

Competition, Competitive Advantage, and Clusters:

The Ideas of Michael Porter, ROBERT HUGGINS and HIRO IZUSHI (Eds), Oxford University Press, Oxford (2011). xvii + 303 pp. £50.00 (hbk). ISBN 978 0 19 957803 0.

Michael Porter's concepts of competitive advantage and industrial clustering have given rise to an enormous number of publications, many of which quickly drown in the sea of related material. This is unlikely to happen to the current edited volume. The editors have identified an important niche. Porter's work has influenced a range of fields and, more importantly, Porter himself was influenced by often conflicting perspectives emanating from these fields. When applying or critiquing Porter's concepts, students and many academics are often blissfully unaware of the opposing schools of thought outside their own discipline that have influenced Porter's work.

This book offers an assessment of Porter's contribution to the fields of industrial economics, economic development, strategic management and economic geography. It clarifies the sources of tension and controversy relating to all the major strands of Porter's work and provides a critical guide to the application of Porter's frameworks. Importantly, it provides an insight into the evolution of Porter's ideas over the last forty years.

The book contains contributions from prominent academics in a range of fields, including strategic management, economics and economic geography. The list of contributors includes critics and proponents of Porter, providing a healthy balance of views. About half the chapters are amended versions of previously published articles, but substantial effort has been made to address the specific aims of the book. Most chapters provide a critical assessment of Porter's contributions against the background of theoretical development in specific academic disciplines.

The book contains thirteen chapters, including an Introduction and a Conclusion by the editors. The core chapters are divided over three sections, each linked to specific seminal books by Porter. Section 1 deals with *Competitive Strategy* (1980) and *Competitive Advantage* (1985); Section 2 with *The Competitive Advantage of Nations* (1990); and Section 3 focuses on *On Competition* (1998). To a degree, this structure serves to organize the book by subject (competition, international trade and development, clusters) and by academic discipline (strategic management, economics and economic geography), while at the same time presenting the evolution of Porter's ideas.

The five chapters in the first section focus on Porter's influence on the field of strategic management. Porter was responsible for introducing economic theory into the discipline of strategic management during the early 1980s. Applying the structure–conduct–performance (SCP) framework of industrial organization (IO)

economics, he built a foundation for research on competitive dynamics. To Porter, a firm's performance is primarily a function of the industry environment in which it competes. His 'Five Forces Framework' specifies the various aspects of an industry structure. It offers a framework for firms to determine the best 'generic strategy' (cost leadership, differentiation or focus) to build competitive advantage. The reader learns how, in later work (*Competitive Advantage* and *Competitive Advantage of Nations*), Porter incorporated elements of alternative, rival, perspectives, notably the resource-based view, leading to an eclectic framework. Nicolai Foss, in his insightful chapter, accuses Porter of applying the wrong form of eclecticism.

Integration [of approaches] remains on the level of loose frameworks, and there is no attempt to examine whether theories are compatible on deeper levels.

(p. 100)

One of the main contributions of this first section of the book is that it makes readers external to the discipline of strategic management aware of the competing perspectives that are incorporated in Porter's writings.

The three chapters in the second section of the book assess the contribution, impact and validity of *Competitive Advantage of Nations*. Porter changes topic, from understanding competitive advantage of firms to understanding competitiveness of nations. The Schumpeterian focus on innovation adds to the eclectic nature of his diamond framework. The three chapters clearly position Porter's book in relation to economic theories of growth, development and trade. The discussion of the spatial cluster concept is largely left for the third section.

The three chapters in the third section focus on the spatial cluster concept, one of the main legacies of *Competitive Advantage of Nations* and *On Competition*. Edward Malecki's chapter is particularly informative and insightful. He traces the roots of the cluster concept back to *Competitive Strategy* and positions Porter's ideas within the regional development literature. Malecki explains that the principal contribution of *Competitive Advantage of Nations* was 'the diamond model'. The regional aspects of the cluster concept were given little thought.

Porter maintains at first a distinction between his concept of a cluster, as an inter-linked set of firms and institutions, from a geographically proximate group of firms and institutions.

(p. 197)

It is in *On Competition* that Porter elaborates the concept of clusters beyond what appeared as an appendage to the national context. Unfortunately this, along with a number of related publications specifically targeting economic geographers and local development scholars, has received less attention than the 1990 book.

Malecki also relates the cluster concept to other territorial models, including industrial districts and systems of innovation, and argues that the full account of clusters bears similarity to the regional systems of innovation model. The main problem is that Porter insufficiently elaborates on important processes, such as collective learning, and the role of important institutional actors. Similarly, Christian Ketels, in his contribution, argues that there are no major fundamental incompatibilities between Porter's cluster concept and work in related academic fields.

In the concluding chapter the editors provide their own interpretation of the perspectives and debates concerning Porter's contribution across the range of fields and disciplines. But they also allow Porter to reflect on his contributions and react to his critics, drawing on an extensive interview with Porter. This format works very well.

To conclude, this book provides a unique contribution to the literature on strategic management, international economics and economic geography dealing with the concepts and frameworks of Porter. One of its main contributions is that it clearly shows how Porter's eclectic frameworks are influenced by different, in some cases conflicting, perspectives. Readers will benefit in particular from reading the chapters outlining the debates external to their own disciplines. The book should be read by any postgraduate student and academic dealing with the frameworks of Porter.

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