The Relevance Of Porter's Five Forces In Today's Innovative And Changing Business Environment

Author: Gerard H. Th. Bruijl MBA, MoAM, BCom
Director/Principal Consultant BizChange (NZ) Ltd

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Introduction

Porter's five forces framework (rivalry existing competitors, threat of new entrants, power of suppliers and buyers, substitut products and services) is based on the perception that an organizational strategy should encounter the opportunities and threats in the organizations external setting. A competitive strategy should rest on an understanding of industry structures and the way they change. Porter argues that the aim of the strategist is to recognize and handle a competitive environment by directly looking at competitors, or to contemplate a broader perspective that competes against the organization (Porter, 1979). Arguably, technological advancements and different ways of strategic thinking, such as shaping the future, engaging with customers, and creating long-term value using innovative ways may have shifted Porter's five forces thinking from competing in an existing competitive environment to seeking opportunities in new innovative markets. However, one may wonder, if organizations are up to par for stepping out of their current competitive market to become a pioneer in a new market environment. This paper outlines and focuses on the relevance of Porter's five forces today and its appropriateness when managers are considering innovation and change. Additionally, there will be an exploration of alternative strategies that have similarities with Porter's five forces.

The Thinking Behind Porter's Five Forces Framework

The five forces framework was coined by Harvard Business School Professor Michael Porter and was published for the first time in the Harvard Business Review in 1979. The five forces framework is an influential and straightforward tool for the identification of certain powers in line with a particular business situation by using the outside-in perspective (Johnson, Scholes, & Whittington, 2008). The framework distinguishes five forces in the microenvironment that drive competition and jeopardize an organization's ability to make a profit. The origin of the Porter's five forces framework is based on the industrial economics or industrial organizational (IO) approach. The IO approach presumes that the attraction of an industry in which an organization operates is defined by the market structure due to the reason that a market structure affects the behavior of market contributors (Raible, 2013; Slater & Olson, 2002). The market structure, in turn, affects the strategic behavior of organizations; for example, market success depends on the competitive strategy. Subsequently, the organizational success is indirectly dependent on the market structure. Mohapatra (2012) denotes that "individual forces and their collective impact will change as the government policies and macroeconomic and environmental conditions change" (p. 274). Moreover, the five forces framework may be seen as something that can be used when completing an industry analysis. Even after closer examination, it becomes obvious that the model allows an organization to gain a deeper understanding of how profit is divided between the five forces in a specific industry. Hence, it will enable the organization to get a better understanding of which industry players hold the most power and likely determine the rules of the activities. Moreover, the framework allows organizations to obtain not only a glimpse of the industry at a particular point in time, but a view of the dynamics of the industry and potential changes in the future.

Aside from competition among the existing competitors, Porter recognizes four other forces to be included in the five forces framework, which are (a) threat of potential new entrants, (b) bargaining power of suppliers, (c) bargaining power of buyers, and (d) the threat of substitute products or services. The interactions of these five forces shape competition in an industry and are a continuous threat to the success of an organization (Porter, 1979). The following provides a brief explanation of Porter's five forces.

Rivalry Among Existing Competitors

When rivalry among existing competitors is significant, profitability within the industry suffers and organizations may introduce measures such as price discounting, introducing new products, advertising campaigns and service improvements (Porter, 1985). However, the frequency of the previously stated will depend on the intensity of the competition, and how the industry is affected by industry growth rate, storage and fixed costs, the number of organizations competing against each other, differentiation, exit barriers and switching cost between competitors (Hubbard & Beamish, 2011).

Threat of New Entrants

Porter (1985) states that "new entrants to an industry bring new capacity, and the desire to gain market share that puts pressure on prices, costs and the rate of investment necessary to compete" (p. 8). However, the threat of entry will largely depend on how high entry barriers are and how many organizations are in the industry (Johnson et al., 2008). Furthermore, new entrants can disrupt established players in a particular market, and directly affect the competitive advantages. When the demand is not increasing or decreasing, an additional supply of goods or services will decrease profit margins of the market participants. Porter (1985) differentiates seven critical barriers to enter the market, (a) supply-side economies of scale, (b) demand-side benefits of scale, (c) customer switching cost, (d) capital requirements, (e) incumbency advantages independent of size, (f) unequal access to distribution channels, and (g) restrictive government policy. An essential exercise for organizations is to analyze barriers to entry and to anticipate possible retaliation measures from competitors when considering entering a new industry. It is of utmost importance for a new entrant is to overcome entry barriers without nullifying, through heavy investment, the profitability of joining in the industry (Porter, 1985).

Bargaining Power of Suppliers

This can have a detrimental effect on profitability in an industry as suppliers can threaten organizations with increasing prices of products and services; when organizations are unable to recover, the cost increases in its own prices. There are a number of reasons that can be seen as indicators of high bargaining power of suppliers. For instance, domination within an industry may be controlled by a few organizations and is, therefore, more concentrated than the industry it sells to, or the industry is not the most important customer of the supplier group (Porter, 1979). On the other hand, the bargaining power of suppliers can be manipulated by the number of suppliers, the size of the supplier, and the availability of substitute customers (Slater & Olson, 2002).

