

International Journal of
Excellence in

Public Sector Management

ISSN 1993-8640



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Sheikh Zayed Road, Al Barsha, Dubai, UAE.
Phone or Fax : Tel: +9714 4088444 Fax: +9714 4088555

Critical Approach to Strategic Thinking and Public Sector Governance

**Professor O. Aktouf
University Of Montréal - HEC, Canada**

Abstract

The author analyses and “deconstructs” the essence of thinking about “strategy,” apart from the overall governance among organisations predominating in the current academic management scene. By drawing on a simultaneously historical, heuristic, epistemological and methodological reading of the dominant subject matter and system, referred to as “Porterism,” the author presents an absolutely critical review of the full range of theories of managerial “strategy”.

Introduction

Aristotle and Porter are antipodes, the two extremities of what has constituted the axis of foundations of economic thought since its beginnings. Whereas Aristotle represents the reference in economic thinking, (that is Greek etymology of the formula oikos-nomia, norm for ensuring the well-being of the oikos, the community, for his part), Porter incarnates a sort of quintessence of krematistic thought (i.e., Aristotelian sense of “krema”, individual and wealth) and atos (seeking wealth). Aristotle denounced “krematistic” as the enemy of economy because it encouraged individualism and seeing others as an opportunity for wealth accumulation, rather than partners, in a “state of community,” “for useful friendship” and reciprocity. Will it be possible one day to reconcile the wisdom of an Aristotle advocating the golden mean and useful friendship between people on the one hand, and the persistence of claims about the need to submit to the chains of the so-called “laws of competitiveness and the market” on the other? The foundations of these laws consist essentially in viewing others as enemies and the economic arena as a

battlefield. Infinite economic maximisation, which has been designated as the central objective, has become, accompanied by the credo of the race for “competitive advantage of nations,” a sort of dogma, an ideology, a framework for thought — and for action — in almost every field, be it in business, in economics or even in governance and the political economy of entire countries. Everything seems destined to become strategic and competitive. This says much about the extent to which Porterism has become much more than a simple theory or a simple Decalogue of norms for use by managers who want to think of themselves as strategists. The Porterian analytic and conceptual model has now become a generalised conceptual and analytic framework, a worldview, a fully blown ideology. Indeed, in each of the editions and uncountable re-editions of his major works — Competitive Advantage and The Competitive Advantage of Nations — he is systematically characterised as the mastermind for specialists in strategy. And, according to most surveys, he has been the most cited author in the last 10 years in management and economic journals. The Porterian way of viewing our world and the economy is spreading across the planet and taking root, but this way of seeing States and human societies as nothing more than aggregate businesses, devoted to the multiplication of money, also *ipso facto* is a mega (or meta) theory of governance.

1. “Porterism”

It was in late 1970s and early 1980s that the Porterian thought began to influence writing, teaching, practices and consulting in the field of management. It all began with an article that immediately engendered admiring emulators

and reproducers. This article contained the essence of an approach that became self-expanding, and articulated and conjugated in different terms in step with the success it encountered, going from the fields of marketing, management and corporate policy to encompass no less than the strategic and political economic analysis of nations. Porter is first an engineer, with a BSE in mechanical and aerospace engineering from Princeton, obtained in 1969. He complemented his undergraduate studies with graduate degrees: Business (MBA from the Harvard Business School in 1971) and Business Economics (Ph.D. from Harvard completed in 1973). He is a pure product of the American fast-track system — ready-made, ultra-fast and ultra-theoretical studies of the business world — a mere four years from the time of leaving engineering school to completing his MBA and his Ph.D. In addition, in 1973, without any field experience whatsoever, he was teaching at the Harvard Business School. Neither a pure “technologue” nor a leading light in social sciences, Porter is, in a way, one of the prototypes of this approximate and self-consciously arrogant way of thinking about all things human and social produced by a series of engineers who have become management “gurus,” and who have become “initiates” of the social and human sciences. They are self-taught, having picked things up along the way through eclectic readings or, even worse, through courses in this area taught in business schools. Such is the case, relatively speaking, with people like Henri Fayol, Frederick Taylor and Henry Mintzberg, all of whom began as engineers.

The essence of Porter’s work consists of various continuations of one article: “How

Competitive Forces Shape Strategy,” which appeared in the Harvard Business Review in 1979. This article contains the core of Porterian theory, which is developed in subsequent major publications: *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (1980); *Competitive Advantage: Creating and Sustaining Superior Performance* (1985); *The Competitive Advantage of Nations* (1990); etc. In the wake of these publications, Porter can be found almost everywhere, peremptorily presented as the mastermind of recent developments in the strategy of organisations (especially, advocates of the so-called “school” of strategic “positioning.” However, this is a negligible detail with respect to the purpose of the present essay). Even though harmony and agreement are far from being the rule in the world of strategic management thought, as can be seen in the reoccurring quarrels between advocates of formulation, those of process, or those of implementation, not to mention those of planning or resources, Porter remains the field’s most cited author. Indeed, in one of the most recent works in this area, *La Stratégie des Organisation: Une Synthèse*, Porter’s name is mentioned exactly 60 times, far ahead of classics such as Andrews (22 times), Ansoff (9 times), Barnard (18 times), and Chandler (26 times). The same is true of a similar work published at the very end of 2000, *Strategic Management*, in which Porter is the reference cited the most often.

