

**Prof. Giovanni Valentini**

Associate Professor, Strategic Management Department

## COMPETITIVE STRATEGY

### Introduction

Formulating a sound business strategy is one of the critical tasks for General Managers to ensure the success of the firms they lead. This course will thus focus on how to formulate the competitive strategy for the business of a firm.

Competitive Strategy formulation involves analyzing the industry you are in, determining how to position your firm within the competitive business environment, and identifying the core capabilities and the system of activities needed to create value and be successful. Other important facets of Strategic Management, such as Corporate Strategy (how to successfully combine different businesses) and Strategy Execution (the steps to translate a formulated business strategy into action) are not covered in depth in this class, but are rather offered as electives in the second year. Furthermore, several other second year courses build on this capstone course in Competitive Strategy such as courses on Competitive Dynamics, Industry and Competitive Analysis, Strategy in Luxury Goods Industries, Managing Corporate Growth, Globalization & Strategy, Strategy & Sustainability, Strategy Execution and Organizational Change, Responsible Investment, The Day-to-Day of a General Manager, the Management of Family Businesses, and Boards of Directors.

### Objectives

Thinking strategically is a skill difficult to master. The objective of the Competitive Strategy course is to push students to think strategically and critically in different competitive situations. The course introduces the students to a coherent framework of Value Creation, Value Capture and Sustainability of Competitive Advantage, and develops related concepts and critical insights that are used to analyze the competitive environment of a firm and its internal strengths and weaknesses.

### Learning Outcomes

1. Know and distinguish the different stages of the process of strategy formulation
2. Relate business strategy to functional strategies and corporate strategy
3. Evaluate the structural determinants of industry profitability and their dynamics
4. Perform a comparative economic analysis across different industries
5. Understand what is competitive advantage

6. Perform value analysis
7. Project how changes in the external environment might affect the profitability of a firm
8. Determine the optimal scope of a business
9. Analyze the drivers of value creation and value capture
10. Evaluate the sustainability of competitive advantage
11. Perform competitors' analysis
12. Evaluate the external, internal and dynamic consistency of a firm's business strategy

## Competences

### General Competences

- Strategic thinking
- Business planning
- Economic analysis
- Decision making under uncertainty
- Team work and communication

### Specific Competences

Develop strategic thinking skills for the General Manager to:

- Formulate a strategy for a business to create and sustain profitability
- Decide the competitive position of the firm, in terms of its vertical and horizontal integration, market segment in which it operates, and the market geographical scope
- Develop a successful plan to enter into a new market, or to understand when it is optimal to exit
- Operate a business consistently with the external constraints imposed by the industry, and shape the future environment of the firm
- Develop tactical plans to successfully operate in a competitive market and overcome the competition
- Develop a plan to build and develop internal competences and a consistent system of critical tasks to create sustainable competitive advantage
- Criticize and highlight the limitations of any given business strategy

## Content

The course consists of the following modules:

- I. Introduction. The purpose is to become familiar with the basic definition and concepts of business strategy.
- II. Competitive strategy - The building blocks. In this core module, we will explore the elements that compose the competitive strategy framework. First, we focus on how the industry and the

environment affect the performance of an individual business. Understanding the pressures of industry characteristics on the value of the business is a first step in formulating a strategy that attempts to isolate the business from these pressures in the future. We then take a closer look at the business itself. We define the competitive position of a firm, analyze its activities and capabilities, and determine which combinations of positioning, activities and capabilities result in a sustainable competitive advantage.

III. Competitive dynamics. In this module, we turn our attention to the dynamic aspects of strategy formulation, including competitive interactions and the creation of new market spaces. Understanding your competitors' moves and reacting appropriately is important. However, making strategic decisions that anticipate competitors' reactions is even more crucial for the viability of your business. We show that the framework and tools provided throughout the course remain helpful for this task.

## Methodology

The course presents the framework and concepts through the discussion and analysis of concrete business situations using real cases, interactive lectures, in-class exercises and presentations, and a simulation game. The concepts are integrated into our conceptual framework and applied in a course project. Required readings (Technical notes, Harvard Business Review, California Management Review, etc.) are included in the course packet and detailed in the program below.

