

Strategic Management and Business Policy I

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Course & Class Information

Course: Strategic Management and Business Policy I

Program: Bachelor's Program

Credits: 4 ECTS

Mode: Onsite / Blended

Class 4: Industry Analysis, Competitive Forces, and Policy Context

Instructor: Dr. Leul Girma

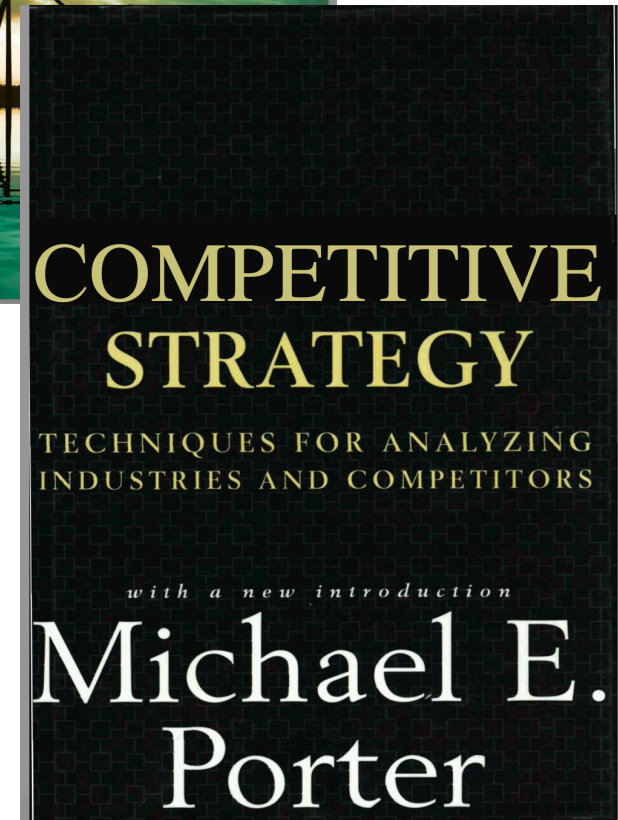
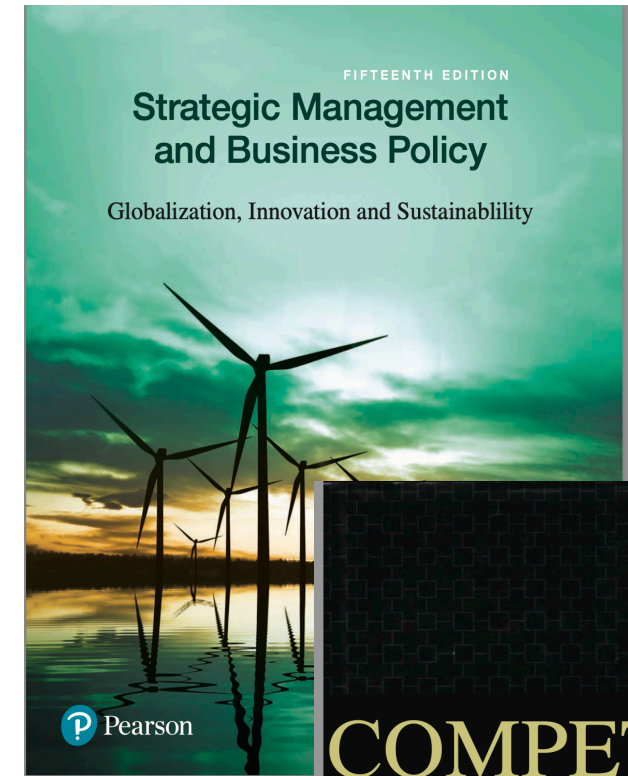
Main Teaching & Learning Materials

Books

- Mastering Strategic Management.
- Strategic Management and Business Policy

Business Policy resources

- Company annual reports
- Public corporate governance codes and policy guidelines
- Instructor-provided case materials



Objective and Learning Outcomes

Objective:

To introduce students to **industry analysis and competitive forces**, and to explain how **industry structure and regulation influence strategic and business policy decisions**.

By the end of this class, students will be able to:

- Describe how **industry structure influences strategy and business policy**.
- The role of **competitive forces in shaping organizational performance**.
- Analyze the **five competitive forces affecting industry competition**.
- Identify **policy responses to competitive pressures**

What is an Industry ?

An **industry** is a **group of firms producing products or services** that are **close substitutes** and compete to **satisfy similar customer needs** (Porter, 1980; Grant, 2022).

Industry boundaries can be defined based on:

- **Product similarity:** Firms offering similar products or services
- **Customer needs served:** Firms addressing the same demand or problem
- **Technology used:** Firms using similar production or service technologies
- **Geographic scope:** Local, national, or global competition

Examples of Industries

Industry	Example Segment	Example Companies
Automobile	Mass-market	Toyota, Volkswagen, Hyundai
Automobile	Luxury	BMW, Mercedes-Benz, Lexus
Automobile	Electric Vehicles (EV)	Tesla, BYD, NIO
Hospitality	Hotel services	Marriott, Hilton, Accor
Telecommunications	Mobile network services	Vodafone, Deutsche Telekom, AT&T
Air Transport	Passenger air transport	Lufthansa, Emirates, Singapore

Understanding Competitive Forces

Why Does Industry Structure Matter?

Industry structure **influences the level of competition** and the **ability** of firms to achieve and **sustain competitive advantage** (Porter, 1980; Grant, 2022). Some industries are **highly profitable**, while others limit firm performance **due to strong competitive pressures**.