In sum, Porterism has become the most frequently used system as a central reference in the field of strategy for management students in every business school on the planet. His books serve as manuals almost everywhere; his 1979 founding article on sectoral analysis is read and reread in many courses; and even his

notion of strategic positioning forms the basis of simulation software used in graduate studies in strategic management, international management and so on. We learn that Porter's ideas have "fast become the foundations for required courses at Harvard."¹ His is the author of 16 books and more than 60 articles published by the most prestigious journals. His *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (1990) has been reprinted 53 times and translated into 17 languages; and *Competitive Advantage: Creating and Sustaining Superior Performance* (1985) has already been reprinted 32 times. In general terms, Porterism has evolved over three major movements, each corresponding to the publication of a watershed book.

The first movement consisted formulation of theory of "strategic positioning," with the 1980 appearance of *Competitive Strategy*, inspired by industrial economics, and immediately overtaking the then-prevailing schools of "conception" and "planning," with their famous "diamond-shaped" model for presentation of competitive forces. The second movement coincided with the 1985 publication of *Competitive Advantage*. This movement consecrated one of Porterism's major pillars: the notion of an integrated "value chain". The third movement accompanied the release of *Competitive Advantage of Nations*. This movement extends Porterian analysis and prescriptions to competitiveness among States and national economies. Since it is not my objective to do so, I will not dwell on the details of the foundations and the evolution of Porterian ideas. I will only point out, for the sake of memory, that these ideas have been developed from the notions of analysis of competitive sector, entry barriers, generic

strategies, the production of value and the value chain, and substitution products, to include the competitive advantages of nations. What interests me more here is to see, and this is what I hope to demonstrate, how and in what way Porter is, on his own terms, indefensible as much historically as on the basis of economic theory itself — entire elements of which he completely glosses over — and the epistemological and methodological foundations of his constructions and extrapolations, particularly in terms of his hypotheses and preemptory and unsustainable biases.

2. Scope and First General Limits of Porterism as a Theory of "Governance"

Even though few would argue that Porterism has ever, as such, moved in the direction of articulating a sort of general theory of governance, it is nevertheless true that the use (and perhaps even its abuse, against Porter's will) made of it has consecrated this system as the foundation of visions and formulations of "strategic policies" at the level of corporations, governments and States alike, which necessarily makes it a large component of governance itself. To provide an idea of Porter's presence or influence, I propose to discuss two of the major points of the following analysis of the potentialities of the Quebec economy, established in terms of competitive advantages (a typically Porterian formulation) advanced by Quebec's Vice-Premier in the fall of 1999:

- I. "Quebec has a competitive advantage with regard to its labour costs, which are 37.4%

lower than those in the United States and 52.7% lower than in Germany...”

- II. “Quebec offers competitive taxation..., the income tax rate on business revenues is lower here...”

We find in these statements two themes, both typical of Porter and close to his heart: the very expression of two famous generic strategies, of which he has become the apostle, namely, positioning by costs and positioning by differentiation.

We had become used to this kind of cynicism presented as the foundation of healthy governance in economic reasoning applied to Third-World countries, to whom it has been suggested that the misery of their workers is an asset to be jealously guarded. Here we are confronted with one of the major limitations of the Porterian foundations with regard to governance. Simple reasoning shows that he goes from the solvency of markets of the greatest number (from the level of effective demand, as Keynes would say) and, therefore, for everyone, to eventual problems of real market openings. Nevertheless, these openings — eventual and for everyone — cannot be conceived outside of a complementarist and mutually useful approach to the problem of trade and international commerce. The same holds, it is understood, for the problem of governance in nations as “markets” (as such or as inter-trading) and firms, as concrete sites for the ultimate application of all governance. This brings us to a second, serious historical and theoretical limitation of Porterism, namely, the fact that the sectors, which were originally and quite logically viewed as “comparatively advantageous” by economic theory from the beginnings of thinking about the problem of

trade between nations (Ricardo in particular, and the so-called Ricardian tradition), are sectors in which wages are the highest (a sign of the vigour and productivity of the sector in question). On this major point, to my knowledge, Porter takes no position (at least, in a clear and convincing way, even if he does mention it from time to time) with regard to the two major traditions in the economic conception of comparative advantages — Smithian on the one hand and Ricardian on the other. Does he align himself with the non-increasing returns hypothesis (Ricardo) or, to the contrary, with the increasing returns hypothesis (Smith), or again with the rehabilitation, in the final analysis, of the Ricardian tradition, the consequence of the Raymond Vernon’s theory of product life cycles, which would inevitably lead back to the famous approach referred to as factor endowment?

It strikes me that essentially Porter dismisses the entirety of this vast issue out of hand, which gives the impression of putting everyone back to back within the space of 20 or so pages of his *Competitive Advantage of Nations*. Consider a few of the most significant excerpts showing how Porter discusses these aspects: As far as Smith and Ricardo are concerned, after crossing out Smith’s theory of “absolute” advantages, he reproaches Ricardo’s theory of “relative advantages” for resorting to reasoning based on “unexplained differences in climate and environment,” of ignoring the “economies of scale,” factor, differences in technology and products between countries, the instability of production factors, the circulation of qualified labour and capital between countries and so on. To be sure, we cannot say that Porter is wrong on these points. However, we can, at