Furthermore, many powerful suppliers do not depend predominantly on one industry for its revenue as some may serve a number of other industries and will not hesitate to extract maximum profit from each one (Porter, 1985). An influential factor to the power of suppliers is the power of customers, who may drive prices downwards, demand better quality, or enforce expanded services, which may well have a negative effect on the profitability of an industry.

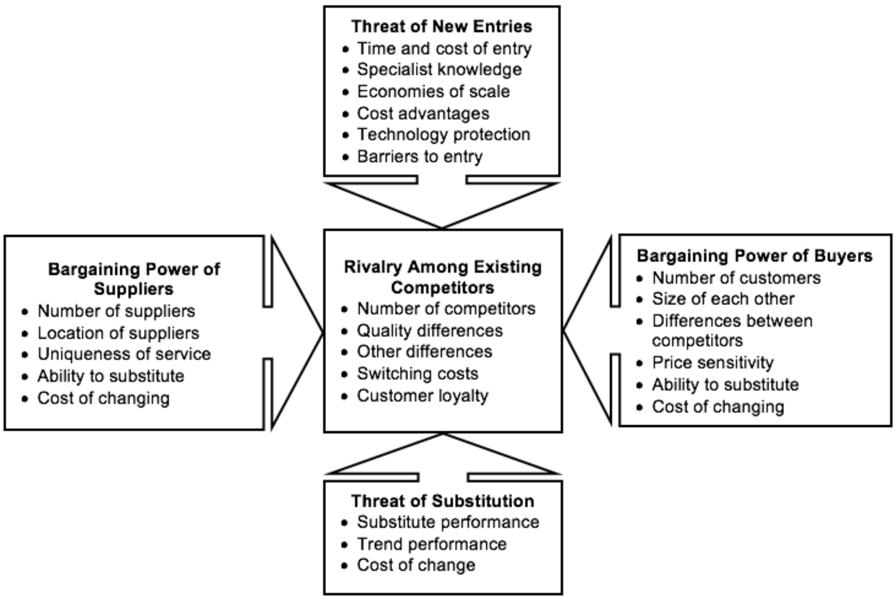
The Bargaining Power of Buyers

When there is a monopoly market situation, buyers have the greatest bargaining power when they are large and are able to switch comfortably to alternative suppliers that are few in numbers (Slater & Olson, 2002). Other relative buyer concentrations are (a) competitiveness – many buyers and suppliers, (b) mutual dependence – few buyers and suppliers, and (c) monopoly power – few suppliers and many buyers. Furthermore, buyers compete with the industry by forcing prices down (Porter, 1980). When buyers are powerful, sellers may develop ways where buyers are prepared to pay a premium price for some products. For instance, sellers need to accept that there is an imbalance of power and that profitability will be reduced or even to accept a rate of return that is close to the cost of capital. Furthermore, sellers may find different ways for increasing the cost that buyers incur when switching from one seller to another seller. However, this is difficult as most buyers will recognize that they may not appreciate when they are locked in to a certain buyer. Although, sellers may overcome this lock in by creating a buyer loyalty program that provides more value than competitors provide, such as a just-in-time (JIT) delivery system or increasing quality and services. On the other hand, when buyers have less power, they are not concentrated, have fewer options, and are segmented (e.g., information on price is difficult to find, possibility of price discrimination, price bundling).

Threat of Substitute Products and Services

Identifying substitutes is seeking for products or services that can fulfill the same purpose as products of the industry of the considered industry. Factors that may influence the threat of substitute products and services are (a) switching costs between substitute products or services and industry products, or (b) buyer's addiction to buy substitutes. (Hubbard & Beamish, 2011; Klemperer, 1995). For instance, butter and margarine may be the same in the eyes of many but consumers must pay a premium for butter, or a smartphone substituting a laptop as a smaller device that provides the same or similar operations as a laptop. From an industry and profitability perspective, the threat of substitutes needs to be low, contrary to buyers who want substitutes to be high. In other words, substitute products and services are less when (a) cross-price elasticity of demand (i.e., the responsiveness of demand for one good to the change in the price of another good) is low, or (b) switching costs are high. An overview of Porter's five forces is shown in Figure 1, including some of the features for each force.

FIGURE 1
Porter's Five Forces



Source: Porter, 1985, p. 22

However, Porter's five forces have their critics. According to Aktouf (2005) "Porter's five forces theory justifies and legitimizes three common trends fundamental to the dominant financial capitalism, (a) domination by large organizations, (b) the concentration of capital, and (c) excessive hierarchization centralization" (p. 92). Furthermore, Porter offers no assistance to small actors in a particular industry, or to organizations that want to draw more on their employee's knowledge and field experience in articulating their strategies (Aktouf, 2005). Earlier, Brandenburger (2002) stated that "Porter's five forces model is more realistic in that it focuses on the reality of large organizations that control many industries, that is, on situations of monopoly or oligopoly" (p. 58). Hence, it should be noted that the five forces indicate a normative perspective to adhere the principles of a successful strategy, and not a descriptive perspective (Argyres & McGahan, 2002).

