

## COMPETITIVE STRATEGY

Instructor: Jeffrey Macher  
Professor – Strategy, Economics and Policy

E-mail: [jeffrey.macher@georgetown.edu](mailto:jeffrey.macher@georgetown.edu)

### COURSE OVERVIEW

Competitive Strategy is concerned with managing the development and competitive position of the business enterprise in order to ensure its survival and long-term success. Every firm must create and sustain a competitive advantage if it is to survive and prosper. This course provides frameworks, tools and concepts to help students analyze and understand the creation and sustainability of competitive advantage.

Political, economic, demographic and social environments differ and evolve across industries. Industries differ in the extent to which they provide opportunities for sustained profitability. Industries also evolve over time, providing firms with continuously changing opportunities and threats. The first section of the course examines the external (industry) environment.

While industry analysis provides firms insights into what they *must do* to succeed, it does not shed much light on what they *can do*. Resource and capability analysis provides an insight into firms' strengths and weaknesses (as they relate to the external environment). An understanding of internal strengths enables firms to fully exploit and build their capabilities to compete successfully, while an understanding of internal weaknesses suggests recommendations for improvement. The second section of the course focuses on examining the internal environment.

Firms in an industry jockey for position through their actions and interactions. Every firm seeks to obtain a unique and sustainable competitive position through an appropriate configuration of its assets and products in relation to the external environment in order to generate superior value for its customers. The third section of the course examines competitive advantage and competitive positioning.

Finally, firms need to understand their nonmarket environments, or the external forces that lie "beyond the market." Laws, regulations, institutions, and societal norms structure and shape market competition, and governments, regulators, courts, the media, non-governmental organizations, and activists all affect how firms compete and whether certain resources and capabilities are valuable. The fourth section of the course offers a brief introduction of the nonmarket environment.

## ADMINISTRATION

### Course Materials

Links to all of the course materials can be found at the Google drive course website. Course materials consist of journal articles, a note, and cases.

Journal articles represent some of the most popular *Harvard Business Review* and *Sloan Management Review* articles on strategy, and are either designated **WWZ** or **GD** in the syllabus. These journal articles are available digitally and free of charge via either the WWZ ADAM workspace or directly on the Google Drive website.

Notes similarly present strategy concepts. One note from Harvard Business School publishing is included and designated **HBS** in the syllabus. This note requires purchase and is available at the HBS coursepack website.

Cases come in two types. The first type is designated **GD** in the syllabus. These cases are available free of charge and posted to the Google Drive website. The second type is from Harvard Business School (HBS) and designated **HBS** in the syllabus. These cases require purchase and are available at the HBS coursepack website. For the latter material, you must first register on the site to create a user name if you do not already have one. The cost for the HBS coursepack material is around \$30 (USD). All coursepack materials are PDF documents and can be read using Adobe Acrobat Reader. You will have access to the course materials for several months.

You are responsible for reading the journal articles and cases in advance of class each day, and coming to class prepared to discuss them. The course outline below provides detailed information on the readings and cases to be prepared for each class session, as well as assignment questions for the cases. Any additional materials will be distributed on an as-needed basis via my Google drive website.

### Content, Communication and Scheduling

We will make extensive use of the internet for content distribution, e-mail communication and class sessions. I will provide an email update after every class session. All of the material presented in each class session will be available in Adobe Acrobat .pdf format. If you do not already have Adobe Reader, you can download it for free from [www.adobe.com](http://www.adobe.com). Our assignec classroom is in the faculty building. The in-class meeting times are as follows:

- |       |             |                  |       |             |                  |
|-------|-------------|------------------|-------|-------------|------------------|
| • MON | 27 JUN 2021 | 09.30-12.00 CEST | • MON | 04 JUL 2021 | 09.30-12.00 CEST |
| • TUE | 28 JUN 2021 | 09.30-12.00 CEST | • TUE | 05 JUL 2021 | 09.30-12.00 CEST |
| • WED | 29 JUN 2021 | 09.30-12.00 CEST | • WED | 06 JUL 2021 | 09.30-12.00 CEST |
| • THU | 30 JUN 2021 | 09.30-12.00 CEST | • THU | 07 JUL 2021 | 09.30-12.00 CEST |

### Attendance and Preparation

Regular attendance and good preparation are prerequisites for being a valuable participant in the class. If you will be unable to attend a class, please advise me as early as possible.

