Corporate Strategies

1. Introduction

This study note is set in the context of the examination of those elements in the organisation that either have a significant impact on purchasing and supply management strategies or thinking and approaches that can make significant contributions to corporate strategy and the achievement of overall organisational corporate objectives.

This section of module A attempts to examine the current perspectives of corporate strategies and strategic planning and management.

2. Why is Corporate Strategy important?

Corporate strategy deals with the fundamental issues that affect the future of the organisation and as such involves the entire organisation. The main purpose of corporate strategy is to ensure that the business survives so it is concerned with the progression and development of the business in terms of differentiation of the company from its rivals, growth, profitability, adding value and ultimate customer satisfaction. The corporate strategy focuses on the nature of the business and its environment. (Lynch 1997)

3. Corporate Strategy

Corporate strategy is fulfilled through the process of strategic management. As strategic management is concerned with the overall success of the business it needs to be set at the corporate level of management to provide the necessary interaction with the different functions of the business such as marketing, research and development and procurement etc. Coulter 1998 offers a definition of strategic management in which it

“ Involves a series of steps in which organisational members analyse the current situation, decide on strategies, put those strategies into action, and evaluate/modify/change strategies as needed.”

4. Corporate Strategy – delivered through Strategic Management

Strategic management focuses on the management of the business by looking at external factors affecting the organisation as well as examining the internal resources and business structural conditions which would hinder or help the pursuit of the chosen strategy at the specific time. Strategic management allows for examination of the current position as well as a strong concern with the choice of future direction for the whole organisation. Strategic management is concerned with taking decisions about major issues facing the organisations and ensuring that the strategy is put into effect.

This definition sets the scene for three distinct stages that make up the process of strategic management. Strategic management falls into three main elements -:

4.1. Strategic Analysis, which assists an understanding of the position of the organisations, uses a choice of strategic analytical tools.
4.2. **Strategic Choice**, which is to do with the formulation of possible courses of action their evaluation and choice between them.

4.3 **Strategic Implementation**, which is concerned with planning how the choice of strategy can be put into effect and managing the changes required.

Exploring corporate strategy

![Diagram of corporate strategy process]

**Source:** Johnson and Scholes, *Exploring Corporate Strategy*

The three stages are set to happen consecutively but in practice the analysis comes first however, in order to determine if a strategy will be effective the usual route is to begin the implementation process.

Corporate strategy is usually presented as a cohesive subject. In order to determine a strategy there are two pre-requisites. Firstly, there is a requirement to make a judgement on the current situation of the business and secondly the requirement to make predictions about the future. There are two basic routes for how corporate strategy is formulated. These have been discussed in the previous section – the rational planning model and the emergent strategy. The two approaches differ in respect of the emphasis placed upon the sequencing of the main elements of strategic management.

The rational planning model takes the view that the three elements of analysis, choice and implementation are sequential. This approach places a strong emphasis on analysis to guide the choice of strategy. The emergent approach, however, sees these three areas as inter-related. The emphasis for this approach lies at the choice and
implementation of the strategy. The emergent approach places less emphasis on strategic analysis as it deems the market to be too turbulent to predict accurately enough to warrant as much focus. Nevertheless the two approaches do hold the three common elements as true within strategic management. They too both consider the need for development of a clear mission statement.

4. 4 Strategic Analysis

Strategic analysis is about understanding the strategic position of the organisation. What changes are occurring in the environment and how they might affect the organisation and how it conducts its business? The existing competencies and resources of the organisation need to be established to determine if there are any opportunities to be gained from these and to determine if they need to be enhanced in order to pursue objectives and goals. The main people of influence in the organisation and their views need to be taken into account as the purpose of all of this information is to form a picture of the current launch pad of the business and it’s potential future direction.

“The aim of strategic analysis is to form a view of the key influences on the present and future well-being of the organisation and what opportunities are afforded by the environment and the competencies of the organisation.”

