

## 2 Porter's Contribution to Strategic Management

### **The paradoxical foundation of strategic management**

Proper understanding of strategic management is needed to observe strategic management while acknowledging all the influential factors at the same time. If such an approach of understanding strategic management is achieved, a far more complex understanding of the strategic management theory and practice is developed: *Theory and practice that comprise not only a simple either/or choice between stability and instability, but rather a complex both/and choice between stability and instability.*

This leads to the creation of a paradox. According to Ralph Stacey (1993), a paradox can denote a clear contrast, a state simultaneously influenced by two clearly conflicting elements. Japanese companies, for example, have to cope with a paradox of simultaneously combining business operations with below average costs with business operations with above average quality. Instead of simply accepting the fact that quality costs more, companies are in search of cost reduction while increasing investment in quality at the same time (Liker and Franz, 2011).

However, American companies, for example, have to deal with a paradox of aspiring towards a state of harmony, while simultaneously aspiring towards a state of discrepancy. The power of discrepancy forces produces an atmosphere of creative tension within the company resulting in the creation and generation of new perspectives through a conflict of contrasts, changing the company and leading it into a new constellation of harmony and discrepancy (Pascale, 2005).

The principal and practical existence of strategic management leads to a paradox: On the one side, theoretically speaking, there is the unacceptable inexactness of strategic management, whereas on the other side, practically speaking, there is a strong expansion of strategic management.

The unacceptable inexactness of strategic management is characterised by the following characteristics (Nag et al., 2007):

- 1 Common object of interest between strategic management and several other disciplines (economics, marketing, sociology) related to it by the

research subject. Following that principle, the identity of the discipline is insufficiently clear by its nature and relatively disputable.

- 2 Today, it is possible to find a vast number of published and formally recognised definitions of strategic management, but their content varies to a high degree. Each attempt at defining strategic management as a discipline raises a host of questions with only a handful of answers.
- 3 A small number of papers and research cover the topic (the basic and fundamental issues) of strategic management. It is the result of a decreasing interest of the scholar and research public to focus on these questions essential in today's research practice.
- 4 It is evident that there is not a clearly stated agreement over the meaning of the term strategic management. Hence, there are different interpretations of this term causing a semantical confusion that reduces the credibility and scientific verification of many papers covering this topic.

The strong expansion of strategic management is characterised by the following:

- 1 The *new age* with its variability was a powerful factor at highlighting the strategic aspect of management encouraging a strong development of the discipline. Following this principle, we can discuss a continuous historical development and evolution of strategic management as a discipline.
- 2 Over 80% of all scientific contributions to the discipline aimed at special and specific content within the discipline have been created in the last two decades. Hence, the substantial development of the discipline is vast and intense with a tendency of constant development.
- 3 Strategic management has a highly valued magazine (publishes hundreds of articles annually), association (gathers hundreds of people annually) that discuss the discipline. This can be seen as an institutional support to the development of the discipline.
- 4 Today, strategic management as a regular academic discipline is present at all higher education institutions and at all course levels. Practically, the discipline is researched in all educational institutions at all study cycles.

The aforementioned characteristics confirm the real paradox that has engulfed scientists and scholars (Rasche, 2007): There is not anyone who can clearly define what strategic management is, but everyone can recognise strategic management in its essential form. The best way to understand the paradox of strategic management is to review certain paradoxes of the modern world identified by Charles Handy (1995):

- *The paradox of intelligence:* In today's conditions, intelligence is becoming a form of intangible property (asset) of successful company. The paradox of intelligence is that it is a specific form of property that depends on people and their competences. It can be easily transferred

to others; it cannot be passed on; it sometimes remains hidden and undetected.

- *The paradox of work:* Work makes the world spin. It presents one of the most important backbones of human development. The paradox is that people work to create certain material assets that make life easier. To create more, people have to work more; by working more, there is less time to enjoy in life, i.e. in what they are creating.
- *The paradox of productivity:* The aspiration towards an increased productivity and reduction in the number of employees leads to an increased unemployment rate and a need to create small and medium size company (note: that is one of the changes and characteristics of the modern business world), which, then, are faced with relatively low productivity.
- *The paradox of time:* Aspiration towards efficiency increase should cut the time needed to perform various operations. That way, people would have more time. However, an increasing number of people are complaining they have less free time, which directly reflects the functioning of their business and private life.
- *The paradox of riches:* It is very complex and complicated. It actually consists of several paradoxes which are manifested in social layers within the boundaries of national economies (the rich are getting richer, the poor are getting poorer), as well as in the global world. The general idea is that around 20% people currently own around 80% of the overall riches.
- *The paradox of organisations:* It is directly related with the growth and creation of global company. The paradox is that many questions and problems imposed by globalisation have not been properly answered. Having that in mind, it is evident that some of the basic characteristics of strategic management, strategic thinking in particular, are receiving increased significance.
- *The paradox of age:* A group of several paradoxes related to the extension of the life cycle. Health service enhancement, retirement plans, high percentage of divorces, the extension of work life and similar are just some forms of its manifestation. In addition, people are continually seeking ways of ensuring a sustainable living during their lifetime.
- *The paradox of individual:* It is increasingly recognised that the individualism that dominates within Western organisations (such as those in the USA) needs to be slowly replaced by the teamwork that dominates within non-Western organisations (such as those in Japan). A common spirit should be the basis of teamwork. In this sense, people need others to be more truly themselves.
- *The paradox of justice:* A dilemma that has always existed and will probably exist forever. The paradox is that, although legal systems have developed over time, there is still a discrepancy between justice and fairness. Such a discrepancy is reflected in the business world and the way its participants function inside it.