Overview

Why are some firms more successful than others? This is the fundamental question of strategy. Because superior performance accrues to firms with a competitive advantage, this course examines how firms develop and maintain competitive advantage. Strategy is the field of management that has been developed to help general managers (as opposed to functional managers whose responsibilities focus on one particular function such as finance, production, marketing, human resources, IT etc.), make better decisions that will improve the competitive position of the organization in the long run and create value for its key stakeholders. The field of strategy is made up of all theories, concepts, methods and tools that top managers can use to ensure the profitable and long-term growth of their organizations.

Course Content:
- Nature and context of strategic management
- Theories, concepts and models of strategic analysis
- Applications to strategic management practice

Learning Objectives

The fundamental focus of the strategy core course is on helping participants develop skills that will allow them to make robust strategic decisions in the face of uncertainty and complexity. By the end of the module, participants will be able to synthesize the set of concepts and frameworks you have gained to address challenging strategic management problems. In particular, you will be able to:
- Analyze industry structure and environmental trends to assess industry potential
- Evaluate firms’ competitive positioning and assess firm-level resources and capabilities
- Formulate business-unit and corporate strategies to achieve competitive advantage in the face of uncertainty and complexity

Teaching Methods

Teaching Philosophy:
In this course, I have three broad objectives. First, I will give you a set of tools to evaluate, initiate and elaborate new corporate and business strategies. Secondly, I will push you to think critically. After all, one of the reasons you come to Girton College in Cambridge is to learn the critical thinking skills. Long after you graduate, critical thinking around business will continue to reward you professionally and personally. In other words, critical thinking will sustain you and allow you to analyse and adapt to any situation in business areas. Thirdly, I enjoy combining findings from academic research with experiences from the world of practitioners. The value of the class will be then maximized when you weave in your own experiences and I am excited in anticipation of the discussions and debates we will have.
Method of Instruction:
The course will be taught through a mixture of case discussions, videos, and short lectures. There will be a variety of teaching modalities in order to keep the learning fresh and to appeal to learners with different learning styles. Each session of the course will focus on a specific subset of corporate strategic decisions. The class will mix theoretical content (with a particular focus on mastering the tools to present, frame and analyze a corporate strategy) and practical cases. Students will be invited to participate and share their thoughts on theoretical and practical considerations in relation with the content of the course. They should feel free to ask questions and discuss, especially if they want to clarify or challenge the content covered in the course. Students will be asked to present and challenge case analyses.

Assessment Criteria

Exercise Presentation (30%): Each team will choose one exercise among:

**Industry Research Presentation: (≈5-10min)**

The team will identify an industry for analysis. The team is free to choose the industry it will analyse. Each team will present for 5-10 minutes. The industry research presentation may use with an industry definition and include PESTEL analysis, or/and Five-Forces Analysis, and its consequences for future industry attractiveness. More details will be provided in class. You will not tell the industry you have chosen, but you will propose 2 industries, and at the end of your presentation the audience will try to find it. You will make a presentation in a CREATIVE way.

**Company Research Presentation: (≈5-10min)**

Your team will pick one firm to further analyse. Your team should identify and examine strategic challenges at the focal firm and then present the recommendation you have for the firm’s CEO or board of directors. You will conduct original research on your firm and supplement this information with data from the media, the firm’s own literature, and other secondary sources. You should focus your analysis on strategic decisions, key factors of success, and applying concepts from the course. Although it is acceptable to incorporate several concepts from the course, please aim for depth rather than breadth regarding the use of course concepts. You will not tell the firm you have chosen but you will propose 2 company names, and at the end of your presentation the audience will try to find it. You will make a presentation in a CREATIVE way.

**Coursework (70%):** 2,500 words max (excluding references-10% tolerance)

You will prepare a complete strategic analysis of the current and future prospects for a company of your choice. The reports should contain a comprehensive industry and market analysis – including a detailed analysis of relevant competitors —, a description of the business model and key features of the company chosen (e.g., customer value proposition, key resources, key
processes, profit formula) and conclude with strategic recommendations (including corporate and business strategies) for top management. The selection of companies for strategic analysis is entirely up to you; however, firms in industries that are in transition or firms that are undergoing major strategic changes are potentially more interesting.
Course Structure

Session 1

Introduction and Industry Analysis
This session introduces the course and explores the definitions and basic concepts of strategy. We will also examine the analysis of competition in an industry, focusing on traditional and new industry analysis frameworks.

Session 2

Types of Competitive Advantage
This session concentrates on the definition, positioning and implementation of generic strategies (cost leadership and differentiation) within the same industry.

