

# Financial Voyage

## Michael Porter's Five Forces and Globalization.

Michael Porter's 5 forces determining the nature of competition in an industry are

1. Barriers of entry for new competitors.
2. Threat of substitute products or services.
3. Declining bargaining power of suppliers.
4. Rivalry among existing competitors.
5. Bargaining power of buyers.

In each box here, we assign a "Rising" or "Declining" influence to each of Porter's 5 forces.

We use the 5 forces here illustrate how the process of liberalization or globalization is played out. This map could well have been slotted to our "Key Ideas" map section as a "template" map. You will find that you can rearrange the 5 forces in other configurations to reflect different themes.

This map is best appreciated with our Key Ideas map on asset bubbles, posted to the site on November 7, 2000.

May 17, 2001

[www.financialvoyage.com](http://www.financialvoyage.com)

[singcher@financialvoyage.com](mailto:singcher@financialvoyage.com)



1. To the observant reader of our maps, you will notice that Boxes 1 to 5 arranged this way match our “bubble archetype”.

We are beginning to see early signs of “limits to growth” from the increasing backlash to globalization, although at this time, they may not be strong enough to roll back the trend just yet.

A reinforcing loop connects Box 3 to 5. We experience this as absent inflation due to Box 3, the rising risk and eventually the fact of oversupply in many goods and services due to Box 4, and finally, with the exception of rising energy costs, the consumer is king (box 5).

The “bubble archetype”, a Key Idea map suggests that a bubble is hard to stop, especially in the perception of the people living it. That is why political and business leaders, economists and thought leaders praised globalization as unstoppable heralding a new age of growth and prosperity.

The reinforcing loop is underpinned by Box 1 feeding into Box 4, and Box 2 feeding into Box 3. The key feature of the “bubble archetype” is that at least two boxes in a reinforcing loop are externally promoted from the “outside”.





