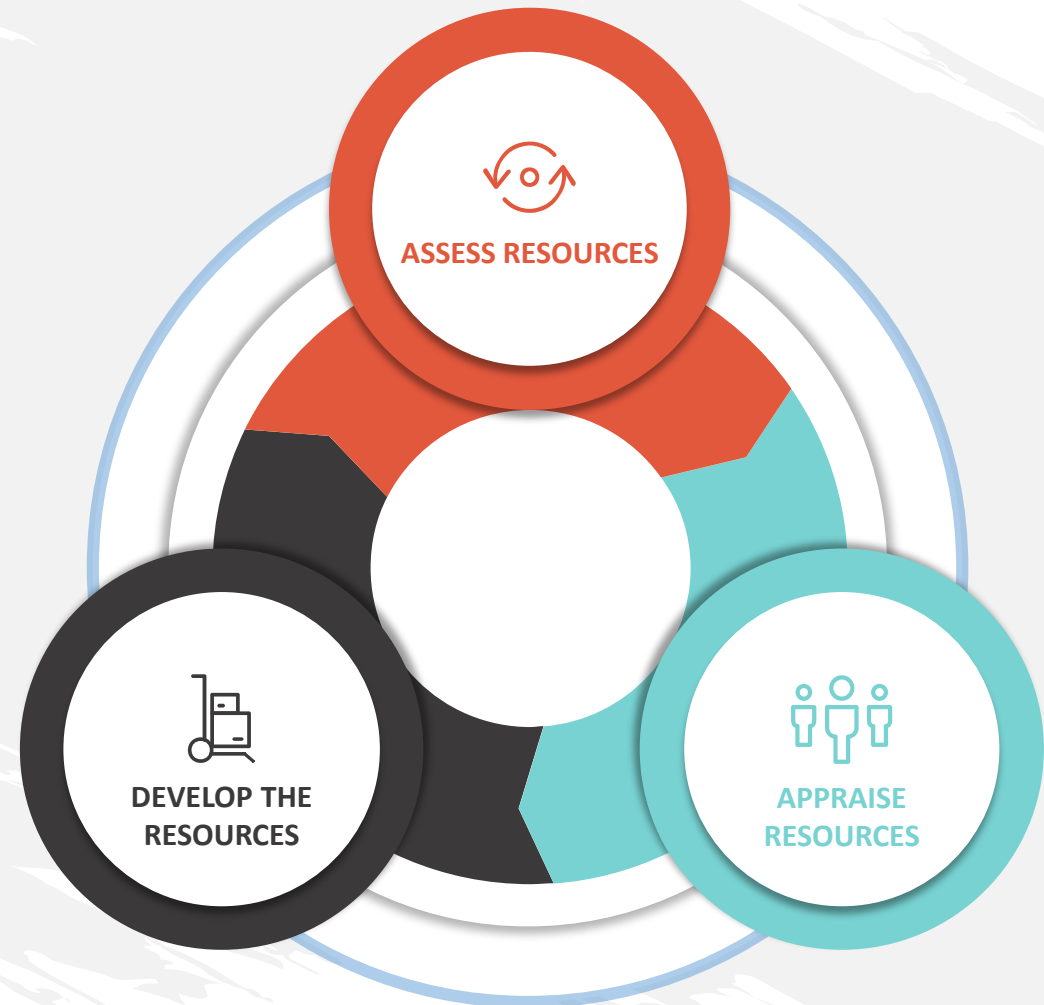
Identify the key success factors in your industry and the resources that would help gain them