Case:


Session 3

Resource-based View: Growth and Corporate Strategy
This session analyses the resources and capabilities within an organization that establish its potential for a renewable competitive advantage. We will also examine how companies choose and create value across different businesses.

Case:


Session 4

Strategic Innovation: Blue Ocean Strategy
This session introduces the innovative concepts and frameworks of blue ocean strategy and the value canvas.

Session 5

Platform Businesses and Non-Market Strategy
This session examines the specific strategies to implement in two-sided markets.

Case:
Session 6

Legitimacy, Reputation and Status as Strategic Assets - Conclusion

This session introduces the link between competitive advantage and social assets of firms

Assignment Questions for cases

Session 2:
[Please use the Excel spreadsheet to track the differences among Airborne Express and its competitors as you read the case]

1. How and why has the express mail industry structure evolved in recent years? How have the changes affected small competitors?

- **Change in Services:** in the past express mail was delivered on passenger flights until FedEx invented the express mail industry, now services have proliferated with morning-delivery etc., tracking mail
- **Change in Customers:** included mainly businesses, the financial banking industry and consultancy, but also individuals
- **Change in operations:** huge physical infrastructure, lower priority travelled by truck rather than air
- **Competitors:** the big three served 85% of the market
- **The small competitors focused on other segments in the market:** US Postal Service on residential customers, DHL and TNT on the international market, BAX Global on heavy cargo, RPS focused on two-day delivery via a ground network for price-sensitive customers

**Federal Express:** Founded the express mail delivery industry, technology such as COSMOS, DADS, useful internet page where customers could track parcels, Vision (people, service, profits), aggressive marketing and good communication with employers, but loss with international ventures

**UPS:** largest package delivery company in the world, but most of the volume was not express mail, moving packages on the ground, followed principles of scientific management, with FedEx now investing more in information technologies as well as marketing, UPS as owned by their managers, jobs as life-long endeavours, huge strike damaged reputation, committed to international distributions

**Airborne:** early on targeted the business customers, earned the airports it was using, relied more on humans in their sorting process, it did not maintain retail service centres, they used independent contractors for their truck delivery, selective use of technology, modest overseas
ambitions

Innovation: both UPS and Fedex introduced same-day delivery, early mornings, or Internet tracking of parcels

2. How has Airborne survived, and recently prospered, in its industry?
   - Remained relatively invisible, but grew faster than its rivals, targeted business customers that regularly shipped large volumes, airborne owned the airport it used as the major hub and hence did not pay landing fees and could operate flexible, they mainly relied on used aircrafts, they also used trucks,

3. Qualify Airborne’s competitive advantage and its sources.
   - Targeted business, low prices for large business customers
   - airborne owned the airport it used as the major hub and hence did not pay landing fees and could operate flexible
   - they mainly relied on used aircrafts
   - they also used trucks that were operated by independent contractors
   - they did not maintain retail service centres
   - call center automation: customer would speak with the same service agent
   - did not advertise in the mass media
   - Culture: humility
   - RPS relationship: RPS on the ground and Airborne in the air

4. What must Robert Brazier, Airborne’s President and COO, do in order to strengthen the company’s position?
   - Proceed with the RPS relationship given the current trend against single sourcing, do not acquire PSF and let customers perceive the two as distinct, but related firms

Session 3:
1. In the beginning, how was Starbucks different from other coffee options for coffee drinkers in the United States? What activities and assets did Starbucks leverage to differentiate itself from competitors?
   - Offering coffee that tastes different and also sells the experience of local and freshly brewed coffee
   - Providing a third home for people between home and work
   - Higher prices allows middle-class to differentiate itself/develop habitus
2. When Starbucks was rapidly expanding its store locations in 2006–2009 it made specific changes in order to facilitate that growth. What did Starbucks gain—and give up—as a result of each change?

- The La Marzacco Esspresso machine Starbucks had used since its inception were replaced with push-button Verismo models (simplified hiring and training of barista, reducing time to 36 seconds, meeting 3min target)
- Coffee beans no longer grinded in-store, but shipped in air-tight packs of preground beans
- Compromises on quality for the sake of expansion
- Lower store-opening costs implied that there were only four design templates available
- Weaknesses in supply-chain management as stores were running out of ingredients
- Weaknesses in information technology
- Further expansion into music and book publishing

3. When Schultz returned to Starbucks as CEO in 2008, how had the competitive context changed since his first tenure running the firm? What had caused or facilitated the changes?

