**IQRA NATIONAL UNIVERSITY**

**Department of Business Administration**

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**Subject Name: Strategic Management Assignment**

**Assignment: Write critical review of following article. How competitive forces shape strategy**

<https://hbr.org/1979/03/how-competitive-forces-shape-strategy>

**Review:**

In this article, major determinants are covered by Porter which tends to change your strategy. There are some forces discussed in this article by Porter, which having a great influence on your profitability in business industry. If these game changing trends are identified early, a person can mold a successful strategy which helps in gaining the maximum profit out of the industry. It’s very difficult to sustain the profitability level and to overcome the factors which drops down the profitability levels, a person should respond to the competition and changes in trends strategically. Industry thinks beyond the direct competitors but there are many others factors as well which causes problems in industries ultimate profit potentials.

**Competitive Forces Explained**

Strategy formulation is the most important point discussed by porter in this article even an industry having strong position in the market should make strategies to coup with contending forces. In my opinion the industry should spot ways to work around constrains on profitability or can reshape the forces in its own favor.

**Threat of Entry:**

In competition, a good competitor always focuses on competition’s strengths and weaknesses.

Newcomers always target the existing business by responding to the new market trends very quickly although the new comers will never directly pose threats to the existing business.

**Example (threat of new entry + threats of new substitutes):**

Hamdard is a much known brand of Pakistan. Let’s suppose XYZ industry the same drink as Hamdard is already manufacturing (JAM E SHIREEN) nut in very reasonable price and the same quality. This will attract the butterfly customer and other loyal customer. This ill target the brand without any intention but will effect the sales of Hamdard and will use its customers and probably face a huge loss.

**What a person should do practically to reshape strategies to overcome competitive forces to attain maximum profit out of a business?**

Now understanding how 5 forces will affect the industry.

1. Threat of new entrants
2. Bargaining power of suppliers
3. Bargaining power of customers
4. Threat of substitute product
5. To sustain the position of an industry in the market full of competition.

**Threat of New Entrants:**

As earlier discussed that *new entrants* can produce a same product like your industry produces. Now a person should make a strong strategy to cope with these issues. An industry should be well prepared and should keenly observe the new trends and market situations.

**Bargaining Power of Suppliers:**

*Customers* can play you because they know what they are buying and from whom are they buying. That is why customers are said to be savvy as they know how to force down the prices.

**Bargaining Power of Customers:**

Powerful *suppliers* may contain your profit by charging you higher prices.

**Threat of Substitute Product:**

*Substitute products* can tempt your customers to switch to another product.

**To sustain the position of an industry in the market full of competition:**

By understanding how these forces can influence profitability in your industry now it’s your responsibility to develop a strategy to enhance your industry’s long term profitability.

**Suggestions:**

1. Position your company where the forces are weakest.
2. Exploit changes in the forces.
3. Reshape the forces in your goodwill. And it can be done by following some of the strategies;

* For lowering supplier’s power, make such specifications for parts were your company can switch the vendors according to the specifications not vendors to switch to other company’s products.
* To neutralize the supplier’s power, addition of new services or products will make it harder for a customer to switch.
* Produce such products which are different from the competitors as well as targeting the new market trends and desires of people.
* Produce products which should have wide range so that a customer think before he/she switches.