

# PREFACE

After completing the text, managers will be able to perform a strategic analysis. The process of strategy making includes five basic steps: goal formulation, external analysis of the company's markets and internal analysis of the organization, choosing methods to achieve competitive advantage, devising competitive strategies that anticipate rival actions, and designing the organization to execute the strategy. Understanding these concepts prepares the manager for business leadership.

The text presents an integrated approach to management strategy by identifying both market opportunities and organizational abilities. Managers can apply the concepts to understand how companies gain competitive advantage by effectively matching organizational abilities with market opportunities. Managers consider sources of competitive advantage based on costs, product differentiation, and creating innovative transactions. Further, managers examine strategies for entering markets, creating new markets, and handling regulation.

The book is action-oriented: It presents a set of imperatives for managers and entrepreneurs for achieving success, and perhaps more importantly, coping with success. The market-focused strategy presented in this text helps managers understand market dynamics, anticipate competitor reactions, and build a responsive organization. The text emphasizes that any particular competitive advantage cannot be sustained indefinitely. Managers are urged to look ahead, taking into account technological innovation and potential competition. The book illustrates the concepts with many practical applications including mini-business cases drawn from both domestic and international business. CEOs, managers, entrepreneurs, corporate directors and venture capitalists should find the book's market-focused framework to be useful in evaluating strategic alternatives.

The book is primarily intended for the introductory course in Management Strategy at the Masters level. The book may also be used for more advanced undergraduate business courses in management and strategy. The book contains economic reasoning but does not attempt to impose economic analysis on the reader. Instead, management considerations guide the discussion. Economic reasoning is integrated within the fundamental management strategy topics.

The text does not require training in economics or mathematics and can be approached readily by first-year management students. The text features numerical examples that can be solved using very simple calculations or spreadsheets.

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**Take-away points of Economics and Management of Competitive Strategy**

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Setting goals	<ul style="list-style-type: none"> <li>• Choice of markets the firm will serve</li> <li>• Choice of markets maximizes the value of the firm</li> <li>• Choice of markets matches organizational abilities with market opportunities</li> </ul>
External analysis and internal analysis	<ul style="list-style-type: none"> <li>• The market compass: customers, suppliers, competitors, partners</li> <li>• The organization grid: structure, performance, abilities, resources</li> </ul>
Competitive advantage	<ul style="list-style-type: none"> <li>• Competitive advantage requires creating value: Advantage is often temporary</li> <li>• Value chain: Vertical structure based on transaction costs and need for coordination</li> </ul>
Competitive strategy	<ul style="list-style-type: none"> <li>• Price leadership strategy</li> <li>• Product differentiation strategy</li> <li>• Transaction coordination strategy</li> <li>• Entrants need to overcome perceived advantages of incumbent firms</li> </ul>

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