However, much of the critique may come from the notion that the framework assumes a rather static market structure and a classic perfect market as well as the lack of considering strategic alliances (Indiatsy et al., 2014: Recklies, 2015). Porter's five forces framework appears less effective where the zero-sum game approach—where partaker's profit or loss equals the loss or profit of other partakers—is short-term, ignoring the long-term benefits of a profitable collective serendipity situation through relationships from suppliers and buyers (Indiatsy, 2015). Furthermore, too much powerful competitive pressure to competitors may backfire or even ruin an organization that may severely impact on the organization's cost structure, and cooperation factors with stakeholders (Simoes, 2013; Tower, 2015; Wang & Chang, 2009). As the five forces model is static in nature and portraying a snapshot it may be quite a challenge towards (a) innovation, (b) rapidly changing market environments, (c) trends, (d) technological advancements, or (e) changes in ethnic structures of a population (Hill & Jones, 2007; Indiatsy, 2015).

Furthermore, there is also a reason to approach the five forces with caution as the model might need adjustment for analyzing the competitive behavior of small and medium-sized enterprises (SMEs). As most of the emphasis of Porter's five forces are based on large organizations, competitive behaviors concerning small businesses differ from large organizations by their managerial, financial, and organizational structure and their tenderness to environmental changes. Moreover, the dynamics of small local markets differ significantly compared with mass markets and influence overall small business competitive behaviors. In many cases, small businesses build their competitiveness on "client intimacy" based on mutual trust, indicating behaviors that are rational within a local market setting. However, even small business owners and executives need to understand that they are competing in the same industry as large organizations and need to find differing abilities between their business and competitors in dealing with industry forces that affect them. Therefore, it is critical for small businesses to identify capacities that are superior to competitors and utilizing and understanding Porter's five forces may well be an effective tool to establish a competitive advantage.

Using The Five Forces When Considering Innovation And Change

Many scholar and practitioners consider Porter's five forces model as a seminal and robust tool for analyzing organizational competitiveness and balance of power within a certain industry (Cunningham & Hamey, 2012). However, as the five forces model was developed in 1979, many in today's global business environment question if the five forces are still relevant as the model has not changed its concept for more than

38 years. However, when moving around in various organizational activities, it appears that strategic thinking is in the process of moving towards a direction of thinking that is different and more concentrated on today's and future customers and its hypercompetitive business environment. For instance, Fisk (2016) underpins five priorities for strategic thinking that might put Porter's competitiveness or advantage thinking in an altered perspective.

Strategic Direction and Options

When concerning dynamic markets, developing and implementing a strategic roadmap is essential for future growth, and in the creation of driving the best opportunities to structure markets for the benefit of the organization. In other words, it is important for the organization to know where and how to compete. How does not point towards being different, but rather drives toward developing purpose, more innovative attitudes and direction, business models and customer experiences, programs and tactics (Fisk, 2016). Porter's model alludes that markets are stable, and finding a position is adequate to survive almost statically over time (Fisk, 2016).

Competitors are Inferior to Customers

There seems to be a noticeable power shift towards customers. There is a growing search for deeper insights, analytical and intuitive, predictive and personal, to be relevant in finding, engaging and growing with the best customers over time (Fisk, 2016). Building a positive customer experience (customer-centricity) is a critical element towards customer recognition, loyalty and profits. For instance, many consumers have adopted the Internet as a channel for information and evaluation of alternatives as well as for positive and negative aspects before obligating to a purchase (Jain, Ahuja, & Medury, 2013). Therefore, the content of a B2C website will influence how successful the purchase decision process will be (Jain & Ahuja, 2014). Further, the post-purchase process is correlated to post-adoption behavior that may include repurchase, repeated usage or upgraded replacements, and formally or informally assess the outcome of their purchase (Jain & Ahuja, 2014). On the other hand, Porter scarcely mentions customers in relation to competition. Hence, positioning is more about relevance than difference.

Markets and Competitors are Dynamic

Thinking is shifting towards connected and convergent markets where producers and consumers can foresee each other (Mitry & Smith, 2009) or the thought that people have a similar perception of various global brands. Consequently, based on the previously stated, frontiers become less clear and competitors can not only challenge an organization physically and virtually from anywhere in the world, but also from other sectors. Likewise, an organization's strategic opportunity might be to realign across various sectors and geographic frontiers or to merge them. Communication by using various media platforms will become paramount. Moreover, competitiveness is critical, but it is more about outmaneuvering others, reconsidering markets and business models, and reviewing solutions and experiences rather than just being different, cheaper or better than others.

Ecosystems Over Value Chains

The conventional linear model of suppliers in and distributors out seems to become an activity of the past, or they just fade away. According to Keene and Williams (2013), organizations who are not good enough in participating with changes in value dimensions and using an ecosystem of partners in continuously delivering new value will eventually become an "ultrafade" organization. Arguably, today's business environment shows signs of grasping opportunities as they come along or creating opportunities and making use of capabilities offered within an ecosystem. The latter will create a great customer experience. Developing different perspectives within one organization will be a challenge, and it is far easier being inspired by outside organizational activities. In addition, from an efficiency perspective, controlling entire value chains will no longer be necessary, and with the increase in digitalization, the transaction cost of cooperation with other factions may see a rapid decline. According to Steenbergen (2017), an ecosystem is not created around a fixed chain of processes, but it adopts a culture of grasping opportunities that arise when entities with different backgrounds meet.

