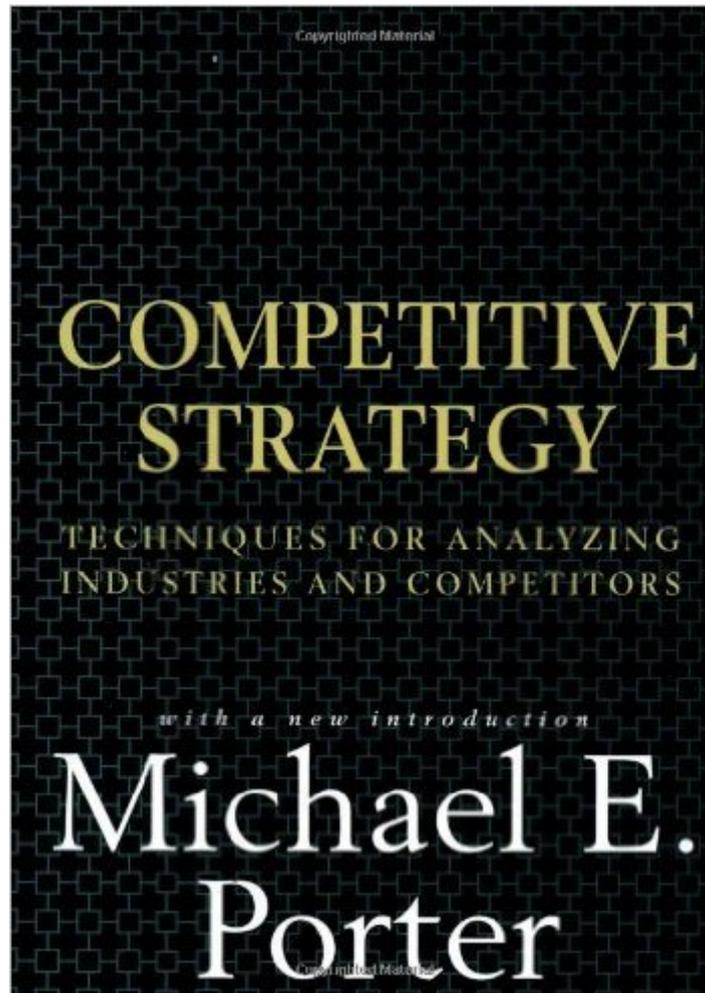


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# Competitive Strategy: Techniques For Analyzing Industries And Competitors



## Synopsis

Now nearing its sixtieth printing in English and translated into nineteen languages, Michael E. Porter's *Competitive Strategy* has transformed the theory, practice, and teaching of business strategy throughout the world. Electrifying in its simplicity—like all great breakthroughs—Porter's analysis of industries captures the complexity of industry competition in five underlying forces. Porter introduces one of the most powerful competitive tools yet developed: his three generic strategies—lowest cost, differentiation, and focus—which bring structure to the task of strategic positioning. He shows how competitive advantage can be defined in terms of relative cost and relative prices, thus linking it directly to profitability, and presents a whole new perspective on how profit is created and divided. In the almost two decades since publication, Porter's framework for predicting competitor behavior has transformed the way in which companies look at their rivals and has given rise to the new discipline of competitor assessment. More than a million managers in both large and small companies, investment analysts, consultants, students, and scholars throughout the world have internalized Porter's ideas and applied them to assess industries, understand competitors, and choose competitive positions. The ideas in the book address the underlying fundamentals of competition in a way that is independent of the specifics of the ways companies go about competing. *Competitive Strategy* has filled a void in management thinking. It provides an enduring foundation and grounding point on which all subsequent work can be built. By bringing a disciplined structure to the question of how firms achieve superior profitability, Porter's rich frameworks and deep insights comprise a sophisticated view of competition unsurpassed in the last quarter-century.

## Book Information

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## Customer Reviews

Michael E. Porter is a professor at Harvard Business School and a leading authority on Strategy and Competitiveness. He did his MBA and Ph.D from Harvard. He has served as an advisor to several business and government organizations. He was also a founder of the strategy and management consulting firm, Monitor Group. Professor Porter is best known for his landmark books that defined the field of Strategy - *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (1980) and *Competitive Advantage: Creating and Sustaining Superior Performance* (1985). These books are must reads at the leading business schools. I read *Competitive Strategy* (1980) for a Strategy course. It starts with a bang. On the very second page of the first chapter you will find the figure for the famous Five Forces Driving Industry Competition. While Porter did not intend this framework to be used for case interviews, in reality, this is a very important framework to know for the case interviews conducted by leading strategy and management consultancy firms. All top MBAs and anybody who has ever been hired by the best strategy and management consultancy firms knows this framework, and has probably read this book. The first chapter immediately proceeds to explaining each of the five forces: 1. Threat of new entrants 2. Intensity of rivalry among existing competitors 3. Pressure from substitute products 4. Bargaining power of buyers 5. Bargaining power of suppliers. While the first chapter alone is worth the cost of this book, I recommend it for the wisdom contained in the rest of the book. The chapters are organized under three parts (General Analytical Techniques, Generic Industry Environments, and Strategic Decisions).

Michael Porter is a Harvard Business School professor and a leading authority on competition and strategy. This book is a landmark in the field of strategy/strategic management, which later has become known as the positioning school. The book provides a great framework. The book consists of three parts - General Analytical Techniques, Generic Industry Environments, and Strategic Decisions. In addition, the two appendices - Portfolio Techniques in Competitor Analysis, and How to Conduct an Industry Analysis - should also be mentioned as they are very useful. In Part I, Porter discusses the structural analysis of industries (with the world-famous five forces), the three generic competitive strategies (overall cost leadership, focus, and differentiation), an excellent framework for competitor analysis, competitive moves, strategy toward buyers and suppliers, structural analysis within industries (strategic groups, strategic mapping, mobility barriers), and industry evolution (life

cycle, evolutionary processes). In Part II, Porter discusses competitive strategy within various generic industry environments, such as fragmented industries (with no real market leader), emerging industries (e-commerce and Internet are excellent examples, although not mentioned in this book as it was written in 1980), mature industries, declining industries, and global industries. In Part III, Porter discusses strategic decisions which businesses/firms can take, such as vertical integration (forward, backward, partnerships), capacity expansion, and entry into new industries/businesses. Even after 20 years, most of this book still stands strong, although some people will argue this.

Anyone would agree that this book is the best overview of competitive strategy analysis ever written. The strength of the book is a solid outline of subjects and questions to improve your thinking, and get to be a step ahead of the competition. In highly-competitive, commodity businesses, that's usually what strategies focus on. On the other hand, the rapid advances of knowledge and technology mean that the relevant benchmark is perfection, not the competitor, in defining an ideal best practice. In that world, this book has serious limitations, because the competitive dimension is often less important than the customer and user dimension these days. Any business arena begins, as Peter Drucker so aptly put it, with the task "to create a customer." That reminder is especially relevant today when there are so many new ways to serve a customer's needs that no one has ever considered before. The strategic point of 'Blown to Bits' for example is that almost every business will see its vertical value chain (moving from resources through to the customer) broken apart into tiny segments each served by specialists. If you did not begin with that perspective in analyzing the impact of electronically-based business practices, you could easily focus on the wrong tasks using this book to create an over-broad strategy focus, rather than concentrating on just a few areas. I suspect that the applications of Moore's Law and Metcalfe's Law need to be explicitly considered as part of the analysis that Professor Porter is recommending.

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