Business Strategy and Dominant Economic Theories under Critics

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ABSTRACT

In this essay, the author analyses, or more precisely "deconstructs," the essence of thinking about "strategy" and the overall governance of "US type" organizations/dominant neoliberal economic thinking, predominating the current both academic management and applied economics scene. By drawing on a simultaneously historical, heuristic, epistemological and methodological reading of the dominant work and system on this subject, which he refers to as "Porterism," the author presents a resolutely critical review of the full range of theories of managerial "strategy" as well as those of the most notable author in the field, namely, Michael Porter.

"Man is a political animal meant to live together in community"
"Ethics is the search for the wellbeing of the self and others and the means for achieving it"
(Aristote)

Key Words: Strategy Thinking, Neoliberal Economic Thinking, Porterism, Strategy Managerial

RESUMEN

En este ensayo el autor analiza o más exactamente crítica, la esencia del pensamiento "estratégico" y los modelos de gobierno corporativo de tipo anglosajón, el pensamiento neoliberal dominante que predomina en la escena académica y gerencial, dibujando simultáneamente los escritos que sobre este tema han predominado desde le punto de vista histórico, epistemológico y metodológico. El autor se refiere específicamente al "Porterismo", presentando una profunda crítica, tanto a las teorías de gerencia "estratégica" como a los autores más notables en este campo, principalmente, Michael Porter.

Palabras clave: Pensamiento estratégico, pensamiento económico neoliberal, porterismo, gerencia estratégica.

[1] I would like to express special thanks to Miloud Chennoufi for his brilliant syntheses and always profound and adequate remarks, to which this text owes a great deal.

INTRODUCTION

I refer to Aristotle here because, for reasons not easy to present briefly, but to which I will return below, it strikes me that in every sense of the formula, Aristotle and Porter are antipodes, the two extremities of what has constituted the axis of the foundations of economic thought since its beginnings. Indeed, whereas Aristotle represents *the* reference in economic thinking—in the sense of the Greek etymology of the formula *oikos-nomia*, the *norm* for ensuring the wellbeing of the *oikos*, *the house-community*—, for his part Porter incarnates a sort of quintessence of *krematistic* thought—in the Aristotelian sense of *krema* (money, individual and countable wealth) and *atos* (pursuit, seeking... accumulation). Not only does Aristotle invite us above all not to confuse the two, but he also energetically denounces what he calls *krematistic, as the mortal enemy of economy*, because it tends one towards individualism and the treating of others as occasions for greater accumulation of money, rather than as occasions for treating others as partners, as humans 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, even of States, has become, accompanied by the credo of the race for "the 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. We now speak, consider, and write without distinction in terms of *strategy* and of *competitiveness of States*, *enterprises*, *human resources*, *financial management*, *production*, *marketing*, and so on. Everything seems destined to become *strategic and competitive*.[2]

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

[2] Including even the super guru of the "science" of marketing, Philip Kotler, who published a book entitled *Marketing of Nations: A Strategic Approach to Building National Wealth* (Free press, 1997).

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 most surveys of the field, he has by far been the most cited author in the last ten years in management—as well as economic—journals, to the point where by himself he accounts for more than 40% of the works cited (for example, in related journals in Brazil). The Porterian way of viewing our world and the economy is spreading across the planet and taking root in consciousness and teaching. But is not this way of seeing States and human societies as, in the final analysis, nothing more than sorts of aggregate businesses, devoted to the multiplication of money, also *ipso facto* a mega (or meta) theory of governance? As such, is it academically valid? Or epistemologically and methodologically defendable?

MICHAEL PORTER AND PORTERISM

It was in the late 1970s and early 1980s that 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.

Michael Porter is first and foremost 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. And, in 1973, without any field experience whatsoever, he was teaching at the Harvard Business School.

Neither a pure "technologue" nor a leading light in the 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." But 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*,[3] Michael 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*,[4] 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*,[5] 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

[3] I discuss this issue below, but all this amounts to no more than Byzantine arguments over what I call the "modalities" and angles of approach to a problem otherwise viewed as identical in its essence; giving a business the means to outperform its rivals, always, in the final analysis, in terms of financial profitability, while diverging on secondary issues, that is, details, with regard to the *modus operandi*, the "portions" of the "strategic fact" to privilege. All this without abandoning any of the domain's founding hypotheses, which are no more or less a renewal of the most contestable hypotheses of dominant economics-management, all the while fully endorsing the same epistemological and methodological transgressions.

