FEG 403: Introduction to Entrepreneurial Studies

Corporate Strategy

This is the most essential and broad-ranging strategy level within organizational strategy. It concerns itself with the entirety of the organization on a more or less abstract level, where decisions are made with regard to the overall growth and direction of a company.

Corporate Strategy provides answers three main questions namely,

- what business or businesses should we be in?
- how does the parent company add value to the subsidiaries?
- how does being in one business help us compete in our other businesses?

Corporate Strategy does connote the business' vision and mission. The main components of Corporate Strategy are:

- Visioning
- Objective Setting
- Allocation of Resources
- Strategic Trade-offs (Prioritization)

Visioning

This involves setting the high-level direction of the organization - namely the vision, mission, and potentially corporate values.

Corporate Strategy encompasses both vision and mission statements.

A mission statement is the organization's statement of purpose and describes who the company is and what it does. Customers, employees, and investors are the stakeholders most often emphasized, but others like government or communities (i.e., in the form of social or environmental impact.

A vision statement, in contrast, is a future-oriented declaration of the organization's purpose. In many ways, the mission statement lays out the organization's "purpose for being," and the vision statement then says, "on the basis of that purpose, this is what we want to become." The strategy should flow directly from the vision, since the strategy is intended to achieve the vision and satisfy the organization's mission. Along with some form of internal and organizational analysis using SWOT (or the firm's strengths, weaknesses, opportunities, and threats), a strategy is formulated into a strategic plan. This plan should allow for the achievement of the mission and vision. Taking SWOT analysis into consideration, the firm's management then determines how the strategy will be implemented in regard to organization, leadership, and controls. Strategic planning, together with organizing, leading, and controlling, is sometimes referred to by the acronym P-O-L-C. This is the framework managers use to understand and communicate the relationship between strategy formulation and strategy implementation.

Objective Setting

This involves developing the visioning aspects created and turning them into a series of high-level (sometimes still rather abstract) objectives for the company, typically spanning 3-5 years in length.

Allocation of Resources

This refers to decisions which concern the most efficient allocation of human and capital resources in the context of stated goals and aims.

Strategic Trade-Offs

These are at the core of corporate strategic planning. It's not always possible to take advantage of all feasible opportunities. In addition, business decisions almost always entail a degree of risk. Corporate-level decisions need to take these factors into account in arriving at the optimal strategic mix.

Organizational Strategy Levels

A complete organizational strategy is divided into three distinct levels, based on the concerns and goals of the three hierarchical elements which make up an organization - at the corporate level, the business level, and the functional level

Having taken a brief look at the corporate strategy level, the other strategic levels are hereunder explained as they pertain to corporate strategy.

The business strategy level is the strategic level that mediates the abstract strategic goals which underpin corporate strategy, with the needs and capacities of the business unit level, for organizations with more than one business unit.

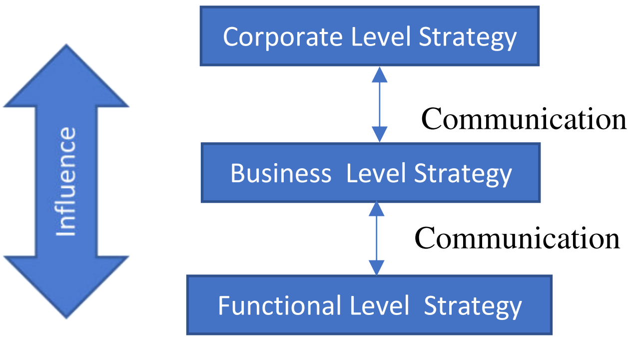

Fig. 1: Organizational Strategy Levels

The business strategy level takes a corporate-level strategic goal such as 'increasing market share in a given region or demographic', and turns it into a more fine-grained, practical strategic goal based on business-level knowledge and experience.

The functional level is the most granular level of strategy - the realm of practical decisions and concerns which are less relevant at the business or corporate strategic levels. At the functional level, strategies and goals from the business and corporate level are turned into meaningful, functional results which ultimately determine outcomes for a business.

By way of example, the functional level of a telecom company like Vodafone might be comprised of a district or even store managers. At this level of strategic planning, general strategic goals are reduced to concrete strategic measures.

