

HACKTEX VIRTUAL TRAINING MATERIALS

VIRTUAL GUIDE ON ENTREPRENEURSHIP

Learning Unit 4

Lesson 3

Important issues for Entrepreneurship

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Project management through the concepts of games, market positioning in two steps & The BCG Matrix Approach

Learning Unit 4 / Lesson 3



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- Project management through the concept of games
- The prisoner's dilemma
- Market positioning according to Porter
- Porter's model of 5 strategic forces
- The BCG Matrix approach

Project management through the concept of games

- **Game theory** is the study of how people behave in strategic situations.
- **Strategic decisions** are those in which each person, in deciding what actions to take, must consider how others might respond to that action.
- Because the number of firms in an oligopolistic market is small, each firm must act strategically.
- Each firm knows that its profit depends not only on how much it produces but also on how much the other firms produce.

The prisoner's dilemma

The **prisoners' dilemma** provides insight into the difficulty in maintaining cooperation. Often people (firms) fail to cooperate with one another even when cooperation would make them better off. The prisoners' dilemma is a particular "game" between two captured prisoners that illustrates why cooperation is difficult to maintain even when it is mutually beneficial.

FIGURE 2 THE PRISONERS' DILEMMA

		Bonnie's Decision	
		Confess	Remain Silent
Clyde's Decision	Confess	Bonnie gets 8 years Clyde gets 8 years	Bonnie gets 20 years Clyde goes free
	Remain Silent	Bonnie goes free Clyde gets 20 years	Bonnie gets 1 year Clyde gets 1 year

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The prisoner's dilemma

The **dominant strategy** is the best strategy for a player to follow regardless of the strategies chosen by the other players.

Cooperation is difficult to maintain, because cooperation is not in the best interest of the individual player.

The prisoner's dilemma

Marlboro – Camel example

FIGURE 5 AN ADVERTISING GAME

		Marlboro's Decision	
		Advertise	Don't Advertise
Camel's Decision	Advertise	Marlboro gets \$3 billion profit Camel gets \$3 billion profit	Marlboro gets \$2 billion profit Camel gets \$5 billion profit
	Don't Advertise	Marlboro gets \$5 billion profit Camel gets \$2 billion profit	Marlboro gets \$4 billion profit Camel gets \$4 billion profit

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Game theory



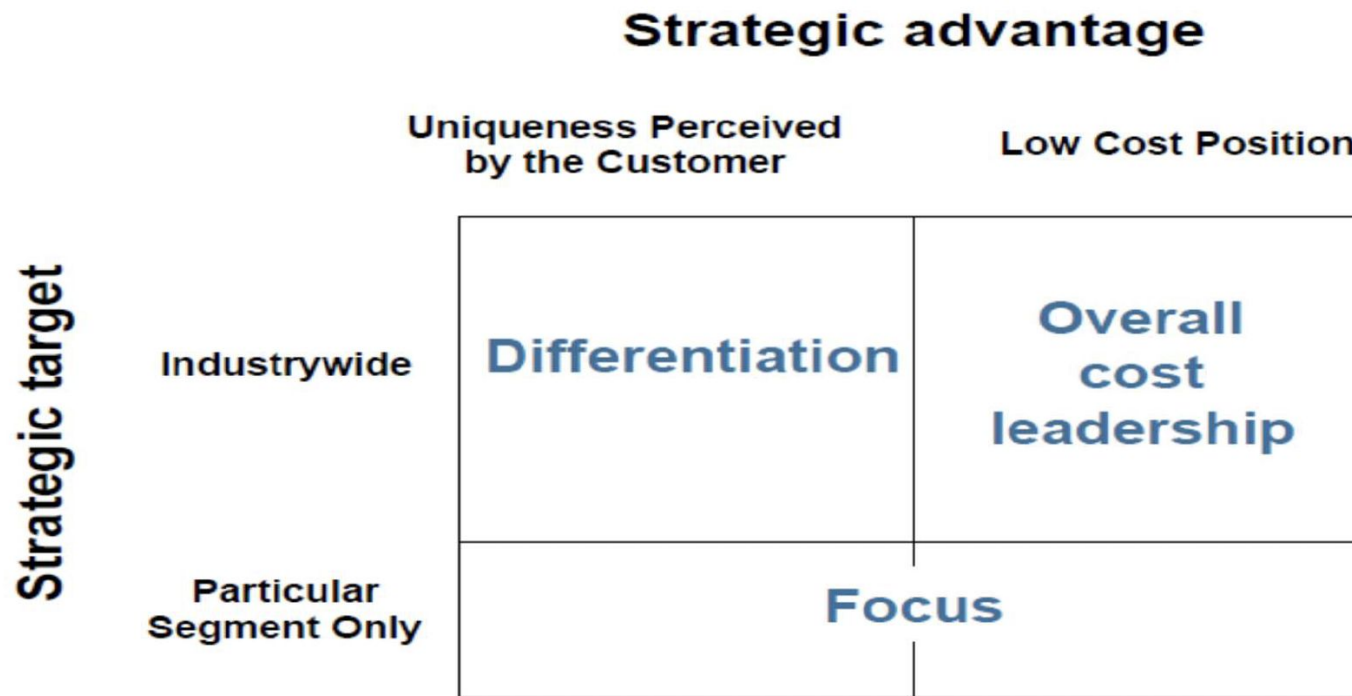
- Game theory is the study of strategic decision-making
- Studies of mathematical models of conflict and cooperation between intelligent rational decision makers
- Interactive decision theory

