1. Summarise the ways in which the global economy influences the five competitive forces.

What are competitive forces?

Porter’s 5 forces, named after Michael Porter, is a model that used to identify and analyze every industry with their weaknesses and strengths.

These forces are:

1. competition in the industry;
2. Potential of new entrants into the industry;
3. Power of suppliers;
4. Power of customers;
5. Threat of substitute products;

In summary, competitive advantage can be achieved by either providing customers more value than competitors in measurable, like lower cost, or performing activities for cutting cost in unique ways that create more value to customers than competitors. Winning either by being cheaper or by being different, there are no other ways. (Hindle, 2008)

Basics

The five forces in Porter's model are the bargaining power of buyers and suppliers, threat of new competitors, threat of substitute products and industry rivalry. Porter's diamond model has four determinants of competitive advantage: demand conditions, factor conditions, presence of supporting industries and company strategies. Factor conditions refer to a country's resources, such as labor and natural resources, while demand conditions refer to local demand for a company's products and services.

Importance: Five Forces Model

Porter's five forces determine a company's competitive environment, which affects profitability. The bargaining power of buyers and suppliers affect a small company's ability to increase prices and manage costs, respectively. For example, if the same product is available from several suppliers, then buyers have bargaining power over each supplier. However, if there is only one supplier for a particular component, then that supplier has bargaining power over its customers. Low-entry barriers attract new competition, while high-entry barriers discourage it. For example, opening a home-cleaning business is simple, but starting a manufacturing company is considerably more difficult. Industry rivalry is likely to be higher when several companies are vying for the same customers, and intense rivalry leads to lower prices and profits.

Importance: Diamond Model

Government policies can influence the components of the diamond model. For example, some economists suggest that lower income taxes stimulate consumer demand, which leads to higher sales and profits. Countries that invest in education have a skilled workforce, which helps companies engage in research and development. The presence of supporting industries in close proximity to manufacturing companies can reduce input costs and increase profits. Supporting industries include raw materials suppliers and component manufacturers. A competitive industry structure is also important because companies that can survive tough competition at home are usually able to withstand even tougher competition in a global business environment.

1. Explain how size and complexity change the cost of competitive strategy. Do governments have a role?

For decades, there has been an obvious evidence that people agree on that globalization could bring about more jobs, higher wages and lower prices, not only for the developed countries, but also for the developing ones. However, many people, including politicians, are letting out the sound towards the situations like jobs being taken by machines, old industries disappearing and waves of migration disordered the society stability. The New Zealand government has announced the changes to the residence program with concerning over immigration, The Brexit referendum likewise. US Republican presidential candidate Donald Trump has brought back the protectionism in the US and there have been lots of protest in Europe over international trade deals. What’s behind this collide? And what a role should governments play to overcome this backlash?

1. Describe what the size of the global economy means to differentiation.
2. Explain what types of information technology systems companies can use to be competitive. How do these systems help?

Go Cloud

There was a time when Google provided the concept of Cloud Computing, many people seen this as a speculation like old wine in new bottle. However, nowadays, Information Technology industry has totally already accepted it and watched the huge influence towards economy and society. So what’s Cloud Computing and how it affects current and afterwards industry, economy and society?

By the economy recession as the Internet bubble crashed in 2002, Google representing a series of Internet Companies quickly ascended, meanwhile, the burden of challenging Microsoft’s business model had fallen on it. Instead of providing simple service as before, Google was seeking different ways to replace client-applications to online-services. By merging Keyhole, Google successfully moved original client-side 3D earth service to online, afterwards, this became very the famous Google Earth. By merging Picasa, Google replaced the client-side picture editing products like Photoshop with online service as well. Surely, by the advent of Google Docs, Google changed the users’ docs editing habits from Office to online. Since then, without Office, Photoshop, users can truly rely on the online services to do daily tasks. But what’s Cloud Computing, we can shed light on the three companies Google, IBM and Amazon, which proposed this concept initially. For IBM, its business model is “IaaS”, Infrastructure as a service, that means to sell computing infrastructure like virtual machines and other resources as a service to subscribers. For Amazon, besides its e-commercial website, it provides the services like Web Hosting to cater to the needs of sellers’ websites hosting, even for someone else who wants to setup personal website. It’s called “PaaS” Platform as a service. PaaS offers a development environment to application developers, like toolkit and databases, etc. As the concept of Amazon is different from IBM’s, but there is no confliction, which means IBM can be a server vendor to Amazon if the price is reasonable. On the other hand, Google is also the earliest company developing Cloud Computing, its original goal is to enlarge the search engine’s capability for itself. However, by the business being scaled up and competition against Microsoft becoming more and more fierce, Google gradually moved the local client-side applications to online. This can be referred to as “SaaS”, Software as a Service, also can be known as “on-demand software”. In this model, users access the software from cloud clients and all data can be stored in cloud and can be shared any place where there is network available. First, Cloud enable users or anyone else easily share or access to their data. Second, Cloud Computing allow user to utilize a great deal of computing resources including CPU, driver and memory instead of purchasing the devices by themselves which reduce users’ cost on infrastructures. Third, Cloud computing can facilitate software developer and system operators swiftly develop and deploy software, which makes software delivery more quickly and cuts down operation and maintenance costs.

In the WinTel(Windows+Intel) era, as so many client-side application running standalone on PC, any software vendors put the support of the most used Operation System as the first priority. But in Cloud era, all data and applications can be running on server-side, terminal devices can be various according to customers’ preferences, like smart phone, tablet or MackBook and without being bothered by compatibility. If we say Web 2.0 is an evolution, then Cloud computing can be seen as a completely revolution, a colossal technology development wave. Once upon a time, people believed the dominancy of Microsoft and Intel in PC era was unshakeable, no matter in terms of technology or law. However, by the advent and prevalence of Cloud Computing, the WinTel even shakes by itself. Of course, even though Cloud Computing still needs further improvement, what’s more, it calls for an appropriate legislative framework.