Johnson and Scholes 1999.

The consideration of the environment, the strategic capabilities and expectations of main people or stakeholders, along with the culture and politics within the organisation offers the basis for consideration of the business for a strategic analysis.

An organisation’s environment consists of commercial, economic, political, technological, cultural and social factors, internal and external to the organisation. Depending upon the type of business that the organisation is involved in, the degree of volatility for change will differ. The level of threat to and opportunities for, the business will vary too in line with the overall magnitude of change and the current position in the market. Analysis of the business environment is crucial since it may present the organisation with some severe problems or wonderful opportunities.

The resources and competencies of the organisation that make up its strategic capability are influenced from both outside and inside the organisation. Issues like the geographical location of the business or the combination of people skills acquired can have a bearing upon the strategic choices that can be made.

The main stakeholders in the organisation set the purpose of the organisations business. The culture within and outside the organisation affect the decisions made as these issues colour the judgements taken on the business itself.
<table>
<thead>
<tr>
<th>Type of Analysis</th>
<th>Tools and Techniques</th>
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| Analysing the environment | - PEST Analysis  
- Porter’s Diamond  
- The competitive environment - Porter’s five forces |
| Analysing the environment | - Strategic group analysis  
- Market segmentation  
- Competitor analysis |
| Analysis of Resources, competencies and strategic capabilities | - Resource Audit  
- Value chain analysis  
- Identifying core competencies |
| Analysis of Resources, competencies and strategic capabilities | - Comparative analysis and benchmarking |
| Analysis of Resources, competencies and strategic capabilities | - Historical analysis  
- Benchmarking  
- Financial analysis |
| Stakeholders expectations and organisational purpose | - Stakeholder mapping |
| Stakeholders expectations and organisational purpose | - The ethical stance  
- The role of individuals/managers |
| Stakeholders expectations and organisational purpose | - Organisational culture  
- Industry recipes  
- Analysing the cultural web. |
| Stakeholders expectations and organisational purpose | - Mission Statements  
- Corporate objectives |

4.5. Strategic Choice

Strategic analysis provides the basis for strategic choice.

There are a number of issues to address when considering available strategic options. The purpose or mission of the organisation will be one; the Stakeholders expectations may be another. The product or service range, the market and geographical scope, how the organisation seeks to compete in the existing market or new market all will affect the options open to the business.

There may be many courses of action open to a business to pursue. There are sets of generic strategies that offer a basis upon which approach to take to the market. These are price, differentiation and specific focus perhaps on geographical or customer base. The direction that the business may move in might be to consolidate or withdraw from a market, to try to penetrate further into the market and perhaps to develop it or to diversify into other or related product lines. The method by which this may be done might be to undertake some internal development, acquire some business that is already gaining in the direction that the business desires to go in or join up with another company.

The choice of strategy needs to go through an evaluation and selection process, basically testing if the strategic choice will be suitable to the organisation, if it will be feasible to implement and if it will be acceptable to the stakeholders etc.
4.6. Strategic Implementation

Strategic implementation is concerned with the translation of strategy into action. The ways in which strategies are implemented are described as the ‘strategic architecture’ of the organisation. Successful implementation of the chosen strategy will depend upon many factors such as, the people within the organisation and how they work together to adopt the new plan. The available skills and/or the ability to develop new skills when required for the planned change and issues like the structural re-organisation and resulting cultural disturbance would also affect success. Resource availability and planning for the utilisation of such resources need to be addressed as part of the implementation plan.

The entire process necessitates the management of strategic change and will concern handling both hard and soft factors of the organisation, i.e. structure and systems and culture and motivation etc.

