



# TFA

## Monthly Newsletter

### May 2023

#### IN THE NEWS

## May The Force Be With You: Porter's Five Competitive Forces First in a 5-part series

By Kristi Jackson

Introducing the Five Forces Model and Why It is Important

In 1979, then-Associate Professor at Harvard Business School Michael E. Porter published a ground-breaking article in the Harvard Business Review titled "How Competitive Forces Shape Strategy". For those who have been through a corporate strategy course, we offer a refresh on the model here – and then in a series of subsequent newsletters throughout this year, we will dive a bit deeper into the various forces and their effects. We find this just as relevant today as the day it was published, particularly for Tribes as they look to diversify their economies and explore new industries in

which to invest. Having a foundational grasp on these forces of industry competition can guide decision makers and allow for a more effective analysis of opportunities.

Porter posited that within every industry there are five competitive forces, the strength of which determine the overall profitability of an industry over the medium or longer term. It is first important to underscore that this model assists with the analysis of industry profitability. This is different from the profitability of a company. A company operates within an industry – there can be plenty of unprofitable companies that exist within an attractive industry. It is also a model that predicts

California signs two new gaming compacts with Native American tribes  
4/3/23 – [thecentersquare.com](https://thecentersquare.com)

Native American Hall of Fame Announces 2023 Class of Inductees  
4/4/23 – [nativenewsonline.net](https://nativenewsonline.net)

Largest global gathering of Indigenous leaders at the United Nations  
4/17/23 – [ictnews.org](https://ictnews.org)

Arizona tribal gaming contributions up 20% over last year, nearing \$2 billion mark since 2004  
4/18/23 – [cronkitenews.org](https://cronkitenews.org)

Tribal colleges tap US energy funds to build 'living labs'  
4/18/23 – [ictnews.org](https://ictnews.org)

ilani Hotel opens next to casino  
4/24/23 – [Columbian.com](https://Columbian.com)

Sky River Casino: From Ghost Mall to Gaming Center  
4/25/23 – [pechanga.net](https://pechanga.net)

(continued from Page 1)

profitability in the medium to longer run – not the shorter term. Factors such as weather or an economic cycle can certainly impact profits in the short run. One doesn't need to look farther back than 2020 for a glaring example of economic disruption...

The importance of the model is that it offers a guide to corporate development – and importantly – to Tribal economic development and diversification. Not only is the output effectively a target list of attractive industries – but the model also provides a more specific guide to operating entity strategists who can then develop methods to combat and succeed against the strongest forces.

The forces affecting competition are the threat of new entrants, the threat of substitution, the power of suppliers, the power of customers and the relative amount of competition among competitors in an industry. The chart to the right illustrates this dynamic:

## Forces Governing Competition in an Industry



If these forces are relatively mild, an industry may be more attractive and profitable in the longer run than those which exhibit strong forces which weigh against the participants.

Porter's summary is critical: "The key to growth—even survival—is to stake out a position that is less vulnerable to attack from head-to-head opponents, whether established or new, and less vulnerable to erosion from the direction of buyers, suppliers, and substitute goods."

In the articles that will follow in this series, we will explore each of these forces individually. Our hope is that with a full exploration of this model, Tribes will be better able to identify industries and companies that offer them the highest probability of economic success as they continue to diversify their economies.

Please call us anytime to discuss how this can apply to your diversification efforts.

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