



STRATEGY
Full-time MBA
March - April 2023

Faculty

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Course Overview

This is a course in Strategy and is meant to give a foundational knowledge of frameworks and concepts in the field of strategy. The course will first introduce the economics of strategy, which covers external industry factors and analysis and then move on to internal strategy formulation, analysis and implementation.

This course focuses on questions like: How to position the organization in the industrial context? How to obtain competitive advantage? How to retain competitive advantage? We will be exploring different concepts and tools that can help you identify the competitive positioning, the resources the company needs to obtain, and the organisation it needs to build. We will also focus on how you develop and implement a consistent and coherent strategy in today's dynamic and competitive business world.

Strategic analysis assumes that most resource and product markets are fundamentally imperfect and are not necessarily in competitive equilibrium. In fact, they would often seem to be in a state of permanent disequilibrium. Opportunities constantly emerge when industry conditions change, or when innovating firms change these conditions. Firms achieve competitive advantage by understanding these conditions and opportunities, by designing strategies and organizations that match their capabilities to available opportunities and by executing well. We will therefore also discuss your roles as responsible general managers in organizations and how you can manage and implement strategy.

The course covers a number of analytical tools and frameworks that facilitate the implementation of this process.

Class Dynamics and Preparation

This course relies heavily on the case discussion approach and it is therefore important that you read the cases carefully in preparation for each class. We will spend a substantial part of each class discussing the assigned case. This is a very interactive process that seeks to get multiple

viewpoints and perspectives on the table and to debate the pros and cons of various alternatives and ideas. We will also discuss the conceptual frameworks that are useful in analysing general strategy issues found in the cases and real business settings.

Learning Objectives

To achieve the grade 12, students should meet the following learning objectives with no or only minor mistakes or errors. At the end of this course, the participant should be able to:

- Discuss the logic of key models, frameworks and analytical approaches from the Strategic Management course
- Correctly select and apply frameworks, concepts and theories from the Strategic Management course to a given case situation
- Present argumentation for the relevance of the selected frameworks, concepts and theories to the given case

Evaluation

Elements of evaluation	Base of evaluation	Weight
Written home assignment	Individual	100%

The exam is available on Friday the 14th of April, 2023 and is due on digital exams on Monday the 24th of April, 2023 at 23:59 (CET). The paper must not exceed 10 pages and should follow the CBS Standard formatting. The exam format is to answer a set questions on the basis of a given case.

Course Materials

- Readings and cases are specified in the outline below
- Electronic copies of slides are posted on CBS Canvas, an incomplete slide deck may be posted before the session, and a full slide deck is posted after the session.

Textbook

<i>Title</i>	<i>Year</i>	<i>Author</i>
Economics of Strategy (International Student Version, John Wiley & Sons)	2017, 7 th edition (earlier version also ok)	D.Besanko, D.Dranove, S.Schafer, M.Shanley:

Overview of Cases

<i>Session Number</i>	<i>Case Title</i>	<i>Country Setting</i>	<i>Industry</i>
4&5	Airborne Express	USA	Logistics
6&7	Dogfight over Europe: Ryanair (A)	UK	Airlines
8&9	The Ready-to-Eat Breakfast Cereal Industry in 1994 (A)	USA	Food & Beverage
10	Honda A	Japan and USA	Motorcycles
11	Shandong Moris	China	Chemicals

12	The Formula 1 Constructors	Global	Car Racing
13	Axel Springer in 2016: From Transformation to Acceleration?	Germany	Publishing / News / Digital
14	Innolume's Growth Strategy	Germany	Laser technology
15	Harvey Golub: Recharging American Express	USA	Credit cards, Banking

Detailed Class Schedule

Monday March 20th, 2023 with L. Mors

Session 1 – Introduction to strategy

Key concepts: Strategic choices, Business model framework

Case: Nespresso. No case to read or prepare in advance of this session.

Reading:

- Costas Markides. 1999. "Put innovation back into strategy", Chapter 1 "All the Right Moves"
- Freek Vermeulen. 2017. "Many strategies fail because they're not actually strategies."
Harvard Business Review, November.

Monday March 27th, 2023 with M. Asplund

Sessions 2 and 3 – Industry analysis; Competition and Competitors.

Key concepts: Porter's five forces; market delineation; product differentiation; price competition.

In this session we will briefly explain the widely used "Porter's five forces" framework to analyze the attractiveness of an "industry", and at the same time point out some of its limitations. In fact, an "industry" is typically not the same as a "market" and it is important to be able to identify direct competitors, and we develop a test for market boundaries. This is closely related to product differentiation, and we will explore how firms compete in prices when they are selling differentiated products (building on insights from core course).

Reading:

Besanko et al. chapter 8 Industry Analysis, and chapter 5 Competitors and Competition (excluding section on Cournot quantity competition)

Michael E. Porter, The Five Competitive Forces that Shape Strategy, *Harvard Business Review*, 2008:78-93.