5. Corporate Strategy V Operational Strategy

The nature of strategic management is different from other aspects of management. Individual managers are focused daily upon the management of problems of operational control, efficiency of production, the management of the sales staff, monitoring of financial performance. These issues are concerned with managing effectively resources already deployed the result of the implementation of an existing corporate strategy. Strategic management is about making sure that the strategy is put into effect. There is a difference between the corporate strategy and what it is trying to achieve and the management of everyday operational management issues. The distortion of the focus on one rather than the other can have a detrimental effect on the overall business direction.

Strategy is at the core of the management of the organisation. The definition of a company’s position in the market, the trade-offs it needs to make to sustain and develop that position, and how the various activities are fitted together to operate the business are fundamental aspects of management considerations. The current quest in business, for productivity, growth, and quality and market/customer responsiveness had necessitated the introduction of various management tools and techniques and practices to enhance superior business performance. These tools, techniques and practices, many coming from Japanese thinking, work effectively on operational activities. Examples of these tools and techniques are Total Quality Management, Business re-engineering, Partnering, Just in Time, etc.

If an organisation is to adopt a corporate strategy of competitiveness, it needs to position the business to maximise the value of the capabilities that distinguish it from its competitors. Operational effectiveness is about achieving excellence in individual activities or within functions of the business. Operational effectiveness and corporate strategy are both essential to superior performance; however, they work in very different way to each other. The operations function is central to the organisation because it produces the goods and services that are the reason for its existence. The objectives of operations management must lie in line with the overall strategic direction of the organisation as a whole and must bear in mind what the organisation is trying to achieve. Operational effectiveness means performing similar activities better than competitors perform them.
6. **Business Success**

In order to sustain a long-term business position and advantage, it needs to be lead from a strategic approach. Focus on competitive advantage alone will not be sufficient.

Japanese businesses that introduced many of these aforementioned techniques and practices do not operate from a strategic approach. They focus upon operational effectiveness to achieve superior performance through elimination of waste, through the introduction of these operational techniques. Alongside this there is heavy support from investment, Research and development, training and new management methods to maintain performance.

Britain has seen improvements in both operational effectiveness and short-term competitive advantage gained by the Japanese and has adopted these so-called World Class Concepts. However, they have taken them further to represent the operational method of management of the entire supply chain, rather than a strategic approach. The problem with this focus on operational effectiveness is that competitors easily imitate such methods and that the necessary support inputs mentioned are not forthcoming in Britain. There is also only so much that can be achieved at a given cost and time using the best practice available. Businesses are now realising that they can make no more improvements without disproportionate cost and loss of advantage and are turning on each other to reduce competition.

In the traditional strategic approach the relationship between the two areas in question is one where operational effectiveness is the support mechanism to maintain the strategic direction of the business. The corporate strategy directs the business and the operational strategy for effectiveness supports that chosen direction through activities which provide short term gain for the business in terms of competitiveness.

The current business environment has distorted this and has almost reversed the roles. The operational strategy through these gains in operational effectiveness and improvements in competitive advantage has taken over from the formal corporate strategic direction. The operational strategy rather than the corporate strategy are driving the business. The focus has become blurred as the need to plan a course of action to introduce the management techniques into the organisation has taken more emphasis.

However, to enhance the improvements operationally and cut out waste in the organisation such supports as the Japanese use, i.e. training, R&D and the quest for best practice have been reduced. The end result to the business is that the strategic direction and growth over the long term is lost.

Remember that the best strategic position for the business to be in is gained through differentiation.

Managers have become confused about choices between long-term sustainability and short-term operational achievement. Managers need to clearly distinguish between operational level strategy and effectiveness and corporate level strategy and the direction of the business. The operational agenda is the right place for continuous improvements, constant change, flexibility and relentless efforts to achieve best practice. The strategic agenda is the right place for defining a unique position and tightening the relationship between various activities in the organisation. Long term business successes from differentiation of strategic position supported by effective
operational activities that are working in line with the overall organisational goals are what are needed.

7. **Strategic management in different contexts**

The need for equivalent levels of focus, on all aspects of strategic management, for all organisations is unwarranted. Each organisation is different. Johnson and Scholes review various kinds of strategic management in various different organisational types.

