

Using Porter's Five Forces analysis to drive strategy

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Abstract

This paper aims to provide practical pointers to scholars, students, and practitioners about applying Porter's Five Forces analysis, a longstanding, comprehensive, and practical framework in strategic analysis. The paper combines two methodologies: a review of prior studies and the inductive methodology. The latter involved drawing on examples from different industries and contexts, specifically the Indian passenger car industry. The elaboration of the subtleties and contextual factors and identification of specific pointers in this paper will help managers understand the critical aspects of their environments and formulate an appropriate strategy for their context.

KEYWORDS

Porter's Five Forces analysis, inductive methodology, Indian automobile industry, Strategy

1 | INTRODUCTION

The Five Forces analysis, first proposed by Porter in his paper in *Harvard Business Review* (1979), is one of the most frequently used analytical tools by strategy students, scholars, and practitioners (Gray, 2021; Grundy, 2006; Mizik & Balogh, 2022; Wellner & Lakotta, 2020; Wee, 2017). At the time, scholars and managers assessed industry attractiveness by factors such as industry growth rate and competitive intensity, the latter proxied by the distribution of market shares within the industry. For instance, a few firms holding a significant market share in an oligopolistic industry would be considered a desirable market structure for incumbents, conducive to earning high profits. However, the narrow view of industry attractiveness prevalent then did not accurately indicate the industry's profit potential.

The Five Forces analysis, grounded in industrial organization economics, offered an integrated view of the external environment that went well beyond existing competition within the industry and hence gained a substantial

following among business school teachers, students, consultants, and, to a lesser extent, managers (Brandenburger, 2002; Grundy, 2006; Hanoteau, 2009). In the above example of an oligopolistic industry, Porter's framework would suggest that we should look at the barriers to entry beyond market share distribution. New entrants may enter without significant barriers to entry, thus raising the intensity of rivalry and reducing the average returns earned by the industry (Porter, 1979; Verweire et al., 2019). This scenario played out in the automobile market in the United States, where the entry of foreign firms such as Toyota and Honda disrupted the oligopoly of the big three players. The framework also identified additional factors such as buyer power, supplier power, and the threat of substitutes that would impact the average returns earned by industry incumbents (see Table 1 for a brief description of the forces, their impact on performance, and managerial implications).

Many scholars and analysts recognized that the comprehensive approach (the outside-in perspective, according to Bruijl (2022)) adopted by the Five Forces model helped

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TABLE 1 A summary of the Five Forces model, its impact on industry performance, and managerial implications.

Force	Definition	Impact on strategy and industry profitability	Managerial implications for industry players
Rivals	Firms at the same level in the value chain and operating within the same segment	Because it leads to a struggle to retain customers, intense rivalry often leads to severe price competition, eroding industry players' profitability.	Managers should pursue strategies that differentiate their products and services from rivals.
Buyers	Intermediaries or end-customers who purchase the products or services of the industry	Strong buyers can bargain down the prices, and in the absence of a similar reduction in costs, this can lead to lower profits for the industry players.	Managers can aim to create high switching costs for buyers by developing unique brands or technologies, providing superior service, or other strategies.
Suppliers	Provide inputs, including raw materials as well as services.	Strong suppliers can reduce the industry's profitability by charging high prices for the inputs supplied.	Managers can consider strategies such as backward integration or the development of alternative sources of supply.
The threat of new entrants	The queue of potential entrants, a function of the ease of entry for entering the industry	A high threat of new entrants will keep the prices charged low, reducing profitability.	Managers can invest in strategies such as branding and proprietary technologies that can raise the barriers to entry.
Substitutes	A product/service that is closely related in terms of providing similar functional utility to the buyers	Effective substitutes can limit the prices charged and/ or cause customer defections to the substitute products, reducing the industry's profitability.	Managers can increase the value created by the product or service to the customers (e.g., by enhancing the functionality of their products or services) so that substitutes will become less effective.

analysts and managers understand how powerful customers, or suppliers, as well forces such as a nasty form of rivalry among players, effective substitutes and high threat of entry can erode the value created by firms in an industry (Grundy, 2006; Kimble & Bourdon, 2012; Porter, 2008). The framework also became popular because it was relevant to almost any industry. However, as discussed below, several studies have criticized the framework for various reasons.

