Competing With Power

Idea In Short

Do not confuse growth, efficiency, or momentum with enduring strategic strength. Use Helmer's 7 Powers to identify whether your business has a real barrier-backed advantage, decide which powers you already possess, and build innovation around the few capabilities competitors will struggle to match over time.

Why Helmer's Framework Matters

Many leaders approach strategy through familiar tools such as Porter's Five Forces, scenario planning, growth horizons, or market attractiveness screens. Those frameworks remain useful, but they often leave one crucial question underexplored: why do some firms sustain superior returns while others merely enjoy a temporary burst of success? Hamilton Helmer's 7 Powers stands out because it centers strategy on persistent differential returns rather than on analysis for its own sake.

That distinction matters in practice. Companies often mistake strong execution, rapid growth, or favorable timing for enduring strategic advantage. A business may post impressive numbers for several quarters, yet still lack the structural conditions that keep competitors from catching up. Helmer's contribution is to redirect attention from visible performance to the hidden mechanisms that make that performance durable.

For executives, founders, and investors, this makes the framework especially valuable. It encourages a sharper reading of competition, capital allocation, and market entry. Instead of asking only whether a business is winning today, it asks whether the company has built a position that will continue to generate value when competitors respond1.

What "Power" Really Means

Helmer defines power as the set of conditions that allow a company to achieve long-term

differential returns. That wording is more demanding than the language used in many business discussions. Differential returns imply that the company does not simply perform adequately, but performs better economically than rivals over an extended period. Long-term means the advantage survives beyond a transient product cycle, a temporary market imbalance, or a short burst of execution.

This idea links closely to market power, which can be understood as a firm's ability to influence the behavior of other parties through costs, incentives, or the control of valuable conditions. A company with market power can shape pricing, access, customer choices, or competitive behavior in ways that strengthen its economic position. That does not always mean monopoly. It often means occupying a structurally favorable position within a contested market.

The strategic significance lies in durability. Temporary success can be celebrated, but durable power compounds. It influences margins, pricing freedom, bargaining leverage, and strategic flexibility over time. That is why Helmer's framework becomes so useful when leaders must decide where to invest, what capabilities to build, and whether their apparent edge is truly defensible2.

Benefit And Barrier

One of the most important ideas in Helmer's work is that a true power requires two elements at the same time: a benefit and a barrier. This sounds straightforward, yet it eliminates a surprising amount of weak strategic thinking.

The benefit is the part that improves cash flow. That improvement may come from raising customer willingness to pay, increasing volume, lowering the cost to serve, or improving economics in another meaningful way. Without a visible benefit, there is no reason to call something an advantage. It may be interesting, but it is not strategically material.

The barrier is what prevents competitors from arbitraging away that benefit. This is the harder test. If rivals can easily imitate what the company has done, then the benefit will fade into industry standard practice. A firm may have innovation, efficiency, or even popularity, but without a meaningful barrier, the market eventually levels the field. Helmer's framework is powerful because it forces leaders to examine not just what works, but what remains protected once competitors react3.

The Seven Powers

Helmer's seven powers are:

1. Scale Economies
2. Network Economies
3. Counter Positioning
4. Switching Costs
5. Branding
6. Cornered Resource, and
7. Process Power

Each one describes a different route to durable advantage, and each one works through a different combination of economic benefit and competitive barrier.

Scale Economies

Scale Economies emerge when unit costs fall as output expands. This creates an advantage for the larger player because size directly improves economics. The barrier appears when a challenger cannot match the incumbent's cost structure without first reaching equivalent scale, which is often difficult or uneconomic. Costco illustrates this logic well: scale supports purchasing leverage, disciplined assortment, and lower prices that reinforce customer loyalty and further volume.

> Costco utilizes economies of scale by capping markups at 15% and limiting SKUs, creating a bidding war among suppliers that helps guarantee the lowest prices. In the modern era, foundation AI models (like OpenAI or Anthropic) demonstrate economies of scale; training frontier models requires hundreds of millions of dollars in fixed infrastructure costs that only make sense at massive scale.

Network Economies

Network Economies operate when the value of the service increases as more users join. The economic benefit can be dramatic because growth improves the product itself rather than

just the marketing reach. Social platforms and marketplaces often exhibit this power. In digital businesses, data flywheels can reinforce the effect, especially when greater usage improves recommendations, model performance, or matching quality.

> Meta's platforms become more valuable as more users join, creating a snowball effect. For AI companies, this translates into a data flywheel. Products like Cursor or ChatGPT improve their models based on user interactions, meaning more users directly lead to better performance for everyone.