**Small Business Context.**

Small businesses are likely to be operating in a limited number of markets with a limited range of products or services. Deciding which markets to operate in, i.e. type of product or service to offer will not be as appropriate to the business as to a larger organisation. Likewise the business would not have large research units undertaking trawls of the market, on the business’s behalf. On the other hand the stakeholders in these small organisations, will exert a very important pressure on the management of the organisation. Competition will likely be a main focus of attention unless the organisation has been able to sufficiently differentiate their product in the market place. Capital may be more difficult to come by and because of the nature of such businesses it is likely that the opportunities to choose strategies such as expansion or acquisition may be out of reach. Therefore consolidation as a strategic approach will likely seem more attractive.

**Multinational Corporations**

This business type is fundamentally different to the small business. The main strategic focus is likely to revolve around differentiation and diversification in terms of product or services offered; much more likely as a strategic option is merger or acquisition due to the stronger ability to attract capital. Growth potential will be greater. Competition is as issue for every business. Depending upon the structure of the organisation, especially if it operates within Strategic Business Unit’s, similar issues will arise for both of these cited business types. Resource allocation will differ greatly. The operational management of the entire business will be very important as production and sales are spread across perhaps geographical locations and across diversified range of product or service.

**Manufacturing and service organisations.**

Competition is again an issue. The service sector has to compete upon less tangible aspects of the business, such as customer response, speed of attention, the added extras offered. Competing in product lines means that the problems or faults can be referred back to the manufacturing section. Services rely very much on people and as people often differ in what they expect to be provided this makes competing much more difficult. Research of the market and customers needs is essential.

**The Public Sector**

A government agency has a labour market, suppliers, users and customers, and budgets just as any other business. However, the stakeholders are very different and the influence that they exert may be political. Therefore the decision making process has to go through a different slant than in the private sector. Taxpayer’s money and ethical codes of practice are much more prevalent. Budgets will be subject to strict treasury rules.
Specific public services, such as health services face difficulties strategic point of view because they may not be able to differentiate the product or service offered. They may not be able to diversify either. Investment in new development will be severely restricted, as profit or surplus may not be able to be generated.

Inputs and outputs in the public sector arena are all about resources going in and value for money criteria being satisfied in terms of output. Many of the originally internally provided services are now subject to competition in the outside market. Competition has been introduced into the method of procurement of goods and services to be utilised within the various government and local authority sector departments.

Main focus for strategic choice is upon keeping the many and various stakeholders happy.

**Privatised Utilities**

Much of the original public sector has been privatised. Competition strategies are now introduced into an arena of former non-competition. The focus then for knowledge of competition and how it operates will be important.

**The voluntary and not-for-profit sectors.**

In the voluntary sector it is likely that underlying values and ideology will be of central strategic significance. The values and expectations of different stakeholders groups in organisations play an important part in the development of strategy: particularly so in not for profit organisations. (Johnson and Scholes.)

Charities, churches and foundations etc. have various methods of raising funds and the organisations themselves are unlikely to be the end recipient of the money raised. Therefore the contributors and the fundraisers may exert influence upon how the business proceeds in terms of strategic development. Competition will centre on the sources of funds rather than in the true business sense. Nevertheless, strategies to compete with other such not for profit organisations will be an important strategic management focus.

### 8. Challenge of strategic management

The scope for strategic management is very broad. Strategic management is concerned with the complexity arising out of organisation wide long-term focus rather than operationally specific activities. There is major challenge to manage resources over this degree of focus. An overview needs to be taken of the entire organisation in its current state and intended state in the future. A matching of the present with the future having regard to the organisational environment, culture and expectations along with the strengths and weaknesses in resource capability is a difficult task.