- Competitors were rising as 1) there were lot more speciality coffee establishments, coffee there was handcrafted by expert baristas, 2) there were more smaller chains that resembled starbuck’s stores but were perceived more local, 3) big chains such as McDonalds that now also served coffee, coffee taste was rated similar
- Lots of the smaller chains were imitating Starbucks, some people preferred local and hated the chains, other people preferred cheaper and faster coffee

4. Why did Schultz respond the way he did to the changes he found in 2008? What was he trying to achieve? Were his responses effective or ineffective?

- Closing of nearly 1000 stores. 70% of which had just been opened in the last three years
- General aim was to reduce operating costs
- Returned to in-store grinding
- Free refills the same days
- Retraining Starbucks Baristas
  ➔ Still Starbucks stock prince declined
- New growth initiatives:
  o New presence in the away from the store coffee
  o Producing instance coffee
  o Single-serve pod coffee
  o Non-Starbucks branded coffee
  o Acquiring coffee equipment company

5. Did the introduction of VIA make sense in light of the market and the company’s other actions?
• Yes: because they found a new way of producing instant coffee and it reflected the general coffee to go trend, it was similar in quality, marketing through Starbucks stores
• No: because the former customers of Starbucks would not drink instant coffee, perceived as a down-market category

Session 5:
1. Do you agree or disagree with Uber’s surge pricing policy? What are the reasons it can be perceived as unfair? What does it mean to say that a pricing policy is exploitative? What are the risks of the policy to Uber? Given these risks, should Uber modify its policy?
   • To balance out demand and supply the surge pricing model seems to work, Uber argues it is crucial to lure more uber drivers into the market at peak times and it ultimately ensures that there are enough driver available
   • Customers are pre-notified if prices are higher
   • The taxi industry argues that this surge pricing is unfair

2. Uber is notoriously aggressive in its business tactics. It frequently operates without getting regulatory approval and it often ignores legal concerns; as a consequence, the company has become a lightning rod for criticism. Do you agree with Uber’s aggressive tactics? Is there a more diplomatic way for Uber to conduct its business? Should Uber be taking more of a “tiptoe” approach when it enters new markets?
   • Uber is perceived as ignoring regulations, entering a new market without waiting for permission and ignoring existing regulations
   • Discuss with city council before starting to advertise in a new city
   • Communication and PR should be done by more diplomatic candidates, rather than the CEO

3. Uber has become enormously popular among consumers in a very short period of time. How has the company accomplished this?
   • By providing a service that is convenient, fast, spontaneous and reliable
   • It fits the current zeitgeist – to get anything in a few minutes

4. How well does Uber treat its drivers? From a driver’s standpoint, is it better to drive for Uber or is it better to drive for a taxi/limo service? Is it economically more attractive to drive for Uber? What would you imagine are the biggest complaints drivers have about driving for Uber? What would you imagine are the most appreciated benefits? What is the profile of a typical Uber driver, and how does it compare to the profile of the typical taxi or limo driver?
• Pros: setting their own hours, earning good income, automatic payment, system in which misbehaving customers are suspended, bonus incentives for driving for Uber, loans to purchase a car
• Cons: rarely discussed in the case study,
• Typical Uber driver: not professional, drives while having another job | Taxi driver: professional and has invested in this career

5. How robust is Uber’s operating model? Where are the weak links in its service model? Is Uber vulnerable? In what way?
• No control over drivers, no control over the quality of the drivers or the quality of the car
• What about accidents or incidents such as rape?
• claims against Uber drivers has damaged the company’s reputation of being “the safest ride on the road”

6. In its relatively short life span, Uber has attracted a lot of media attention. Why is this? What is it about the Uber business model that is both compelling and polarizing? In addition, why has Uber managed to achieve such a high valuation? What are the pros and cons of a high valuation?
• Follows a wider trend within the sharing economy as well as the on-demand economy (using smartphones to connect to a distributed workforce)
• Lots of criticism

Additional discussion about Uber:
• Is Uber responsible for rape incidents? (see articles)

Helpful References
General Reading

Industry Analysis

Competitive Advantage: Cost and Differentiation

**Internal Analysis: Resource-Based View**


**Corporate strategy**


**Blue Ocean Strategy**


**Platform Businesses**


**Organization, Strategy and Society**


Teaching Staff

Dr. Lionel Paolella is a University Lecturer in the Strategy and International Business Group. He graduated from HEC Paris (PhD), l'Ecole des Hautes Etudes en Sciences Sociales (MA) and L'Ecole Normale Supérieure de Cachan (MSc. in Management). In 2011, he was a Visiting Scholar at the University of Chicago (Booth School of Business) and in 2012 and 2013, Chazen Visiting Scholar at Columbia University (Graduate School of Business). He is also an affiliated faculty at Harvard Law School in the Research Center of Legal Profession.