the very least, deplore a serious absence of nuance and consideration of other theories critical of “diseconomies of scale,” barriers of all kinds (tariff, hidden tariff, or non-tariff) between nations, including those said to be in “free trade” and on the like. As for Heckscher-Ohlin and Samuelson and the vast question of the theory of “factor endowment” (with the assumption that technology is an equally accessible factor), the essence of Porter’s argument can be summed up as a vague criticism of the overlooking of “international transfers between subsidiaries of multinational corporations” and the possibilities of the existence of “similar factors between trading countries.” As for Vernon, Porter says exactly that with his proposals about life cycles of products, he represents the beginnings of a genuinely dynamic theory showing how national markets can stimulate innovation. In the same breath, Vernon is vilified for having neglected issues such as: Why do the businesses of certain countries impose themselves in certain innovations? What happens when demand arises in different countries? Why is it that in many countries innovation is continuous in national industries, often the case with theories that want to establish themselves as bridges between politics, economics and management, this kind of criticism, or positioning vis-à-vis more general theories, remains largely at the level of secondary aspects which, generally speaking, say nothing about the more fundamental issue of the admission or the refutation of the central argument of a given “historical” conception, which has become an essential “classic”? This strikes me as undoubtedly the case here; with the very brief and soft positioning-distance, Porter takes relative to very complex theories. There is nothing explicit or solid inviting us to

abandon debates about the issues of advantages (a pivotal concept in Porter’s work, if ever there is one), be they absolute, relative, with regard to factor endowment, or sub-conditions of the life cycle of products, or again of increasing returns or diminishing returns, no doubt because the issues are too difficult to deal with briefly. With his historical aspect (theoretically unconvincing) of Porterism, consider what Porter has to say about what he calls, without any in-depth discussion, the reality of Smith and others like Ricardo, Eckscher-Ohlin or Vernon, and what he describes as a pattern in one of the world’s most important business in its domain — ABB, with more than 200,000 employees throughout the world. Porter vaguely argues that exchange theories based on relative advantages are unrealistic in many sectors. In many sectors, he argues, these assumptions do not coincide with real data about competition. The theory of relative advantages is also frustrating for businesses because it is remote from reality. And he concludes by saying that in neglecting the role played by businesses, it is not surprising that the majority of business leaders feel that this theory does not deal with what they view as fundamental, and does not provide appropriate guidelines for strategy”². For his part, Barnevik, the former head of ABB, suggests that “successful businesses do not have a strategy with which no one is familiar. What they have is their own particular way of motivating people, of drawing them in the same direction, of instilling an attitude of achievement within the organisation, and of developing a culture of change. The key to success is 90% execution and 10% strategy. Of this 10% strategy, perhaps 2% is made up of analysis, data, models and tools. The remaining 8% is courage and intuition.”

3. Epistemological Critique of Porterism

By epistemological critique, I mean a rapid deconstruction of some of the most fundamental considerations specific to the Porterian conception of economics and trade.³

Before going any further in a more rigorous critique of Porterism and its attendant conception of governance, however, it must be admitted that generally speaking little attention is given to the numerous passages in which certain of the positions he adopts could well undermine the triumphalism of dominant economic and managerial thought (which is what often occurs to most authors who become management gurus).

As such, there is very little discussion of:

- the (frequent) passages in which Porter praises the merits of German, Japanese, Swedish and other models;
- the passages in which he admits the systematic non-harmfulness of the high rate of unionisation or the presence of union representatives in the managerial levels of companies in these same countries;
- his acknowledgement, by way of examples, of the fact that State intervention is not always as undesirable as it is claimed to be for the economy (even if, to be sure, he does not explicitly say so);
- his repeated claims about the very considerable complexity of the phenomena he discusses and of the cautious attitude one must adopt vis-à-vis all models, including his own;

- His calls for “mistrust” of “financial powers,” among others.

Nor have I devoted much attention to some of his specifically epistemological warnings, such as:

- the issue of the very definition of the concept of “competitiveness,” about which claims in *The Competitive Advantage of Nations* that what is even more serious than an absence of consensus over the definition of competitiveness, there is no generally accepted theory to explain it”;
- the problem of going from the validity of hypotheses to verifications in the field, about which he argues that many theories are based on assumptions which have little to do with reality of competition, and that he had some difficulty in finding a fit between them and the experience he acquired as a student working with international corporations.”

Notwithstanding the sprinkling of cautionary remarks here and there, Porter’s conception is the polar opposite of the spirit, both of the original theories of free trade (from Smith and Ricardo to more Marxist contemporary continuations in the work of Amin, Furtado, Gunder-Franck and so on) and of Aristotelian thought, which, philosophically at least, has influenced a good number of the pathways taken by economic theory, from Quesnay to Marx, and even Weber and beyond. Indeed, in its nuances, Porterism advocates a generalised competitiveness and a race for competitive advantages, advantages which are neither complementary, balanced, nor concerned about reciprocal well-being over time or out of a concern for homogeneity, but which are entirely

selfish, immediate and manifested in a resolutely warlike spirit. Moreover, these advantages are advocated even at the expense of the interests of one's fellow citizens, of entire sectors of the national economy, of countries with which we claim to maintain a free trade relationship. Porter himself speaks explicitly in terms of confrontations, even it would seem (at a time when is advocated the most strongly) in the context of free trade zones. This is quite surprising, inasmuch as the philosophy underlying theories of free trade and its "comparative advantages" is based much more on, and one cannot repeat this enough, a spirit of complementarity, homogeneity and cooperation than on commercial belligerence.⁴ Nevertheless, let us take a closer look at the context and genesis of Porter's ideas. Firstly, is it not meaningful that this leading light of the contemporary economico-managerial world is one of the most typical products of the incestuous marriages between the universities and consulting firms of the Boston area, a fertile cradle of the most famous business consulting offices in the United States? Since the 1950s and 1960s, these marriages have been the origin of what is called, both in theory and in practice, "strategic management." It was this context of incubation that enabled Porter produce his famous theory of the strategy of competitive advantages or of market positioning. Secondly, is it merely serendipity that this thinking burgeoned at the start of the 1970s, when whole swaths of Western industry in general, and American in particular, bowed to breakthroughs of other economic systems — in particular, Japanese, German and Scandinavian management? This being said, at the very foundations of his arguments, Porter nevertheless commits

