**Columbia Business School**

**Fall 2016 Syllabus**

**B8625-001, Defining and Developing Winning Strategic Capabilities**

R - Full Term  
09:00AM to 12:15PM

Uris 332

**Instructor**

Alonso Martinez

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**Introduction**

Over the past two decades there has been growing recognition that a company’s competitive advantage does not reside as much on its assets (brand, products, manufacturing sites…) as in the unique set of capabilities it can leverage to deliver value from these assets. Capabilities in this context are institutional abilities that enable a company to consistently deliver a certain outcome, relevant to creating value in its business. Capabilities are engrained in the institutional fabric through a combination of processes, tools, knowledge, skills and organization. They may be developed gradually over time, or in a focused development effort conducted internally or with outside support, frequently from a strategy management-consulting firm.

The focus of this course is on how to win with a capabilities-driven strategy. Defining which strategic capabilities to invest in, developing them and deploying them across different businesses and geographies is the cornerstone of a capabilities-driven strategy. We are not referring to the ordinary capabilities that every company needs to have (i.e. standard supply chain or sales capabilities), but differentiated capabilities that provide a unique sustained competitive advantage. We will discuss examples and cases from a variety of leading companies (i.e. AB Inbev, Cirque du Soleil, Colgate, Mittal Steel, 3M…) and also explore strategic capabilities from the perspective of other types of enterprises, including startups, NGOs, the military and the government.

**Course objectives**

The primary objective of this class is for students to understand how to define, develop and deploy a capability-driven strategy, including:

- Defining a company's strategic capability set -- a coherent group of differentiated capabilities that uniquely support the company's strategy in the products and markets in which it has chosen to compete.

- Developing a capability -- the right combination of processes, knowledge, skills, and organizational fabric that allow the company to deliver consistently on a distinctive capability.

- Deploying a capability across a global enterprise -- being able to both replicate and adapt a specific capability across a related group of businesses and different geographic markets.

- Wining with a Capability-Driven Strategy – having a way to play that is uniquely ingrained in a set of capabilities, is almost impossible to copy and uniquely fits the company´s product/service offering.

The course provides a pragmatic, broad and global perspective. It leverages guest speakers and the instructor´s experience in actual cases to discuss how companies have actually developed strategic capabilities over time, both internally and working with strategy consulting firms. It also explores examples from throughout the world of the types of capabilities that are required to pursue and capture global leadership.

For the final project the students (in groups) analyze and present to the class the strategic capability set of a leading enterprise of their choice, explaining how it has enabled it to create value consistently and above its competitors.

The skills developed in this course should be broadly applicable to students planning to pursue either a consulting or a general management career.

# Class Structure

The class follows a structured sequence. The first three sessions focus on how to define, develop and deploy winning strategic capabilities, using examples ranging from competitive sports to military strategy. The next three sessions examine different cases of companies that have obtained global leadership following a clear capabilities-driven strategy and compare them with their closest competitors. In the last sessions we will broaden the spectrum by discussing how the CDS framework applies (or not) in different types of enterprises: from startups to diversified conglomerates, NGOs and across industries. We will then have a summary session discussing the roadmap to unlock growth and value creation leveraging the CDS framework. Class time will be split among (i) lectures to develop a frame of reference; (ii) selected cases analyzing how leading companies have won leveraging their strategic capability set; (iii) guest speakers with relevant expertize and experience; and (iv) the final group projects. The last sessions will be dedicated to having the groups present their different projects, answer questions, synthesize what was learned and receive feedback from the rest of the class.

# Readings and Cases

All required readings and cases are available in a course packet. On occasion, a required reading may be added, which will then be distributed in class or made available on Canvass.

# Grading

Grades will be based on the following areas:

1. Class Attendance & Participation 20%

2. Case write ups/ assignments (there will be four) 40%

4. Final project 40%

#### TOTAL 100%

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| Topic | Session | Content |
| Defining and Developing Winning Capabilities | 1.  Sep.8 | Do you have the “Right to Win”?   * Why does Nadal beat Federer? * Can you make Cirque du Soleil?   Reading- The core Competence of the Corporation (HBR) |
| 2.  Sep.15 | Developing winning capabilities from emerging markets to globally   * How did Jaboneria Nacional beat Unilever? * How does Pepsico deliver everywhere?   Reading- The Coherence Premium (HBR) |
| 3.  Sep.22 | Developing capabilities for war and peace   * Why did Reagan pursue Star Wars? * How do war games help define capabilities?   Reading: Business Strategy: Shall we play a game? (The Economist) |
| Winning Globally with a Capabilities Driven Strategy | 4.  Sep.29 | Deploying Capabilities Globally – Colgate and Unilever   * Case- Colgate-Palmolive: staying ahead in oral care * Can Unilever serve the haves and the have-nots?   Reading- How to be a Truly Global Company (S&B) |
| 5.  Oct.6 | Capabilities in M&A and PMI   * Case- Mittal steel in 2006: changing the global steel game * What is the role of capabilities in M&A and PMI?   Reading- The Capabilities Premium in M&A (S&B) |
| 6.  Oct.13 | Winning over the beer world   * Case- AB Inbev: Dreaming Big * How can AB Inbev justify the premium for SAB Miller? |
| Applying Capabilities Driven Strategies anywhere | 7.  Oct.27 | Developing winning capabilities in startups   * Would you invest in Voilá Chocolat? * Does Tenlegs have the “Right to Win”? |
| 8.  Nov.3 | Does CDS apply to diversified conglomerates?   * Are Disney and Pepsico coherent? * What about 3M and Tata? |
| 9.  Nov.10 | CDS in NGOs and across industries/ enterprises   * Capabilities to meet the needs of people with disabilities * Building your capability set |
| CDS Roadmap | 10.  Nov.17 | Unlocking Growth and Value   * Good to Great * Strategy that works |
|  | 11.  Dec.1 | Final project presentations and discussion |
|  | 12.  Dec.8 | Final project presentations and discussion  Project assessments |

Note: speaker and session dates are subject to change

**Group Project**

All students will work on a group project. The typical group size is 3 to 4 students. The instructor will guide the teams on both the technical and business dimensions of the work. Each group will deliver a presentation to the instructor and to their fellow students in the last class.

Each project should examine in depth a company’s strategy and capabilities using the concepts and methods discussed in the course. Your group can decide on the scope and objectives of the project, subject to the approval by the instructor. The first step is to submit a 1-page project proposal, specifying the company or enterprise to be analyzed, the strategic capabilities involved, the relevant competitors to compare with and how winning is defined in the context of the markets in which they compete. This proposal is due in the third class of the semester. Based on feedback from the instructor, a group should, if necessary, revise the proposal and re-submit a final version for approval by the fifth class of the semester.

The final deliverable by each group should be a 20 minute PowerPoint presentation explaining the company´s strategy, describing it´s specific capability set, describing the elements that compose these capabilities, how they are deployed across businesses or markets and explaining how they enable the company to generate competitive advantage and superior results.

**Optional readings**

There are many reports, articles and books that you can read for more in-depth study of capabilities. The following books are recommended:

* Leinwand, Paul and Mainardi, Cesare (2011), The Essential Advantage: How to Win with a Capabilities Driven Strategy, Harvard Business Review Press
* C.K. Prahalad and Gary Hamel (1996), Competing for the Future, Harvard Business School Press
* Jim Collins (2001), Good to Great: Why some companies make the leap and others don´t, Harper Collins
* Mark Herman, Mark Frost and Robert Kurz (2009), Wargaming for Leaders: Strategic Decision Making from the Battlefield to the Boardroom, McGraw Hill
* Kotter, John P. (1996), Leading Change, Harvard Business School Press

**About the instructor**

Alonso Martinez combines extensive experience doing strategy consulting with teaching and research. He has vast global experience with particular expertise in emerging markets. He is a former Senior Vice President at Booz, Allen & Hamilton. After joining Booz in 1982 in Brazil, Mr. Martinez opened and/or managed the firm’s offices in every major Latin American country. He moved to the United States in the year 2000 with global responsibility for major client relationships. Mr. Martinez has worked with many of the world's largest multinationals and leading local groups in the consumer products, media, steel and construction materials industries. His focus has been growth related strategies in emerging markets, including international expansion, mergers and acquisitions and go to market strategies.

Professor Martinez is a Senior Lecturer at Columbia Business School. He gives the Catching Growth Waves in Emerging Markets course in both the MBA and EMBA programs. He has also given the EMBA immersion course on Opportunities in India and led the Global Immersion Program to Brazil for the past several years. From 2008 to 2012 he directed a project at the Wharton School’s Lauder Institute on “Consumption Patterns in Emerging Markets: Catching Growth Waves and Anticipating Transitions”, including field research with a team of students across major countries. He has developed some unique insights into how business opportunities evolve in emerging markets and the capabilities required to capture them, which he leverages in his classes.