The remainder of this manuscript is organized as follows. In the next section, we establish the background of the study and identify some of the key criticisms of Porter's framework through a literature review. A discussion of the methodological approach of the paper follows. In the subsequent two sections, we discuss the key arguments of the study – industry definition and the need to focus on the underlying factors driving the most potent force. We conclude the paper by discussing the implications for managers, limitations, and directions for further research.

2 | LITERATURE REVIEW: DEVELOPMENT AND CRITICISMS OF PORTER'S FRAMEWORK

The difficulty in operationalization has been frequently mentioned by prior studies as a weakness of Porter's

framework (e.g., Dobbs, 2014; Lee et al., 2012; see Table 2 for a review of the studies). The subjective nature of the underlying arguments about the forces creates challenges in assigning numerical values or even categorical assessments about the strength or intensity of the individual forces (Grundy, 2006; Lee et al., 2012). Two related issues include aggregating the scores for factors to arrive at a score for broad forces, such as the intensity of rivalry or bargaining power of buyers, particularly if the factors have been assigned categorical values, and the interdependent nature of the Five Forces (Grundy, 2006). The latter challenge is particularly salient because it hinders making concrete inferences about the impact of a particular force. Rivalry and barriers to entry are interrelated, as are buyer power and the effectiveness of substitutes (Grundy, 2006). Some studies pointed out that the framework underemphasizes the role of the government (Mohapatra, 2012). The framework's applicability was also questioned in different institutional environments, such as emerging markets or entrepreneurial contexts (Narayanan & Fahey, 2005).

Some of the criticisms of the framework had weak grounding, however. In this regard, Dobbs (2014) notes that many people only understand the five forces framework and its use in an inordinately shallow way. At best, this leads to incomplete, inaccurate, and unhelpful analysis. At worst, it can lead to misanalysis, poor decision-making, and disastrous organizational outcomes.

TABLE 2 Review of selected studies on Porter's Five Forces analysis.

Study/	Critiques/gaps in the framework	Nuances identified	Methodology
Slater and Olson (2002)	Porter's framework needs to be augmented with new drivers of competition	- Complementors - Network effects - Strategy as a series of real options - Creation of new market spaces (Blue Ocean)	- Literature review - Conceptual development
Grundy (2006)	- An abstract, rigid, and prescriptive model - Static - Variation in the strength of the forces across segments	- Evolution of the Five Forces over time (including anticipated evolution) - Interdependencies across the Five Forces - Microforces within each force	- Conceptual development - Inductive
Porter (2008)	N/A	- Application towards making strategy - Steps in applying the framework - Identification of common pitfalls	- Conceptual development - Inductive
Lee et al. (2012)	- Difficulty in operationalizing and quantifying - Interrelationships among the Five Forces	Operationalization of the framework based on the determination of weights and strength of sub-forces	- Literature review - Survey data from experts - Analytic Network Process method
Dulčić et al. (2012)	- Static - Collaborative relationships	- Cooperative strategies - Time-based variation in the impact of the Five Forces on industry profits	- Literature review - Survey data (perceptual)
Dobbs (2014)	- Difficulties in quantitative assessments - Difficulty in aggregating qualitative assessments	- Linkage to firm resources and tools such as SWOT - Detailed template for applying the analysis, including identification of driving factors and clarifying the intensity of the threats or the opportunities	- Literature review - Conceptual development
Isabelle et al. (2020)	The framework is still relevant with added factors	- Regulatory and deregulatory forces - Competitors' innovativeness - Threat of digitalization	- Review, conceptual development - Inductive
Goyal (2020)	- Static analysis - Complements ignored - Antiquated, inapplicable in a dynamic and agile world	N/A	Conceptual development
Shi et al. (2021)	Porter's framework is still relevant among top management teams with added considerations.	- Guanxi - Technology factors such as e-commerce	Survey
Bruijl (2022)	Less applicable to SMEs, dynamic markets, ecosystems-based competition, and industries where technology is changing rapidly or where long-term value creation is needed	- The dynamism of markets and competition - Ecosystems - Innovation and change	Conceptual development

To address potential misapplications and misuses, Dobbs (2014) fleshed out the methodology for implementing the framework by creating a detailed checklist for using the framework in any industry. Lee et al. (2012) developed a data-driven analytical procedure to address some of the abovementioned concerns. Their approach, though valuable, would need substantial data collection for application in another industry or context.

