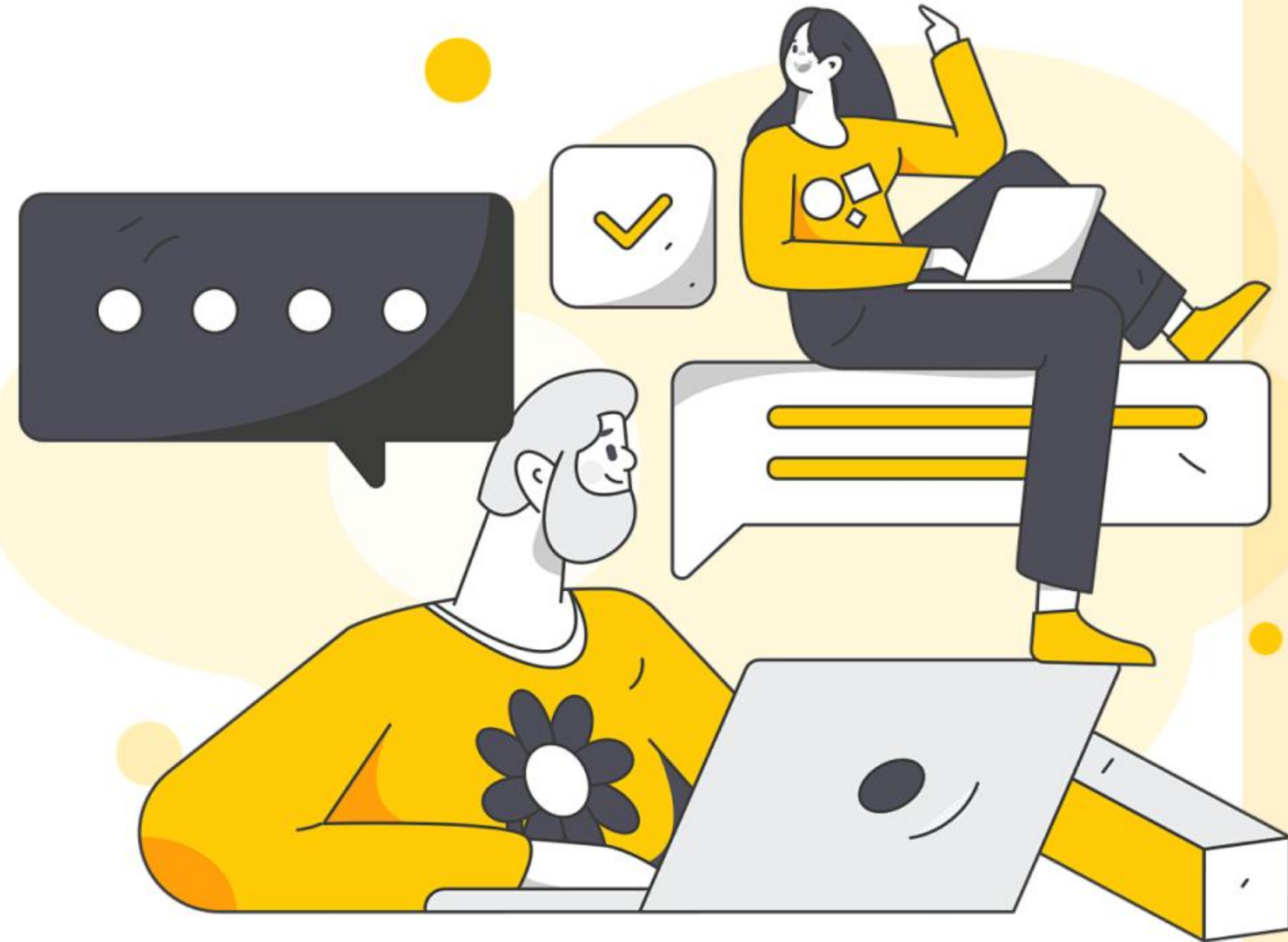


Strategic Frameworks and Competitive Advantage – Week 7

Developing Strategic Capability



Learning Objectives

Today's Goals

We will explore tools that help businesses understand their competitive position and make smart strategic choices.