numerous and in my view serious ideological, methodological and epistemological errors. Porter appears to pay no heed to the many Aristotelian, post-Aristotelian positions with regard to critical caution, however classical, and intellectually indispensable they may be. Whether they arise from Aristotle himself or the various traditions via, to be sure, following long, tortuous detours, inspired by him. In particular, these positions invite a constant questioning about the human finality of economic activity. In this regard (in what he writes at least) he completely elides Aristotelian distinctions between the economic and the krematistic and between the economic-monetary universe viewed as infinite and the physical universe known for its part to be finite, as well as the so-called substantivist positions: anthropological (the "young" Marx, Karl Polanyi, Maurice Godelier...); Third World (Celso Furtado, André Gunder-Frank, Samir Amin, Pierre Jalée, René Dumont, René Gendarme...); critical (Stuart Mill, Max Weber, John Hobson, Thorstein Veblen, Meadows and Forrester from MIT and the Club de Rome...); and, to be sure, all the Marxists and neo-Marxists (from Rosa Luxemburg to Ernst Mandel, Leszlek Kolakowski and Baran and Sweezy from Chicago or Stephen Marglin from Harvard...); as well as those I would call energists (who attempt to submit economic reasoning to the physical analysis of the transformation of energy, such as Nicolas Georgescu-Roegen, Howard Odum, Gonzague Pillet, René Passet...); or even certain insistent critics of "strategic planning" thought (even though they belong to the politically correct, economics-management crowd, such as Henry Mintzberg, or slightly more peripheral, but no less significant, such as David Knights). Like

all orthodox economists, Porter implicitly, though no less clearly, maintains that the accumulation and production of wealth can be infinite, and that the organisation of the society that goes with it — capitalist and resolutely dominated by industrialised and neoliberal finance — is itself constantly in a state of progress, which is generalised at large for the good of all. To do so, he invokes, always tacitly, the so-called evolution of humanity towards “free market” and competitive economy structures. With due apologies to the unspecialised reader, this requires a brief discussion of this omnipresent invocation of the notion of “market.” As a foundational and pivotal concept, central to the dominant economico-managerial construct and, to be sure, particularly to the theory of governance and Porterian management-economic strategy, this notion requires an equally, in my view, inevitable and beneficial analytic detour. It all began with Adam Smith. Few people realise that this founding father of the economic analysis of society, used the formula “invisible hand” — the ancestor of the concept of a self-regulating market — exactly twice. However, subsequent economic “science,” with the neo-classics, required a less poetic concept and the possibility of incorporating it into calculations, which were felt to be as learned and precise as those of physics were. The first to attempt this endeavour was Leon Walras. Searching for a solution to the simultaneity of equilibria of quantities, prices, values and so on, he postulated, without giving any more thought to the matter, the equivalent of a celestial mechanics for society (the source of pre-econometric formulations of the problems of market equilibrium in resolutely Newtonian terms) as well as the intervention of an

“announcer” (a kind of equivalent to Maxwell’s demon in physics, and Quesnay’s “market secretary general”), which announced the equilibrium prices for all goods and services, while remaining neutral relative to the opposing gravitational centres between suppliers and demanders.

However, there was still an important issue to be resolved: providing a mathematical and scientific explanation of this state of simultaneous equilibria in the market while avoiding embarrassing “celestial mechanics” and “announcer” hypotheses. It was Kenneth Arrow and Gérard Debreu, two Nobel laureates in economics, who tackled this daunting problem. Their anguished and disturbing conclusion was that if a mathematical solution to Walras’s problem exists, it is so highly probabilistic that the state of simultaneous market equilibria can be nothing other than a fabulous accident! For, as they explain, nothing justifies the claim that supply and demand mechanisms can lead “naturally” to equilibrium. In this light, what remains of the entire economics-management construct, if we remove the market equilibrium hypothesis (which, moreover, is quite central to Pareto’s famous theory, as well as all those who followed, particularly in terms of microeconomic and econometric analyses)? Where, then, do Porter and his countless emulators take into account this major flaw in economic theory? However, Arrow and Debreu left untouched another equally daunting problem, namely, the nature of the “law” governing how this same market operates. Lypsey and Lancaster, two other leading lights in contemporary economic thought, took on this problem. They left us with an even more disturbing theorem, which bears their name,

and which has yet to be refuted: the market obeys a kind of all-or-nothing law, and there can only be two market states — 100% (a pure and perfect competitive economy), or 0% (a so-called imperfect economy). Nevertheless, we know that a pure, perfect economy is at best wishful thinking and at worst sheer hyper-mathematical madness. Thus, there remains but one solution: whatever the case, we are in a 0% market situation! A number of questions then arise: Who manipulates this market, which can under no circumstances be self-regulating? How can we speak in terms of progressive or partial market situations? What is the justification of what the Bretton-Woods institutions claim to be doing in claiming that they are able, through the measures they impose on nations, to direct phases of progressive steps towards a market state? In addition, above all, how are we to support the Porterian construct, which as Porter himself writes, is built entirely on the assumption of the reality of competition and market forces? Has he never taken into account the equally provoking and radical writings of Arrow-Debreu and Lypsey-Lancaster? Alternatively, does he consider them wrongheaded? Irrelevant?

