PORTER + BURTON

FIVE FORCES OF COMPETITION +
FIVE SOURCES OF COLLABORATION?

FIVE FORCES + COMPLEMENTS = SIX FORCES?


Johnson, Scholes and Whittington note in 'Fundamentals of Strategy' that 'some analysts argue for a sixth force, organisations supplying complementary products or services' (Section 2.3.3, p38).

What is Porter’s position regarding the possibility of a sixth force?

Porter’s view is that ‘Complements arise when the customer benefit of two products combined is greater than the sum of each product’s value in isolation…Complements can be important when they affect the overall demand for an industry’s product. However like government policy, complements are not a sixth force determining industry profitability since the presence of strong complements is not necessarily bad (or good) for industry profitability. Complements affect profitability through the way they influence the five forces…The strategist must trace the positive or negative influence of complements on all five forces to ascertain their impact on profitability’ (p86).

And ‘Identifying complements is part of the analyst’s work. As with government policies or important technologies, the strategic significance of complements will be best understood through the lens of the five forces’. (p87).

Porter’s insight has value and I suggest that the process of analysis of the ‘influence of complements on all five forces’ (p86) can be carried out through the analysis framework of Burton’s Five Sources of Collaborative Advantage, itself a complement analysis framework to the Porter ‘lens of the five forces’ (p87).

In this approach Burton’s Five Sources of Collaborative Advantage provides the analysis framework to determine the potential complements. This output feeds into the Porter Five Forces of Competitive Analysis Framework and complements positive and negative influence on can be determined and an appropriate composite or co-operation strategy determined.

References:


PORTER + BURTON

Competitive Advantage + Collaborative Advantage = Higher Competitive Advantage

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The established method of analysing an industry is the Porter ‘Five Forces of Competitive Advantage’ framework. As more of a firm’s activities are delivered through alliances a need has arisen to supplement Competitive Advantage with Collaborative Advantage. Burton’s Composite Strategy paper provides a ‘Five Sources of Collaborative Advantage’ framework and together these analysis frameworks allow the incorporation of collaboration into industry analysis and a resulting mutually-reinforcing strategy leading to increased competitive advantage.

The result (Porter + Burton) is:

- Bargaining power of suppliers + Relational contracting and quasi-integration of suppliers.
- Bargaining power of customers + Partnering with channels/buyers.
- Threat of new entrants+ Prospective diversification alliances.
- Threat of substitute products or services+ Related diversification alliances.
- The industry jockeying for position among current competitors + Horizontal strategic alliances.

References:


FIVE SOURCES OF COLLABORATIVE ADVANTAGE

Is Burton’s ‘Five Sources of Collaborative Advantage’ becoming Mainstream?

The Burton ‘Five Sources of Collaborative Advantage’ addition to Porter’s ‘Five Forces of Competitive Strategy’ works as an analytical framework which incorporates the collaboration elements in the industry analysis process.

Increasingly, due to the prevalence of alliances in formulating and delivering mainstream strategy, the Burton framework is gaining recognition. Johnson, Scholes and Whittington have mentioned Burton’s ‘Five Sources’ as an addition to Porter’s ‘Five Forces’ in the top strategy text ‘Exploring Corporate Strategy’, 8th Edition 2008 (Chapter 2, Strategic Position). In ‘Fundamentals of Strategy’ by the same authors, they discuss the Porter ‘Five Forces of Competitive Advantage’ and note that ‘Some analysts argue for a ‘sixth force’, organisations supplying complementary products or services…while Porter’s five forces sees organisations as battling against each other for share of industry value, complementors may cooperate to increase the value of the whole cake’. (Section 2.3.3, p38).

This thread in the strategy literature (and its application to the practice of strategy) has been taken forward by some intrepid European academics at Catania, Sicily (Dagnino) and Venice (Rocco) who have brought together a collection of papers under the heading ‘Co-opetition Strategy: Theory, Experiments and Cases’ (Routledge 2009) and linked it with an ongoing discussion on ‘interdependency’.

‘Co-opetition strategy…compelling mindset…to exploit…the potential of the interdependency of firms, governments, suppliers, customers, scientists and partners in today's global scenarios’. Dagninio, Rocco, 2009.

References:


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