Large Organizations Versus Small Businesses

There may be an implied assumption that corporations are more successful and win through scale, as they sell more products, sell to more customers, create more revenue, share more, and have greater power. Arguably, this may not necessarily be the case as many organizations seek to be large in order to generate cash to cover the enormous capital cost of large factories and operations. Many of these organization pursue the same markets with largely undifferentiated products and services, and each additional product or service added equal profit. The previously stated is predominantly old school thinking. Regardless of the size of the organization, today's successful business entities have a more focused vision and innovative ideas and then implement them more profitably. Arguably, the latter may be more effective when partners are involved who are typically laser-focused on niches of highly relevant customers across the world chose to stay small, agile and smart (Fisk, 2016).

However, surviving in today's hypercompetitive market environment means developing a competitive strategy to create long-term value for stakeholders and developing different innovative ways to engage customers. Shaping an organizational future is more than just positioning the organization to seek a competitive advantage, as it is more about out-thinking and out-performing rival organizations. In many ways, gaining a competitive advantage is still critical for any type of organization and is typically temporary as competitors often seek ways to duplicate the competitive advantage (Baltzan & Phillips, 2010). Nevertheless, despite the changing market environment, industry structure can still be justified by competitors, suppliers, buyers, new entrants and the threat of substitute products and services regardless of whether it is a manufacturing plant or online shop.

Innovation – Furthermore, innovation plays an important role for organizations to gain a competitive advantage and should be nderstood as an influence that motivates industry competition. More research now focuses solely on innovation and change as a factor driving industry competition (Larry, Shamir, & Johnson, 2014). Porter's five forces framework was not specifically designed for "innovation" or "change," although there may be a preoccupation of an innovation and change approach in the framework. For instance, when addressing "new market entrants," this force may well include organizations that were not traditionally in a market, or organizations disrupting an existing market, or smaller businesses chipping away a minor piece of the customer base (Phillips, 2010). Arguably, Porter may have accounted for trends and technological advances and expected that legislative measures could have an impact on organizations as a break for more innovative activities. For instance, forces driving industry competition in the high-tech environment such as the telecommunication industry have found that additional forces are necessary (Dulčić, Gnjidić, & Alfirević, 2012). Downes (1997) denotes three additional forces driving industry competition to complement Porter's five forces, namely (a) digitalization, (b) globalization and (c) deregulation. However, empirical work from Larry et al. (2014) added an additional force called the *level of innovativeness*. Understanding the level of innovativeness goes back to the concept of increasingly shrinking product life cycles (Bayus, 1998) and in earlier years related to internal factors aimed at obtaining a competitive advantage. Nowadays, the level of innovativeness is a critical external factor when contemplating about the forces driving industry competition. Over the years, organizations had to act quickly when product life cycles were shrinking, meaning that organizations had to increase the speed of innovation in order to come up with new products and services (Larry et al., 2014). In conjunction with the previously stated scholars, it is also important how to measure the level of innovativeness of a given industry. Jalles (2010) proposed two proxies to measure innovation, namely (a) the number of patterns registered and (b) the intellectual property (IP) index. The results would either indicate that a high degree of IP would indicate higher income per capita, and that patterns would either deter or encourage innovation depending on certain conditions (Jalles, 2010). Furthermore, in today's competitive market environment, product and design life cycles are getting shorter (Cliffe, 2011) and may need to receive more attention as part of the extended forces framework of competitiveness. Thus, Porter's five forces framework should not be considered completely outdated as numerous other literature suggest alterations and adjustments to Porter's five forces over three distinct schools of thought (e.g., major, mediocre, and minor adjustments) (Larry et al., 2014; Slater & Olsen, 2002).

Change – The Porter's five forces framework can hardly be justified as a change management tool as it is not intended for that purpose. However, Porter's five forces framework utters an undertone that forces organizations to seek a new changing strategic direction, which in turn helps organizations to answer a number of strategic and game-changing questions. For instance, (a) how do organizations position themselves in finding a spot within an industry where they can command good profits? (b) what is predominantly producing profitability within an industry? (c) what most likely are the significant trends in changing the playing-field within an industry? and (d) what are the constraints and what happens when they are relaxed?

To develop a comprehensive approach toward organizational change and competitive advancement, an outside-in model may be used based on former hypotheses, objective criteria rather than human beliefs, and to reduce and simplify fundamentals (Cope, 2012). Subsequently, Porter's five forces uses an outside-in perspective that is applied as a tool to understand organizational strengths in a market environment. Furthermore, as a driving force, Porter's framework may result in changes in organizational behaviors, industry structure, product portfolio, competitive reaction, buyer and supplier behaviors. For instance, Lewin's Force Field tool or Kotter's Eight-Stage Change Process can be used and integrated to map and understand on what negative and positive forces are functioning in an organization to withstand the aspects of change. To transform an organization towards a competitive advantage requires a number of changes that consist of driving forces and restrained forces as indicated by Kurt Lewin, or an association of eight steps as outlined by Kotter in line with eight fundamental errors that destabilize transformation efforts, which are (a) too much complacency, (b) not creating a guiding coalition, (c) misjudging the power of vision, (d) miscommunicating a vision, (e) allowing obstacles to block the vision, (f) failing the create short-term wins, (g) declaring victory too soon, and (h) neglecting to anchor changes (Kotter, 1996). Answering the previously stated questions and recognizing the fundamental errors will have a number of internal and external change consequences that will lead to developing a change process by unfreezing the current status quo, implementing the new change process, and refreezing the implemented changes.