Porter also sublimely ignores, a fatal mistake for anyone who discusses the future of nations and their economies (and, moreover, for any self-respecting intellectual), the definitive contribution of another, equally important movement in contemporary historiography, namely, *des Annales*, which, for the present purposes, demonstrates how the advantages gained by modern Western nations have always been — from the emergence of major Western economic metropolises such as Genoa, Venice, Amsterdam; up to the takeoff of the England and the American empire — to the detriment

of entire regions (colonised or not) of the Southern hemisphere (countries which are now among the most impoverished). These regions were so pillaged that they have yet to recover. How do we explain the fact that no mention is made of Karl Marx and historical materialism in a work that claims to explain — even worse, to prescribe — the historical development of nations? But if one supposes or claims that historical materialism is false, one must, at least, situate oneself in relation to it and explain what justifies its disqualification and the promotion of neoliberal capitalism and its “laws” to the ranks of the crown of History (instead of a simple stage among many others).

In addition, is Porter aware that he commits that same fundamental error as management (of the Harvard prototype) in general in the inconsiderate and abusive use of the so-called “case” method? He uses and abuses what I would call, with apologies for a barbaric neologism, a kind of ideological empirico-inductivism. What I mean here is that it is, to read Porter, an approach which claims to be heuristic, consisting, as is often the case with the case method in teaching management (once again what I view as abusively and not in itself), in inducing in order then to deduce, on the basis of situations which are limited and narrowly situated in space (typically American and only rarely other so-called advanced countries), in time (post-war and the triumphant ascension of financial economism and management) and in ideology (that of the neoliberal market, directors and holders of financial interests, to the exclusion of all others), supposedly universal rules and laws for decision making and directing institutions in general. All of this transcends space, borders, nations, histories,

cultures and even includes, today, the State and its public services.

It is striking that Porter uses the rules of inference on the basis of much too limited observations, which have no generalisation validity and are absolutely unproved: the sample of countries used for establishing the general theory of competitive advantage of nations includes 10 countries, upon which are superimposed categories deduced from even more limited realities, that is, companies in previously studied industrial sectors. Porter himself writes that he transposed, without reflection, to the level of nations what he deduced and wrote on the basis of simple corporate “cases” (however international they may be) 10 years earlier in his work on the competitive strategy of businesses.

In the preface of the *Competitive Advantage of Nations*, he argues that the essence of my theory is based on the principles of competitive strategy in specific industries, and that he began by studying certain sectors and certain actors to then examine economics as a whole. In *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (one can say almost as much with respect to the *Competitive Advantage of Nations*), he cites in support of his developments the case of 30 different firms, almost all of which are American, as if the mere multiplication of cases, systemically superimposed by the same grid, constituted by itself scientific knowledge, universality, internal validity, external validity, among others. Is establishing an entire theoretical construct such as that of the competitive advantage of nations based on a methodology of case studies of industrial sectors, firms and groups of firms, quasi-

systematically American, heuristic in itself? Alternatively, epistemologically and even methodologically, is it legitimate or valid?

Since when has a simple description of what suits the interests of dominant players and the heaping together of the indicators of satisfaction of these same players counted as an objective description of phenomena or a scientific method? This question is all the more relevant given that this description is given from a single point of view largely presented as self-evident, that is, the point of view of the strictly profit-oriented, maximalist and immediate ideology of financial and multinational capitalism. Can States be unproblematically transformed into management committees for transnational financial concerns, and nations into spaces devoted solely to a competition between business giants scrambling to acquire the only result presented as desirable in everything they do: multiplying as quickly as possible money for money?

However, apart from these general remarks, here is a sampling (there are surely many others) of some of the points, which in my view are the most debatable, if not the most pernicious and the most intellectually dubious, characterising the positions (explicit or not) adopted by Porter:

- I. How can we at the dawn of the 21st century seriously imagine for a single minute that our planet (which seems, implicitly at least, extended and self-evident throughout Porter’s work) can support six, and soon eight or ten billion individuals, all living for maximum growth, all in competition with all, and all attaining living standards

comparable or superior to those of the richest (a fortiori when the IMF, the UN and the World Bank announced, in early 2001, that nearly 3 billion people —half the world’s population — “live” on less than two dollars a day?)