[4] Hafsi, T., Séguin, F. and Toulouse, J. M., Montréal: Les Éditions Transcontinentales, second edition revised and updated, 2000.

[5] Published by Wiley & Sons by three Stanford professors: G. Saloner, A. Shepard and J. Podolny.

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.[6]

We learn that Porter's ideas have "fast become the foundations for required courses at Harvard."[7] 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 been 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 in the formulation of the 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 the 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 *the 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 the 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 Michael 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 peremptory and unsustainable biases.

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

[6] These are well-known software packages used often in "inter-university" courses, such as *Mondiastrat* or *Startsim*.

[7] See the article on Michael Porter, available on the Web site ad hoc.

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:

1. "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..."
2. "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 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 –do they have a choice?– that the misery of their workers is an asset to be jealously guarded.[8] But until when? 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

[8] This is exactly what I heard, for example, at a very official conference in Cali, Colombia in April 1997. Colombian speakers defending a Porterian analysis of the country's competitiveness (found in a document entitled *Informe Monitor, la ventaja competetiva de Colombia*) argued that one of Colombia's first and main advantages lay in the low wage levels of its workers. Indeed, some of them added that "it could last if we take care, neighbouring countries are catching up to or even surpassing this "advantage"...!
When we are aware of the catastrophic level of the average Colombian wage—and combining city wages and country wages (essentially from sugar cane production, which continue the practice of slave "wages," with working conditions not unlike those under slavery)—, one wonders just where the limits of the misery of populations can be pushed in order to produce "economic advantages." This does not include the fact that we continue to empty whole markets (reducing the markets for our own goods and services) through the contraction of demand that "advice" of this kind leads to. This contraction is proportionate to the concentration of capital in more developed centres (a disastrous, very short-term vision, which John Hobson in the 19th century characterised as "suicide," the fruit of capitalism's "individualist" and "imperialist" expansion).

Keynes would say) and, therefore, for everyone, to eventual problems of real market openings. But 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 goes without saying, for the problem of the governance of 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?[9]

It strikes me that for all intents and purposes 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

[9] For "purists," it should be noted that, academically speaking, Ricardian theory (of trade, comparative advantages, etc.) this is the most widespread, even though Ricardo only devotes a few pages to it in his *Principles*, and even though it comes under the "non-increasing returns hypothesis," in contrast to Smithian tradition which postulates the possibility of increasing returns (which can justify comparative advantage a posteriori and not a priori). It is nevertheless true that the central issues revolve around the advantage of specialising or not, of entering into free trade or not—even in an equal situation with regard to factor endowment and productivity—, of abandoning, of externalising, of exporting in a given sector or product or not. Judging by what we see these days in the area of production and international trade, Marxist Ricardians appear to have history on their side (each in their own way—Rosa Luxemburg (external openings as outlets for consumer goods under pressure of the lowering of the proletariat's purchasing power), Lenin (a diminishing trend in profit rates which leads capital to be "exported" to areas where profit rates are higher, that is, less developed or pre-capitalist regions), or Samir Amin and theorists of the vicious circle of continual drainage by capitalist centres of value added produced in the "peripheries"). In any event, we know well how Raymond Vernon, via the notion of the "product life cycle," reactivated Ricardian tradition: when the product becomes something "common," the price of the factors assumes its importance (and for me a possible

twenty or so pages of his *Competitive Advantage of Nations*.[10] 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.[11]

To be sure, we cannot say that Porter is wrong on these points. But 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 so on.

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 (p. 18) 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

reinvigoration of interest, rather than the opposite for the factor endowment approach advocated by Hecksher-Ohlin, Samuelson, etc.). In any event we can sum up here in saying that there is an advantage to specialising, given that the advantage from output growth is provisional. What I retain most of all, nevertheless, as far as the present argument is concerned, is that in the "Ricardian tradition" the notion of comparative advantage leads not to struggle and confrontation, but to complementarity-specialisation, enabling not only countries with specific advantages to produce in areas where they are the most efficient, but also countries which are "inefficient everywhere" to devote themselves to producing "in areas in which they are the most efficient," that is, for all concerned, in sectors with the highest wages! It is true, however, that Ricardo thought in terms of the comparative advantages of nations and not of advantages "via" the interests of multinational corporations.