Some scholars and studies have also argued that the strategic positioning perspective of the framework

attributable to its theoretical grounding is more relevant to large organizations that can influence their environment rather than small- and medium-sized enterprises, which have a much lower ability to influence their environment (Brandenburger, 2002; Bruijl, 2022). Related criticisms include the zero-sum perspective implied in the framework (again, attributable to its theoretical anchor) because of the assumption that different parties attempt to corner as significant a share of the profit pie as they can (Goyal, 2020). Neither innovation nor cooperative strategies

(including ecosystem-based strategies that are prevalent in many technology-intensive industries), which can lead to expansion of the overall pie, are included in the framework, reducing the framework's relevance in a dynamic and agile environment characterized by phenomena such as globalization and rapid maturing of digital technologies (Bruijl, 2022; Isabelle et al., 2020; Slater & Olson, 2002).

However, even skeptics of the framework would acknowledge that while the framework may have limited relevance to technologically progressive industries or for performing a dynamic analysis (Dulčić et al., 2012), it remains applicable and relevant to many industries where technological progress is not as rapid, or competition is not as globalized (Lim & Mandrinos, 2023). Like Dobbs (2014), Porter (2008) argued that many framework users misunderstood its key uses. He noted (2008; p. 29): "*The point of industry analysis is not to declare the industry attractive or unattractive but to understand the underpinnings of competition and the root causes of profitability.*" He further suggested that based on the Five Forces analysis, industry incumbents could neutralize the most salient (or the least favorable for them) of the Five Forces. At the same time, potential entrants might gauge their ability to circumvent the limiting force should they decide to enter. In his (2008) article, Porter also addressed criticisms about its inapplicability to technologically progressive industries, exclusion of the government as a separate force, and the place for innovation in the framework.

However, despite its long history and Porter (2008) himself fleshing out details of the framework as well as clarifying its appropriate uses, we believe that there is room for improving our understanding of the application of the framework, which would be especially useful to teachers, students as well as managers in a multitude of industries. We advance the framework in two key directions: a more precise definition of the "industry," which can sometimes be an industry segment and hence narrower than the traditional definition, and a more accurate identification of the driving factor that may be a constituent of the critical force driving industry profitability. Accounting for these subtleties will help apply the framework to drive firm strategy.

3 | METHODOLOGY

As noted earlier, similar to many studies on this topic (see Table 2), we adopted a two-part methodology: review of the existing studies and assessing the strengths and weaknesses identified of the framework (the previous section), and inductive methodology to develop specific areas where application of the framework can be improved (Kraus et al., 2022; Lim et al., 2022). To build our arguments,

we utilize the theory adaptation approach suggested by Jaakkola (2020). We try to glean insights from our observation of the Indian automobile industry, where vehicles based on the traditional Internal Combustion Engine (ICE) technology hold a significant market share, and the speed of technological progress is moderate. It is a competitive industry, but other than a few firms exporting a portion of their production, it is mainly confined to national boundaries. Like the auto industries in many other countries, the customers are heterogeneous, and the industry offers many products to cater to the varied customer segments.

4 | DEFINING THE APPROPRIATE INDUSTRY

Let us first address the issue of appropriate industry definition, which has received some attention as the first step in the Five Forces analysis. An incorrect industry definition (whether too broad or too narrow for the particular context) can render the whole analysis and its implications useless (Porter, 2008). Industry definition has become more complex and salient over time because of the blurring of industry boundaries across national or sectoral lines (see Figure 1 for a schematic of our two key thrusts and their implications for the Five Forces analysis).

When Porter first proposed the framework, the broader environment was different. Technologies were less complex and slower-evolving than they are today. Globalization was also at an early stage. Hence, defining an industry, which is never easy, may not have been as challenging as it is today (Boudreaux, 2020; Gur & Greckhamer, 2019). Some scholars and practitioners used country/region-specific standards such as standard industrial classification codes and North American industrial classification standards to define the industry (Delgado et al., 2016; Wang, 2023). While these approaches have limitations (Dalziel et al., 2018), those limitations have become even more salient in an age where evolving technologies are blurring product-market boundaries and globalization has accelerated, promoting integration across national borders (Slater & Olson, 2002).