- II. Can nations and States — and their political economies — be put on the same institutional, intellectual, ethical, moral, social or political level as a firm or a business, whatever it may be? Can the State-business be a category of thought or a sustainable foundation of collective action? On the other hand, a theoretically formulatable ideal-type? Are the objectives of States or nations reducible to the search for advantages, gains, profitability (all of which are lumped together as “efficiency”), strictly conceived in terms of indicators of moneyed (or even worse, since for quite some time the official economy has been reduced to a mathematico-accounting mechanics obsessed with the maximisation of exchange value and the remuneration of capital) economic profitability of competition, of conquests of market shares?
- III. Can the caricatural simplicity of the “diamond” (as Porter candidly admits in the preface) account for even the tiniest aspect of the enormous complexity (also candidly admitted by Porter) of the real facts and processes being discussed? If not, then why continue as if it were possible unproblematically to ground forecasts, formulations, planning and strategic decisions on the basis of the application of this model?
- IV. Does globalisation of economy, about which we hear so much, really have nothing

to do with the imperialist phase of capital, the neo-colonialist phase, post-war world geopolitics? Subjects, which have been abundantly, treated by neo-Marxists from Rosa Luxemburg and Lenin to Samir Amin, and even non-Marxists like John Hobson and Galbraith? Can one, thus, unproblematically sweep aside these theories that present the generalisation of capitalist economic systems on the scale of the planet, not as an ineluctable benediction for all, but rather and often as a calamity driven by wars and the push beyond the boundaries of capitalism’s historical contradictions — that is, the external realisation of plus value and the external search for outlets (always further away, always more infinite and on the backs of increasingly numerous populations); the always more concentrated accumulation (that is euphemistically referred to as insufficiently redistributed) of capital; the disharmony between the discourse (egalitarian, democratic, liberal and the like) of the superstructure producing ideologies and beliefs and the reality experienced at the heart of the infrastructure (of the so-called wealthy countries themselves) in which real social relations are lived (exclusion, pauperisation, insecurity, unemployment, glaring inequalities)? If we replaced the term “globalisation” with “imperialism” or “neo-colonialism,” the entire Porterian analysis would be nothing more than a tissue of ideological claims, biased and without foundation. In the final analysis, Porter does nothing more than provide another (of the very many) description of the way in which the economy operates, such as it is desired

by the dominant players. He adds his voice to a very large chorus of official economists and champions of the system underlying the world order desired by the spirit of Bretton-Woods institutions.

V. Can we, moreover, neglect, ignore or reject all the troubling analyses by Third World analysts and not at all consider — one phenomenon among many others — the glaring “dualisms” structurally affecting undeveloped countries since the colonial era (the splitting of these countries into two separate and antagonistic sectors: the so-called “modern” sector, which is in the minority, Westernised, typically corrupt and in the grip of organised crime, extroverted and plutocratic; and the so-called “traditional” sector, which is largely in the majority, unstructured, impoverished, condemned to misery and led along by the most voracious exploiters)? Can we pass over in silence the ferocious inequality of evolution of trade terms between North and South? The polarisation of the planet, to use Samir Amin’s language, into centres, which unceasingly siphon, concentrate and absorb capital, and peripheries, which pay the price of this absorption? The effects of dollarisation of the world economy (devastating for southern hemisphere countries)? The cynical, devastating and proven predatory behaviour of multinationals? Consider a few examples: The American multinational ITT, which in 1972 realised \$4 billion in profits on an investment of only \$30 million in Chile — how can one dare speak of any sort of advantage for this country?; Canadian-American paper companies which are savagely devastating the northern forest,

over which they have a concession in perpetuity, after having accumulated gigantic profits for decades; and Chiquita, a subsidiary of United Brands, which overnight laid off all its employees (nearly 20,000) in Honduras because of Hurricane Mitch.

VI. Can we seriously hypothesise that the de facto domination we are increasing, under each day of the planetary economy by multinationals and transnationals, favours competition and competitiveness, rather than, as everyday logic would suggest, the concentration, mega-mergers, quasi monopolies (indeed, monopolies, as the Microsoft affair involving its condemnation for violating the anti-trust law in November 1999 reveals), oligopolies, and everything, which by definition is the mortal enemy of the so-called free market and so-called free competition? Alternatively, will we resort to one of those incredible formulas, those semantic frauds of which only economists in the innermost circles have the secret, such as monopolistic competition!

VII. Is this, equally easily moreover, compatible with an open position in favour of the much-heralded free trade? What kind of free trade is imaginable between Goliaths (like the US or the EU) and Davids (like Mexico, Canada or Tunisia)? Where are the minimal homogeneities (social, cultural, technological, economic, among others) presumed by the respective benefits to which the countries entering into free trade have the right to expect? Was this the case, for Mexico in particular, when a free zone for the circulation of factors (except, of course, for humans in the south-north direction) like NAFTA was decreed? Who

can continue to maintain that this has had any beneficial effect for the Mexican people? On the other hand, indeed, outside of the business community and CEOs, for Canada?

VIII. Is free trade, such as it might be conceived in the Porterian system, nothing more than a race for the domination of others, called “competitiveness,” and assuming only rivalries and struggles, in a globalisation conceived above all as an expansion beyond national boundaries to the entire planet, of battlefields between companies? Moreover, it is understood, that it is all done on the American model.

IX. Can the maximalist financial logic of the self-regulated market in American-style capitalism (with speculation in recent times aspiring to both unimaginable and irrational heights, with the unreasoned infatuation engendered and maintained for Internet businesses), be viewed in the same terms as the “State-regulated, social market” of German- or Japanese-style industrial capitalism? Yet Porter abundantly and indifferently cites examples drawn from American, British, Swedish, German and Japanese businesses.

X. Is the very concept of “advantage” neutral, particularly when we know how unlevel the playing field is between rich countries and so-called developing ones, between countries that produce basic materials and those having high technologies, between all-powerful multinationals and Third World countries? And when we are aware of the vast difference between the initial conditions underlying the 17th century economic takeoff of the West — technical

revolution and agricultural overproduction; external commercial outlets and colonisation as a financial lever — and the current conditions under which the Third World are required to organise their own takeoff — anaemic or damaged agricultural sector, disorganised internal markets, extraverted production, devastated nature and the similar?