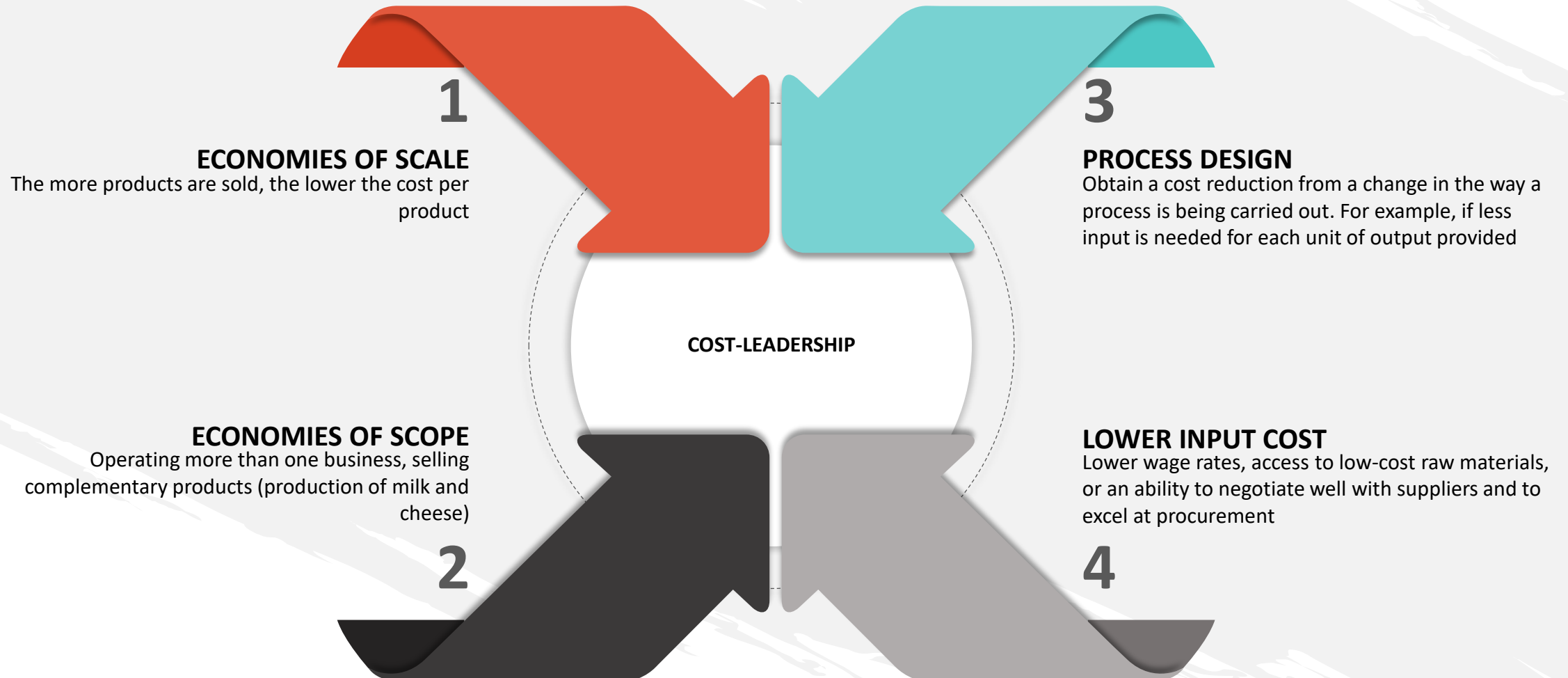
## APPRAISE RESOURCES

Identify and secure those resources that are scarce in the industry. The scarcer the resource, the likelier the competitive advantage