Porter (2008) acknowledged the issue of industry definition in his article by suggesting that industry definitions could be broader than traditionally thought because of technological convergence and globalization. Even with this acknowledgment, there are still important issues that remain unresolved. First, there is the issue of subjectivity and judgment, which implies that different people may identify the boundaries of the same industry differently. Secondly, while acknowledging megatrends such as globalization and technology convergence are essential, under specific circumstances, a narrower view of what

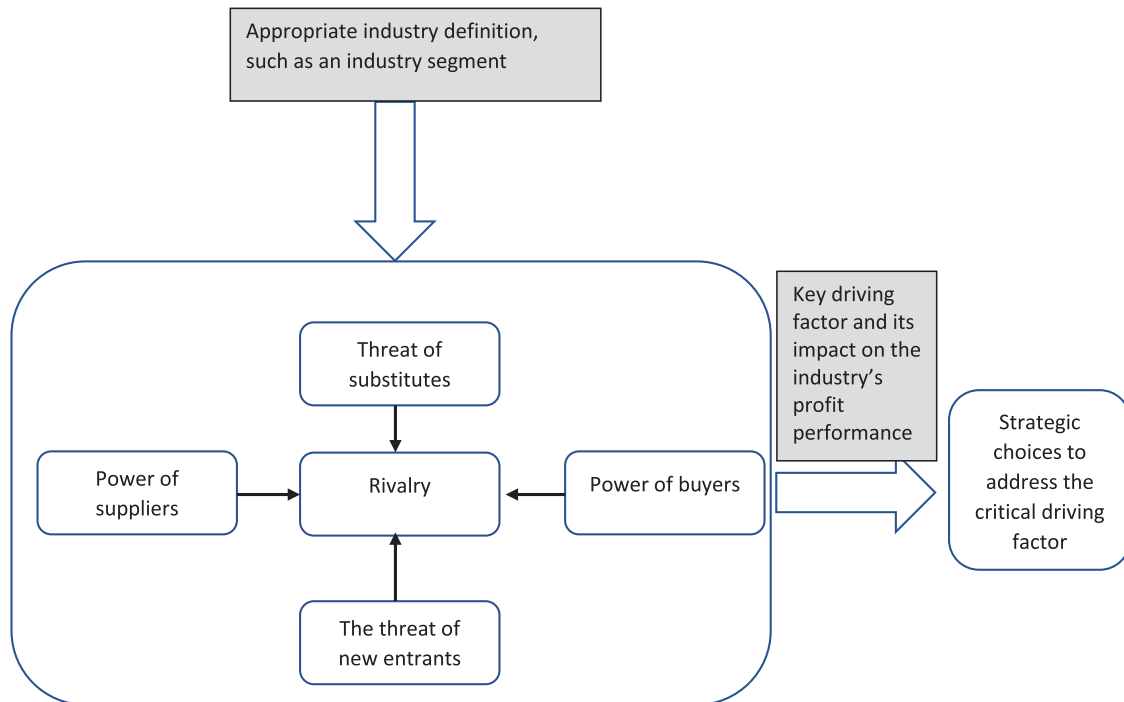


FIGURE 1 A schematic for improving the practical application of Porter's Five Forces framework.

constitutes an industry may be more appropriate than a broader view.

