

# Does an Organization's Digital Journey Warrant a Look at the Porter's Five Forces Model?

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Every organization is either already on the 'Digital Bandwagon' or is eager to get on to it. Why so? Instinctively, organizations realize that this is something they cannot afford to miss and are not willing to be left out. Digital technologies have largely included Social Media, Mobility, Analytics and Cloud. With the coming of age of new technologies like Artificial Intelligence, Virtual Reality and Augmented Reality, these also deserve a rightful place under the digital umbrella. All these technologies have already started to disrupt the traditional business models and have given birth to organizations which are challenging the incumbents. Often, a changing environment triggers knee jerk reaction within the organization leading to initiatives revolving around these technologies and the responsibility of leading them are also assigned to the technology teams. The inherent risk in such an approach is that it may overlook the business imperatives (both internal and external) of the organization.

For an organization which is either already on its Digital journey or is embarking upon the same, it might be prudent to review its competitive landscape against the very potent Five Forces Model created by Michael E. Porter and then choose the initiatives. An analysis of the five forces of (1) Competition in the industry, (2) Potential of new entrants in the industry, (3) Power of Suppliers, and (4) Power of customers.

## Let us review the impact of each of these:

1. **Competition in the industry:** If the industry is highly competitive with little to differentiate one player from the other, then the organization needs to review its digital initiatives as to how those will take the organization ahead of its competitors. Some of the questions to be answered are:
  - a. Is the initiative going to make the product/service remarkably different from the competition? For example, using the mobile platforms, organizations are providing easy service options which are bundled with the physical product thereby taking a lead over competition.
  - b. Will the digital initiative provide better cost efficiencies vis a vis others? Analytics has the capability to provide insights into the operations of organizations helping them become more cost efficient; IoT can provide triggers to prevent the unplanned interruptions.
2. **Potential of new entrants:** if the organization is in the industry in which a new entrant can use any of the available digital technologies and gain a foothold by disrupting the current business models, then it should review its own position and consider undertaking a strategy which can thwart the entry of new players. Questions to be answered are:
  - a. Will the initiative create a new business model thereby making it difficult for others to replicate or catch up, even if it is at the cost of cannibalizing the existing offerings? A combination of mobile platforms, social and analytics is resulting in products and services being offered differently. Organizations can deploy such technologies and resist the entry of new players.
  - b. Will it create a capability barrier that is difficult to overcome? All of the digital technologies can create capabilities in the organization's processes and knowledge which can create barriers for a new entrant. For example, using AI and mobility, an organization can create a service platform that makes any entrant difficult to replicate.
3. **Power of Suppliers:** Suppliers wield their bargaining power depending upon their own position in the industry. Any digital initiative taken by an organization has the potential to alter the suppliers' bargaining power favorably or adversely. Questions to be answered are:
  - a. Can the supplier be made a partner in the initiative? If the organization can make its suppliers its partner in the digital journey, then the threat becomes an opportunity. Ability to link the suppliers' systems with its own technology platforms is one way of strengthening this partnership.
  - b. If the initiative creates new offerings or models, then does it reduce the bargaining powers of existing suppliers or bring in new ones with higher bargaining power?
4. **Power of Customers:** Most easily understood by any organization is the power of its customers. This is also an area where digital technologies can create huge difference, thereby protecting the organization's competitiveness. Questions to be answered are:
  - a. Will it make the organization more customer friendly? Capabilities are being developed by organizations on social media and mobile platforms by using AI and AR which makes the interaction between customers and the organization extremely easy.

- b. Will it improve the service levels of the organization? AI based automated chats and customer interactions, mobile based service options are improving the service levels of the organization significantly.
- c. Will it create loyalty and stickiness amongst the customers? As long as the organization can keep innovating on its offerings through the use of technology, customers would stick around.
- d. Will it make the organization more responsive to customer needs? Artificial intelligence, analytics have the capability to provide predictive intelligence to the organization. Such predictive knowledge can make an organization more responsive to customer needs.




To sum up, if the organization is able to take cognizance of the various forces at play at the time of undertaking its digital initiatives, there is a good probability that it would create a strong competitive position for itself.






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