

Perspectives on Strategy

Contributions of Michael E. Porter

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Introduction: Perspectives on Porter

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Relevance of Strategy research: focus on Michael Porter's contributions

Strategy is a fascinating field of enquiry, both for managers looking for a sustainable competitive advantage and for academic researchers looking for the reasons behind superior firm performance. Strategy can be a fascinating field of mutual learning as well, if practitioners and researchers communicate with each other, exchange ideas and findings and try to understand each other's perspective. Such a cross-fertilization can improve the relevance of strategy theory and of the managerial instruments grounded in it. From time to time we, as strategy researchers, need to assess the relevance of our research by stepping back and asking ourselves if we are on track and whether practitioners still share our findings. Or as Hamel and Prahalad (1996: 242) recently asked: "So, just how relevant is the corpus of knowledge we call 'strategic management' to the new information economy?".

In principle such an assessment can be done in a number of ways. For example, by analyzing key contributions to the strategy field from a managerial perspective, by confronting CEO's from multinational enterprises with academic research and asking them to reflect on its relevance, or by asking top managers whether they are depending on

academic research to answer their key questions. Another possibility is to assess the relevance of strategy research by focusing on the contribution over time by one of the leading scholars in the strategy field.

This last approach is what has been undertaken here in looking at the work carried out by Michael Porter, one of the most cited authors in strategy-oriented, leading academic journals in the field and, one of the most well known academic gurus. In this book academic evaluations of Porter's work are jointly presented with the views of Dutch practitioners on his oeuvre.

Strategy: content, context and process

Although Porter's work does not represent the whole strategy field, it is related to major parts of it. To illustrate this point, it is worthwhile distinguishing *three dimensions* of strategy. First, the strategy context dimension, which deals with the question of how the internal and external context (i.e. the industry, region, nation, etc.) of firms influences strategy. Second, the strategy content dimension, or the "what" of strategy, which refers to strategy as a specific "product" such as an acquisition to enhance existing competencies. Third, the strategy process dimension, or the "how" of strategy, which deals with the organizational processes used in arriving at a certain strategy.

Table 1.1: *Three dimensions of strategy: strategy context, strategy content and strategy process and some contributions by Porter*

| Context <i>The context of strategy</i> | Content <i>The what of strategy</i> | Process <i>The how of strategy</i> |
|---|---|---------------------------------------|
| Five Forces Framework (Porter, 1980) | Value Chain Framework (Porter, 1985) | |
| Diamond Framework (Porter, 1990) | Corporate Strategy Framework (Porter, 1987) | |

Source: Author; for the distinction between strategy context, strategy content and strategy process see De Wit & Meyer (1994).

Table 1.1 illustrates that Porter in particular contributes to the first two dimensions of strategy: context and content. For example, the widely

used Five Forces Framework (see chapters 2 and 3) is a typical example of a framework describing the context dimension of strategy; in this case the influence of the industry environment on the competitive strategy of the firm. Although the firm can use this framework as an input for strategy formation and in particular for formulating the strategy content, the framework, as such, is more related to context than to content. Table 1.1 reveals a remarkable fact: Porter's contributions, as is the case for the majority of the contributions of other leading scholars in the field, are primarily concentrated within the context and content dimensions and not in the process dimension. I will come back to this observation later on in chapter 10 in which Porter's contribution to a dynamic theory of strategy will be sketched.

Purpose of this book

The *purpose of this book* is to focus on the contribution of one of the most prominent scholars in the strategy field, Michael Porter, from both a practitioner, that is Chief Executive Officer (CEO), perspective, and from a research perspective. Using such a *dual perspective* may improve the relevance of strategy research for the business community.

The immediate cause for this book was the awarding of an Honorary Degree to Michael Porter by the Erasmus University Rotterdam, at the proposal of the Faculty of Business Administration/Rotterdam School of Management, November 1993. To celebrate this important event a symposium entitled "Creating Competitive Advantage: strategies at the business, corporate, regional and national level" was organized by the department of Strategy and Business Environment of the Rotterdam School of Management.

Four leading chief executives, two from European multinationals (Royal Dutch/Shell Group and Unilever N.V.) and two from important Dutch public organizations (the Port of Rotterdam and the Ministry of Economic Affairs), were invited to reflect on Porter's contributions to four levels of analysis. Respectively these levels are: (1) business level strategy, (2) corporate level strategy, (3) regional competitiveness and finally (4) national competitiveness. These four levels of analysis represent different though overlapping levels of strategy and address one or more of the dimensions of strategy. The first two levels are company or inside-out oriented, the last two are outside-in oriented that is more related to the context dimension of strategy, or to the business environment. Both orientations are related to the core activity

of strategy: aligning a company with its changing business environment, or as Michael Porter defined this in the opening sentence of his first book on Competitive Strategy: "The essence of formulating competitive strategy is relating a company to its environment."

Stimulated by a successful symposium, the idea emerged to compose a book containing not only the reflections of the business community and public authorities on Porter's contribution but those of the strategy researchers as well. To this end, for each of the contributions of the practitioners, an accompanying introductory chapter by members of the Department of Strategic Management and Business Environment has been written. These introductory chapters have been written from a strategy research perspective and give a brief overview of Porter's contributions to that particular level of strategy as well as discussing a number of issues deserving further attention.

Content of this book

Against this background, the book is structured as follows (see table 1.2). Chapters 2 to 8 deal with the four mentioned levels of analysis from a dual perspective: theoretical and managerial. For example, Porter's key contributions to business level strategy are briefly described from a research perspective in chapter 2, and from a practitioner perspective in chapter 3. Due to the fact that Porter's diamond framework is applicable at both regional and national level, these levels are combined in one introductory chapter (chapter 6).

Table 1.2: *The structure of the book*

| Four levels of analysis in strategy research | From a research perspective | From a practitioner perspective |
|--|-----------------------------|---------------------------------|
| Business level | chapter 2 | chapter 3 |
| Corporate level | chapter 4 | chapter 5 |
| Regional level | chapter 6 | chapter 7 |
| National level | chapter 6 | chapter 8 |

In the chapters 2-8, Porter's frameworks have been discussed at various levels of analysis. The two final chapters aim to find out how Porter's theories are related to each other and if and how the different

levels of analysis can be connected (table 1.3 presents the core questions of the final chapters). Firstly, the question of how Porter's contributions are related to each other *over time* can be considered. Can we observe changes in his thinking or are his contributions closely related? Chapter 9 deals with some of the aspects of the relationships between Porter's contributions to strategy theory, focusing on three of his main publications. Secondly, observing the traditional distinction between the levels of analysis used in this book, an important question can be raised regarding the possibility of *connecting these levels of analysis* into one integrative framework. Is there a relation between these levels or should they be seen as separate? Chapter 10 deals with this second question by focusing on Porter's contributions to the development of a dynamic theory of strategy published in 1991.

Table 1.3: *Two core questions on Porter's contributions*

- | |
|---|
| <ol style="list-style-type: none">1. How are Porter's contributions to strategy theory related to each other over time? (chapter 9)2. How can the different levels of analysis studied by Porter be connected in one framework? (chapter 10) |
|---|

Combined effort

As indicated above, the purpose of this book is to focus on the contribution of one of the most prominent scholars, Michael Porter, to the strategy field, and to examine this from both a practitioner perspective and a research perspective. I presume that using such a dual perspective can indeed improve the understanding of each perspective and therewith increase the relevance of strategy research for business. Whether this is the case, has to be judged by the readers. But I believe that making strategy research really work requires a combined effort and presents a mutual challenge for both strategy researchers and practitioners.

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