Corporate Strategy Levels

It is important to note that while on a hierarchical level, corporate strategy can be viewed as the topmost level of the corporate planning process, each level of decision making involves two-way influence.

Taking the example of a manufacturing business, a corporate strategy will necessarily be influenced by functional strategic concerns such as R&D and marketing, which will in turn be impacted by the productive capabilities of the functional strata such as capital and personnel.

What are the Benefits of Corporate Strategy?

Now that we've taken a look at the elements that comprise corporate strategy, and the manner in which it relates to other strategy levels, you might well be left wondering

"What are the benefits of corporate strategy for my business?"

Ultimately, the benefits of well-defined corporate strategy for an organization increase as the organization scales. While it may well be possible for small or even medium sized businesses to get by without investing time in developing corporate strategy, as the needs of an organization grow and evolve, it becomes increasingly necessary to attack the strategic planning process in a manner that reflects the complexity of that organization.

That said corporate strategy offers a number of benefits for any organization, regardless of scale.

Corporate strategy offers your business strategic direction. Without differentiation between the abstract needs and goals of an organization which is evident at a corporate strategic level, and the core competencies and resources which business and functional units can utilize to realize these goals, it is difficult to develop and grow a business.

In addition, corporate strategy allows us to manage change and better understand our organizations. In a dynamic world, organizations need to keep pace with changes as they happen - by continually defining corporate strategy and strategic goals in relation to opportunities or threats as they present themselves, corporate strategy allows us to perform optimally.

Finally, by defining a clear corporate strategy, organizations can improve decision making and motivate their employees. Without clearly defined strategies at a corporate level, business and functional level units will perform sub-optimally. The abstract level of decision making that is only possible at the corporate level will translate to better results at other decision-making levels, and help employees to feel that their organization has a clear direction and purpose.

How is Corporate Strategy Implemented?

As noted, corporate strategy is characterized by its dynamic nature. In response to the needs and the environment of a business, corporate strategy must reflect an optimal approach to these variables.

With this in mind, it is helpful to divide corporate strategy into three possible classifications based on external and internal factors.

Growth strategies are strategies designed to grow a business in a given way. Growth strategies might include entering new markets, increasing or diversifying existing ones, or using forward or backward integration to take advantage of economies of scale.

Stability strategies are designed to consolidate an organization's current position, with an eye towards creating a strategic environment that will provide greater flexibility for the future employment of growth or retrenchment strategies. Stability strategies are more conservative strategies, focused on preserving profit, reducing costs, and investigating future strategic possibilities.

Retrenchment strategies are a response to unprofitable or damaging elements of a business or organization. These might include the elimination or sale of unprofitable assets or product lines.

What Should My Corporate Strategy Model Look Like?
There are a number of different models which can be applied to the strategic planning process, each with their own merits.

Corporate-Strategy-Model-1

Corporate strategy planning is the topmost level of strategic planning within a business or organization. As a result, the corporate planning process is the most sophisticated level of strategic planning and must take into account a huge number of variables.

Defining a Vision
Reducing this complexity is a must. Corporate planning starts with defining an abstract vision or overarching goal, based on the current organization and the environment in which it exists. This vision will provide a point of reference against which goals and strategies can be measured.

Describe Your Company's Values
The vision statement of your organization is a destination. Company values describe the manner in which you will arrive at this destination. The values that you outline should be clear, concise, and above all real. The process of ascertaining and defining your company values is outlined here.

Choose Focus Areas
Focus areas can be thought of as the pillars on which corporate planning is based. The abstract ideas represented in your vision statement and company values are here applied to choose areas in which your company can act in order to effect its stated goals.

Defining Objectives
Once a clear vision has been defined and areas of focus selected, corporate strategists must outline definable objectives which will represent a more concrete and specific example of what you want to achieve, with stated deadlines and objectives. For a more in-depth explanation of the process of defining specific objectives, check out this article.

Write KPIs

The corporate planning process ends with the definition of KPIs which will allow corporate strategists to understand and adjust strategy based on results.

Corporate Strategy is at the Pinnacle of Organizational Strategy

Corporate strategy provides your company with the essential conceptual tools required to succeed in competitive markets. Taking the time to understand corporate strategy, as well as organizational strategy as a whole, will quickly yield benefits that are quantifiable, as well as offering insights into the operation of your organization as a whole.