Counter Positioning

Counter Positioning occurs when a newcomer adopts a superior business model that incumbents hesitate to copy because doing so would damage their existing economics. Airbnb's asset-light model is a classic example because traditional hotels could not imitate it without challenging the foundations of their own capital-intensive business structure. In modern software markets, newer firms can use usage-based or outcome-linked pricing to counter-position against incumbents built around per-seat subscriptions and legacy sales incentives4.

> Airbnb adopted an asset-light model that traditional hotels were unwilling to copy for fear of cannibalizing their existing real estate investments. Today, AI startups counter-position against legacy SaaS companies by offering outcome-based or per-task pricing, disrupting the traditional per-seat subscription model that incumbents rely on.

Switching Costs

Switching Costs arise when customers face material friction, financial expense, retraining burdens, or process disruption if they move to another provider. Enterprise software provides a familiar example. Once a platform is deeply embedded into workflows, reporting structures, and compliance routines, the cost of changing systems often becomes so high

that customers stay even when alternatives exist. This power does not always make the product better, but it makes defection less attractive.

> SAP enterprise software is notoriously difficult and expensive to replace once integrated into a company's workflow. Similarly, once an enterprise spends months customizing and integrating a specific AI agent into its proprietary workflows, the friction and cost of switching to a competitor's AI become significant barriers.

Branding

Branding qualifies as a power only when the brand enables premium pricing or materially stronger preference that competitors cannot easily duplicate. Not every recognized brand has this strength. True brand power exists when the market assigns extra value based on trust, identity, status, or expected performance. Ferrari demonstrates this clearly, because buyers pay not only for engineering, but for what the marque signifies in the market.

> Ferrari commands massive premiums due to a brand built on decades of exclusivity and performance. In the tech space, OpenAI has built a brand moat with ChatGPT. Despite competitors like Google offering massive distribution advantages, consumers default to ChatGPT simply because it has become synonymous with generative AI.

Cornered Resource

Cornered Resource exists when a company has privileged access to an asset that competitors cannot readily secure. That resource may be a world-class team, a constrained supplier relationship, exclusive intellectual property, or proprietary access to customer data and workflows. The key is scarcity plus control. The benefit comes from what that resource enables, while the barrier comes from the fact that rivals cannot simply buy their way into the same position.

> ARM Holdings cornered the market on mobile processor IP designs, which competitors cannot easily replicate. For AI startups, the modern cornered resource is often proprietary access to customer data and workflows, achieved by embedding engineers directly with clients to build custom solutions that no outside competitor can see.

Process Power

Process Power emerges when a company builds embedded processes that produce lower costs or superior outcomes in ways rivals struggle to replicate. Toyota's production system is the classic case because its advantage did not come from a single visible tactic but from a system of routines, feedback loops, and managerial discipline that reinforced one another over time. Process power is especially relevant where reliability, precision, and cumulative learning matter more than flashy innovation5.

> Toyota's legendary production system [TPS] created operational efficiencies that competitors struggled for decades to match. In AI, process power is found in the unglamorous work of edge-case engineering. While anyone can build a demo, achieving 99% reliability in mission-critical applications (like legal or financial compliance) requires deep, systemic processes that are incredibly difficult to replicate.

Innovation Creates Power

Helmer argues that the path to power runs through innovation. This does not mean innovation only in the narrow sense of new products or laboratory breakthroughs. Innovation can take the form of a business model, a go-to-market design, an operational method, a system architecture, or a brand position that creates real economic value.

That point deserves emphasis because many companies separate innovation from strategy. They treat innovation as experimentation at the edge while strategy governs the core.

Helmer's framework collapses that distinction. Innovation matters strategically only when it creates one of the structural conditions that can later harden into power. A novel feature that customers enjoy for six months may be useful, but unless it contributes to a defensible advantage, it remains an operational success rather than a strategic breakthrough.

This is also why some innovations matter more than others. The strongest innovations do not simply improve a product. They change the economics of the business or alter competitor incentives. When leaders evaluate innovation through the lens of power, they become less impressed by novelty and more interested in whether the novelty creates a durable barrier-backed advantage6.

Reading The Framework In The AI Era

The framework remains highly relevant in Artificial Intelligence markets because many firms confuse technical progress with durable strategic advantage. Model quality matters, but Helmer's lens asks harder questions. Does the model create lower unit costs at scale? Does usage improve the product through network effects or proprietary data feedback? Does customer integration create switching costs? Does the company own scarce resources, such as unique data, highly specialized talent, or privileged distribution?