The Five Forces Model Versus Alternative Strategic Models

Arguably, Porter's five forces may be considered one of the most well-known strategic models as it considers an industrial economics-based approach to a different mindset in forming an industry that is appealing or unappealing. On the other hand, Porter's model has been challenged not only on its current validity by academics and others in the field of strategic planning, but by alternative strategic models. Over the years, many additional strategic models have been developed by scholars and practitioners to create win-win situations in national and international markets and industry environments.

This section will address some of these strategies that may be comparable or have some form of strategic synergy with Porter's five forces model. For instance, the three models randomly chosen are (a) resource-based view (RBV), (b) the delta model, and (c) blue ocean strategy. It is essential to recognize that the proponents of competitive strategy hold the view that competition is the principal issue for organizations to deal with and is seen as a major organizational challenge. As Porter's five forces pertains to an outside-in approach, other models may express a more inside-out approach where organizational inner strength and abilities may generate long-term sustainability. However, both previously mentioned approaches may be different in its implementation but in today's hyper-competitive environment they may actually complement each other.

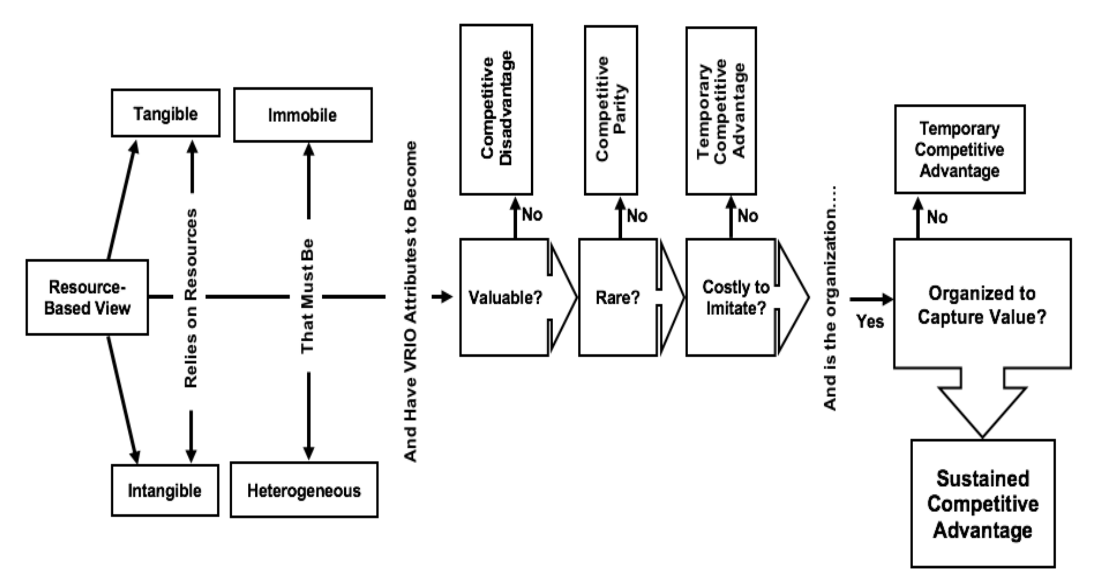
Resource-Based View

As Porter's five forces model describes the organization's strategy in relation to its product and market positioning, the RBV approach insinuates that organizations should position themselves strategically based on their value, uniqueness, inimitable and non-substitutable resources and capabilities rather than the products and services derived from those resources and capabilities (Asad, 2012). Resources and capabilities in RBV strategy are deemed as a source from which the organization derives several products for various markets. In other words, as an inside-out model, RBV's strategy is directed at leveraging resources and capabilities across many markets and products instead of targeting specific products for precise markets. Moreover, if resources are revealing characteristics of VRIO, an organization may gain and maintain a competitive advantage. VRIO is a question framework containing resource and capability questions about value, rarity, imitability, and organization to ascertain competitiveness, as illustrated in Figure 2.

As Figure 2 shows, RBV represents a relationship between resource heterogeneity and immobility, VRIO and sustained competitive advantage. The framework can be applied in analyzing the potential of a wide range or organizational resources that can function as a sustained competitive advantage. The analysis does not identify only the theoretical situations that apply under a sustained competitive advantage condition, but they also imply a number of precise empirical questions that need to be attended to before the relationship between a specific organizational resource and sustained competitive advantage can be assumed (Barney, 1991).

As Porter's five forces model underlines actions by organizations by developing a privileged market or industry position combatting competitive forces, RBV points towards building a competitive advantage and seizing higher profits from fundamental organizational-level resources and capabilities. RBV and Porter's five forces may appear to be different, but both models may complement each other when integrated (Wernerfelt, 1984). Hence, as both models underscore different dimensions of strategy, they do not include customers. Arguably, the latter may cause confusion as Porter's model elaborate about "buyers," whose bargaining power we should resist or reduce, but, in that respect, customers form a different element of the rivalry. The RBV assists in evaluating the ability to utilize strengths and responds to identified weaknesses while the position approach and industry structure assist an organization to recognize its competitive environment. Arguably, to some extent Apple, Inc. and Tesla, Inc. may have some of the hallmarks of a combination of Porter's five forces and the RBV approach by having developed a strong market position and utilizing organizational-level resources and capabilities to enhance a competitive advantage. In sum, in today's hypercompetitive business environment, both Porter's five forces model and the RBV could be important tools for an organization when seeking a competitive advantage whereby one should not discard the other, but integrate them and make them complementary.