[10] For ultimately, and all things considered, nothing truly convincing comes out of what is referred to, and quite abusively so in my view, as the *Porterian critique* of the "classics" in this area. They are above all the "classics" of Ricardo (Smith is not seriously discussed by Porter in this context, except for a brief mention before dealing with Ricardo), then essentially of Heckscher-Ohlin, Samuelson and Vernon.

[11] Essentially, between pages 10 and 20.

it that in many countries innovation is continuous in national industries?

As is 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 subconditions 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 in a few pages!

To finish with this 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"[12] 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."[13]

AN EPISTEMOLOGICAL CRITIQUE OF PORTERISM

By epistemological critique I mean a rapid deconstruction of some of the

[12] Competitive Advantage, pp. 11-13; italics added.
[13] *Les Affaires*, Friday, October 13, 2000.

most fundamental considerations specific to the Porterian conception of economics and trade.[14]

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).[15]

As such, there is very little discussion of:

- the (frequent) passages in which Porter praises the merits of German, Japanese, Swedish, etc. 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," etc.

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* (p. xvi) 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

[14] Porter's *The Competitive Advantage of Nations* is to be sure the principal work discussed here.

[15] To mention only the most striking examples in the overwhelming majority of works on management:

- Maslow's famous hierarchy of needs is purely and simply reduced, so as to get rid of ethical considerations, from six levels to five, with the removal of the "spiritual needs;
- There is an omission of Taylor's criticisms of manager-financiers and their exaggerated avarice, which he described as harmful both in terms of the quality of their products and with regard to the efficacy of their labour relations.
- There is a tendency to forget the passages in which Adam Smith fulminated against what he called masters of industry and their tendency to traffic their infamous motto "all for me, and nothing for others";
- There is rarely any mention of Henry Mintzberg's work (compared to his initial, ultra-hagiographic work on business, such as *The Nature of Managerial Work*) and its acerbic critique of MBAs, business schools, the excesses of neoliberalism, or his praise of Japanese and Nordic "models."

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."[16]

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 wellbeing over time or out of a concern for homogeneity, but which are entirely selfish, immediate and manifested in a resolutely warlike spirit.[17] 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.[18]

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.[19] But let us take a closer look at the context and genesis of Porter's ideas.

[16] Speaking both about what he calls "the old paradigm" and his work with the commission created by Reagan, p. xvi, italics added.

[17] The language commonly adopted in this kind of theory quite regularly uses terms like "conquest," "offensive," "economic warfare," "enemy," "battle," "battlefield," and so on.

[18] In this connection, see the very edifying book written by an ex-president and ex-*chief economist* of the National Bank of Canada: L. Courville, *Piloter dans la tempête*, which endlessly repeats the claim that it is *no longer possible to create market shares anywhere, that they can only be taken from our neighbours or conquered from others*.

[19] Without going into the details of an overly specialised debate and to take the very structure of Porter's argument (p. 11 ff.), it is interesting to examine this issue from this perspective by combining, in a manner of speaking, what we can take from Adam Smith with regard to the pushing all prices to the level of production costs (due to the invisible hand and its ramifications for pricing policy—necessarily downward—that all new arrivals must adopt) or the so-called theory of "absolute advantages" with David Ricardo's claims about the consequences of gaps in labour productivity, the so-called theory of "relative advantages." This "combination" would allow us to show that each country has a interest not only in exporting what its production factors and productive forces enable it to do "best and the most productively," and to import "symmetrically" from partner countries, but also in being

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 and post-Aristotelian positions with regard to critical caution, however classical and intellectually indispensable they may be.[20] 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*,[21] as well as the so-called *substantivist* positions: anthropological (the "young" Marx, Karl Polanyi, Maurice Godelier, etc.); 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, etc.); and,

ready to help and cooperate, because it is also in its own interest, the other country in always remaining "efficient" enough to produce and sell what it exports at close to cost. It must be admitted that we should be stray away from the "struggle," the "confrontations" and the "war" depicted in Porterian theory. In this connection, one only needs to consider the time and effort accorded by European Union countries to "homogenising" social, taxation, cultural and agricultural policies.