To tackle the issue of subjectivity in the definition of industry boundaries, Meilich (2019) suggested seeking answers to two questions: a. At what stage of the value-chain analysis is the industry positioned? and b. What is the scope of the industry? In Meilich's example of the watch-making industry, the value-chain position of the industry is at the manufacturing/assembling stage, after sourcing raw materials and before the distribution through retail outlets. Meilich specified the scope of the industry as those firms engaged in manufacturing "*a portable timepiece designed to be worn (on the wrist) or carried in the pocket.*" (p. 450). While the value-chain stage is relatively straightforward, the scope criterion may be difficult to define and subjective. Applying the scope definition in the above example will imply including smartwatches (also portable timepieces worn on the wrist), which do not feature in the analysis of the article. Clubbing the two diverse types of watches together may also lead to confounding results as there are many salient differences between smartwatches and traditional wristwatches, most notably concerning the underlying technology, manufacturing processes, the types of competitors, and possibly customer usage patterns (e.g., smartwatches are used for several other purposes besides telling time). Similarly, applying Meilich's criteria to the Indian automobile industry, which we will discuss in detail in the paper, two types of cars, based on the ICE and electric technologies, will

be clubbed together. However, there are significant differences in the competencies required to make these different types of cars in terms of technology and supplier networks, among other factors.

The criteria proposed by Meilich could serve as the first step in identifying the relevant industry. However, in some instances, a finer categorization of industries identified through Meilich's criteria may be helpful because the configuration of the Five Forces could differ across those segments within an industry. Consequently, the strategies that firms need to adopt must also be different. Slater and Olson (2002) suggest that a demand-side definition of the industry is more appropriate than the traditional production-oriented supply-side definition. Hence, the first step in the analysis should be identifying a group of buyers with homogeneous needs. While conducting the Five Forces analysis, a segment would ideally be the atomic unit of analysis, for which the Five Forces will not vary in intensity.

We identify five key factors to determine whether the Five Forces analysis should be carried out for individual segments or not:

1. Growth rate: Does the segment exhibit a different growth rate? Is the segment at the same stage of the Industry Life Cycle?
2. Players: Does the segment have many distinct players who do not compete in the broader market or other segments?

3. Raw materials/Inputs: Are the raw materials/inputs required to make the products/services offered by the segment the same as those for the broader market or other segments? Is the supplier profile similar?
4. Distribution: Is the mode of distribution (reaching out to buyers, e.g., offline vs. online) used by players in the segment similar? Are the channels of distribution the same?
5. Buyers: Is the buyer profile for the segment the same as other segments or the broader market? Are the segment's buyers motivated by the same underlying need as those in the broader market or other segments?

As noted above, we use the passenger car industry in India to illustrate our arguments. To identify the appropriate definition of the industry for this context, we started by excluding commercial vehicles (because they serve a different purpose of transporting goods rather than passengers, and the underlying diesel technology is different vs. the petrol-powered passenger cars on which most cars are based), as Meilich's criteria would suggest. We excluded electric cars because the underlying technology differs, and their adoption needs different complements, such as charging networks. In the following pages, we contend that further segmentation is necessary even within the narrower definition of passenger cars (those powered by ICE).

In the Indian passenger car industry, the standard classification for different types of cars is hatchbacks, sedans, utility vehicles (UVs, which include sports utility vehicles and multiutility vehicles), and electric vehicles. Applying the five questions identified above to the industry, it becomes apparent that the UV segment is different from the overall market and the hatchback segment. As will be evident from the following discussion, responses to questions 1, 2, and 5 differ for the UV segment versus the overall market and the hatchback segment. Hence, the UV segment should be considered a distinct segment in a Five Forces analysis of this industry. As shown in Table 3, the configuration of Five Forces is substantially different across the Hatchbacks (traditionally, the largest segment in terms of unit volume) and the overall market versus UVs. We identify some of the key differences below.

Hatchbacks comprising the micro, mini, and compact subsegments are generally lower-priced (the average price of the top three hatchbacks in India was Rs 0.79 million (approximately US\$9500)) and smaller vehicles (implying lower comfort and safety in a country where road accidents cause several thousand deaths every year) that are targeted at customer groups with lower income levels, often as their first car (CarDekho.com, 2023). Because of lower affordability, these customers do not demand advanced safety

features such as airbags that may be taken for granted in developed countries.

The average price of the top five sports utility vehicle models is Rs 1.14 million, as much as 30% higher than that for hatchbacks. UVs are becoming increasingly popular because they offer a comfortable ride on rough Indian roads, can accommodate larger families, have more features, especially safety features, and have signaling value regarding the owner's high status (Carwale.com, 2023; ET Auto, 2023).