The sessions will start promptly on time and will run for the entirety. Arriving late or leaving early to the sessions is disruptive and lessens your contribution; please do so only when absolutely necessary. If you are unprepared, please let me know before the session starts. Preparation implies that you have completed the readings and cases, have addressed the study and case questions, and are prepared to discuss in the session.

## EVALUATION

### Grading

Grading will be based on your performance in class participation, two case write-up submissions, and a final exam. The grading weights are as follows:

Class Participation	30%
Case Write-ups (2)	30%
Final Exam	40%

### Class Participation

Class participation is graded every session on a scale from 0 to 4. If you do not attend a session, you get a 0. I do not understand the concept of how someone can “make up class participation” if it was missed. Do not bother asking me how to do this. If you attend session, you start out at a 2. You earn (and lose) points based on your performance. I emphasize quality over quantity participation. I will cold-call – from very basic and simple questions to more detailed and probing questions. Please be prepared.

Your participation in each session is expected to help both your own learning and that of your peers. Please come to each session prepared, which at a minimum means you had completed all of the readings and addressed the assignment questions. To participate effectively, offer focused comments which either show how a particular concept is illustrated in the case or how a substantive problem can be solved; avoid repeating case facts. Since the course uses cases extensively, discussion is an important part. In evaluating class participation, I will ask the following questions:

- Is the participant a good listener?
- Do the comments reflect careful analysis?
- Do the comments add to understanding of the situation?
- Is there a willingness to try new ideas or are all comments “safe”?
- Is the participant considerate of other class members?

### Case Write-up Submissions

Individuals or teams (of up to four students) must submit two case write-up during the course, before the start of class on the day in which the case is discussed. One case write-up must be completed in the first week of the course (i.e., Sessions 01–04) and one case write-up must be completed in the second week (i.e., Sessions 05–06 and 08). **Note: Coppersea is not eligible as a case write-up.**

Each case write-up submission is up to three pages of text (1.5 line spacing, 12-point Times New Roman font) and up to one page of accompanying exhibits (figures, charts, tables, etc.), if appropriate. Do not include any other attachments. Address all of the case questions (not reading questions) listed in the detailed course outline.

### Final Exam

The final exam will be administered at the end of the course and take place on 12 July 2022, 16:15. The final examination is cumulative, open book, and in-person (i.e., in-class).

More information on the format and content of the exam will be provided during the course.

## COURSE OUTLINE (SHORT)

DAY	SES	TOPICS	READINGS	CASE
<b>EXTERNAL ENVIRONMENT</b>				
27 JUN	01	Introduction Industry Structure & Five Forces	<b>WWZ</b> Porter (1996) <b>WWZ</b> Porter (2008)	<b>GD</b> US Airline Industry
28 JUN	02	Industry Structure & Value Net	<b>WWZ</b> B&N (1995)	<b>GD</b> Home Video Games
<b>INTERNAL ENVIRONMENT</b>				
29 JUN	03	Resources and Capabilities	<b>WWZ</b> C&M (2008)	<b>HBS</b> Aldi
30 Jun	04	Resources and Capabilities	<b>WWZ</b> P&H (2008)	<b>HBS</b> Zara
<b>COMPETITIVE ADVANTAGE AND POSITIONING</b>				
04 JUL	05	Low Cost Advantage	<b>HBS</b> G & R (2006)	<b>HBS</b> Airborne Express
05 JUL	06	Differentiation Advantage	<b>HBS</b> G & R (2006)	<b>HBS</b> Ducati
06 JUL	07	Resource Partitioning	<b>GD</b> Baum et al. (2008)	<b>HBS</b> Coppersea
<b>NONMARKET ENVIRONMENT</b>				
07 JUL	08	(IA) <sup>3</sup>	<b>WWZ</b> Bach & Allen (2010)	<b>HBS</b> Porter Airlines