## DEVELOP THE RESOURCES

Invest in the resources and make sure their potential is used to the fullest





**1**

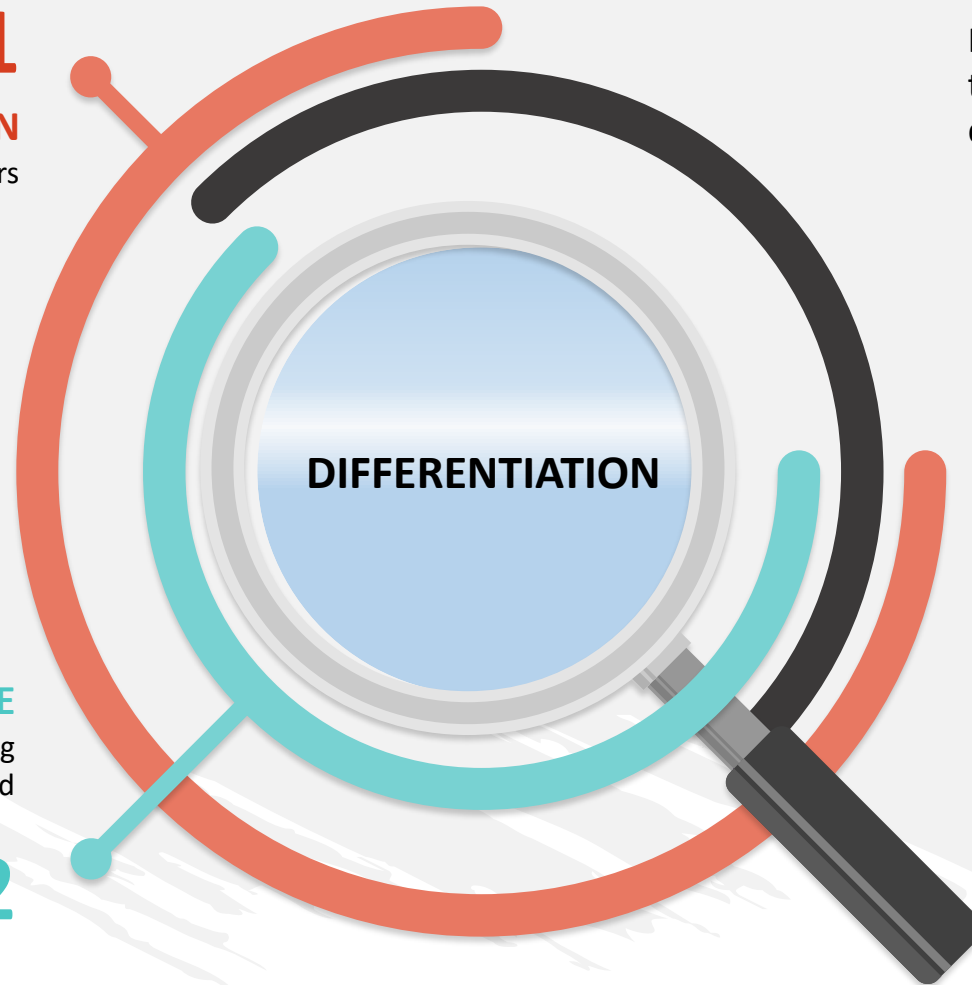
**PRODUCT DIFFERENTIATION**

Creating a better product than offered by competitors

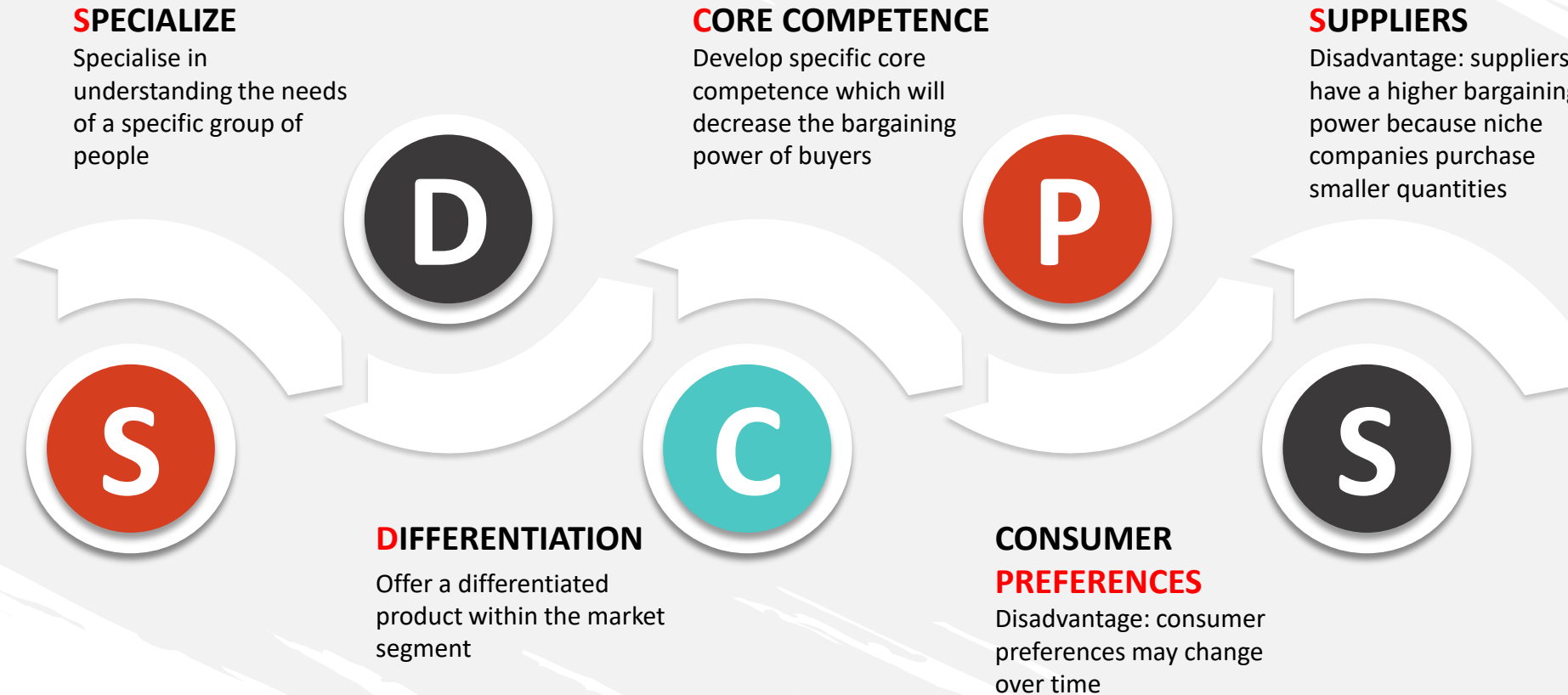
**ECONOMIES OF SCOPE**

Creating an image, symbols, and an overall positioning that reflect the way a company wants to be perceived

