Strategic Management

John D. Macomber

Lecture Notes: Introduction

Concepts and Calendar
Strategic Management Course Introduction

- Welcome and Introductions
- About John Macomber
- Why Strategy?
- About You
- Overview of Topics and Calendar
- Introduction of Concepts
- Expectations
Why Strategy?

• It’s about how businesses compete.
• How to earn above average returns.

• Selection of industries
• Selection of segments
• Choice of tactics
• How to IMPLEMENT!
Sample Analytical Framework - Technology Strategies

Scope of IT Initiative:

<table>
<thead>
<tr>
<th>External Advantage</th>
<th>Internal Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>DELL</td>
<td>WALMART</td>
</tr>
<tr>
<td>L.L. Bean</td>
<td>BECHTEL</td>
</tr>
</tbody>
</table>

Intent of IT Initiative:

- Change Industry Structure
- Compete in Same Arenas

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Why You?

• You will be principals in firms
• You will have to decide what to do:
  – What markets?
  – What services?
  – Where to dedicate your time?
  – What kinds of people?
• You probably will be part of a team.
Who are You? - Self Introductions

- Name
- From
- Undergraduate Studies
- Work experience, if any
- What are you interested in?
- What do you hope to gain from this course?
John Macomber Background

• Construction CEO
  – George B. H. Macomber Co., $250 mm GC
  • Cisco, MIT Media Lab, Children’s Hospital

• Real Estate Partner
  – 2,000,000 SF

• Academic Thought Leader
  – MIT: Strategic Management in the Design and Construction Value System
  – Harvard: E-Commerce and the Internet in Real Estate and Construction

• Dot.com Entrepreneur
  – Collaborative Structures, Inc. (sold to e-Builder)

• Consultant, Director, and Angel Investor
  – BuildingVision - Pursuing industry transformation
Why these tools?

- Linear conversation
- Lots of information
- Organize thinking
- Lay out assumptions
- Plan ACTION!
Industry Value System
Calendar and Topics
Strategic Planning: Key Concepts

Steps in Planning
Market Segmentation
Attractiveness: 5 Forces
Generic Strategies
The Firm Value Chain

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The AEC/EPC Value System:
Indicators of Segment Profitability: “Five Forces” Model - M. Porter

Barriers to Entry

Barriers to Exit

Existing Rivalry

Supplier Bargaining Power

Buyer Bargaining Power

Availability of Substitutes

Attractiveness of an Industry or of a Segment is a function of these forces. Use them in selection of segments - and in defense of segments.

Strategic Management Intro

John Macomber
Administration

Course Web Pages
About the Case Method

• “Case Study” = a business story
• Actual situation (could be fiction)
• Messy!
• Lots of information
• Often no right answer
• Like real life
The Case Method and You: Preparation

- Skim first for key issues
- Read carefully for relevant detail
- What is going on?
- How can you describe the choices?
- Can you use ideas from the other readings?
Case Method:
Class Discussions

• Usually the instructor will have a structure to guide the discussion
• Talk about the issues and choices
• Discuss (argue) with your classmates
• Sometimes there is a consensus
• Sometimes you can find out what happened
• Sometimes not!
• The learning is in the struggle.
Expectations for the Course: You Will…

• Study many real business situations
• Practice the core planning tools
• Struggle with figuring out what to do
• Be prepared to participate in planning for your own firms
• Be prepared to do the work to earn above average returns.
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