Relevant exercises: Airbus and Boeing (A&B) 4,5; Diapers (D) 1; Hearing aids (H) 2,4; Cannabis (C) 2,3; Adult diapers (AD) g; Razors (R) 1

Tuesday March 28th, 2023 with M. Asplund

Sessions 4 and 5 – Strategic Positioning

Key concepts: Competitive advantage; cost/benefit leadership

The profit opportunities of a firm depend on both the general attractiveness of the market where it is active and its relative position versus its competitors. In this session we provide a general framework to strategic positioning, and generic strategies for competitive advantage.

Reading:

Besanko et al. chapter 9 Strategic Positioning for Competitive Advantage.

Relevant exercises: A&B 2,3; D 2,3,4; H 1,3; C 1; Di a,b, d, g; AD a; R 2

Case: Airborne Express (HBS 9-798-070)

Assignment questions to be prepared before the session: What is the market where Airborne Express is active? Perform a five forces analysis of the industry. How has the market evolved over time? Which are the key strategic variables under firms' control? Which are the key competitors in the market and how are they positioned? What are the current differences between FedEx and UPS? How have the differences between FedEx and Airborne Express evolved over time? What kind of customers is Airborne Express targeting, and how is it structuring its operations to serve these customers? Compare the value chain of Airborne to that of FedEx – does Airborne Express have a competitive advantage? What are the threats to Airborne Express? What can be done to mitigate any identified threat?

Wednesday March 29th, 2023 with M. Asplund

Sessions 6 and 7 – Market Entry

Key concepts: Entry barriers; entry deterrence; market structure I.

The main force that tends to depress profits of incumbent firms is entry. The session is about the possibilities to adopt strategies to deter entry or, if that is not possible, how to get a favorable position after entry is a fact. We also explore the determinants of market structure.

Reading:

Besanko et al. chapter 6 Entry and Exit, and chapter 7 Dynamics: Competing across Time.

Relevant exercises: A&B 6,7; H 5,6,7; C 4; Di e,f,i; AD b,c,d,e ; R 2

Case: Dogfight over Europe: Ryanair (A) (9-700-115)

Assignment questions to be prepared *before* the session: What is Ryan Air offering with its new Dublin-London route? How is Ryan Air positioned relative to the incumbents? How does Ryan Air's cost position compare to that of British Airways and Air Lingus on the Dublin-London route in 1986? Can Ryan Air be profitable on the route at the launch fares? What is your assessment of Ryan Air's launch strategy? How do you expect British Airways and Air Lingus to respond?

Thursday March 30th, 2023 with M. Asplund

Sessions 8 and 9 – Dynamics of Competition

Key concepts: Endogenous and exogenous sunk costs; market structure II; repeated interaction

In analyzing an industry it is important to examine the mode of competition and how it is likely to change in the future. There are two main messages here. First, the fine details of interaction make a big difference. Second, there are predictable changes in the nature of competition as the market matures and grows.

Reading:

Besanko et al. chapter 7 Dynamics: Competing across Time.

Relevant exercises: A&B 1; D 5,6,8; H 8; C 5,6,8 ; Di c; AD f,g R 5

Case: The Ready-to-Eat Breakfast Cereal Industry in 1994 (A) (HBS 9-795-191)

Assignment questions to be prepared *before* the session: How has the market evolved over time? Why has the RTE breakfast cereal firms been so profitable in the past? Which are the key competitors in the market? How have the key competitors evolved over time? Why is Philip Morris different from Kellogg and General Mills? Which are the key strategic variables under firms' control? What about the private labels -why and how are they entering? Are the private labels a threat to Kellogg, General Mills, and Philip Morris? How should they deal with the threat from private labels? What about the increased use of promotions and coupons? Why is it happening, and is it a big problem for the Big 3? Are the problems with private labels and promotions/coupons somehow linked to each other?

Tuesday April 11th, 2023 with L. Mors

Session 10 – Planning versus Learning

Key concepts: Planning vs learning debate, Learning curve, strategy implementation and adaptation, the role of luck in strategy

Case: Honda A (HBS 9-384-049)

(Honda B, HBS 9-384-050 to be distributed in class)

Please consider the following questions prior to class:

1. Why was Honda so successful in invading the US motorcycle market?
2. Based on the case, how do you think that Sochiro Honda spent his time? How did he add value? What kind of person was he?
3. What messages does the Boston Consulting Group's report on Honda (from which this case study is extracted) send to top managers?

Reading:

- Besanko et al. Chapter 2, section "The Learning Curve"
- David Collis. 2016. "Lean strategy: Start-ups need both agility and direction." *Harvard Business Review*, March.

Optional reading:

- Henry Mintzberg and James A. Waters "Of Strategies, Deliberate and Emergent", *Strategic Management Journal*, 1985, Vol. 6, pp257-272.