[20] To be sure, what is important here is at least to situate oneself relative to Aristotelianism with regard to questions as fundamental as relations between the economic and the city, which is not saying that one must adhere to them.

[21] The crucial importance of this issue will be discussed in the sixth chapter of *Post-Mondialisation, Économie et Organisation: la Stratégie de L'Autruche Rationnelle*, forthcoming in 2001.

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, etc.); 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, etc.);[22] or even certain insistent critics of "strategic planning" thought (even though they belong to the politically correct, economics-management crowd, such as Henry Mintzberg,[23] or slightly more peripheral, but no less significant, such as David Knights).[24]

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*. But 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. The first to attempt this endeavour was Leon

[22] As Robert Heilbroner so appositely writes in his *Marxisme, pour et contre*, it is not a matter of being an encyclopedist (which is not at all my criticism of Michael Porter), but of knowing that there are areas, such as the one he discusses, in which one must absolutely *position* oneself in relation to essential authors and schools, such as Weber, Marx, Polanyi, Braudel, and so on. One can be for or against, but one cannot gloss over certain major intellectual traditions without seriously handicapping the validity of one's own discourse.

[23] These are almost all "princeps" in their respective fields. As such I will spare the reader multiple references and an overly long bibliography.

[24] Knights is a professor at the University of Manchester Institute of Science and Technology and author of a highly provocative article on the confusion, in academic as well as "upper" consulting circles, including, to be sure, Porter, between *ideological/positivist representations of the reality and real world of management*: "Changing Spaces: The Disruptive Impact of a New Epistemological Location for the Study of Management," *Academy of Management Review*, 17 (3, 1992), 514-536.

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 Bebreu, 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*! More improbable than meeting Buddha in person! For, as they explain, *nothing justifies the claim that supply and demand mechanisms can lead "naturally"* to an 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 Michael Porter and his countless emulators take into account this major flaw in economic theory?

But 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).

But, 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 (which would amount to meeting Buddha)? 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*?

And, 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? Or does he consider them to be 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*,[25] 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, etc. 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.[26]

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?[27] 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 apolo-

[25] Including in particular Fernand Braudel's monumental work *Civilisaiton matérielle, économie et capitalisme, les jeux de l'échange* (Paris: Armand Colin, 1980), 3 volumes.

[26] See in this regard the many, duly documented and quantified works by Pierre Jalée, René Dumont, Samir Amin, André Gunder-Franck, Celso Furtado, Michael Chossudowsky, and even Max Weber, especially in passages about the pillaging of Amerindian treasures by the Spanish, English and so on in his *Economic History*

[27] Unless I completely overlooked it in reading Porter's work, absolutely no mention is made of anything to do with the theories and concepts of historical materialism, which are viewed by Jean-Paul Sartre as an "unsurpassable historical horizon."

gies for a barbaric neologism, a kind of *ideological empirco-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),[28] *in inducing in order then to deduce*,[29] 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

[28] See Bernard Maris "Lettre ouverte au gourous de l'économie qui nous prennent pour des imbéciles" (op. cit.), in which Maris shows how at bottom economism is merely casuistic (a kind of abuse of case studies, as Jesuit casuists and their cases of conscience were criticised by Pascal); and more specifically O. Aktouf:

- "Le management et son enseignement : entre doctrine et science ?" *Gestion*, (April 1984), 44-49;
- "La méthode des cas et l'enseignement du management : pédagogie ou conditionnement ?" *Gestion*, (November 1984), 37-42;
- "La méthode des cas en gestion face au modèle et a l'expérimentation en science: une interrogation de la fonction heuristique des cas dans l'enseignement de la gestion," *Revue Organisation*, (Université du Québec à Chicoutimi, March 1992), 53-64.