FIGURE 2
Combined RBV and VRIO Framework



Source: Jurevicius, 2013, p.1

The Delta Model

This model may not be one of the most well-known models when developing a market position or seeking a competitive advantage. However, its relevancy is determined by the fact that by seeking a competitive advantage, it places the customer at the center of management (Hax & Wilde, 2003). The Delta Model beliefs that customers are the ultimate repository of any organizational activity and that customers are at the core of strategy (Hax & Wilde, 2003; Lio, 2012).

However, many organizations seek some form of connection with customers, but most are just on an arms-length basis and lack the customer knowledge needed in bonding effectively with customers (Hoying, Jain, & Miller, 2008). In playing the game competitively, the Delta Model emphasizes the importance of attracting, satisfying and retaining customers. The Delta Model portrays three positions opening the mindset to a new arrangement of strategic options, which are (a) best product, (b) total customer solution, and (c) system lock-in whereby each element represents a different approach (Hax & Wilde, 2003), as can be explained as follows.

Best Product. A rather inward position is the best product, which is critical to attract, satisfy and retain customers (Hax & Wilde, 2003). There are a number of strategic driving forces in line with best products, which are (a) the creation of an efficient supply chain to minimize infrastructure costs, (b) a proven internal capability for new product development to ensure proper renewal of the current product line, and (c) effectively securing the distribution channels to the target market segments (Hax & Wilde, 2003).

Total Customer Solution. Total customer solution denotes resolutions entailing an assortment of customized products and services that embody a unique value proposition to individualized customers with the involvement of a number of partners (Hax & Wilde, 2003). The model is less interested in developing a calamity structure against competitors, but seeks a more cooperative solution concerning competitive activities in conjunction with creating ways to bond with customers. In other words, the relevance and importance of the customer solution approach is a combination of satisfying the organization, customers, and key suppliers rather than the actual supply chain where innovation in conducted in a joint effort (Hax & Wilde, 2003). In addition, customer economics exceeds product economics as the model makes an effort to assist the customer in enhancing their financial performance.

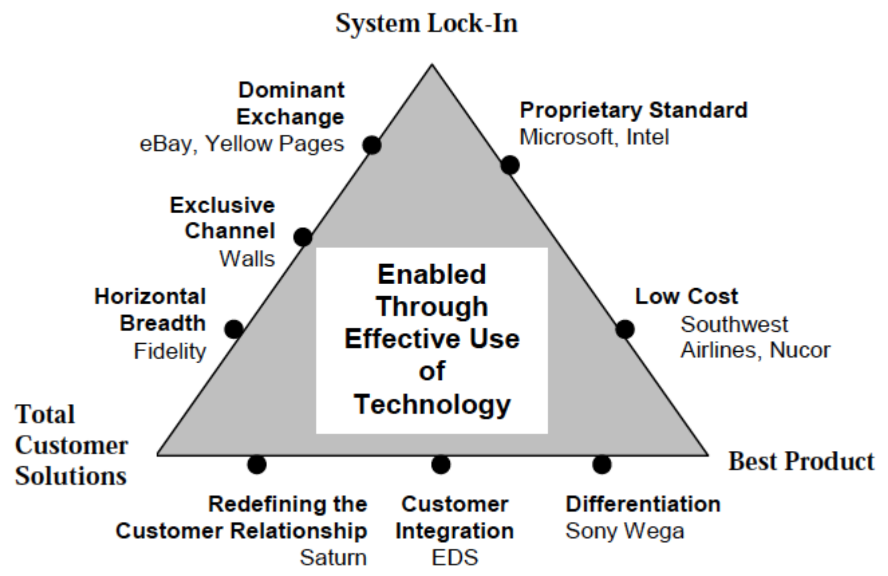
System Lock-in. At the top of the delta model, there is the system lock-in, which indicates the total network with the scope on the complementor's share as the fundamental goal, and the system economics as the driving force (Hax & Wilde, 2003). In many respects, "know yourself" or "know your enemy" may be seen as recognizable idioms in an organizational environment and related to how certain events are viewed or implemented. From a different perspective is "know your friends," which, from an organizational viewpoint, requires a different type of handling denoted as complementors and has seen an increase of interest (Yoffe & Kwak, 2006). Arguably, the application on supply chain management can be seen as the forefront of complementor relations. However, distributors and suppliers should not be seen as the only partners for potential organizational success as organizations that independently offer complementary products or services directly to mutual customers can play an equally critical role (Yoffe & Kwak, 2006). Organizations who are successful in accomplishing this position will obtain a significant dominance in the market as well as in creating a customer lock-in, and competitor lock-out assurance. An advantage is that once an organization has achieved its lock-in position, it creates a proverbial virtuous circle that is hard to break because of its network effects. For instance, when looking at Microsoft or Intel, one may see its financial growth and market dominance not only based on the best product or customer attentiveness, but also on a range of individuals (e.g., application software developers), not on the payroll, who are writing for the Windows-compatible operating systems (Hax & Wilde, 2003). However, not every organization may have the capability to obtain a system lock-in position or to effectively lock-out competitors as they might find it hard to develop a full network. Arguably, without a full network that links complementors and achieves certain business stages, developing an effective organizational strategy may not be possible. Thus, the delta model advocates a total customer solution position and shifting away from a commoditized product-centric approach as an alternative strategic tactic.