Market positioning in two steps (according to Porter, 1980; 1985)

Select an attractive industry to operate in

Choose one of the 3 possible generic strategies

Porter's 3 Generic strategies



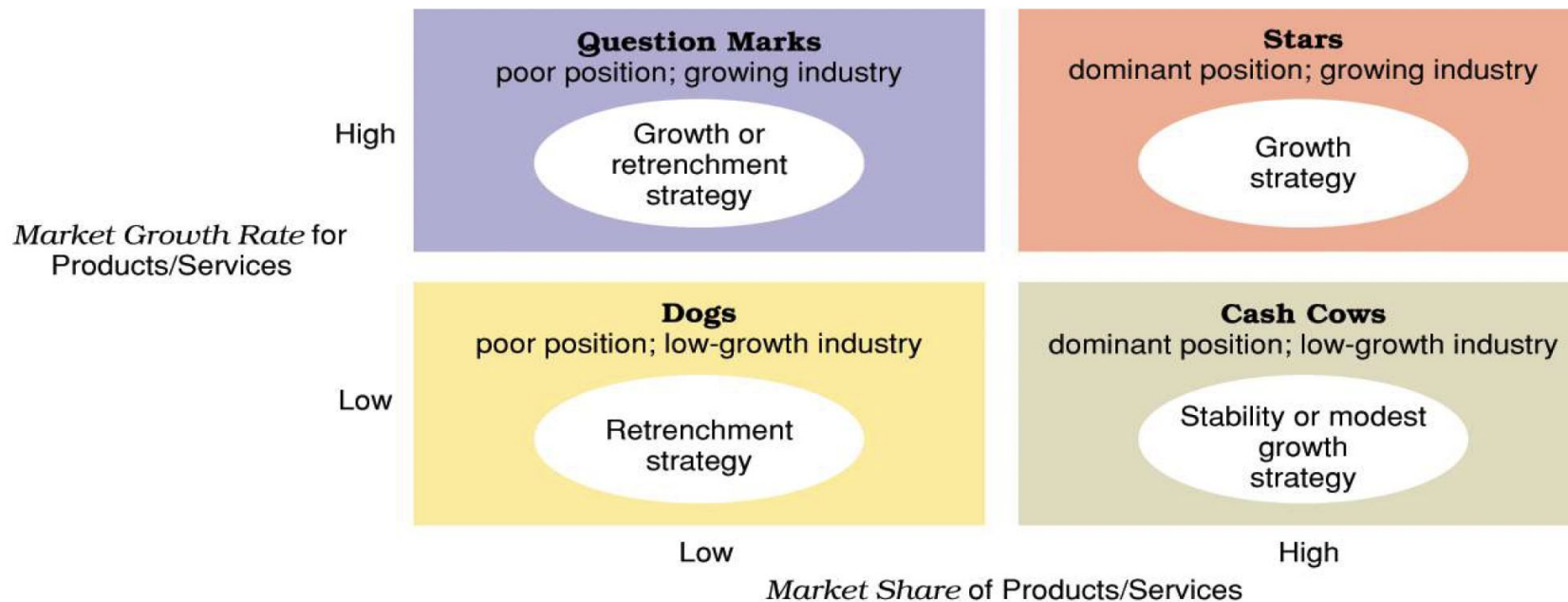
Porter 1985, p. 12

Porter's model of 5 strategic forces



Source: Developed from Michael E. Porter, *Competitive Strategy* (New York: Free Press, 1980)

The BCG Matrix approach



The BCG Matrix approach

BCG matrix — business conditions and related strategies:

Stars

- High share/high growth businesses.
- Preferred strategy — growth.

Cash cows

- High share/low growth businesses.
- Preferred strategy — stability or modest growth.

The BCG Matrix approach

BCG matrix—business conditions and related strategies

Questionmarks

- Low share/high growth businesses.
- Preferred strategy — growth for promising question marks and restructuring or divestiture for others.

Dogs

- Low share/low growth businesses.
- Preferred strategy — retrenchment by divestiture.

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