This lens clarifies why not every impressive demonstration becomes a defensible business. Training large foundation models can reflect Scale Economies because high fixed infrastructure costs favor large players. Products with extensive user interaction can benefit from data-enhanced Network Economies if more activity meaningfully improves performance. Enterprise Artificial Intelligence agents can create Switching Costs once deeply integrated into customer workflows, governance systems, and internal knowledge structures.

The same logic also exposes fragility. A company may appear powerful because it receives attention, funding, or rapid adoption, while lacking a real barrier. If open models narrow performance differences, distribution shifts, or enterprise buyers refuse lock-in, the apparent advantage can erode quickly. Helmer's framework helps leaders separate excitement from economic durability, which is especially important in fast-moving technology markets7.

Power Progression And Timing

Another useful insight in the source material is that powers do not emerge randomly. Different stages of a company's development create different windows for building them. During origination, companies may be able to seize Counter Positioning or a Cornered Resource because the business model is still fluid and underappreciated. During takeoff, Network Economies, Scale Economies, and Switching Costs become more available, because growth and customer adoption begin to reinforce structural advantage.

Later, as the business stabilizes, Branding and Process Power can become more important. At that stage, the firm has more market visibility, more routine, and more accumulated knowledge to institutionalize. Timing matters because some opportunities are easier to capture at one stage than another. If a company fails to build scale advantages during its expansion phase, or fails to deepen switching costs while adoption is accelerating, it may never recover that opportunity.

This progression sharpens strategic sequencing. Leaders should not ask only which powers matter in theory. They should ask which powers are realistically buildable now, given the business's stage, capital base, market dynamics, and customer behavior. That makes the framework more actionable because it connects the concept of power to concrete timing decisions.

Product-Market Fit Comes First

One of the most practical points in the framework is the distinction between product-market fit and power. Companies sometimes jump too early into discussions of moats, branding, or lock-in when they still have not proven that customers truly want what they are offering. That is a category error.

Product-market fit is the condition in which a product solves a real need for a defined market well enough to generate traction and retention. Power is what allows the company to defend and expand its economics after that fit exists. A founder who obsesses over Network Economies or Branding before validating core demand risks building strategy on top of an unproven market proposition.

Still, imagining future power while searching for product-market fit can be useful. It helps teams ensure they are not solving a problem in a way that will remain structurally weak even if customers respond well. The sequence matters: first demonstrate that the product

deserves to exist, then build the barriers that allow the economics to endure. Confusing the two leads either to premature strategizing or to short-lived success.

Operational Excellence Is Not Enough

A final discipline in Helmer's framework is the warning against mistaking operational excellence for power. Companies often celebrate execution, efficiency, service quality, or managerial discipline as if those capabilities automatically create durable strategic strength. They matter enormously, but they do not always qualify as power.

Operational excellence improves performance, but competitors can often replicate it over time, especially if the practices are visible and the underlying systems are not deeply embedded. That is why Helmer distinguishes operational competence from barrier-backed advantage. If the benefit can be copied with enough effort and without structural disadvantage, then it may be important, but it is not a true power.

This distinction helps explain why some excellent operators still struggle to sustain superior returns. They execute well inside competitive conditions that remain fundamentally open. In contrast, firms with real power often combine solid execution with structural advantages that make imitation unattractive, slow, or impossible. Strategy therefore begins not with admiration for performance, but with an honest assessment of whether the underlying economics are truly defended.

The Strategic Use Of 7 Powers

The enduring value of Helmer's 7 Powers lies in the questions it forces leaders to ask. What powers does the business actually have today? Which ones are only assumed? Which powers are buildable from the current position, and which are no longer realistically available? Those questions are more demanding than conventional strategy discussions, but they lead to better judgment.

For executives, the framework disciplines capital allocation and strategic ambition. For founders, it helps distinguish between momentum and defensibility. For investors, it provides a clearer lens for separating durable compounds from companies benefiting from short-term enthusiasm. Above all, it reminds decision-makers that strategy is not simply about where to compete or how to grow, but about whether the company can create and

preserve an economic position competitors cannot easily unwind.

- 1Competitive Strategy Archive
- 2Market Power Overview
- 3Barriers To Entry
- 4Disruptive Business Models
- 5Toyota Production System
- 6Innovation And Growth
- 7Enterprise AI Trends

Summary

Helmer's framework sharpens one essential judgment: whether a business is merely performing well or building durable power. Leaders who answer that honestly make better strategic bets, allocate capital with more discipline, and defend advantage for longer.