Session 11 – Corporate strategy.

Key concepts: Diversification, corporate strategy, hidden champions

Case: Shandong Moris Chemical Co. Ltd.: A hidden champion in the brine chemical industry. Case ref. 9B20M117.

Please consider the following questions prior to class:

4. Evaluate Moris' diversification into bromine based chemicals.
5. Should Moris diversify further into the cultural and creative industries?

Reading:

- Besanko et al. Chapter 2, section "Diversification" and Chapter 3, section "Make versus Buy"
- Donald Sull, Stefano Turconi, Charles Sull, James Yoder. 2017. "Four logics of corporate strategy." *Sloan Management Review*, winter issue.

Optional reading:

- Costantinos Markides. 1997. "To diversify or not to diversify." *Harvard Business Review*, November - December.

Wednesday April 12th, 2023 with L. Mors

Session 12 – Internal sources of Competitive Advantage: The Resource-Based View

Key concepts: Resource-based view, VRIO framework

Case: The Formula 1 Constructors (Case ref 301-056-1)

Please consider the following question prior to class:

1. How does Ferrari develop competitive advantage in Formula 1 racing?

Reading:

- Besanko et al., Chapter 11, section “The resource-based theory of the firm”
- Collis, D. J., Montgomery, C. A. 2008. Competing on Resources. *Harvard Business Review*, July-August, 140-150.

Optional reading:

- Dierickx and Cool. “Asset stock accumulation and sustainability of competitive advantage.” *Management Science*. 1989.
- Jay Barney, “Looking inside for competitive advantage”, *Academy of Management Executive*, 1995, Vol. 9, Issue 4

Session 13 – Dynamic capabilities and organizational ambidexterity

Key concepts: Ambidexterity, dynamic capabilities, organizational transformation, organizational culture, Blue Ocean Strategy

Case: Axel Springer in 2016: From transformation to acceleration (Stanford E-610)

1. How has Matthias Döpfner managed to transform Axel Springer?
2. What are the strategic challenges that Axel Springer faces in the next three to five years and how should they be addressed?
3. If you were Matthias Döpfner how would you like the digitally transformed publishing industry to look in 2020?

Reading:

- W. Chan Kim and Renee Mauborgne. “Value Innovation: The strategic logic of high growth.” *Harvard Business Review*. 2004. Vol. 82(7/8), pp. 172-180.
- Charles O'Reilly III and Michael L. Tushman, “Organizational Ambidexterity in Action: How Managers Explore and Exploit.” *California Management Review*. 2011, Vol 53, pp 5-22.

Optional reading:

- Dorothy Leonard-Barton, "Core Capabilities and Core Rigidities: A paradox in managing new product development", *Strategic Management Journal*. 1992, Vol. 13, Special Issue

Thursday April 13th, 2023 with L. Mors

Session 14 – The Challenges of Cultural Fit and Growth

Key concepts: Strategy implementation, growth, organizational culture and fit with strategy

Case: Innolume's growth strategy requires a culture change (IMD 7-2370)

Please consider the following questions prior to class:

1. Does Innolume need a turnaround? Should it continue focus on customized production of a highly diversified portfolio (100 customized products) or refocus to mass production (two or three products)?
2. Does Innolume need a cultural change? If so, how can the new CEO Hans Peter make this change?

Reading:

- Besanko et al. Chapter 14: Environment, Power, and Culture.

Session 15 – Organizational Structure and Fit with Strategy

Key concepts: Strategy turnaround, organizational environment, managements role in strategy implementation

Case: Harvey Golub: Recharging American Express (HBS 9-396-212)

Please consider the following questions prior to class:

1. What was Harvey Golub's inheritance in late 1991?
2. What was Golub trying to accomplish through American Express' process re-engineering?

Reading:

- Besanko et al., Chapter 13: Strategy and Structure and Besanko et al. Chapter 12: "Performance measurement and incentives".
- Rafaella Sadun, Nicholas Bloom and John van Reenen, "Why do we Undervalue Competent Management?" *Harvard Business Review*. 2017, Sept-Oct issue, pp 120-127.

Friday April 14th, 2023 with L. Mors

Session 16 – Conclusion: The Challenges of Strategy Implementation: Framing and Decision Making

Key concepts: Strategy implementation, decision framing, complex systems, growth and strategy adaptation.

Case: People Express Simulation. No case assigned, but skim news clippings on low cost airlines posted on Canvas.

Please consider the following questions prior to class:

1. How attractive is the market for low price airlines?
2. What does it take to succeed in this sector?
3. What competitive threats might you face and how would you address them?

Reading:

- Peter Senge: *The Fifth Discipline*. 2006, Random House, Chapter 5: A shift of mind
- D. Lovallo and D. Kahneman, "Delusions of Success: How Optimism Undermines Executives' Decisions", *Harvard Business Review*. July 2003.