XI. How can we, following Porter, assume, at least implicitly and without argument, that this global arena referred to as a “market” is a kind of transparent laboratory, which is clean and sterile in which all the players are honest and equal before international tribunals, respect fair play and rely only on “advantages” arising from nature or providence (ante facto advantages stemming from factor endowment) or from productive capacities developed by the ingenuity of national entrepreneurs (ex post advantages stemming increasing performance)? Is Porter dreaming of a world without corruption, without corrupters, without Mafias, without financial, political and military powers who joyously manipulate product markets, commerce and even national regimes as “democratic” and as powerful as West Germany? Is it just a matter of naiveté when even the Olympic games (corruption of the members of the International Olympic Committee in attributing the Games) and cycling events (involvement of pharmaceutical companies and makers of sporting material in the doping of racers during the 1999 and 2000 Tours de France) are the objects of sordid negotiations that royally falsify all forms of “competitiveness” and “healthy

competition”? Is Porter fooling himself? If not, whom does he think he is fooling even though he does, I admit, occasionally allude to “interests” and “coalitions” that might not play by market rules (to be sure, for him, these are above all the State-regulator-enemy of market forces)?

XII. Is Porter unaware of the phenomenon of enactment, which for some time has been viewed as central to the analysis of the environment in management? This phenomenon appears to lead to as many projections (from the point of view of the interests analysing it) about the characteristics of the environment studied as those which are genuinely “measured” or “observed,” not to mention the inevitable changes brought about by any “sectoral study” in any environment, from the moment at which this analysis gives rise to strategies and the implementation of decisions. It is thus no longer the environment that shapes corporate strategy, but the reverse! Need we recall that this issue was seriously discussed, illustrated and confirmed, with concrete supporting examples, more than 30 years ago by, among others, John Kenneth Galbraith in *The New Industrial State*?

XIII. An instrument like the GNP (Gross National Product) is, in all its forms, used as a privileged indicator (exactly seven times among the sixteen criteria employed in *The Competitive Advantage of Nations*). Nevertheless, is Porter unaware of the many severe criticisms levelled at this macroeconomic indicator, which, according to many specialists, has almost become meaningless?

XIV. Do not GDP, GNP and all other manner of indicators of competitiveness not contain unpardonable contradictions when it comes to the many, many references to Japan, Germany, Denmark, Sweden and so on as examples of success (competitive, it goes without saying), all the while situating himself in an ideology and an American perspective on economic, industrial and social policy, that is the polar opposite of what these countries do? Porter paints himself as resolutely neo-liberal, while these countries are from all perspectives everything but neo-liberal. They are social democrats, with a social market economy, which is State guided (Japan). Does this count for nothing in their success? In addition, can it be integrated without nuance into the Porterian model?

XV. What are we to say of the implicit, though omnipresent hypothesis, that one person’s gain is never another’s loss? Is it not, rather, particularly — and exponentially — in the case of the weakest and non-industrialised countries, a dramatic, total and complete loss with regard to ecology?

XVI. The notion of “industrial clusters”, the epicentre of Porter’s model, strangely resembles certain concepts like that of “poles of development” elaborated by François Perroux or that of “industrialising-industries” from Estanne de Bernis, not to mention the analogy with Japanese industrial chains. However, this presupposes infinitely more cooperation than competition, interventionism and a State presence rather than laissez-faire, more dialogue than competition, more mutual help and sharing than struggles and confrontations between firms and nations.

Everything, but everything, from the role of the State (via the famous MITI) and the intra- and inter-business context is contrary (e.g., Japanese linkages) to what Porter presents as clusters. How can they play the same “competitive” role for their respective nations? Nevertheless, it is also true here that neither Perroux nor De Bernis are situated in their ideological contexts, nor are they situated with respect to claims about clusters, even if Porter mentions them in his bibliography.

XVII. Lastly, following David Knights, and in complete agreement with him, I can only note in Porter’s work the following inadmissible scientific and epistemological negligence:

- An outrageous positivism via the application of canons of the scientific method specific to the sciences of nature and of the inert (biology, physics) to a non-inert object, influenced by human decisions and interactions and which naturally and “ontologically” flows from everything that is involved in the study of organisations and management, planning and even strategic acts.
- An equally outrageous objectification-reification of organisations and “groups” directing organisations, treating them simultaneously as active subjects and objects of the same study of mechanisms of decision, planning, selection and strategy.
- Recourse to innumerable heuristic shortcuts consisting in transposing ideological desiderata and mental representations from the world of the dominants to the supposedly objective and universal

characterisation of economic and organisational realities.

- The systematic projection of the Harvard model (constructed by this university’s traditional interaction with consulting firms in the Boston area) in his supposed theorisation of the mechanisms of the strategy of competitive advantages.
- A merging of the conceptual issue of his own construction and the object of his theory, that is, the a priori positing of businesses as the sites of competitive advantages, and then seeking their competitive advantages.
- A symbiosis of his theory’s architecture and the services that consulting firms can provide, with which he and Harvard has always been related. There is no choice but to call upon Porterians as consultants once one accepts their theory, which can legitimately lead one to believe that this theory was opportunistically constructed and supported to this end.
- A claim about the ability to control the environment, competitors, the State, the future, and uncertainties by adopting purely positivist means promoted to the rank of universal, transcultural scientific infallibility.
- The omission, with incalculable consequences, of the following obvious fact: if businesses effectively and successfully applied the principles of competitive advantage, no one could then claim to have these advantages, that is, the theory would die from its own generalisation.