Industry structure affects:

- **Profitability potential:** Some industries offer higher long-term returns
- **Intensity of competition:** More competition reduces profit opportunities
- **Strategic choices available to firms :** Firms must adapt to industry conditions
- **Risk and uncertainty :** Competitive pressures increase business risk

Porter's Five Forces Framework

THREAT OF NEW ENTRANTS

- Barriers to entry
- Economies of scale
- Brand loyalty

BARGAINING POWER OF SUPPLIERS

- Number of suppliers
- Uniqueness of inputs
- Cost of switching

Industry Rivalry

- Number of competitors
- Industry growth rate
- Exit barriers

BARGAINING POWER OF BUYERS

- Number of buyers
- Price sensitivity
- Availability of substitutes

THREAT OF SUBSTITUTE PRODUCTS OR SERVICES

- Availability of substitutes
- Relative price and performance
- Switching costs

Key Points of Porter's Five Forces

Force	Key Questions to Consider
Industry Rivalry	Competition among existing firms reduces profitability
Threat of New Entrants	New competitors increase and it reduce profit potential
Bargaining Power of Buyers	Buyers can demand lower prices or higher quality
Bargaining Power of Suppliers	-Suppliers can increase costs, reduce firm profitability
Threat of Substitutes	Alternative products limit pricing power reduce demand

Strategic and Policy Implications of Industry Structure

Industry Structure and Strategic Policy Implications

The **combined strength** of **competitive forces** determines the **overall attractiveness of an industry** and influences organizational performance, while **weaker forces create greater opportunities** for competitive advantage. (Porter, 1980; Grant, 2022).

Understanding industry structure useful to develop appropriate policies:

- Market entry or exit policies
- Pricing and positioning policies
- Supplier and customer management policies
- Investment and growth policies

Evaluating Industry Attractiveness

Industry attractiveness refers to the **potential of an industry to support sustainable profitability over the long term** (Porter, 1980; Grant, 2022). Not all industries provide **equal opportunities for firm success**.

An **attractive industry** typically has:

- Limited competitive pressure
- High barriers to entry
- Low threat of substitutes
- Balanced power between buyers and suppliers
- Stable regulatory environment

Regulatory and Legal Environment

The **regulatory** and **legal** environment directly shapes industry competition and constrains organizational **strategy** and **business policy** (Porter, 1980; Grant, 2022). Firms must **comply** with **laws that influence market entry**, competitive behavior, and operational decision

Understanding the regulatory environment helps :

- Ensure **legal compliance and avoid penalties**
- Develop appropriate **organizational policies and procedures**
- Anticipate **regulatory risks and constraints**
- Align **strategic decisions with legal requirements**

Compliance and Regulatory Policies

Organizations develop **compliance and regulatory policies** to ensure **their activities follow legal and regulatory requirements** and to **reduce legal and strategic risks** (Grant, 2022).

Effective compliance policies help :

- Reduce **legal and financial risks**
- Protect **organizational reputation**
- Protecting consumers and ensuring fair competition
- Support **stable and sustainable strategic operations**

Applying Industry Analysis in Practice

Uber Expands Autonomous Ride-Hailing Services in Germany

Uber is expanding autonomous ride-hailing services in Germany, a technologically advanced but highly regulated transportation market. Traditional taxi operators and ride-hailing competitors (e.g., Free Now, Bolt) operate under strict licensing regulations, and safety and operational standards are closely monitored by regulators.

Automotive firms (e.g., Volkswagen, BMW) and software developers (e.g., Waymo, Mobileye) influence vehicle and autonomous driving technology availability. Customers have alternatives such as public transportation (U-Bahn, S-Bahn, buses) and private car ownership.

Several companies (e.g., Tesla, Mercedes-Benz, Waymo) are investing in autonomous mobility, increasing competition. Uber's leadership must decide whether industry conditions and regulatory constraints support expansion of autonomous ride-hailing services in Germany.

Questions

1. Using industry analysis, evaluate Germany's ride-hailing and autonomous mobility industry and explain how each competitive force could create opportunities or constraints for Uber's expansion.
2. After completing your industry analysis, which competitive forces most strongly influence Uber's potential expansion? Select no more than TWO or THREE forces and justify your choices.
3. Among the forces you identified, which creates the greatest opportunity for Uber, and which presents the greatest risk? Explain your reasoning

Case Instructions

1. Read the case carefully and highlight information related to each competitive force and regulatory factor.
2. Based on what you highlighted, investigate Germany's ride-hailing and autonomous mobility industry using credible secondary sources. Collect evidence and organize it using the three discussion questions.
3. For each claim you make, include specific supporting evidence (facts, figures, regulatory details, market indicators, or examples) and note the source.
4. Explain your reasoning clearly so you can justify your judgment during discussion.

Recommended Sources for This Case

Global Industry and Market Data

Statista: mobility market size, industry trends

<https://www.statista.com>

International Transport Forum (ITF): mobility and transport policy

<https://www.itf-oecd.org>

McKinsey & Company: autonomous mobility and industry insights

<https://www.mckinsey.com>

Automotive and Autonomous Technology

International Energy Agency (IEA): transport and technology trends

<https://www.iea.org>

Mobileye and Waymo official sources: autonomous driving technology

<https://www.mobileye.com>

<https://www.waymo.com>

Cont'...

German Government & Regulatory Sources

Federal Ministry for Digital and Transport (BMDV): mobility regulation and autonomous driving framework

<https://www.bmdv.bund.de>

Federal Motor Transport Authority (KBA): vehicle approval and safety standards

<https://www.kba.de>

German Federal Cartel Office (Bundeskartellamt): competition policy and market regulation

<https://www.bundeskartellamt.de>

Company Official Sources

Uber Investor Relations

<https://investor.uber.com>

Volkswagen Group

<https://www.volkswagen-group.com>

Thank you



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