There are significant differences in growth rates across the Hatchbacks and UV segments. For instance, between 2017 and 2022, the unit sales of the UV segment grew by more than 100%, from 870,000 units to 1.9 million units. Over the same period, hatchback unit sales declined by about 8%, from 1.35 million units to 1.24 million (Autocar, 2023; Press Trust of India, 2018).

As noted earlier, since the UV and the hatchback segments have critical differences in growth rate, buyer profile (price sensitivity of the customer and preference for advanced vs. basic features), and competitors, a Five Forces analysis combining the two segments is likely to lead to incorrect conclusions (e.g., that the industry is slow growing (overall unit sales declined by -0.5% between 2015 and 2020) and the profitability is low with even the leading player experiencing declining operating margins because of the mixing up the two different segments (CMIE Prowess, 2023; SIAM, 2023) (see Table 4). The strategic recommendations from this analysis may also be incorrect, for example, holding back further investments because of the slow growth rate or managing costs to improve profitability. Higher investments may be warranted to compete more effectively in the UV segment. While we do not know whether similar analyses drove the strategy of specific players, the strategic choices (and performance) of players such as Kia are consistent with the above analysis.

5 | DRIVING FACTORS (VS. FORCES) AND STRATEGIC POSITIONING

In his (2008, p. 26) article, Porter notes, "Understanding industry structure is also essential to effective strategic positioning. As we will see, defending against the competitive forces and shaping them in a company's favor is crucial to the strategy." However, in practice, we observe that many managers (and students) do one of the following: either conduct the Five Forces analysis to assess industry attractiveness or, even when they do the next step of strategy making, do not draw a linkage between the two (Dobbs, 2014; Wahlström, 2019). In his (2008) article, Porter discussed how Paccar, a truck manufacturer, and

TABLE 3 Five forces analysis for the Utility Vehicles (UV) segment in India versus the hatchback segment and the broader market.

Force	Segment	Intensity	Analysis
Rivalry	Hatchback segment	Intense	Unit sales have been falling (2018–2023) for Hatchbacks. There are many players, though the leader, Maruti Suzuki, controls almost 40% of the overall market (and a much larger share of the hatchback market, its forte) (ET Prime, 2022; Singh, 2022). Hatchbacks are typically small cars purchased by price-sensitive customers.
	UVs	Less intense	Demand for UVs is growing rapidly, with more than 100% unit sales growth over 2018–2023 (ET Auto, 2022). The typical customer is less price-sensitive and interested in advanced features such as airbags and high safety ratings. There is also a signaling effect in terms of the customer wishing to signal to others that s/he is driving a premium car.
Buyer power	Broader passenger cars/ Hatchbacks	Low	Individual customers can choose among many car models, but their ability to bargain for a lower price is limited because of the small purchase volume. Dealerships (B2B customers) are typically much smaller than manufacturers, and few have more than one dealership, limiting their power.
	SUVs	Low	Same as above for individual customers. Dealerships are likely to be concentrated in urban locations, with an average dealer being bigger than for the mass market segment. However, this may not lead to a significant difference in the bargaining power.
Supplier Power	Broader passenger cars/ Hatchbacks	Low	Most suppliers are smaller firms than assemblers. Also, other than highly skilled suppliers selling unique parts such as specialized chips, the costs of switching suppliers may be low for the assemblers.
	UVs	Mildly higher	The volumes for UVs are lower, implying lower-scale purchasing and higher supplier power. The bargaining power may also be reduced further if some of the components are specialized and more advanced (e.g., airbags or semiconductor chips that support the advanced features).
Substitutes	Broader passenger cars/ Hatchbacks	Ineffective	A good proportion of the population uses private transport because the public transport network in most of India is weak, though this is changing slowly (Chakraborty, 2023). Motorcycles/scooters are an imperfect substitute because they have lower prestige and safety and may be less preferred by many demographic groups, for example, families with young children or older people.
	UVs	Ineffective	Same as above
Barriers to entry	Broader passenger cars/ Hatchbacks	High	Few new entrants other than multinationals that are attracted to India but do not have an Indian operation yet. Barriers include the high capital intensity of manufacturing, the need for a reputed brand, and an extensive dealer network for sales and service.
	UVs	High	Same as above
Overall conclusion regarding the Five forces	Broader passenger cars/ Hatchbacks	Unattractive industry	Declining operating profit margins for even Maruti Suzuki, the leading player overall and also in the Hatchback segment with a large share.
	UVs	Somewhat attractive	Better profit margins are exemplified by many new models, the entry of players such as Kia Motors, and the turnaround in profitability of Tata Motors.