[29] For purists, I would like to point out that I use the concept of "deduction" in its widest sense of "reasoning" which leads to drawing (inferring) conclusions likely (as is the case for Porter) to develop into a *general theory*, from which is drawn the justification for the hypothetico-deductivism applicable to specific cases involving enterprises or nations. All of this is based on hypotheses (which can in no case be "observations" since they are indicators based on the assumptions of macro- and micro-economic calculus and on the superimposition of Porter's grid) about the competitive state of countries, evaluated in light of the "laws" in the Porterian model (laws used as universal rules).
Moreover, this kind of writing speaks abundantly and freely in terms of "diagnosis." This feature is far from being harmless because the medical analogy is omnipresent (in, for example, the vocabulary used in IMF measures—"shock therapy," "treatment," "drastic remedy," etc.), leading one to believe that it is possible, as is the case with the physician's diagnosis, legitimately to go from the empirical (the clinical table) to a more "deductive" level by appealing to general scientific laws (those of biology, anatomy, pathology, cytology, etc.) to situate the observed case in the general order of illnesses (the diagnosis) and to arrive at the application of measures intended to re-place the case in the universal non-pathological norm (the therapy). Taken outside of medical practice, this kind of methodological approach strikes me as a complete aberration, inasmuch as economics and management have absolutely nothing similar to the "general scientific laws" taken from biology and related disciplines on the basis of clinical and experimentally rigorous methods, which would permit their being qualified, depending on the point attained in the protocol, as empirico-inductivism or deductivo-empiricism. In addition, there is in biology no room for ideology (unless, of course, one considers conceptions of health, the good functioning of the human body and biological normality as ideologies).

includes, today, the State and its public services.[30]

It strikes me 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) ten years earlier in his work on the competitive strategy of businesses.[31]

In the preface of the *Competitive Advantage of Nations*, he argues 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(xvii)!

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,*[32] *as if the mere*

[30] While it is well known, it merits recalling and repeating that since Weber (another indispensable author Porter completely overlooks), especially in *Economy and Society*, the public service—i.e., the State—obeys a balanced budget logic whereas private industry operates according to a balance sheet (profits) logic. How is this to be recklessly mixed together and then argue in support of all manner of privatisation and denounce State "inefficiency"? To say that the private sector is more efficient that the public sector is meaningless because they are two universes in which "efficiency" is present in terms of *radical differences in nature and ends*. The goal of the State is to guarantee the dignity of its citizens and respect for nature, whereas private industry seeks to generate profits from goods and services through market sales. Comparing them is like saying a fish is more efficient than a cow by using the efficiency of the marine environment as the frame of reference.
All of this approaches the devastating and not easily refutable critique levelled at him by David Knights (who will be discussed below)—to which I entirely subscribe—of "heightened and unreasoned positivism," of "confusing representations and reality," and of pseudo-scientific sanctioning of large consulting firms."

[31] *Competitive Strategy : Techniques for Analyzing Industries and Competitors*, (New York: The Free Press, 1980). In the preface, Porter explicitly refers to what he learned in his analysis of industrial sectors and the results of his research and teaching in the area of the **economic analysis of industrial organizations** and strategy in a competitive universe.

[32] In only 20 or so pages between pages 15 and 40, mention is made of the following companies: Xerox, Phillip Morris, Kodak, Polaroid, Hewlett-Packard, Bosch, Sony, Procter and Gamble, Charmin Paper, Miller Beer, Chrysler, Ford, General Motors, Emerson Electric, Texas Instruments, Black and Decker, Du Pont, Harnischfeger, Fieldcrest, Mercedes, Hyster, Macintosh, Coleman, Crown Cork and Steel, IBM, Illinois Tool Works, Martin Brower.

multiplication of cases, systemically superimposed by the same grid, constituted by itself scientific knowledge, universality, internal validity, external validity, etc.

Is establishing an entire theoretical construct such as that of the competitive advantage of nations on the basis of a methodology of case studies of industrial sectors, firms and groups of firms, quasi-systematically American, heuristic in itself? Or epistemologically and even methodologically 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?

But 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:

1. 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?[33]
2. 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, what-

[33] When we know, moreover, that the USA represents 4% if the world's population, emits 25% of the planet's CO2, and that an average American "uses" twice the amount of energy as a European, it is easy to imagine what the state our planet would be with only two countries like the United States!

ever it may be? Can the *State-business* be a category of thought or a sustainable foundation of collective action? Or 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?[34]

3. 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*?
4. Does the globalisation of the 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 treat by neo-Marxists from Rosa Luxemburg and Lenin to Samir Amin, and even non-Marxists like John Hobson[35] and Galbraith?[36] 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 (i.e., euphemistically referred to as insufficiently redis-

[34] Focused on the competitive advantage of nations, the book is ultimately but an extension of reasoning based on the "five forces" constitutive of competition (threat of new entries, products or replacement services, suppliers' negotiating power, clients' negotiating power, rivalry between firms) combined with the synchronisation and maximisation of "value chains" (from supplier to distribution network) applied in earlier books to the study of businesses.

