

demand; hence, uniqueness is the fundamental determinant of competitiveness and profitability. The price fluctuates over time, but *as a consequence* of individual company actions.

These theoretical basics were a starting point of Michael Porter's work. Namely, his five competitive forces framework introduced in *Competitive Strategy* and company value chain framework introduced in *Competitive Advantage* are, today, standard analytical tools in industries and company, i.e. studied in detail by business school students and applied by top managers worldwide. His influence on practitioners is enormous, particularly due to his consulting activities as well as due to the application of his frameworks by others (Huggins and Izushi, 2012).

### **Criticism of Porter's contribution to strategic management**

Michael Porter is considered one of the most influential theoreticians of strategic management today. Such a position was achieved in part due to numerous published works including two of the most noted books, *Competitive Advantage* and *Competitive Strategy*, later integrated in the book *Competitive Advantage of Nations*.

His popularity, spanning over a period of 30 continuous years, has exposed him to fierce criticism. Most critics argue that Michael Porter's attitude encourages an aspiration towards a monopoly system due to his claims that a company can achieve a higher degree of profit if the intensity of the competition is proportionally lower at a particular market segment.

Michael Porter skilfully utilised and connected all of his acquired knowledge and transferred it into concepts which have become a must in theory and practice of strategic management. He based his works vastly on existing concepts which he significantly modified, modernised and completed with his original insights which are largely a result of his experience from teaching at HBS.

The 2015 Thinkers50, in an overview of Michael Porter's contribution to strategic management, places him at the most influential management thinker in the world, whereas the popular business magazines places him at the high ranked place of thinkers who gave a vast contribution to strategic management in the last century.

Throughout his work, Michael Porter has developed a vast number of concepts which have been the focus of theoreticians and practitioners of strategic management in the last 30 years. Due to that fact, it is very hard to deny that Michael Porter is a dominant author in the field of strategic management today. However, despite that, there are a lot of critics.

Hence, *one group of critics* does not like the distinction of business strategies (cost leadership and differentiation) as generic strategies. They believe that

the attainment of above the average profitability requires a combination of two generic strategies.

The *second group of critics* does not like his focus on a strategic business unit, and not organisation, which has led to fierce criticism. They believe that the portfolio concept has been discarded too early in strategic management.

The *third group of critics* does not like the fact that he does not separate the components of planning and action in his works, i.e. that he does not deal more with the shaping of business strategy. They believe that is the reason why the economic dimension, rather than the political dimension, dominates in business strategy.

Overviewing different perspectives of criticism towards Michael Porter's concepts, it can be concluded that they are faced with numerous limitations and oversights. However, this has helped many researchers to further explore both analytically and synthetically the aforementioned concepts, contributing both to their applicative and conceptual comprehension.

Without denying the benefits of such concepts as a way of strategic thinking in the process of opportunity and threat identification, all criticism can be displayed as follows:

- 1 All concepts (the concepts of value chain analysis and five competitive forces in particular) present a static image of competition in an industry, i.e. a strategic group – the organisation is faced with revolutionary changes altering the industry structure and strategic groups on a daily basis by reducing entry barriers into to the industry, i.e. strategic group.
- 2 All concepts (the concepts of value chain analysis and five competitive forces in particular) highlight the structure of competition in an industry, i.e. strategic group – the organisation can be profitable only due to its affiliation to an attractive industry and strategic group undermining the importance of diversity among organisation within a same industry, i.e. strategic group.

The fact is that the concepts proclaimed by Michael Porter do not have the same influence they had 30 years ago. The contemporary business concept, often interpreted by the phrase *New Age*, actualises new market validity that imposes new factors and demands an alignment of the organisation with its surrounding.

However, it, by no means, entails that the concepts proclaimed by Michael Porter are no longer usable. Modern conditions, without a doubt, require the consideration of concepts with all of their advantages and flaws, but within the framework of other contemporary tools of strategic management such as *Total Quality Management* – TQM and *Business Process Reengineering* – BPR.

Since he entered the stage, there have been many critics which he strongly refuted and rejected with sound arguments. Some of the most

significant critics of Michael Porter who have written extensively on this topic include Henry Mintzberg, Gary Hamel and Larry Downes.

The concepts developed by Michael Porter have not been altered to this day in the sense of adding or taking away certain parts. That is the best example of their value and strength. If we were to examine Porter's recent work, we can conclude that he himself does not alter his concepts. Although we can state that the development of industries and companies was stable and simple compared with today's dynamics and complexity, the concepts fail to anticipate specific modern trends such as strategic alliances that have intertwined the relations between industries and organisation in such a way that it is impossible to give a simple explanation of the changes that have occurred on the market.

A sum up of the aforementioned criticism entails the following:

- 1 *The concepts represent a classic contemporary market.* Generically speaking, the concepts are intensified in regulated markets, i.e. diminished in deregulated markets.
- 2 *The concepts are best applicable in analysing simple market structures.* The description of concept analysis is becoming very profound in complex industries characterised by numerous interconnections.
- 3 *The concepts presume relatively stable market structures.* However, inertness is not an exception, but rather a rule in today's dynamic market realities significantly altering business conduction.
- 4 *The concepts are based on the idea of competition among companies.* They presume that companies seek to achieve competitive advantage over competition within the industry, suppliers, middlemen and buyers.

The fact is that the new modern conditions can completely change the existing business models and relationships within the value chain in a short time span. Hence, these concepts can be useful in a newly created situation and useless when dealing with predictions.

Such a focus discourages the concepts from considering the possibility of strategic alliances, electronic connection, information systems and other similar activities within the value chain. Three new forces upgrading Michael Porter's concept, exemplified by information technology, can be differentiated as follows: (1) Digitalisation which represents a wider approach to information; (2) globalisation which represents wider global cooperation; and (3) deregulation which represents the reduction in state protection.

The world of new strengths survives by feeding among itself. Information technology utilises the management of a larger number of suppliers, middlemen and customers which, in turn, accelerates globalisation.

National economies are increasingly turning into global economies; hence, there is a need for regulation in order to protect national economies. Due to an increasing pressure following a conducted regulation, only as a consequence of strategic alliances among individual national economies, with an aim of