**2**

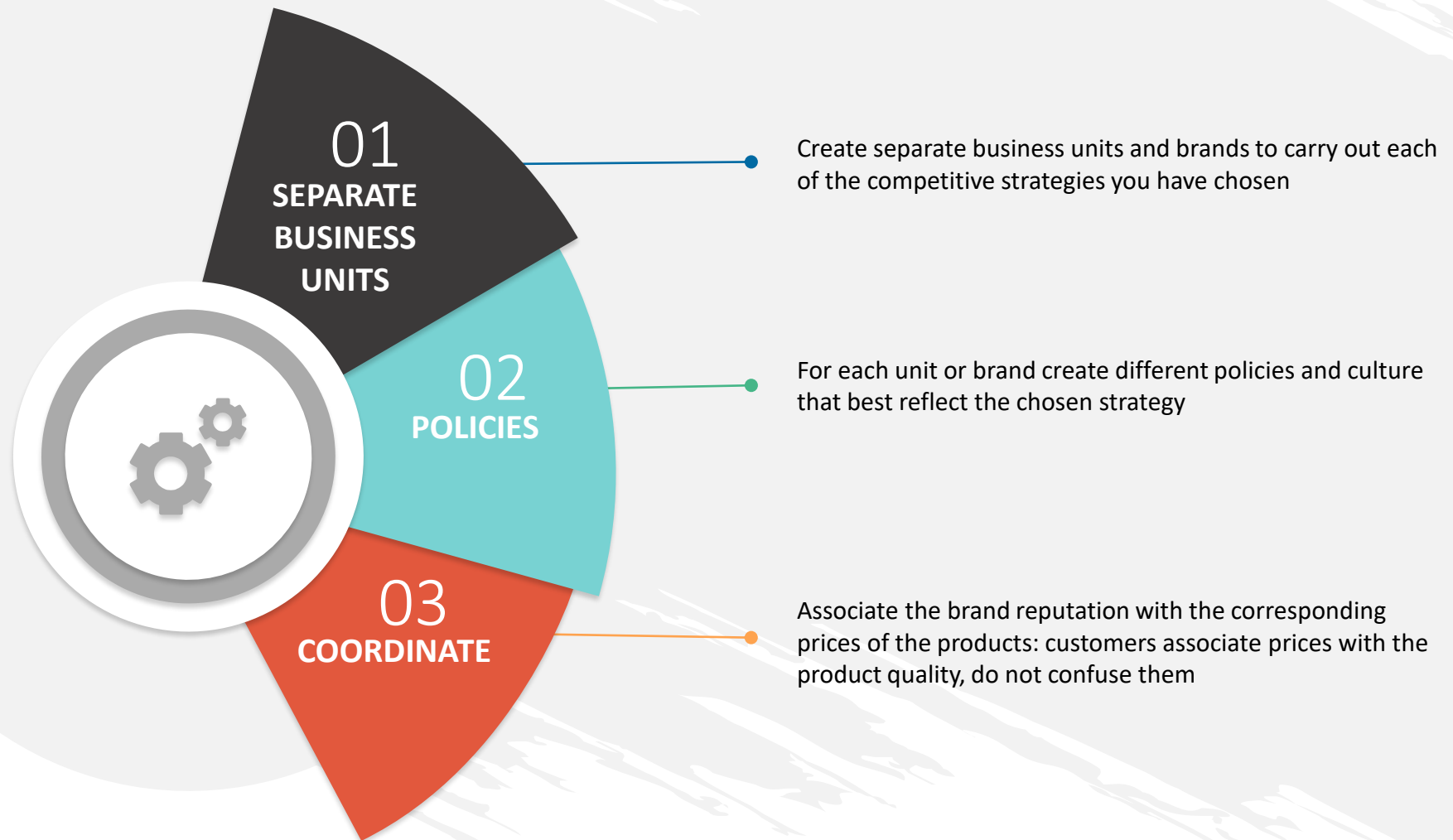


If a company wants to be successful in the long-term, it needs both types of differentiation