TABLE 4 A deeper dive into the factors making up rivalry for the UV segment based on Dobbs' (2014) template.

Factor	Threat level (low to high)	Remark and whether the factor is favorable or not (+ for favorable, 0 for neutral, and—for unfavorable) for the UV segment of the Indian passenger car industry
Existing competitors	Few/ strong leader to Numerous/ Balanced	A large number of players (12), with the top three accounting for a significant market share (Carwale.com, 2023). A large number of models (—)
Industry growth	High to slow/ negative	High, much faster than the other segments (+)
Fixed and/ or storage costs	Low to high	Similar to other segments (0)
Product differentiation	High to low	Higher than other segments (+)
Switching costs	High to low	Higher than other segments because of differentiation (perceived or otherwise) and brand loyalty (+)
Strategic stakes	Low to high	High, because the market is expected to continue to grow in the near future (+)
Capacity expansion	Small increments to large increments	Similar to other segments (0)
Exit barriers	Low to high	Similar to other segments (0)
Overall assessment		Low, based on combining the above factors

Sysco, a food service distributor, devised strategies that neutralized an unfavorable industry environment. In Paccar's case, it was about focusing on the owner-operator segment of the market and designing the whole value proposition around that customer demographic. However, his discussion of the above cases and the need to develop a strategy based on the analysis does not address the critical cases where detail is lost because of aggregating factors into forces. Devising a strategy to neutralize one of the Five Forces may be too broad and lead to aggregation bias because important detail is lost, and the strategic focus may get diluted too.

Each of Porter's forces is a multifaceted construct, and prior literature has identified several factors that make up each force (Dobbs, 2014). Given the focus of prior literature on using the framework for determining industry attractiveness, a common approach has been to aggregate the factors to conclude whether the particular force impacts the industry incumbents favorably or not. Several papers have suggested methodologies for effective aggregation of factors (e.g., Dobbs, 2014; Lee et al., 2012). While discussing how analysis can drive strategy, Porter (2008) also implicitly relies on aggregating the factors into forces. However, aggregation poses several challenges, with equal weight (or otherwise) to each constituent factor being salient. Dobbs (2014) has a slightly different approach. While still recommending aggregation, he also recommends identifying the driving factor behind each force. However, he does not address how the driving force can be used in strategy-making (see Figure 1).

The detail lost in aggregation may be problematic if we use the Five Forces analysis to drive strategy. In our example of SUVs in the Indian passenger car industry, for

instance, aggregation would involve combining some factors that make the rivalry more intense with some other factors that will make the rivalry less intense (see Table 4). It may be challenging to assess which of the two (positive vs. negative) outweighs the other. Formulating a strategic recommendation is even more difficult if they are almost evenly balanced. We build on Dobbs' (2014) idea of zooming into the driving factor. The strategy will often be more effective if it focuses on the driving factor rather than the broader concept of one of the Five Forces. In reference to the above example of the UV segment of the Indian automobile industry, it can be stated that the driving factor is the desire by the target customers for advanced features, a finer-level insight than the aggregate intensity of rivalry. Kia and Tata Motors have built their strategy around leveraging this driving factor. Despite being a relatively late entrant to the industry (in 2019), Kia focused on utility vehicles. It offered feature-rich cars at reasonable prices and consequently gained a substantial market share quickly. It aggressively tried to export the UV cars made in India, benefitting from the lower costs of manufacturing cars in India. Equally significantly, by boosting its volumes, exports would have lowered its overall costs position, addressing issues such as its relatively late entry (implying a less developed local supply chain) and focus on premium UVs (indicating lower volumes). Even Tata Motors, a long-standing competitor in the Indian passenger car industry, has benefitted by refocusing its strategy on UVs since 2020, and its Nexon model, with a five-star safety rating, has become a best seller. The model's success contributed to boosting Tata Motors' market share from 4.8% to 12.15% within two short years while also helping the parent to become profitable (Baggonkar, 2022; Balachandran, 2021).