Key competencies and skills need to be mastered by the strategic manager, such as analysis and planning, decision-making and implementation and the ability to anticipate and sort out problems in the organisation pertaining to the smooth operation of the business in line with the overall strategic direction.
9. Ethics in Corporate Strategy

There are four main ethical stances that may be found in the organisation, Short-term stakeholder interest, Longer-term stakeholder interest, multiple stakeholder obligations and shaper of society. In the first extreme, the organisation believes that it is not their concern to incorporate ethical considerations into their strategies; rather it is the role of the government. The other extreme is at the ideological end of the spectrum, where the organisation has a purpose in shaping society. Financial considerations are often seen as secondary to the ethical stance to be taken. Public sector operations and charities tend to have this stance.

Whichever stance is taken, it should be carried through all transactions of the business and feature as an element for the corporate strategy. The mission statement or main purpose of the organisation needs to be defined as part of the development of the corporate strategy. The ethical stance that an organisation takes helps to determine how an organisation will try to achieve its goals and what relationship it will adopt with it’s stakeholders.

10. Impact of Organisational Culture on achieving Corporate Strategy

Organisational culture can be seen as being made up of three distinct elements -;

- **Values** - expressed as the purpose or mission of the organisation. E.g. to serve the community, or equal opportunity supplier etc.
- **Beliefs** are more specific but lie mostly with the people of the organisation rather than being formally stated.
- **Taken-for-granted assumptions** - which are the real core of the organisational culture. These are norms of behaviour and belief that have grown up over time. These norms are often not easy to explain but feature as part of what is known as the organisational paradigm. New members of staff tend to notice behavioural traits and adopt almost unspoken assumptions. This is established and continues in their own behaviour. E.g. ‘what really matters around here,’ or how you run an organisation like this’. This element represents the real culture.

Organisations can overtly deal with the level of values and to a lesser degree the belief system in the organisation, through publishing statements of mission and directions on specific issues. However, the taken for granted assumptions are not easy to uncover and therefore can upset a strategic plan due to the lack of knowledge of these assumptions at all levels of the organisation.

A strategy and the value of an organisation may be written down, but the underlying assumptions that make up the paradigm are usually evident only in the day-to-day operation of the business. In order to understand the culture of the organisation, sensitivity to signals and clues from the wider organisation and the people who work within it. The cultural web is a tool to enable understanding of the underlying assumptions linked to political, symbolic and structural aspects of an organisation. Johnson and Scholes identify some questions that might be used to analyse the culture of the organisation. These might be as follows -:

- What core beliefs do stories reflect?
- Do the stories relate to strengths, weaknesses, conformity or mavericks?
- What norms do the mavericks deviate from?
- Which routines are emphasised?
• What behaviour do routines encourage?
• How mechanistic/organic are the structures?
• Do structures encourage collaboration or competition?
• What type of power structures do the present structures support?
• Are the control structures emphasising punishment or reward?
• What are the main blockages to change?
• What language and jargon are used?
• What aspects of strategy are highlighted in publicity?
• How easy would it be to change the culture?

11. Making Strategic Choices for the organisation

The choice of strategy that an organisation makes at corporate level will have ramifications throughout the organisation. The business and operational level strategies will act as the vehicle to permeate the strategy down through the organisation. The practical dimensions of how the strategy will take effect will be added along the way.

It is therefore important that in evaluating and selecting a strategy, that management take account of how the overall strategy will affect the business at these two strategic levels. Due to the inter-relationship between these various levels, the strategies at business level can enhance the corporate strategy by adding to it, specific ways to achieve the desired outcomes.

The wider scope and considerations of the business can be expressed through identification of the strategic intent and diversity. At business level the corporate level strategy will be delivered through strategies perhaps revolving around price, differentiation or specific focus.

A competitive approach will seek to achieve competitive advantage for the organisation.