# Competitive advantage

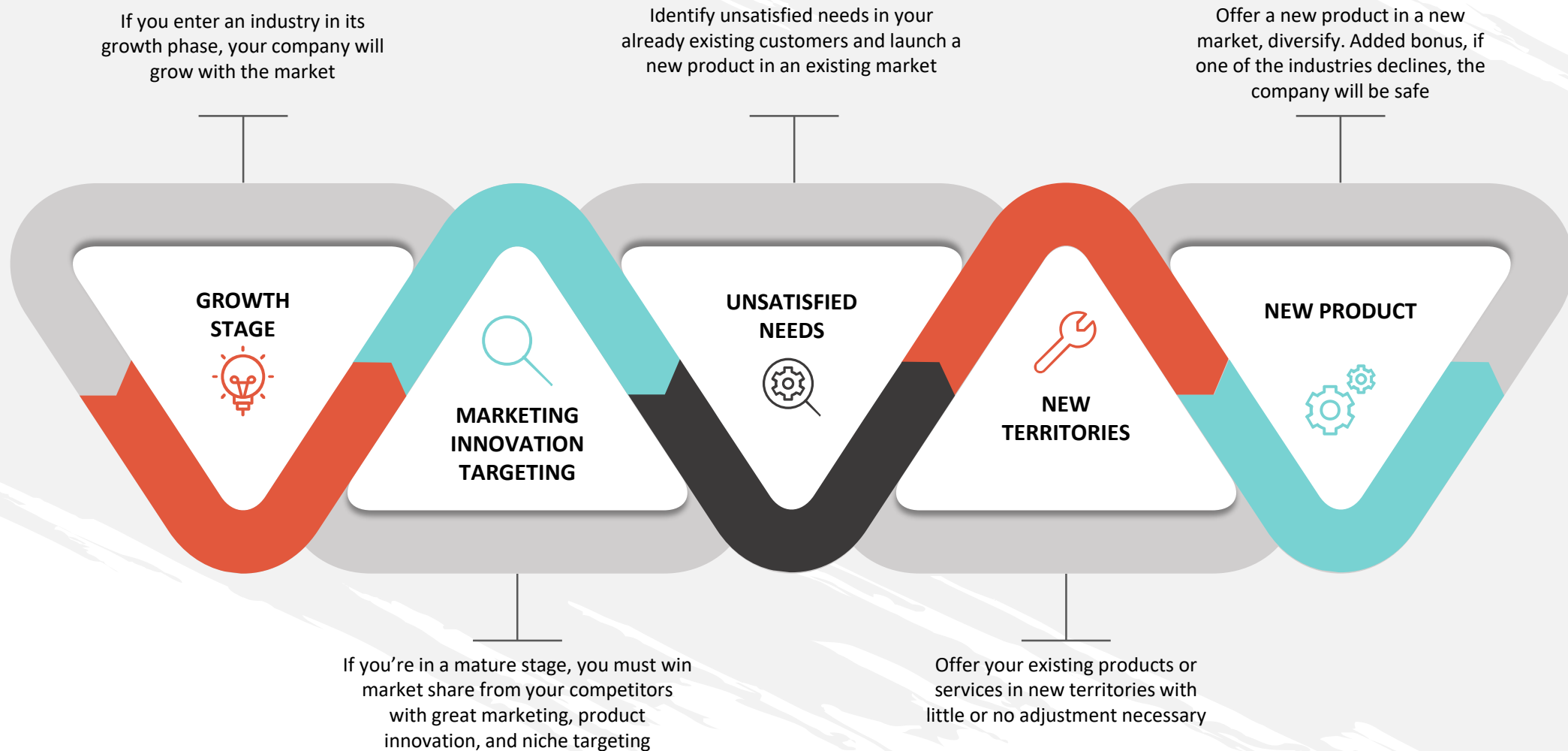
## Using hybrid strategies





# Organic vs inorganic growth

Organic growth – growing by expanding the existing business



# Organic vs inorganic growth

Inorganic growth – expanding the business through an M&A

## HORIZONTAL INTERGRATION

Acquiring or merging with another company that operates in the same industry and the same activity

Done because it makes sense from a strategic perspective

Or because the target company has great growth potential and has developed a product that's growing faster than the industry

The goal: gain market share and expand to new markets without the expense of starting a business from scratch

## VERTICAL INTEGRATION

Expanding the company activities across the supply chain, undertaking new aspects of the business

Allows the company to play a larger role in the value delivered to customers

Increases control and decreases dependence on suppliers and resellers, which improves the company's bargaining power

But this also increases the organizational complexity and creates a more rigid structure