[35] In a book entitled *Imperialism*, written while returning from an edifying voyage in Africa, and which was scorned by official economists and, of course, left to gather dust.

[36] See the excellent critique of what he ironically refers to as the incredible success of Reagonomics in *A Journey through Economic Time. A Firsthand View* (Boston: Houghton Mifflin Company, 1994).

tributed) of capital;[37] the disharmony between the discourse (egalitarian, democratic, liberal, etc.) 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.

5. 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,[38] 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)?[39] Can we pass over in silence the

[37] An unequal and unjust redistribution of wealth and income which even Alan Greenspan bemoaned (head of the all-powerful "Fed" in the US) himself! Cf. the press reports in early fall 1999.

[38] We only need to recall, and this only the tip of the iceberg, of the sulphurous affair involving the corruption of heads of African countries by Elf-Aquitaine (*Le monde*, Oct. 24-25, 1999). And what are we to make of the very candid and astonishing declaration by M. Campdessus, at a press conference in Libreville on the eve of a Western Africa economic summit in January 2000, to the effect that he "would ask the heads of state and of African governments to…repatriate the immense fortunes which they had outside their countries."?

[39] See among others René Gendarme, *La pauvreté des nations*, (Paris: Cujas, 1963) and *Des sorcières dans l'économie : les multinationales*, (Paris, Cujas, 1981). Moreover, it is also a phenomenon which is beginning to affect rich countries themselves. In the fall of 1999, Quebec dailies drew attention to the increase in the exodus of youths in rural areas to the cities. That same fall, rural France continually denounced the income gaps between agricultural producers (a sector which can be described as "traditional") and income grabbed by urban intermediaries, including large stores (which can described as a "modern sector"). These phenomena, it should be noted, confirm analyses of the economic "city/countryside" dynamic formulated in the preceding century by a certain Karl Marx.

ferocious inequality of the evolution of the 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?[40] The effects of the dollarisation of the world economy (devastating for southern hemisphere countries)?[41] 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[42] —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;[43] and Chiquita, a subsidiary of United Brands, which overnight laid off all its employees (nearly 20,000) in Honduras because of Hurricane Mitch.

6. Can we seriously make the hypothesis that the de facto domination we are increasingly 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? Or 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*!?
7. 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, etc.) 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

[40] See in this connection not only practically the entire body of work by Samir Amin, Pierre Jalée and René Dumont, but also a special reportage in the *Monde diplomatique*, "Comment le Sud finance le Nord," April 1988.

[41] See among others Michel Chossudowsky, *La mondialisation de la pauvreté*, op. cit.

[42] Cited in G. Morgan, *Images de l'organisation*, (Montréal-Paris: PUL-ESKA, 1989), p. 361.

[43] As is convincingly depicted in *L'erreur boréal*, a documentary by Richard Desjardins (NFB, Montréal, March 1999).

continue to maintain that this has had any beneficial effect for the Mexican people? Or indeed, outside of the business community and CEOs, for Canada?[44]

8. 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? And it goes without saying, that it is all done on the American model.[45]

9. 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),[46] 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.[47]

[44] "Decade of executives," a detailed study available on the Internet, shows how, for companies like GM, Ford, GE, IBM and so on, the evolution in "gains" since 1996 (NAFTA) have only been real for American and Canadian presidents and CEOs; increases in their "remuneration" have varied between 400% and 600% while those for productivity and wages have been around 18%-25%.

[45] A model which has taken another ravaging knock with the fall into economic recession with the arrival of the Bush II era, the collapse of NASDAQ, and a new round of massive layoffs in the new information and communication technology companies as well as in more traditional companies like GM and others. And, it needs to be recalled, this is in addition to Amnesty International's 1998 ranking of the United States alongside China for not respecting human rights, to the provocative book *The Judas Economy and the Betrayal of Work* (op. cit.); Michael Moore's documentary *The Big One*, an edifying denunciation of many sides—sordid, lying, cynically cruel, and shameful exploiting of the weakest—of American society (Moore Productions, Chicago, November 1999); the spectacular failure of the privatisation of the electricity sector in California, which has seen drastic rationing imposed on the population and businesses.

