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# Five Competitive Forces model Porter

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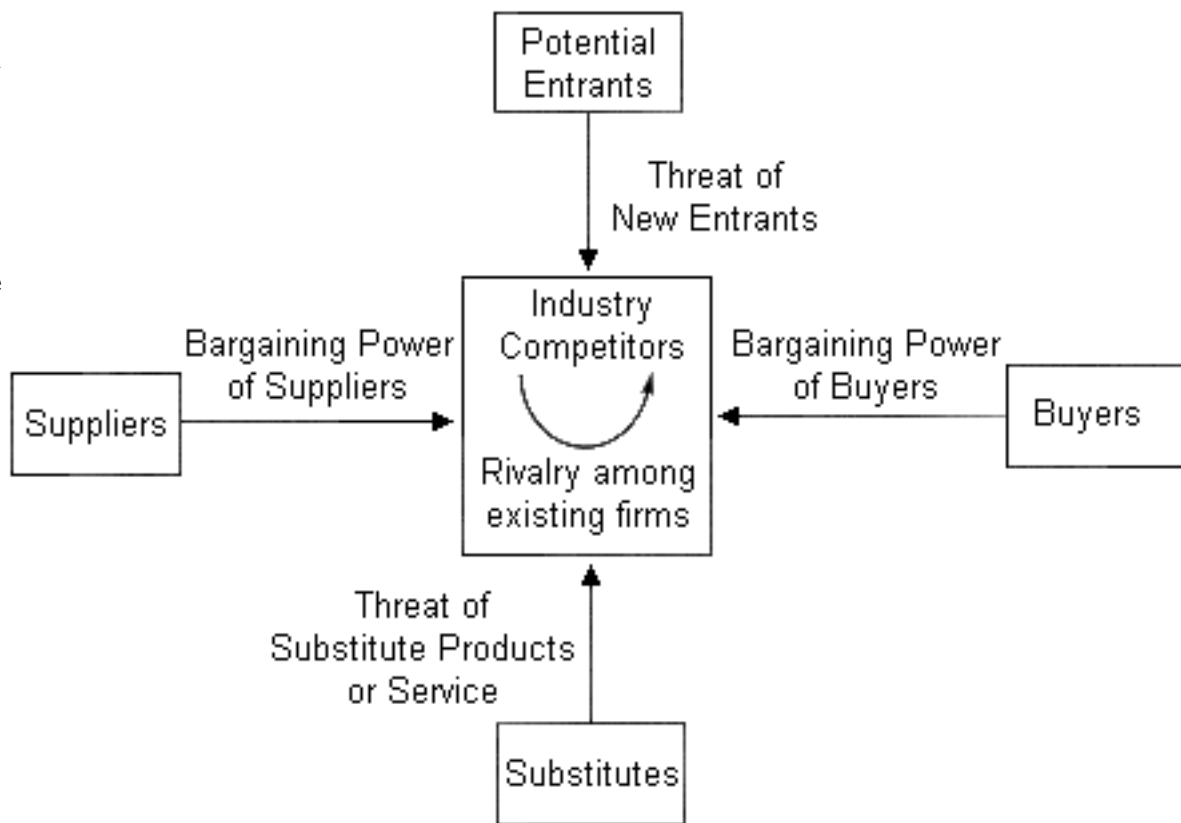
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## Outside-in Business Unit Strategy Five Competitive Forces Framework

Michael Porter

The **Five Forces model of Porter** is an outside-in business unit strategy tool that is used to make an analysis of the attractiveness (value...) of an industry structure. The **Competitive Forces** analysis is made by the identification of 5 fundamental competitive forces:

- o the **entry of competitors** (how easy or difficult is it for new entrants to start to compete, which barriers do exist)
- o the **threat of substitutes** (how easy can our product or service be substituted, especially cheaper)
- o the **bargaining power of buyers** (how strong is the position of buyers, can they work together to order large volumes)
- o the **bargaining power of suppliers** (how strong is the position of sellers, are there many or only few potential suppliers, is there a monopoly)
- o the **rivalry among the existing players** (is there a strong competition between the existing players, is one player very dominant or all all equal in strength/size)
- o as a **sixth** factor could be added: **government**.



**Porter's competitive forces model** is probably one of the most often used business strategy

tools and has proven its usefulness on numerous occasions. **Porter's** model is particularly strong in thinking outside-in. Sare should therefore be taken not to underestimate or underemphasize the importance of the (existing) strengths of the organization (inside-out) when applying this **five competitive forces framework of Porter**.

From a Value Based Management point of view, the Five Forces model (Market/Industry Attractiveness) of Porter can be seen as one of two dimensions in maximizing corporate value creation. The other value creation dimension is how well a company performs relatively towards it's competitors (Relative Competitive Position), for which two other Porter-models are frequently used: the Value Chain framework and Porter's Competitive Advantage.



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