

## Course information 2024-25

### MN3212 Strategy

#### General information

**MODULE LEVEL:** 6

**CREDIT:** 30

**NOTIONAL STUDY TIME:** 300 hours

**MODE:** Locally Taught, Independent Learner Route and Online Taught

#### Summary

This course is concerned with strategic thinking. It uses basic economic principles and game theoretic tools to address strategic issues that arise in a firm's relationships with customers, suppliers, competitors, employees, other organisations, and stakeholders in general. It links critical analysis with practice. All topics are illustrated with examples of real companies in different industries. Students will be challenged to understand and apply managerial and economic theory to real world examples through business cases.

The course is structured in two parts. The first part will introduce tools that aid in identifying the external opportunities available to a firm. We start by analysing a firm's external environment through the formulation of economic models of competition between firms. We will then discuss management tools to carry out industry profitability qualitative analysis. We will finally critically evaluate the literature on the main sources of a sustainable competitive advantage. The second part of the course will be focused on identifying and studying how firms organise to seize these opportunities. We will study a firm's internal environment by developing economic models that illustrate the trade-offs that firms face to motivate and coordinate their members' actions, as well as discussing the main factors that determine a firm's scope.

#### Conditions

Please refer to the relevant programme structure in the EMFSS Programme Regulations to check:

- where this course can be placed on your degree structure; and
- details of prerequisites and corequisites for this course.

You should also refer to the Exclusions list in the EMFSS Programme Regulations to check if any exclusions apply for this course.

## **Aims and objectives**

The course aims to provide students with an understanding of strategy formulation in firms and its main challenges. There is a particular emphasis on the practical application of the analysis of strategy.

## **Learning outcomes**

At the end of this course and having completed the essential reading and activities students should be able to:

- Understand the main static and dynamic determinants of the intensity of rivalry between firms.
- Explain the structure of an industry and the nature of the competitive interactions among firms in this industry and perform a qualitative analysis of industry profitability.
- Identify the sources of competitive advantage and link them to the external environments in which firms operate and apply them to the analysis of real-world examples.
- Identify the main challenges in motivating individual workers and teams and identify which organisational practices are more likely to result in higher performing work environments.
- Understand the basic driving factors determining the boundaries of the firm and evaluate the strategic rationale for vertical consolidation, and its implications for other upstream and downstream firms, as well as rivals.

## **Employability skills**

Below are the three most relevant employability skills that students acquire by undertaking this course which can be conveyed to future prospective employers:

1. Complex problem solving
2. Decision making
3. Creativity and innovation

## Essential reading

The material for this course can be found in the subject guide / Digital Campus prepared by Prof. Ricardo Alonso. However, students can complement the course with selective chapters from the following textbooks:

- Economics of Strategy, 6th Edition, by David Besanko, David Dranove, Mark Shanley and Scott Schaefer.
- Strategic Management by Garth Saloner, Andrea Shepard and Joel Podolny.

While most of our discussion can be found in the subject guide / Digital Campus, we will also make use of two relatively short books:

- The Art of Strategy, WW Norton, 2008, by Avinash Dixit and Barry Nalebuff.
- The Modern Firm: Organizational Design for Performance and Growth, 2007, by John Roberts.

Students can use the first book to complement our discussion of game theory in the first part of the course, while the second book can complement our discussion of the internal organization of the firm in the second part of the course.

## Assessment

This course is assessed by a three-hour and fifteen-minute closed-book written examination.

## Syllabus

The theoretical topics covered are:

- Introduction: What is Strategy? Structure of the Course.

### PART I: EXTERNAL ENVIRONMENT

#### Part I-a Competitive Analysis

- Game Theory I: Simultaneous Games
- Market Structure and Market Power: Monopoly
- Market Structure: Oligopoly
- Game Theory II: Dynamic Games
- Dynamic Collusive Pricing
- Entry, Exit and Industry Dynamics
- Industry Analysis

#### Part I-b Strategic Positioning

- Competitive Advantage
- Strategic Positioning: Cost Advantage
- Strategic Positioning: Benefit Advantage and Differentiation
- Strategic Positioning: Focus Strategies
- Information and Value Creation

#### Part II

- Economic View of Organisations Motivation

- Paying for Performance I
- Paying for Performance II
- Incentives in Teams Coordination
- Decision-Making in Organisations: Empirical Evidence
- Improving Decision-Making Scope
- Horizontal Mergers
- Vertical Mergers