**WWZ** – ADAM Material; **GD** – Google Drive Material; **HBS** – HBS Material

## COURSE OUTLINE (DETAILED)

---

<b>SES 01</b>	<b>Introduction</b>
<b>Readings</b>	<b>WWZ</b> Porter (1996) <i>“What is Strategy”</i>
<b>Questions</b>	<ol style="list-style-type: none"><li>1. What is strategy?</li><li>2. Is operational effectiveness strategy?</li><li>3. Is competitive positioning strategy?</li></ol>
	<b>Industry Structure and Five Forces</b>
<b>Reading</b>	<b>WWZ</b> Porter (2008) <i>“The Five Competitive Forces That Shape Strategy”</i>
<b>Questions</b>	<ol style="list-style-type: none"><li>1. How might the structural characteristics of an industry influence firm strategy?</li><li>2. When is the bargaining power of buyers and suppliers greatest?</li><li>3. How can firms reduce threats from new entrants, rivals or substitutes?</li></ol>
<b>Case</b>	<b>GD</b> <i>The U.S. Airline Industry in 2018</i>
<b>Questions</b>	<ol style="list-style-type: none"><li>1. Assess the overall financial performance of the US airline industry during the past 20 years.</li><li>2. To what extent can the industry’s low average profitability during this period be attributed to the structure of the industry? Which of Porter’s five forces has had the biggest impact in depressing industry profitability?</li><li>3. What is the outlook for industry profitability during the next five years (2018-2023)?</li><li>4. Are there any strategies used by the airlines that have been effective in moderating the forces of competition? Are there any strategies that the airlines could use to improve industry profitability in the future?</li></ol>

---

<b>SES 02</b>	<b>Industry Structure and The Value Net</b>
<b>Reading</b>	<b>WWZ</b> Brandenburger and Nalebuff (1995) <i>“The Right Game: Use Game Theory to Shape Strategy”</i>
<b>Questions</b>	<ol style="list-style-type: none"><li>1. What does the Value Net add beyond Porter’s Five Forces to firm strategy?</li><li>2. What is the role and importance of complementors?</li></ol>
<b>Case</b>	<b>GD</b> <i>Video Game Console Industry in 2018</i>
<b>Questions</b>	<ol style="list-style-type: none"><li>1. What are the key success factors in the video games hardware industry?</li><li>2. In what sense and for what reasons is this a “winner-take-all” market?</li><li>3. What strategies and circumstances have allowed newcomers to unseat established market leaders and reshape the industry?</li><li>4. What does Sony need to do to regain market share? What should Microsoft do? What should Nintendo do?</li></ol>

---

---

<b>SES 03</b>	<b>Resources and Capabilities</b>
<b>Readings</b>	<b>WWZ</b> Collis and Montgomery (2008) <i>“Competing on Resources”</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What are resources? What are capabilities?</li> <li>2. How can resources and capabilities be appraise, measured and leveraged?</li> <li>3. What are the challenges in developing resources and capabilities?</li> </ol>
<b>Case</b>	<b>HBS</b> <i>Aldi: The Dark Horse Retailer</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What strategic trade-offs does Aldi make?</li> <li>2. What resources must Aldi invest in to support its global strategy?</li> <li>3. What capabilities must Aldi invest in to support its global strategy?</li> <li>4. Is Aldi’s strategy difficult for competitors to replicate? Why or why not?</li> </ol>

---



---

<b>SES 04</b>	<b>Resources and Capabilities</b>
<b>Readings</b>	<b>WWZ</b> Prahalad and Hamel (1996) <i>“The Core Competence of the Organization”</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What are the core competencies of an organization?</li> <li>2. How can competencies be redeployed?</li> <li>3. Can core competencies become core rigidities?</li> </ol>
<b>Case</b>	<b>GD</b> <i>Zara: Fast Fashion in the Digital Age</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What is Zara’s strategy for competing in the fashion industry?</li> <li>2. Does Zara have a competitive advantage over rivals? If so, what tradeoffs make Zara’s strategy difficult for competitors to implement?</li> <li>3. From a value chain perspective, what resources and capabilities does Zara possess that allow it to be successful?</li> <li>4. Should Zara modify its business model and operating systems to account for (1) its increasing size, (2) its global footprint, and (3) its online sales?</li> </ol>