11.1. Generic Strategies

According to Porter there are three generic strategies. These are cost leadership, differentiation and focus. In the business environment, these three areas permit a choice of approach to gain competitive advantage in the market place. The model represented below is based upon the premise that there are only two sources of competitive advantage; differentiation of product or service and low cost. The third area identified by Porter deals with competitive scope, i.e. the focus on specific target market, whether this is by product range, geographical location or serving a niche market.

The following diagram has been taken from the text, Corporate Strategy, R Lynch, but is a genuine Porter original.
### 11.11 Cost Leadership Strategy

Cost leadership aims to make the organisation among the lowest cost producers in the market. Remember cost is not price. \( \text{Cost} = \text{price} + \text{profit} \)

A low cost producer must identify and exploit all sources of cost advantage. Standard products and the scale of production can be used, as a focus for keeping costs down must be the drivers. Low cost leaders need to focus on all levels of detail across the value-chain. A businesses cost position provides a strong defence against rivalry from external competitive forces. (Johnson & Scholes 1999)

### 11.12 Differentiation Strategy

Differentiation strategy is aimed at developing and targeting a product against a major market segment. The basis of the differentiation of the product or service is in the creation of something that is perceived to be unique across the market. Differentiation can take many forms, such as brand image or design identity, technology, features, customer service, and dealer network. Ideally the business should differentiate along several dimensions at a time. (Johnson & Scholes 1999)

### 11.13 Focus Strategy

A focus strategy occurs when an organisation aims their business at a specific niche in the market place. The nature of the focus is on particular customers, segments of the product line, or geographic market. Whilst the cost based approach and the differentiation strategy are geared at the entire market, the strategic focus approach is built around serving only a particular market. The premise upon which this strategic approach is based is that the business is able to serve its narrow strategic target more effectively and efficiently than competitors who are competing to serve the breadth of the market. (Johnson & Scholes 1999)

The three generic strategies differ in dimension. The implementation of each of them will require different skills and resources. The various strategies also imply a different organisational structure, controls and inventive systems. It is therefore necessary to introduce one strategy and to stay with this one to achieve success.

The choice that a business makes from the three generic strategies will depend upon the capabilities within the company. A factor in the decision will be the degree to which other competitors can replicate the selected option.
12. **Strategic Options: Strategic Direction**

An organisation needs to make strategic choices to set out the strategic direction that the organisation could take. These approaches take the form of products or market choices, influenced by the generic options discussed above. However, the success of the chosen approach is reliant upon environmental influences. The development of strategies for the public sector organisations may centre on the issue of how limited resources should best be used since there are so often more demands than can be satisfied. Alternative choices of direction need to be analysed. Influences on strategic choice, particularly focusing upon which direction to proceed, may be dominated by resource capability. (Johnson & Scholes 1999)

The focus for strategic choice has so far been based upon seeking superior competitive advantage through product or market focus but there are alternative strategies that the company can adopt such as internal development; acquisition or merger; and Joint developments and strategic alliances.

13. **Strategy Evaluation and Selection**

A business must decide upon which of the strategic options to choose as the most appropriate for the business to pursue.

Johnson & Scholes offer three main criteria that any strategic option or choice needs to satisfy in order to be selected for adoption and implementation.

- **Suitability** – When assessing the suitability of a strategy for a particular business, the chosen direction will need to be proven to reflect the circumstances currently in operation in the business. A strategic analysis should be undertaken to provide information on these business circumstances.

- **Feasibility** – is concerned with whether the strategy could be made to operate within the organisational culture and environment. Assessing the feasibility of a strategy will necessitate a detailed examination of the resourcing and strategic capabilities of the business.

- **Acceptability** – of an intended strategy is concerned with the expectation of the performance of the business against the expectations of the various stakeholders connected with the business and whether they will accept the outcome or return upon the choice of strategy adopted.