- A serious confusion between the positivist mental representations that Porter has of management and managerial reality such as it occurs in what he claims is “real life.”
- A no less serious, necessary and inevitable omission regarding the intervention of power holders, particularly in all the phenomena he discusses. This omissions leads one to believe that competition and strategy can unfold in the same way everywhere, equally neutral, egalitarian and scientifically objective.
- A construction of the strategic and managerial problems for which Porterian theory is “the” solution. As such, a flagrant tautology traverses the construct: the problems posed are precisely those for which Porter’s theory is made. This, rightly speaking, is an anti-scientific attitude, which recalls Cyert and March’s formulas (in their loose organisation model and garbage can model) which remind us that in the majority of work in management and theories of organisation, there is a carousel of solutions looking for problems, and problems looking for a place to exist, and so on.

Obviously, we could extend at some length the list of (serious and often intellectually and academically unacceptable) criticisms that could be made of Porterian theory and the flaws in entire swaths of the current dominant economico-managerial thought, which is particularly characterised by the governance and corporate-strategy wave.

Conclusion

It is increasingly clear that both Porterian theory, the vogue referred to as governance (an

often vaguely defined notion except in terms of a kind of new art of intelligently and efficiently administrating, especially on the part of the State.) and certain trends self-described as post-modern, constructivist and so on, hijacked (and I do mean hijacked) from the works of Piaget, Giddens, Eraly and so on, towards the analysis of organisations and management are in the act of committing one and the same three-faced, theoretical hold-up:

- In terms of content, it is a hold-up of conceptions of more conflictual and materialist traditions of the dynamic of economics and society. As such, the theme of governance permits the dismissal of class struggle, tensions between capital and labour, tensions between the power of money and civil power, tensions between North and South, tensions between the power-money complicity and civil society, tensions between Transnationals and States and the like.
- In terms of the conceptual framework, a hold-up of the contextualisation of socio-economic phenomena, in that the notion of good governance has become the unsurpassable horizon of economic neutrality and the apoliticisation of functionalist traditions (in the broad sense of the term). All the emphasis is placed on the modalities and means to the detriment of structures and history.
- In operational and prescriptive terms, a hold-up of the very idea of exploitation. Porter-style strategizing has become a sort of inescapable horizon of apology for the system of big capital, the “benefactor for all and for everywhere,” and of hagiography — no less universally a benefactor — of

business leaders, who are shamelessly presented as “sources” of ideas and visions, for which the strategies of firms (and strategising in general) are merely the extension. These same leaders are also preemptorily presented as “purveyors” of cultures, values, meaning and identities for groups of humans wholly transformed (and the most brutal Taylorism did not do better) into blind and docile participants in the economic and organisational system.

- Ultimately, it is a hold-up of everything related to traditional socio-cultural theories based on the analysis of structures, history and conflicts of interest. Shareholders are now viewed as the immanent, neutral and *deus ex machina* benefactors of the system.

For its part, so-called “advanced” or constructivist post-modern analysis, arising from mainstream theory of organisations has become the ultimate horizon of the negation of the material-concrete character of the dialectical evolution of human societies. One would believe we had returned to Hegel and “consciousness seeking out consciousness,” or Reason incarnate in history, at the heart of a universe made entirely of concepts, of so-called “ontological reflexivity,” of “ordinary knowledge” (in sum, apolitical, a-ideological, unaffected by the determinism inherent in relations of production, class conflict, contradictions between infrastructures and superstructures, the effects of the observer’s subjective projections, among others). In all this, it strikes me as a universe being constantly elevated towards abstraction, in the sense of moving away from the concrete ground of social relations in which the economic is the determinant par excellence (like, paradoxically, the ground of Porterian strategy), and in which

the social is “constructed” almost entirely “in the minds and representations of people, as if thinkers like Karl Marx had never already profoundly, and on this very issue, applied themselves to putting Hegel back on his feet! It is because of this triple hold-up and its implications that Porter can feel comfortable about announcing in the preface of his main books that he simply does not have satisfactory definitions of key notions such as competitiveness and value, even though he builds his completely theoretical construct based on these two notions. How can we so easily advance (as if many major economists had not stumbled there so many times) on the daunting terrain of the problem of “value,” without a “suitable definition,” all the more so when one has the audacity to propose not only one value, but a chain of five or six values with hold-ups like this and this kind of epistemological prestidigitation, it is easy to propose pseudo-intellectual developments, the seductive appeal of which among the public in the business world is only equalled by the simplism and triviality of the arguments. There is, moreover, without a shadow of a doubt something throughout Porter’s work that resembles a crude caricature of one Weber’s main criticisms of Marx, namely, that of confusing ideal types (for example, the notions of mode of production, social relations, productive forces) with concrete acting forces. In his way of talking about “competitiveness,” “value chain,” “market,” “competitive diamond,” “strategic diamond,” “generic strategy,” “competitive forces,” Porter has made the planet a vast battlefield for infinite competitiveness, with the only constraint being profit and dividend maximisation. Porter quite simply leads us to make the macroeconomic

depend on the microeconomic and national policies on business decisions. The economy is no longer treated except in the short term, and by exponentially aggravating already disastrous unbalances between North and South and between production factors themselves (capital, labour and nature).

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