Apply Frameworks

Learn to use SWOT, Porter's Five Forces, and Generic Strategies.



Analyse Competition

Understand the competitive forces in an industry.



Build Competitive Advantage

Discover how companies gain an edge over competitors.

Additional Frameworks – Why More Tools Matter

Growing Beyond Last Week

Today we go deeper into how business analyse competition and gain advantage.

Competitive Environment

All businesses face competition, so they must understand industry forces, competitors, and how to create an advantage.

Three Key Frameworks

We will focus on these key tools;

- SWOT analysis
- Porter's Five Forces
- Generic Strategies

Why This Matters

These frameworks help companies make smart strategic decisions, and you use them in the Dragon's Den activity.

SWOT Analysis: The Big Picture

Strengths

What you do well and control.

Skilled employees, good reputation, or unique technology that give you an advantage.



Weaknesses

Areas you control but need to improve.

Limited budget, outdated systems, or small team size.

Threats

External risks the business cannot control.

Fierce competition, economic downturns, or new substitute products.



Opportunities

Positive external chances to grow.

Growing market demand, new technology, or changing customer preferences.

SWOT Analysis: Example

Strengths

A coffee shop has skilled baristas, a great location, and loyal regular customers. These are things they control and do well.



Weaknesses

The same coffee shop has limited space, old equipment, and limited budget for marketing.

Threats

A large coffee chain opening nearby, rising rent costs, and changing customer preferences.



Opportunities

More students moving to the area, growing interest in specialty coffee, and a new office building opening nearby.

How can the same factor be a strength for one organisation but a weakness for another?

Example: A small team is a weakness for a large manufacturer but a strength for a startup.

Context matters! The same factor has different value depending on your business type and strategy.

Porter's Five Forces: Understanding Competition

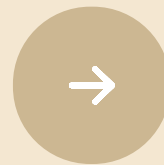
What is It?

A tool to analyse the competitive strength and attractiveness of an industry. It helps you understand what makes competition tough or easy in a market.



Competitive Rivalry

How intense is competition is between existing companies
– high rivalry means more pressure on profits.



New Entrants

How easy is it for new businesses to enter the market – low barriers make entry easier; high barriers protect existing firms.



Supplier Power

How much control suppliers have over prices – strong supplier power raises costs; weak power helps negotiate better.

Porter's Five Forces (Continued)

The Last Two Forces

Now let's look at buyer power and substitutes. These show what customers can do and how it affects profitability.



Buyer Power

How much control customers have. High buyer power means they can switch easily or push for lower prices; low power means they have fewer options.



Substitutes

Are there alternative products customers can choose? More substitutes make it easier for customers to switch.

Porter's Five Forces: Real Examples

Example: Fast Food Industry

Let's look at how these forces affect restaurants and fast food businesses like McDonald's, Subway, or local burger shops.



Competitive Rivalry

Many fast-food chains compete for the same customers, so rivalry is strong.



New Entrants

New restaurants can enter the market fairly easily, but they still need money and permits – entry difficulty is medium.



Supplier Power

Power is weak because there are many food suppliers. If one raises prices, restaurants can switch to another.

Porter's Five Forces: More Examples

Example: Fast Food Industry (Continued)

Let's continue looking at the last two forces that affect fast food businesses.



Buyer Power

Customers have high power because they can easily choose between options. Restaurants must keep customers satisfied or risk losing them.



Substitutes

Many alternatives exist, which makes it easy for customers to switch. This increases competition and reduces the power of any single fast-food business



What This Means

High buyer power + many substitutes = tougher competition. Fast food businesses must be excellent at what they do to keep customers.

Does High Competition Always Mean Low Profitability?

The Question

When there are many competitors, does that mean businesses cannot make money? Is high competition bad for profits?

Real Examples

McDonald's makes huge profits even though the fast food market has intense competition. Apple is very profitable despite competition in smartphones. The key is having a strong competitive advantage.

The Answer

No! High competition does NOT always mean low profitability. Many profitable businesses operate in highly competitive markets.

The Real Secret

What matters most is whether you can differentiate (be unique), reduce costs better than others, or focus on a specific customer group better than competitors. A clear strategy beats low prices every time.