## Evaluation

Participation	25%
Midterm Exam	25%
Final Project	25%
Team-based feedback on final project milestones	10%
Simulation	15%

### *Participation*

Strategic thinking is best learned through practice and use of strategic concepts. The cases we will discuss are about specific business situations; they are an opportunity to both apply the concepts we discuss in class as well as further develop our ability to think strategically about complex business problems. Discussions are an important part of the course, which makes it imperative that everyone attempts to regularly contribute to case discussions. Preparation for each class should be thorough and consistent from class to class. This includes reviewing the assigned readings and cases and answering all the discussion questions for each case. Because of the course emphasis on case analysis, the major and important part of your learning in this course will take place in the classroom. Participation grades are a function of your class contribution.

Repeating comments that other students have already made or missing class will obviously not add to your participation grade. In class participation, I value quality above quantity. Comments should try to aim at helping us understand the issues at hand while developing arguments in more depth. Finally, as part of class participation, you will also be asked to post individual feedback on other teams' final projects on Virtual Campus.

#### *Midterm Exam*

There will be an in-class midterm examination on the concepts developed during the first half of the course. The exam will consist of a short reading and related questions to evaluate how you apply the frameworks we saw in class.

#### *Simulation: Global Challenge*

The second part of the class also features a business simulation called Global Challenge. This simulation allows participants' to understand and practice business strategy in a global and dynamic competitive environment. The game integrates a range of concepts from various management-related disciplines, and will be a great setting to test your strategic thinking skills.

#### *Team feedback*

During the course, each team will be paired up to another team to provide feedback on each other's final project milestones. There is no restriction for the format in which to provide the feedback, as long as it's in written form. The quality, quantity and usefulness of the feedback will be rated 50% by the professor and 50% by the receiving team. Make sure to provide tough but constructive and implementable feedback. The receiving team should be able to use and implement the feedback for the final presentation.

#### *Final project*

A final course project replaces the final exam. You will act as a Strategy consultant and analyze and propose a solution for a strategic problem of a firm of your choice. You can choose among public firms, private firms, local start-ups, team members' family businesses, etc. You can also consider no-profit organizations, but please consult with me first.

The problem you will have to tackle needs to be strategic in nature, meaning that it will require at least a partial re-thinking of how a firm creates and captures value in the long term, thus changing the business strategy of the firm. Problems that are strictly functional in nature are off-topic (for instance, problems that are strictly operational or marketing-related). A strategic problem would require coordinating coherent changes across at least 3 functions of the firm. Common problems include but are not limited to:

- Performance gaps: the firm is suffering pressure on its profitability and is suffering (or will soon suffer) losses; make sure the problem is caused by the firm's erroneous strategy or by competitors, rather than simply lacking operational excellence;

- Opportunity gaps: a change in the firm's environment creates a new market opportunity that the firm could exploit to ensure its long-term success; the opportunity could be driven by a technological change, a change in demographics, change in the structure of neighboring industries, etc.
- Market entry: a firm is changing its geographic scope and entering into a new market, which will require adjustments in its business strategy (and a consideration of how the new strategy might impact the firms' previous market position)
- Sustainability threats: the firm is currently enjoying a successful ride but will need to develop a plan to shield off competition in the medium/long term;

The precise content of the project is up to you, although it is expected that the conceptual material of the course will provide the structure for the analysis. The greater part of the final output should consist of the analysis of the selected problem and a proposal for a solution, rather than a passive recounting of descriptive information.

## Professor's Biography



**Prof. Giovanni Valentini**

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Giovanni Valentini holds a PhD in Management from IESE Business. Prior to joining IESE, he was an Associate Professor of Strategy at Bocconi University, Milan. He has held visiting positions at Harvard University, University of Toronto, and KU Leuven.

Most of his research has tried to contribute to a better understanding of how firms can combine internal and external knowledge to gain competitive advantage through technological innovation and growth. More recently, he's also been interested in studying firms' non-market strategies. His academic work has been published in journals such as *Global Strategy Journal*, *Journal of International Business Studies*, *Organization Science*, *Research Policy*, *Strategic Organization*, and *Strategic Management Journal*. He is co-editor of *Industrial and Corporate Change*.

He served on the Executive Committee of the *Business Policy & Strategy* Division of the Academy of Management and is currently Representative-at-Large of the *Knowledge and Innovation I.G.* of the Strategic Management Society.

At IESE, Giovanni teaches the core Competitive Strategy course in the MBA program as well as an elective on Managing Corporate Growth. He also teaches Strategy modules at the Executive level, where he has collaborated with organizations from a variety of sectors.