



# MICROECONOMICS *of* COMPETITIVENESS

AN AFFILIATE NETWORK OF HARVARD BUSINESS SCHOOL

## MICROECONOMICS OF COMPETITIVENESS

<b>Course code</b>	<i>GRAV027</i>
<b>Type of course</b>	<i>Compulsory</i>
<b>Stage of study</b>	<i>Graduate</i>
<b>Year of study</b>	<i>2<sup>nd</sup></i>
<b>Semester</b>	<i>3<sup>rd</sup></i>
<b>Number of credits</b>	6 ECTS; 36 hours of class work, 124 hours of self-study
<b>Lecturer</b>	<i>Assoc. Prof. Dr. Virginija Poškutė</i>
<b>Prerequisites</b>	<i>Undergraduate diploma</i>
<b>Form of studies</b>	<i>Full time</i>
<b>Teaching language</b>	<i>English</i>

### Course description

The course explores determinants of competitiveness and successful economic development viewed from a bottom-up, microeconomic perspective. While sound macroeconomic policies and stable legal and political institutions create potential for industrial competitiveness, wealth is actually created at the microeconomic and firm levels. The sophistication and productivity of firms, the vitality of industrial clusters, and the quality of the business environment are the ultimate determinants of the productivity and innovation capacity of nations, regions and industries.

This course examines both advanced and developing economies and addresses competitiveness at multiple levels – nations, subnational units such as states or provinces, particular clusters, and neighbouring countries. The course is concerned not only with government policy but also with the roles that firms, industry associations, universities, and other institutions play in competitiveness. In modern competition, each of these institutions has an important and evolving role in economic development.

The course explores not only theory and policy but also the organizational structures, institutional structures, and change processes required for sustained improvements in competitiveness.

The *Microeconomics of Competitiveness* is a distinctive graduate course offered in cooperation with prof. M. Porter and a team of his colleagues at Harvard Business School (HBS), USA. It is designed to be taught to second year MBA students at HBS and affiliates of the Institute for Strategy and Competitiveness at Harvard Business School (<http://www.isc.hbs.edu/moc.htm>).

### Course Aims

The main aim of the course is to enable the students to integrate and activate general knowledge on competitiveness in order to make analytical managerial decisions. The course focuses on the environment in which global strategy is developed at the corporate, business and operational levels. Particular attention is paid to the processes, competencies and vision of top management, competitive positioning, understanding comparative costs.

Part of the purpose of the course is to expose students to some of the most successful countries and regions. In addition to cases, there are readings and videotaped appearances by guests who are national, regional, or business leaders involved in the cases studied or experts on the issues discussed in class.

### Learning Outcomes of the Course

On completion of this course successful students will enhance their skills for formulating strategy by developing an understanding of a firm's operative environment. They will master a range of analytical tools and demonstrate the ability to take an integrative point of view in using these tools to perform in depth analyses of industries and competitors, predict competitive behaviour, analyse how firms develop and sustain competitive advantage over time.

Course learning outcomes (CLO)	Study methods	Assessment methods
CLO1. Analyse and evaluate the major elements of competitiveness	Lectures, readings, case studies, self-study, in class discussions	Case summaries, participation, team project
CLO2. Analyse, compare and evaluate the role of clusters.	Lectures, readings, case studies, self-study, in class discussions	Case summaries, participation, team project
CLO3. Analyse and evaluate the interaction between the micro level (entrepreneurial activity), meso level (regional clusters) and macro level (national policy).	Lectures, readings, case studies, self-study, in class discussions	Case summaries, participation, team project
CLO4. Analyse the complex relationship between government activity and business activity within institutions for collaboration.	Lectures, readings, case studies, self-study, in class discussions	Case summaries, participation, team project
CLO5. Apply their knowledge in the framework of a concrete research project for a concrete country and cluster.	Lectures, readings, case studies, self-study, in class discussions	Participation, team project

### Quality Assurance Issues

The lecturer will apply multiple teaching methods to keep the students engaged in the topic. Continuous student feedback will be encouraged and accommodated to continuously improve class experience.

### Course Content

Session	TOPICS	Contact Hours	READINGS
1	<b>Competitiveness: Overall Framework</b>  Course Introduction How to analyse a case Project Introduction	4	<b>Readings:</b> <i>On Competition</i> Chapters 2, 6, 7
2	<b>Competitive strategy: sources of competitiveness (for businesses and for countries).</b>  <b>Competitiveness analysis frameworks. The Diamond Model: Developing/Transition Countries</b>	2  2	Porter, M. E. (1996). What is a strategy?  <i>On Competition</i> Chapter 8 <b>Cases:</b> Estonia in Transition (9-713-479) Chile: The Latin American Tiger? (9-798-092)
3	<b>Economic Strategy: Advanced Economies</b>  <b>Role of Institutions for Collaboration</b>	2  2	<b>Case:</b> Remaking Singapore (9-710-438)  <b>Case:</b> Asociación Colombiana de Plásticos (Acoplásticos) (9-703-437) Institutions for Collaboration: Overview (9-703-436)
4	<b>Building a Cluster</b>  <b>Clusters and Cluster Development: Advanced Economies</b>	2  2	<b>Readings:</b> <i>On Competition</i> , review Chapter 7. <b>Case:</b> Building a Cluster: Electronics and Information Technology in Costa Rica (9-703-422)  <b>Cases:</b> The California Wine Cluster, HBS Case Number: 9-799-124. The Australian Wine Cluster: Supplementary Information, HBS Case Number: 9-703-492.