The basic options of the Delta Model are further illustrated in Figure 3 that are open for a number of interpretations in the development of a strategic position. For instance, low cost is for many organizations difficult to achieve, which needs to be linked with a correct operational alignment and infrastructure. Offering a product differentiation may enhance a competitive advantage as long as they show signs of durability.

Consequently, the two previously adverse structural characteristics are for many organizations a major way in how they position themselves in the market. However, the push towards total a customer solution position entails a different mindset to capture customers. For instance, a number of organizational actions can be conducted simultaneously such as (a) redefining a customer engagement process by segmenting customers into tiers reflecting separate priorities and initiating a differentiated action to each tier, (b) integrating customers by using organizational capabilities to conduct undertakings that can be done more effectively by the organization than the customer (e.g., IT outsourcing), and (c) horizontal breathing, expanding as many products and services to customers as possible (e.g., bank providing a full range of financial, insurance, and investment services to customers) (Hax & Wilde, 2003).

Ultimately, the difficult part is to get to the top of the triangle, the system lock-in. One effective way may be the ownership development of the standards of the industry that have been achieved by complementors such as Microsoft and Intel through Wintel, which, after decades, is now slowly fading; or Linux running on ARM server chips (Hax & Wilde, 2003; Metz, 2017). Some other alternative options to obtain a system lock-in is seeking exclusiveness concerning distribution channels that customers use, or dominant exchange developing a dominant position and unique linkage between buyer and seller (e.g., eBay, Amazon, Apple, Google) (Hax & Wilde, 2003). Arguably, the delta model process may well have the capability to increment the perceptions of the previously discussed RBV and Porter's five forces framework to be developed in one integrated strategy as none of these models appear to be mutually exclusive.

FIGURE 3
The Delta Model – Options for Strategic Positioning



Source: Hax & Wilde, 2003, p.7

Blue Ocean Strategy

The first mover approach model making competitors irrelevant rather than trying to outdo them is the blue ocean strategy. When developing a strategy, many organizations may well have numerous internal discussions whether it is best to pursue an innovation strategy or a competitive strategy. The proponents of the blue ocean strategy are of the opinion that innovation is a key element in creating a new market environment where competition can become quite irrelevant (Burke, 2010). An important aspect of a blue ocean strategy is that demand is created in an environment where the rules of the game are not set, and by not combatting one's main competitors. However, it seems that blue ocean strategy and Porter's five forces may not be that different from each other. In some respects, Porter's five forces framework does not direct organizations to move in a direction where the competition is rampant. In other words, Porter's five forces direct organizations to be entrepreneurial and creative in finding new ways to escape and reduce competition as much as possible and to proceed to industries where the five forces are least vigorous (Kraaijenbrink, 2017).

Moreover, the cornerstone of the blue ocean strategy is "value innovation" that is created in areas where the organization's activities act favorably on its cost structure and its value proposition to the buyers (Kim & Mauborgne, 2005). Kim and Mauborgne (2017) denoted three key components of successfully shifting an organization towards blue ocean. For instance, there is the adoption of the blue ocean perspective, so that an organization can expand its horizon and shift its understanding of where opportunities exist. Second, the organization needs practical tools for its market creation with clear guidance on how to apply them to translate a blue ocean perspective into a commercially captivating new offering that creates a new market environment. Third, organizations must have a humanistic process that stimulates and builds people's confidence to own and drive the process for effective execution (Kim & Mauborgne, 2017). However, a main risk factor for organizations to take the blue ocean strategy too seriously is that they can become too motivated, and they focus far beyond their competencies. By moving towards uncontested markets, organizations may ignore their own past, strength, and path-dependent abilities and underestimate their risk of failure (Kraaijenbrink, 2017).

However, the earlier message that Porter's five forces and blue ocean strategy are not that different from each other may need further consideration. Research conducted by Burke, Stel, and Thurik (2010) indicates that both schools of thought are neither right and wrong, in fact, that polarizing strategy into blue ocean and competitive strategic options can be distorted (Burke, 2010). For instance, if competitive strategy is correct, there should be a negative relationship developed between organizations and profit levels in the long-term. According to Burke (2010), in highly competitive markets, it takes about 15 years to lower profitability to very basic levels, meaning that profits gained from innovation in existing markets are higher than previously believed. In other words, organizations should look closely for alternative innovative opportunities and besides fulfilling a competitive role, entrepreneurs should bring innovation to the market which may result in market expansion, drawing in more customer expenditure (Burke, 2010).