A framework for analysis taken from Johnson and Scholes is identified in the diagram that follows:
A framework for evaluating strategic options

Source: Johnson and Scholes, Exploring Corporate Strategy

14. Strategy Implementation

The third major phase of strategic management is the implementation process. There are several aspects which need to be considered in this phase:

- Resource allocation
- Planning and control
- Organisation structure
- People issues
- Change management

The main purpose behind the implementation process is to deliver the desired objectives, goals and mission set out for the business earlier in the strategic management process. This phase can often be the most difficult to complete as many factors can affect the success of the implementation. Uncertainty within the market environment and within the business needs to be addressed. It is important to
examine the importance of implementation process and its relationship to the other phases of strategic management. Nevertheless it can be seen as a formulated series of steps taken over time to achieve corporate objectives.

The corporate objectives need to be translated through the business functions. Examples of this are marketing objectives, operational objectives, human resource objectives etc. Each of these is translated into action plans for the functions. The success of the implementation process can depend upon communication and co-ordination. Lynch 1997 suggests that these elements are essential so as to avoid confusion, define business objectives clearly and to ensure co-operation and understanding of the strategy to be adopted. Information capability is also a key resource for success in the implementation process.

14.1 Strategic Management of Resources

Strategy is concerned with matching a firm’s resources and capabilities to the opportunities that arise in the external environment. Much attention in strategy development is placed upon the interface between strategy and the external environment of the firm. The emphasis needs to shift though to a focus upon the internal environment of the firm - more specifically with the resources and the capabilities of the firm.

Strategy literature in the 1970’s and 1980’s reflected the importance given to the external environmental issues pertaining to influencing the firm, such as competitor position. (Michael Porter.) However, the focus on the internal environmental issues had not been explored as fully as they could. What focus there has been has revolved around strategy implementation, organisational structure and style or culture. Internal resources have been largely ignored. More recently this imbalance has been redressed as more and more interest has been taken in the issue of the role of the firm’s resources and capabilities as a principal basis for strategy and the primary determinants of the firms profitability. This is known as the resource-based view of the firm. (Balogun & Hailey 1999)

The formulation of a strategy for a firm has traditionally started with starts with the designation of a firm’s identity and purpose in a mission statement. Businesses ask ‘what is our business? Who are our customers? This focus on the purpose and customer can become very difficult becomes when the market is volatile and the identity of the customers is constantly changing. An additional dimension is technology that is developing rapidly. This places the focus more on inside the firm than outside in its environment to provide the direction to the basis and capabilities to formulate long-term strategies. Unless firms look internally within the business, to ascertain their capability and resource capacity, they will never be able to gauge how equipped they are to meet the volatile conditions within they operate. They too will need to assess the ability of the firm to respond quickly enough to respond to the market. When the external environment is in a state of flux, the firm itself in terms of its bundle of resources and capabilities may be on a much more stable basis on which to define its identity. Thus a definition of the business in terms of what it is capable of doing may offer a more durable basis for strategy than a definition based on the needs that the business seeks to satisfy. (Carnall 1999)

The greater the rate of external environmental change the more it must seek to base long-term strategy upon its internal resources and capabilities than upon market forces. (Grant 1998) There is an implication that strategic management is concerned with identifying an attractive industry, and locating segments within that industry and
with adopting strategies that modify the industry conditions and competitor behaviour that will ultimately moderate the competitive pressure.

Unfortunately, due to internationalisation, and increased competition such industry segments are now subject to vigorous price competition, therefore the levels of profitability to be gained are reduced. Deployment of resources and capabilities to establish competitive advantage rather than trying to achieve it through competition has become one of the primary goals for strategy formulation. The resource-based view of the firm conceives the firm as a unique bundle of heterogeneous resources and capabilities. These resources and capabilities are the basis upon which the firm is built. Grant 1998.

