WORKSHEET + WORKED EXAMPLE

Where Does the Pressure Come From?

A five-forces view of an industry and one strategic question to investigate.

30 minutes | Porter's Five Forces · Industry structure

Use it in three moves

1. Define the industry, customer, geography, and period you are examining. Keep the same boundary across all five forces.

2. Look beyond named competitors. Gather evidence about entrants, substitutes, suppliers, and buyers as well as rivalry.

3. Choose one pressure that could change your strategy. Investigate it before treating a plausible story as an established fact.

Define the industry

Choose the service, geography, customer, and period. This lens concerns industry economics, not a score for an employee or team.

Rivalry among existing competitors

What drives price, service, capacity, or switching competition?

Threat of new entrants

What makes entry difficult or easy: access, capital, relationships, regulation, or scale?

Where Does the Pressure Come From?

YOUR WORKING NOTES / CONTINUED

Threat of substitutes

How else can customers meet the underlying need? Include doing it themselves or avoiding the need.

Supplier bargaining power

Which inputs are concentrated or difficult to replace?

Buyer bargaining power

How concentrated are buyers, how easily can they switch, and what alternatives do they have?

What does this change about the strategy?

Connect a supported force to a choice. Check evidence before acting; do not average five guesses into a precise score.

A question for me

Whose workload would absorb the margin improvement we are proposing?

See one way through

FICTIONAL WORKED EXAMPLE / NOT THE ANSWER TO YOUR SITUATION

Define the industry

Local commercial equipment maintenance for small firms over the next two years.

Rivalry among existing competitors

Several providers offer similar contracts; emergency response availability differentiates them.

Threat of new entrants

A small provider can start locally, but coverage and experienced technicians take time to build.

Threat of substitutes

Customers can lease equipment with maintenance included or replace rather than repair.

Supplier bargaining power

One manufacturer controls critical replacement parts and training access.

Buyer bargaining power

Large property groups can bundle contracts; small firms have less negotiating capacity but can change providers.

What does this change about the strategy?

Investigate a second parts route and a specialist service niche. Service lead checks feasibility and customer need this month.

The thinking behind it

A strategic response can move pressure onto frontline workers or customers. Include the service and workload consequences in the choice.

Michael Porter's Five Forces examines rivalry, entrants, substitutes, supplier power, and buyer power in an industry. This original working guide supports inquiry into those forces and their limits; it is distinct from SWOT and does not predict profitability.

Harvard Business School · The Five Forces

Read You Have a Culture Problem by Nic Payne