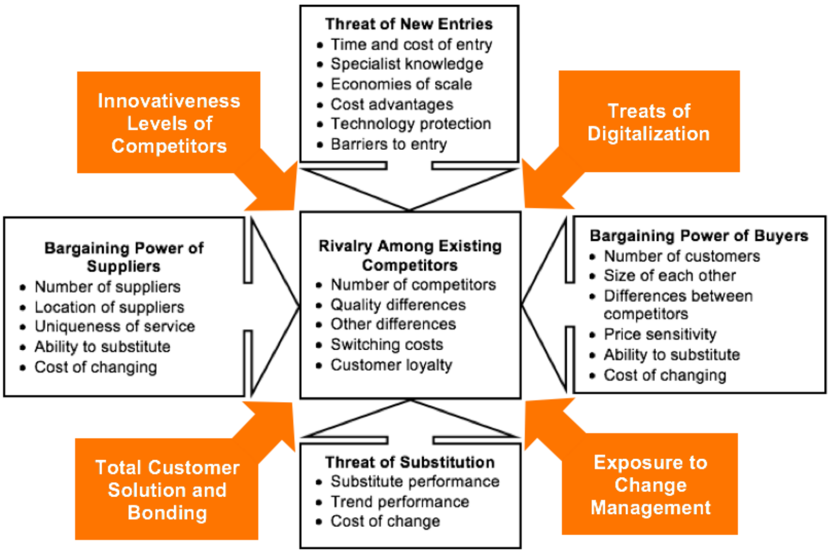
In essence, Burke's (2010) findings offer partial support for the blue ocean strategy as it is not its strongest role when it is linked specifically to the aspects of competition. A major issue that organizations need to ask themselves in implementing a blue ocean strategy is if they want to be the pioneer in the new untapped market space. The latter is contrary to the "fast second approach," a less popular approach, where Markides and Geroski (2005) contend that organizations should not become pioneers, but that organizations should approach newly created markets in second position and colonize it. In other words, let other organizations enter a market first, when the market is not yet expanding, then quickly enter the market. However, it seems that neither blue ocean strategy or the fast second approach are able to compellingly explain successful market domination (Buisson & Silberzahn, 2010). For many pioneers every so often the followers cashed in on these events. For example, Microsoft profited in terms of the computer interface and iTunes in relation to digital music, as both organizations were initially followers who were using an adaptive innovation approach in new markets (Burke, 2010; Buisson & Silberzahn, 2010). In sum, organizations may consider blending the previously stated approaches if a blue ocean pioneering strategy is not reachable. Moreover, Burke (2010) states a number of key opportunities concerning existing markets that "(a) innovation in existing markets could well be an effective strategy, (b) competition is weaker in terms of eroding the benefits from that form of innovation, and (c) innovation does not need to be radical, but more incremental, adaptive, restructuring, and forward moving in the market" (par.10).

Conclusion

Porter's five forces model has propelled strategic management for many years and has become a focus point of texts on strategic management, business strategy and examination materials in business schools globally. However, one may argue that in today's hypercompetitive market environment practicing managers are somewhat apprehensive in seeking a full involvement and commitment in the five forces process. Some of the possible reasons could be that (a) Porter's framework is somewhat abstract and highly analytical, (b) Porter's original framework explains the criteria for assessing each of the five competitive forces in the language of micro-economic theory, rather than in terms of its practicalities, (c) Porter's framework is very prescriptive and somewhat rigid, leaving managers, who are generally hindered from being playful, flexible and innovative in how to apply the framework, and (d) as the framework does help to simplify micro economics, its visual structure is relatively difficult to assimilate and its logic is somewhat implicit (Grundy, 2006; Ural, 2014). Arguably, for many managers, analytical concepts need to be communicated in simple terms to avoid rejection, otherwise there will be other more fluid strategic management styles, such as "logical incrementalism" and "emergent strategy" that may receive organizational preference as both schools of thought are still relevant in developing a strategy (Moore, 2011).

However, this paper attempted to pair other strategic models such as the RBV, the delta model, and the blue ocean strategy to Porter's five forces to seek a more fluid approach reflecting today's competitive business and market environment. Arguably, as a stand-alone model, Porter's five forces could be further developed by (a) combining and correlating it with tools as described in this paper, and (b) by further examining other supplementary systemic interdependencies. In addition, Porter's framework also offers good potential in other practical applications, such as mergers, alliances, and negotiating large contracts. However, as the combination of innovation, technological advancement and customer bonding have become a real importance for organizational survival, and Porter's five forces could be a victim to fall into the same lifecycle phase Porter's five forces model of maturity and decline as real businesses (Grundy, 2006). It is critical for organizations to acknowledge the bargaining power of customers and to keep a close full watch on its costing structures, to put their customers at the center of its strategy and to work on their unique features and value propositions. From a change perspective, Kotter's eight-stage process of creating major change, or Lewin's force field analysis could contribute positively to ensure that the organization responds to the environment in which it operates. Therefore, further reinvigorating Porter's five forces for managers with other concepts in a resourceful manner could clear the way for a broader application that includes embodying unique value propositions to individual customers. In today's competitive and technological advanced business environment, Porter's five forces framework perception are still driving industry competition, but other forces need to be included (see Figure 4) when thinking about driving forces of industry. Managers and entrepreneurs need to re-think their assumptions on the forces driving industry competition.

FIGURE 4
Porter's Five Forces Readjusted to Industry Challenges



Source: Porter, 1985, p. 22

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