Traditional thinking sees the main derivation of competitive advantage for the firm as cost and differentiation, however the resource-based view places the resources and capabilities of the firm in that position. Sources of market power are generally based in the firm’s resources, i.e. monopolistic price-setting power depends upon market share. Market share is a consequence of cost efficiency, financial strength or use of some other resource. (Grant 1998)

Resource-based approach to strategy comprises three elements:

- Selecting a strategy that exploits the firm’s principal resources and capabilities.
- Ensuring that the firm’s resources are fully employed and its profit potential is exploited to the limit.
- Building the firm’s resource base.

Planning and control of resources influences the success or failure of strategies. Resource configuration identifies the resources required and how those resources will be deployed. There too is a need to focus on the creation of the right mixture of resources to establish specific competences to achieve the overall strategy. Remember the use of the term resources here relates to all resources of the firm, financial, human, tangible and intangible assets, capital assets etc.

There is a strong link in the allocation of resources and their utilisation to the matching of the strategic capability of the firm.

Control of the implementation process too needs to be addressed through the development of milestones, performance targets and monitoring of the culture and structure of the organisation.

15. Conclusions

The concept of corporate strategy was identified as an over-arching picture and plan for where the business is and where it wishes to be in the future. The corporate strategy is to all intent and purpose delivered through the auspices of strategic management, which has three main elements- strategic analyses, strategic choice and strategic implementation. Each of these three elements has been explored. It is important to appreciate how strategic management set at the corporate level in the organisation filters through to the other functional levels particularly the operational strategy level. Various aspects of strategic planning, such as the environment, competition, resources, competences and strategic capabilities, value expectations and objectives have been introduced and many different tools and techniques used in the process of strategic planning have been identified. We too have highlighted the variables likely to affect strategic planning. The concept of strategic choice assessed
on the basis of which direction and method of execution can be effected have been discussed and how strategy choices are made within the organisation. The importance of the nature of strategic evaluation and selection or rejection of cited options must be recognised too. Strategic choices are thrown up from data derived from the strategic analysis. In order to determine whether an option will be workable in an organisation there needs to be an assessment of the acceptability, feasibility and suitability of the option examined in terms of fit to the organisation. A series of tools of evaluation and methods that allow the considered options to be reduced are also been explored.

It is clear that the delivery of a chosen corporate strategy must follow many stages and processes to be successful. Many factors both internal to the organisation, such as culture, resources, people and external to the business such as competitive environment not only influence the outcome but initially affect the early plan to pursue a strategy in the first instance.

Much of the focus for strategy development has been based on external competition and seeking superior competitive advantage for the firm. More recognition is present now of the need to balance external desires with the internal resource capability to achieve the market position sought. Likewise the importance of assessing the business using the ‘right’ tools of analysis; assessing the ‘right’ options to proceed to implementation is recognised. The traditional view of formulation of strategy needs to be considered in the context of other views such as logical Incrementalism in the light of rapidly changing environments, technology and market/customer demands.

Corporate strategy takes the whole business into account and so looking for a whole business solution is vital. This means assessing how the corporate strategy will permeate through the organisation and if such a chosen strategy will ‘fit’ the company’s long-term goals.
Directions for Further Study

Main Texts:

  ISBN 0-13-080740-0


Supplementary Texts

  ISBN 0-13-263856-8

- Lynch R 1997, Corporate Strategy
  ISBN 0-273-60753-7

- Grant RM 1998, Contemporary Strategic Analysis, 3rd edition


- Hughes, Ralf and Michels 1998, Transform your Supply Chain: Releasing Value in your Business
  ISBN 1-86152-054-9

Practice Articles

- I.P.S.E.R.A. Conference Papers,
Self-assessment questions

1. Discuss the importance of strategic management in the execution of corporate strategy?

2. Discuss the relationship between corporate strategy and operational activities?

3. Explain the Resource based view of the firm?

4. Identify and explain the utilisation of the main tools of analysis that can be used to assess competition, resources, and culture in the organisation and its environment.

5. Explain the differences between what we call the three generic strategies?

6. Discuss the basis upon which a strategy is selected and then chosen for adoption?