

International business class (discussion board)

[Business](#)



**ASSIGN
BUSTER**

Explain Porter's distinction between "traditional" factors of production and "advanced" factors of production. Apply this to Rivioli's discussion. Traditional factors of production are those basic resources needed by a firm to create goods. They are land, labor, capital and technology which when combined together for use, creates a product.

The advanced factors of production are also known as Porter's "diamond of national advantage" which are composed of factor conditions, demand conditions, related and supporting industries and firm strategy, structure and rivalry. They differ from the traditional factors of production because it meant the interaction among the traditional factors of production that shapes a national competitive advantage.

Factor productions are the conditions that would enable a country to make its goods successfully in particular industry. This could be the abundant availability of natural resources and/or skilled labor which could make its industry competitive. Demand conditions simply meant the domestic demand for a product. Demand encourages production because of the incentive of profit. The more the company creates a particular product, the more they become good at it. Related supporting industries are complementary firms that make an industry benefit through it and enhances its competitiveness. Firms strategy, structure and rivalry simply meant the regulatory conditions in a certain country that could encourage innovation and rivalry that would ultimately make firms competitive.

Answer

If Porter's theory is to be taken as an absolute truth especially with his factor conditions that the availability of resources would make a country

competitive, then Africa would have been one of the richest countries in the world because almost all raw materials in production can be found there. But as we already know, Africa is one of the poorest continent in the world and this posits that natural resources alone is not enough to make a country competitive debunking Porter's first notion of factor condition as a prelude to national competitiveness.