Porter's Generic Strategies: How to Compete

Getting Competitive Advantage

There are three main ways a company can beat its competitors and gain an advantage in the market.



Cost Leadership

Be the cheapest. Offer the lowest prices by reducing costs.

Example: Budget airlines or discount stores.



Differentiation

Be unique. Offer something different that customers value.

Example: Premium luxury brands or innovative products.



Focus Strategy

Pick a specific group. Focus on serving one particular customer group very well.

Porter's Generic Strategies: Real Examples

How Companies Compete

Real examples of how different companies use the three strategies to beat competitors.



Cost Leadership Example

Ryanair, ALDI, LIDL – keep prices low by cutting costs and working efficiently.



Differentiation Example

Apple, Ferrari, Starbucks – offer unique, high-quality, or premium products that customers are willing to pay more for.



Focus Strategy Example

Luxury restaurants, eco-friendly brands – target a specific customer group and serve them extremely well.

Avoiding the "Stuck in the Middle" Problem

An Important Warning

When a company tries to do everything at once, it often fails. You must choose and commit to **ONE** main strategy.



The Mistake

Trying to be both the cheapest AND the most premium confuses customers and weakens strategy.



The Trade-off

Each strategy needs different resources.

- Cost leadership – efficiency and low costs.
- Differentiation – quality and innovation.



The Solution

Choose **ONE** clear strategy and do it better than competitors.

Can Organisations Successfully Pursue More Than One Generic Strategy?

The Challenge

Can a smart company pursue multiple strategies?
Is it possible to be both cheap AND unique?

The Reality

Some big companies (e.g. Amazon) can mix strategies like low-cost, convenience, and innovation, but this needs huge resources, careful planning, and strong execution.

The Key Insight

The key to success: choose one main strategy and be the best at it, while having smaller secondary strengths that don't confuse customers.

Dragon's Den Activity: Apply What You Learned

Your Challenge

You will develop a business idea and present it using the frameworks we learned. Show the investors why your idea will succeed!



Step 1: Idea

Create a business idea or
analyse an existing business.
Identify your product or
service.



Step 2: Market

Who are your customers?
Which market will you target?
Who needs your product?



Step 3: Analysis

Use SWOT, Five Forces, and
Generic Strategies to analyse
and explain your competitive
advantage.

Dragon's Den Activity: Pitching Your Idea

Your Pitch to the Investors

Present your business idea clearly and convince the investors that you understand the market and have a winning strategy.



Explain Strategy

Tell them: Are you the cheapest, most unique, or focused on a special group?



Justify Choices

Use SWOT and Five Forces to prove why your strategy will work and competitors cannot easily copy you.



Show Advantage

Explain clearly why you have competitive advantage and why customers will choose you.

Which framework do you think adds the most value when making strategic decisions—and why?

Which framework helped you most—SWOT Analysis, Porter's Five Forces, or Generic Strategies? Which would you use first when making a strategic decision?

Recap of Lesson

1

SWOT Analysis

We learned to analyse internal strengths and weaknesses, and external opportunities and threats. Context matters!

2

Porter's Five Forces

We studied competitive rivalry, new entrants, supplier power, buyer power, and substitutes. These forces show industry attractiveness.

3

Generic Strategies

Companies compete using Cost Leadership (cheapest), Differentiation (unique), or Focus (special customers). Choose ONE strategy!

4

Avoid the Trap

The stuck in the middle problem happens when companies try to do everything. Success requires clear strategy and focus.

5

Apply Your Learning

In Dragon's Den, apply all frameworks to develop and justify your business strategy. Use analysis to explain competitive advantage.

Week 8

Resource, Capabilities and Competitive Advantage

Further Reading

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- Mind Tools (2023) *SWOT analysis*. Available at: <https://www.mindtools.com> (Accessed: 6 January 2026).
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- Porter, M.E. (1985) *Competitive advantage: Creating and sustaining superior performance*. Free Press.
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A faint, stylized illustration in the background shows a person sitting at a desk, working on a laptop. The person is wearing a yellow shirt and a yellow tie. The desk has a laptop and some papers. The background is a light yellow color.

**If you have any questions, please do
not hesitate to get in touch.**

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