[46] Like the famous case of Yahoo which, just before the free fall of late 2000, was worth around US$77 billion, despite the fact that for the most part it had lost money since its creation and its had revenues of around $200 million with its virtual assets.

[47] See Michael Albert (op. cit.) and the very important distinctions he makes between the behaviour of "American-style" and "Japanese-style" or "Scandinavian-German-style" shareholders (and thus their stock market systems). We can clearly see that for the latter, financing the economy takes a banking and not a speculator-stock market form, and that "financial-capitalism" speculation (which can give a stock market "value," under well-known conditions, of some $75 billion to a company like Yahoo) is for all intents and purposes "structurally" impossible, given that dividends are limited to the real value of assets and the company's performance, in addition to the emphasis on capital gains as a means of share payment rather that on short-term maximal profit. It is thus productive investments, efforts to keep jobs, job qualifications (viewed as a recognised social "right," and not as a "privilege" each individual must fight for), and research and development which become sources of gains and competitive advantages, and not the inflation of fictional values based on savage cuts (downsizing, dis-investments, synergetic mergers-redeployments), unpunished pollution and financial manipulations.

10. 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 Third World are required to organise their own takeoff—anaemic or damaged agricultural sector, disorganised internal markets, extraverted production, devastated nature, etc.?
11. 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 and in which all the players are honest and equal before international tribunals, respect fair play and rely only on "advantages" arising form 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,[48] 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?[49] Is it just a matter of naivers 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)?

[48] Consider the role of the Bank of New York in the laundering and misappropriation of colossal amounts of IMF money intended for Russia. See also note 27 above.

[49] I am alluding here to the sulphurous "affair" of Chancellor Helmut Kohl's re-election thanks to money provided by a French petroleum company under pressure from the highest French authorities during François Mitterand's term of office.

12. 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?[50] 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*?[51]

13. 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*). But is Porter unaware of the many severe criticisms levelled at this macroeconomic indicator, which, according to many specialists, has almost become meaningless?[52]

14. 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, i.e., the polar opposite of what these countries do? Porter paints himself as resolutely

[50] Developed in G. Morgan's *Images of Organization* (op. cit.).

[51] Paris, Gallimard, 1968. He shows in particular how the (strategic) planning of certain car models by Ford and GM (he analyses in particular the case of the *Mustang* which took six years from its design to its entry on the market) imposed, in contradiction to all the so-called market rules, for several years internal and external wage levels as well as the prices of products such as rubber, iron, coal, steel, etc. This analysis contributes to showing how strategic planning by large corporations largely creates the national and international environment, and completely stymies the play of competition while undermining the very idea of an comparative advantage for countries producing raw materials, who have imposed on them, from one plan to another, prices, wages, exchange rates, exchange terms, and so on. But it is true that Galbraith does not have the honour of being cited, if only in the references, by Porter.

[52] See, among others, the very convincing critique of GNP (as a measure of performance and economic health) supported by many facts and references (with, in addition, an explanation of the juicy reasons which led to its replacement by GDP—Gross Domestic Product), by C. Cobb, T. Halstead and J. Rowe: "If the GDP is Up, Why is America Down?" *The Atlantic Monthly*, (October 1995), 59-78.

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? And can it be integrated without nuance into the Porterian model?

15. 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 the ecology?
16. 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)[53] 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? But 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.
17. Lastly, following David Knights,[54] 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

[53] Japan's Ministry of Industry and Foreign Trade is all powerful with regard to orienting the economy and industrial strategies.

[54] Op. cit.

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 have 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 carrousel *of solutions looking for problems, and problems looking for a place to exist*, and so on.[55]

I am convinced that we could extend at some length the list of (serious and often intellectually and academically unacceptable) criticisms that could be made of Porterian theory.

I feel that I have succeeded here in giving the reader a small idea of the flaws in entire swaths of the current dominant economico-managerial thought, which is particularly characterised by the *governance* and *corporate-strategy* wave. They are themselves overwhelming dominated by Porter and his innumerable emulators.