5	<b>Cluster Internationalization</b>	4	<b>Case:</b> Dutch Flower Cluster (9-711-507)
6	<b>Creating Value for Stakeholders</b>	4	Documentary "Fishing with Dynamite" (2019)  <b>Readings:</b> <i>On Competition</i> Chapter 9, 12, 13, 14 Porter, M. E. and Kramer, M. <i>Creating Shared Value</i>
7	<b>Creating Shared Value</b>  <b>Team project work and consultations</b>	2  2	<b>Readings:</b> Kramer, M. R. and Pfitzer, M.W. (2016). <i>The Ecosystem of Shared Value</i> . Pfitzer, M.W., Bockstette, V. and Stamp, M. (2013). <i>Innovating for Shared Value</i> . <b>Case:</b> Discovery Limited (715-423)
8	<b>Team Project Presentations</b>	4	
9	<b>Team Project Presentations</b>  <b>Course Summary</b>	3  1	

#### Self Study and Assessment

Type of assignment	Topics	Hours	Evaluation, %
Case Summaries	1-9	24	20
Class Participation	1-9	40	35
Team Project presentations and final report	1-9	60	45
<b>Total:</b>		<b>124</b>	<b>100</b>

There is no written exam in the course.

#### CASE SUMMARY/ANSWERS TO QUESTIONS (20%)

It is required to present a half page (max one page) summary/answers to questions of each case before the relevant class.

#### CLASS PARTICIPATION (35%)

Students will be expected to actively participate in class discussing and analysing cases as well as materials read before the class. Attendance is compulsory and will be taken at each class. The students will be evaluated based on the knowledge shown during the analyses and discussions (frequency and quality of contributions to class discussion).

#### Criteria for Evaluating Class Contributions

- MOC is a course about a framework for thinking
  - The cases are intended to allow the class to explore the concepts
  - The "answer" is less important than the thinking process
- Analytical rigor is highly valued
- No outside-of-case data is allowed or rewarded
- Cold calls are fair game, anytime
- Building on previous contributions
- Being concise; marshalling evidence; showing your logic
- Integrating across facts, issues, and cases
- Taking a constructive approach and tone
- Being prepared for follow-up questions
- Participating while not speaking

Students ranking with insufficient class participation midway through the course will be notified.

### **TEAM PROJECT (45%)**

The course also involves a major team project involving the competitive assessment of a particular country and a cluster. Students will work in small groups (max 3-4 people depending on class size) to prepare an assessment. Each team will select a country, and one cluster within that country, for in-depth analysis. Guidelines for the country competitiveness Team Project will be discussed in class.

### **RE-TAKE**

In case of a negative final grade, students are allowed a resubmit final paper. All the requirements are the same as for Team Project (as indicated above) but it shall be individually prepared paper. The weight of a re-take is **45%**. Case summaries/answers to case questions cannot be retaken but its evaluation (if positive) is not annulled.

### **Teaching and learning methods**

Lectures, in-class discussions, team work (project). The course is interactive and requires a high level of involvement from the students during the class sessions. Students are expected to come to class prepared (read the chapters and cases before coming to class). Students are also expected to actively participate in all class discussions. Beyond the required reading, students are encouraged to use other resources, mentioned in suggested readings list.

### **Required Readings**

- Porter, M. (2008). *On Competition* (Updated and Expanded Edition). Boston: Harvard Business School Press.
- Porter, M. E. and Kramer, M. "Creating Shared Value" *Harvard Business Review*. January-February 2011.
- Case studies provided by Harvard Business School.

### **Additional Suggested Readings**

- Kramer, M. R. and Pfitzer, M.W. (2016). *The Ecosystem of Shared Value*. *Harvard Business Review*.
- Krugman, P. "Increasing returns and economic geography", *Journal of Political Economy*, Vol. 99, No 3, 1999, pp 483 - 499.
- Papazoglou C. (2005), *The Economies of South Eastern Europe: Performance and Challenges*, Palgrave Macmillan.
- Petrakos G. (2003), *Regional Development and Cross-Border Cooperation in South-Eastern Europe*, Larisa: University of Thessaly Press.
- Pfitzer, M.W., Bockstette, V. and Stamp, M. (2013). *Innovating for Shared Value*. *Harvard Business Review*.
- Porter, M., Delgado, M., Ketels Ch. and Stern, S. "Moving to a New Global Competitiveness Index" In *The Global Competitiveness Report 2008-2009*, World Economic Forum, Geneva, 2008: pp 43 – 63.
- Porter M. (1986), *Competition in Global Industries*, Boston, Harvard Business School Press.
- Porter M. (1998), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: Free Press.
- Porter M. (1998), *Competitive Advantage: Creating and Sustaining Superior Performance*, New York: Free Press.
- Porter M. (1998), *The Competitive Advantage of Nations*, New York: Free Press.