Unit 1 DB 2

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Business analysis is an essential element of any business decision. Different business analysis models and tools have been adopted by organizations for this purpose. Porter's five force is a model that analyzes the five competitive forces to determine the company's position in its competitive environment. The five forces covered in this model have a direct impact on the organization's position in its industry (Porter, 2008). These forces help a company assist its strategic potential profitability and develops an understanding of the competitiveness the industry. Porter's Five Forces comprises five different forces that frame the competitive environment and helps in making significant decisions.

These five powers include competitive rivalry, supplier's power, buyer power, the threat of new entrants, and the threat of substitute products. The competitive rivalry gives an analysis of the number of existing competitors in the industry, an analysis of their strengths and weaknesses and to what extent the competition exist. The buyer and suppliers’ bargaining power reveals the ability and power of these parties to control the prices. The higher is the power, lower will be the company’s ability to sustain and make profits. The threat of substitute products and services in an industry also poses a great threat to the company's profitability. In the availability of close substitutes, customers have an option to switch. The company's power and position are also affected by the threat of new entrants in the market. An industry with fewer barriers to entry is not an attractive feature for the company.

A detailed analysis of all these forces will result in providing a clear position of the strategic position a company can hold in the industry. The effectiveness of these strategies have also been determined in the banking industry of Kenya (Indiatsy, Mwangi, Mandere, Bichanga, & George, 2014). Since these forces are the permanent parts of the industry, their analysis also guides in selecting the most suitable strategy to make better use of resources and generate higher profits.

# References

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