STRATEGY SCHOOLS

Positioning and Industry

Porter · Ghemawat · Grant

PAPER 01 / 04

A Furtherance reference compendium on the intellectual traditions behind organisational design, leadership, execution, and culture.

IN THIS PAPER

This paper opens the Strategy Schools series in Furtherance's reference library. It covers the positioning tradition – the view that competitive advantage comes from where a firm sits in its industry and how defensibly it is placed. The question it answers: what determines whether a firm earns superior returns, and how is a strong position built?

Porter locates advantage in industry structure and positioning; Ghemawat in hard-to-reverse commitment and the stubborn persistence of distance; Grant integrates external and internal analysis into a single toolkit. This is strategy seen from the outside in.

Michael Porter Competitive Strategy, 1980

Competitive strategy · Harvard Business School

CORE THESIS

Profitability is driven first by **industry structure**, and strategy is the search for a **defensible position** within it. A firm wins by choosing a generic route – lower cost or differentiation – and building a tightly fitted system of activities that rivals cannot easily copy. Strategy is fundamentally about **trade-offs**: choosing what not to do.

FRAMEWORK

Five forces	Pressure on industry profitability
Rivalry among competitors	Intensity of direct competition
Threat of new entrants	How easily others can enter
Threat of substitutes	Alternatives meeting the same need
Buyer power	Customers' leverage on price and terms
Supplier power	Suppliers' leverage on cost and supply

Within a chosen scope, advantage comes through **cost leadership** or **differentiation**, realised through a fitted **value chain** of activities.

METHODOLOGY

Industrial-organisation economics adapted to the strategy of the firm.

SIGNIFICANCE AND CRITIQUE

The dominant paradigm of modern strategy, and the source of its core tools. The critique: it is relatively static and structural, underplays internal resources (the next paper's rebuttal) and emergence, and strains in fast-moving, hyper-competitive markets.

Pankaj Ghemawat Commitment, 1991 · Redefining Global Strategy, 2007

Strategy and international economics

CORE THESIS

Sustainable advantage rests on **commitment** – large, hard-to-reverse choices in sticky factors – not on flexibility alone. And the world is only **semi-globalised**: distance still matters enormously, so global strategy must reckon with it deliberately.

FRAMEWORK

Framework	What it captures
Commitment	Durable advantage comes from sticky, irreversible investments
CAGE distance	Cultural, Administrative, Geographic, Economic distance
AAA strategies	Adaptation, Aggregation, Arbitrage across borders
Semiglobalisation	The world is not flat – distance persists

METHODOLOGY

Strategy analysis combined with international economics and empirical data on cross-border activity.

SIGNIFICANCE AND CRITIQUE

Rigorous on why commitment, not agility alone, sustains advantage, and a needed corrective to “flat world” globalisation. The critique: the commitment and globalisation threads are somewhat distinct bodies of work.

Robert Grant Contemporary Strategy Analysis, 1991–

Strategy synthesis · the analytic toolkit

CORE THESIS

Superior profit has two sources – the **attractiveness of the industry** and the firm's **competitive advantage** within it – and sound strategy links the external and internal analyses into one coherent framework. Grant is the field's great integrator.

FRAMEWORK

Element of strategy analysis	Question
Industry environment	How attractive is the industry, and why?
Resources and capabilities	What can we do that rivals cannot?
Goals and values	What are we trying to achieve?
Structure and systems	Can we implement and sustain the strategy?

METHODOLOGY

An analytical synthesis of the strategy field, bridging positioning and the resource-based view.

SIGNIFICANCE AND CRITIQUE

The definitive integrator – the bridge from this paper's positioning school to the next paper's resource-based one. The critique: its strength is synthesis rather than a single original theory.

Synthesis

Theorist	Advantage from…	Key idea	Critique
Porter	Industry position	Five forces; generic strategies	Static; underplays resources
Ghemawat	Commitment + distance	CAGE; AAA; semiglobalisation	Two distinct threads
Grant	External + internal fit	Integrated strategy analysis	Synthesis, not novel theory

FOR THE OPERATOR

The positioning school locates advantage in industry structure and defensible position – five forces and generic strategies (Porter), durable commitment amid a semi-globalised world (Ghemawat), integrated through external-plus-internal analysis (Grant). For the operator, where you compete sets the ceiling on returns. But position is only half the story; the next paper turns inward, to the resources and capabilities that let a firm win wherever it plays.