

# Lecture 1

## Strategy

- *Strategy* is the competitive moves and business approaches used to run a company, and how those moves should deliver competitive advantage and superior performance
- Main questions to ask:
  1. Where are we now? (External and internal situation analysis)
    - e.g. Tesla has a huge market cap, rapidly growing revenue and profits
  2. Where do we want to go? (Long-term direction, customers, target markets)
    - Consider mission/vision statements, emerging competitors, etc
    - e.g. Tesla's goal is to internationalize while maintaining competitive advantage over emerging competitors
  3. How will we get there?
    - e.g. Tesla is shifting from focused differentiation (high-end EVs) to a “best-cost” strategy similar to other long-term dominant players, e.g. Toyota, so they are dropping prices
    - e.g. Tesla is also extending into complementary industries like autonomous driving and energy production and storage
- The goal is always to achieve long-term “performance”, which is usually profits, but often can be revenue, valuation, etc.

### Definition

A firm has a *competitive advantage* if it can sell its products/services for more than what they cost, and the gap is wider than what its competitors have achieved. The competitive advantage is *sustainable* if it cannot be easily matched by competitors.

- A sustainable competitive advantage is developed when a sufficiently large number of buyers prefer a company's products/services over competitors, and this preference persists over time and generates long-term profits
- To develop a sustainable competitive advantage a company can:
  1. Develop a cost-based advantage (e.g. Walmart)
  2. Develop a differentiation-based advantage (e.g. Lululemon)
  3. Focus on a narrow market niche (e.g. Canada Goose)
- Strategy has to evolve constantly as the market changes – this is a cyclical process
  - Failure to adapt strategy to market changes can destroy a company, e.g. Nokia
- Actual realized strategies are often different from planned strategies
- Viable strategies require a viable *business model*:
  1. Compelling value proposition (preferable products/services compared to rivals)
  2. Favourable economics (profitability)
  3. Superior execution (being able to deliver the value proposition better than the competition)