6 | DISCUSSION, IMPLICATIONS, AND CONCLUDING REMARKS

Prior research has shown that industry accounts for a good proportion of the interfirm variation in profits (Slater & Olson, 2002). Porter's (1979, 2008) framework is one of the most frequently used tools to analyze industry structure, dynamics of competition, and the expected level of profitability, even by entrepreneurial firms (Shi et al., 2021). Contrary to the assertions of some scholars that Porter's framework has lost its relevance because of the rapid progress in globalization and digitalization, we suggest that the framework retains its relevance, especially in industries that are less susceptible to disruption (Brandenburger, 2002; Isabelle et al., 2020; Slater & Olson, 2002). Its relevance has been corroborated among entrepreneurs by Shi et al. (2021) as well as by Grundy (2006: p. 227), who quoted an entrepreneur saying that he wished he knew about the framework when he was running his venture since it seemed highly relevant to his company's context.

In this paper, we argued that Porter's Five Forces analysis is often applied mechanistically without paying careful attention to the underlying rationale or the nuances of the context, possibly leading to inaccurate conclusions and missed opportunities to drive strategy and performance. We agree with Porter (2008: p. 29), who noted that "*good industry analysis does not just list pluses and minuses but sees an industry in overall, systemic terms.*" The users of the analytical framework need to be conscious of the contingent perspective, notably because even the meaning of overall systemic terms may differ across contexts. Sometimes, the appropriate level of analysis may not be the "industry" as such but a segment within the industry (Slater & Olson, 2002). At other times, managers may need to zoom in on the specific factors, rather than the broader forces, that can inform their strategy-making (Dobbs, 2014).

We argue below that our pointers remain relevant even in the new globalized environment. The impact of the macro force of globalization, which, according to some critics, makes the Five Forces less relevant, is more complex than it seems at first glance. Different forms of globalization are observed in various combinations of industries and countries (Pangarkar, 2016; Yip, 1989). For instance, the Indian automobile industry, our exemplar, remains a somewhat segmented (or less interlinked with the rest of the world) part of an industry that is globalized in many other parts of the world with substantial intraregional (e.g., within Europe), if not inter-regional, trade. If the industry being analyzed is similarly segmented or less globalized, the type of approach adopted in this paper will usually suffice—with attention to the caveats mentioned in the paper.

On the other hand, if the particular industry has strong interlinkages between the different geographic markets (e.g., trade within as well as across geographic regions or an industry with high globalization potential in Yip's (1989) terminology), instead of narrowing the scope of analysis, it has to be made broader. However, given the likelihood of divergence of the Five Forces across different country settings, aggregation will still require careful attention (Porter, 2008). Our key message that the relevant "industry" has to be defined carefully will still hold.

We acknowledge two limitations of our approach. As with any other prescriptive approach, our arguments have limitations regarding applicability to varied contexts. Specifically, our analytical approach would be less relevant in a homogeneous industry (e.g., commodity chemicals, which may have a relatively limited number of distinct segments) versus a heterogeneous sector such as the car industry, which has several segments that have very different characteristics in terms of product design, technology, customer preferences, sales volume, and competitors, among other factors. Secondly, our analysis does not inform managers about how to do disruptive innovation, but, as noted earlier, the pointers identified in this paper will remain helpful to managers in several industries.

About future research, we hope our approach stimulates further examination of how current frameworks may be applied in different industries or geographic contexts. We agree with Grundy (2006) that we should not be quick to discard seminal frameworks simply because the context may have changed somewhat. Instead, further research should stipulate how we can modify and apply the framework to help managers in their decision-making.

In conclusion, we have proposed practical ways to implement one of the most popular frameworks in strategic management. It is essential to reinvigorate frameworks that have the potential to generate meaningful insights for managers (Gray, 2021; Grundy, 2006). Students and managers can use the popular and relevant Five Forces framework more effectively by following the pointers identified in our paper.

AUTHOR CONTRIBUTION

Nitin Pangarkar wrote the literature review, method and discussion sections, while the introduction and other sections were written by Rohit Prabhudesai.

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