

Michael Porter's Framework for Analyzing Business Growth: Entrants

SUBMITTED BY: Knowledge@Wharton Summer Educator

SUBJECT(S): Management

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

Students will learn about economist Michael Porter's framework for analyzing business growth potential, known as The Five Competitive Forces, and apply this knowledge (in particular, about entrants) in developing a growth strategy for a local area business, product or service.

≡ NBEA STANDARD(S):

- Management, II. Management Theories

≡ RELATED ARTICLES:

- ["Show Me the Money: Analyzing Porter's Five Forces"](#)
- ["Drone Technology: Exploring the Unmanned Aircraft Systems Industry"](#)

Common Core Standard(s):

- *Reading Standards for Informational Text:* Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

- *Speaking & Listening*: Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–10–11–12 topics, texts, and issues, building on others’ ideas and expressing their own clearly and persuasively.

Objectives/Purposes:

- Students will learn about the “Entrants” aspect of Porter’s model in the context of a chocolatier’s expansion interests in the Chinese market.
- Students will explore the “Entrants” element of Porter’s model with reference to their own projects.

Knowledge@Wharton Articles:

- [“The Bitter and the Sweet: How Five Companies Competed to Bring Chocolate to China”](#)
- [“Southwest Airlines’ Colleen Barrett Flies High on Fuel Hedging and ‘Servant Leadership’”](#)
- (Also, use the 2nd and 3rd short videos embedded in Barret’s interview in the article.)

Other Resources/Materials:

- Background information on Porter’s Five Forces framework can be found on Wikipedia: http://en.wikipedia.org/wiki/Porter_five_forces_analysis
- [Porter’s Five Forces Worksheet](#)
- [Porter’s Five Forces PowerPoint](#)

Activities:

1) Recap with students your discussion about Porter’s Five Forces Model thus far. Use the graphic provided in Wikipedia to give students a visual representation of the five forces, emphasizing that today’s lesson will focus on yet another element of the framework: **Entrants**. (You may also consider using the attached PPT.) (3 mins)

2) To get students thinking about how new businesses can emerge to trump existing giants in any industry, show students the second and third short video clips from: “Southwest Airlines’ Colleen Barrett Flies High on Fuel Hedging and ‘Servant Leadership.’” This article presents a snapshot of how newcomers can really influence an entire industry. Invite the students to respond to the videos. Ask if they have any experiences with this airline that they could speak about. (10 mins)

3) Using the example of the chocolatiers’ attempts to take advantage of the new Chinese market, discuss with students the notion of entrants in this emerging industry. Record students’ responses. (10 mins)

a. Definition: In Porter’s model, the term **entrants** refers to new competitors to the industry that threaten profitability for established competitors.

b. Guiding questions:

- i. Given the newness of the chocolate industry, should we be worried about **new entrants**?
- ii. Where would new entrants come from given the difficulty larger corporations have experienced in entering the Chinese market?
- iii. Do you foresee the Chinese themselves venturing into the chocolate business? Why or why not?

4) Now that students have an idea of what entrants are, direct them to work with their partner to determine a list of potential **entrants** they should account for in the business, product, or service for which they are strategizing. (If computers and Internet service are available in the classroom, permit students to do research using these resources.)

a. Encourage student to really think outside the box about the emergence of new entrants into their industry. For example, Netflix emerged from virtually nowhere to topple video rental giant Blockbuster. Amazon.com has become a major contender to physical stores that sell books and music.

5) Have each pair of students share the list of **entrants** they compiled for their particular product or service. Encourage students to offer suggestions and critiques of one another’s lists, as the crosstalk will be helpful in stirring one another’s thinking. (12 mins)

6) Wrap up the discussion by underscoring any notable comments made during the sharing period and clarifying any points students misunderstood.

Practice Outside of the Classroom: Have students continue doing research and reading about the product, service or industry they are examining for this exercise.

What Worked and What I Would Do Differently: The students had a little difficulty separating *entrants* from *rivals*. The examples I found helpful in making the distinction between these categories include the following: With reference to the video rental market, the Comcast On-Demand service of Netflix also helped to topple Blockbuster in this market. This underscore's Porter's notion that technology is often a key factor in changing the playing field of an industry.

Second, in Philadelphia the longstanding baking giant, Tastykake, has been struggling to stay alive amidst its rivals (e.g., Hostess, Little Debbie, Drake's Cakes, Entemann's). An important entrant to consider in this market is the growth of small, private bakeries that are producing freshly baked, gourmet treats (e.g., Buttercream Cupcake Truck in Philadelphia as well as other standalone small bakeries).

The male students often focused on technology related to videos, telecommunication devices and so forth. Some of this was a bit over my head, but it was good practice for the students to work on explaining this information to a non-techie.

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