---

---

<b>SES 05</b>	<b>Low Cost Advantage</b>
<b>Readings</b>	<b>HBS</b> Ghemawat & Rivkin (2006). "Creating competitive advantage."
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What is competitive positioning?</li> <li>2. What is competitive advantage?</li> <li>3. What activities does low cost advantage rely on?</li> </ol>
<b>Case</b>	<b>HBS</b> <i>Airborne Express</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. How and why has the express mail industry structure evolved in recent years? How have the changes affected small competitors?</li> <li>2. How has Airborne Express survived, and recently prospered, in this industry?</li> <li>3. Quantify Airborne Express' sources of competitive advantage. <p>HINT 1 – It is often useful to analyze a company's cost position relative to its rivals and to examine the willingness to pay (WTP) of customers for the company's products relative to competitors' products. The case allows you to analyze the relative costs of Airborne Express in detail. Compare the costs of an overnight letter shipped by Airborne Express to one shipped by Federal Express.</p> <p>HINT 2 – To examine relative costs, start with the cost structure of a Federal Express overnight letter, given in Exhibit 3. Use information in the case and your understanding of what influences each cost item to estimate each of the items for Airborne Express.</p> <p>HINT 3 – The case does not allow you to compare WTP across companies more than qualitatively, but it does permit you to examine relative prices.</p> </li> <li>4. What must Robert Brazier, Airborne Express' President and COO, do in order to strengthen the company's position? <p>HINT 4 – In preparing your answers, the table available on the course website might be useful in keeping track of the differences among the competitors.</p> </li> </ol>

---



---

<b>SES 06</b>	<b>Differentiation Advantage</b>
<b>Readings</b>	<b>HBS</b> Ghemawat & Rivkin (2006). "Creating competitive advantage."
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What is competitive positioning?</li> <li>2. What is competitive advantage?</li> <li>3. What activities does differentiation advantage rely on?</li> </ol>
<b>Case</b>	<b>HBS</b> <i>Ducati</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. How did Ducati become the second most profitable motorcycle maker in the world, despite its small scale? What is the fundamental economic logic of its turnaround strategy?</li> <li>2. Can Ducati sustain its position and competitive advantage in the sports segment? Can Honda and the other Japanese manufacturers stop its growth in this segment?</li> <li>3. What strategic alternatives are available to Ducati in 2001? Should Ducati offer cruisers?</li> <li>4. What alternative would you recommend? Why?</li> </ol>

---

---

<b>SES 07</b>	<b>Resource Partitioning</b>
<b>Readings</b>	<b>GD</b> Baum, Dobrev and van Witteloogstuijn (2008) "Strategic Ecology: What Management Can Learn From Ecology" <i>Rotman Magazine</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What is strategic ecology and resource partitioning?</li> <li>2. What economic, social and industrial conditions make it possible for small specialty producers to operate and thrive in mature industries dominated by large established producers operating at a large scale?</li> <li>3. What are representative industries where generalists and specialists compete?</li> <li>4. What activities do these respective approaches tend to rely on?</li> </ol>
<b>Case</b>	<b>HBS</b> <i>Coppersea</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What is Coppersea's strategy?</li> <li>2. Does Coppersea have a competitive advantage? What is it? How sustainable is it?</li> <li>3. What is the analogy underlying Coppersea's strategy, exactly? State it.</li> <li>4. Evaluate the analogy underlying the strategy. Do you accept it? Why or why not? How strong or weak is it? Why?</li> </ol>

---



---

<b>SES 08</b>	<b>(IA)<sup>3</sup></b>
<b>Readings</b>	<b>WWZ</b> Bach & Allen. (2010) "What Every CEO Needs to Know About Nonmarket Strategy" <i>Sloan Management Review</i> .
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. What is the (IA)<sup>3</sup> Framework?</li> <li>2. How do arenas and institutions, interests, and actors and assets differ in public politics (e.g., government-related issues) versus private politics (e.g., activist-related issues)?</li> </ol>
<b>Case</b>	<b>HBS</b> <i>Porter Airlines</i>
<b>Questions</b>	<ol style="list-style-type: none"> <li>1. Politics aside, does an investment in a new airline at TCCA represent a sound business strategy? How can a new airline compete with Air Canada and survive in the long run? What competitive strategy should Porter Airlines pursue?</li> <li>2. Apply the (IA)<sup>3</sup> framework to the debate over TCCA.</li> <li>3. Outline a broad strategy to ensure a Tripartite amendment is agreed to by the three signing parties as sought by Deluce. Whom do you need to gain the support of? How do you gain support?</li> </ol>

---