How can we uncritically accept the fact that whole generations of management students are trained, often without any critical spirit of distance, to thinking along the lines of the system elaborated by Porter? And that entire, so-called strategic management programs are almost entirely grounded, and uncritically so, on Porterian constructions?

Does this not have more to do with ideological bias than scientific objectivity?

[55] J.G. March et al., *Ambiguity and Choice in Organizations* (Bergen: Univesitetsforlaget, 1976).

BY WAY OF A CONCLUSION

To conclude this critical review of Porter's work, I would like to extend the debate somewhat by drawing attention to a few considerations which strike me, within the context of this essay, as being of significant importance and meriting further discussion.

Firstly, it strikes me as being 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, etc.

- In terms of the conceptual framework, a hold-up of the contextualization 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 strategizing in general) are merely the extension. These same leaders are also peremptorily presented as "purveyors" of cultures, values, meaning, and identities for groups of humans wholly transformed (and the most brutal Taylorism didn't do better) into *blind and docile participants in the economic and organisational system.*[56]

And 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.*[57]

For its part, so-called *"advanced" or constructivist post-modern* analysis, arising from *main stream* theory of organisations[58] 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 re-

[56] Consider, for example, the way in which these leaders' "functions" are described in the various editions of the synthesis edited by T. Hafsi and J-M. Toulouse, op.cit.

[57] Moreover, they are often *institutional* as in the case of pensions funds, which willingly incorporate the working class, which becomes (what cynicism) its own exploiter.

[58] I am not alluding here to authors which in my view belong to the "methodological reflexivity" current informed by Foucault, Derrida, Baudrillard, Barthes and so on, such as Mats Alvesson, Stewart Clegg, Steve Linstead, Bob Grafton-Small, Paul Jeffcut, etc., but to the dominant aspects of work such as is found in Ahmed Bouchikhi, Michel Audet, Richard Déry, etc., whom I feel belong more, in line with Giddens moreover, to the so-called "ontological" stream of "reflexivity." I also have in mind what strikes me as a considerable epistemological problem, namely, the view of the social (and thus the organisational) as a "relation" almost untouched by asymmetric power structures. C.f. the bibliography, especially the work by M. Alvesson (2000).

flexivity,"[59] 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, etc.).

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 as a consequence of this triple hold-up and its implications, I feel, that Michael 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 whole theoretical construct on the basis of these two notions.

How can one, as Porter does, so easily advance (as if many major economists had not stumbled there so many times) on the daunting terrain of the problem of "value,"[60] 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.[61]

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 dia-

[59] Since the first writings of Anthony Giddens, it has always struck me that the use in management and organisational theory of concepts such as "reflexivity" is a kind of hold-up (in terms of shift towards abstraction and systematic anti-materialism) of what was encompassed by the good old, philosophically and socio-politically marked notion of *dialectic*.

[60] That neo-classics and their descendants conveniently replaced with the fuzzy and subjective notion of *utility*.

[61] It must be recalled that on many occasions Porter himself cautions his readers about the *simplism* of his own models and analogies.

mond," "strategic diamond," "generic strategy," "competitive forces," etc., Michael Porter does not do much better (proportionately speaking, of course, relative to Marx!).

Having 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).[62]

Lastly, let us push Porterian logic to its limits. Once the whole planet has become competitive thanks to Porterian "diamonds," will we be entitled to a theory of interplanetary or intergalactic competitiveness.? A theory of the competitive advantages of galaxies? If this logic has a future, then a good part of humanity, not to mention the planet itself, does not. For it is easy to understand that our planet could never support two or three United States; it would never have enough energy (not to be confused with resources) and the capacity to resist the contamination and pollution to support in North American style, double or triple the US population, that is, nearly a billion individuals.

[62] The absolute primacy of capital in search of infinite over-remuneration, in the phase of structural pauperisation, constantly leads to under-remunerating labour and negatively remunerating (pillaging and destroying) nature. We can easily show that capital, as a factor, **remunerates itself 6 times: via interest when it is counted as a liability, via the wages capitalist pay themselves, via asset amortisation, via business capitalisation, via dividends when it takes the form of shares, and lastly, via profits**. This kind of imbalance cannot continue indefinitely.

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