

Lesson 7_CORPORATE AND COMPETITIVE STRATEGY

In the large, multi-business company there are two distinct levels of strategy. At the level of the corporate head office or holding company some fundamental strategic decisions need to be made:

- _ What is the company's mission or purpose?
- _ What are the values and principles that should govern the behaviour of members of the organization?
- _ What are the desirable characteristics of the company's culture?
- _ What industries or market segments should it enter or leave?
- _ What form of organization structure and what kind of control systems would best support the strategy?
- _ How can value be added through such things as brand strength, image and reputation?

There are also some key decisions to be taken that have strategic implications, such as the appointment of the chief executives of the operating divisions.

At the level of the business unit or subsidiary, however, the main strategic issue is how to achieve a sustainable competitive advantage in the particular product/market field in which the division operates. This is generally known as business strategy or competitive strategy. It involves identifying correctly the critical success factors (CSFs) in a particular market and so managing the business as to meet these more successfully than competitors. For example, the highly successful US commuter airline SouthWestern identified the following CSFs:

- _ low-cost, no-frills fares leading to high load factors;
- _ friendly, courteous, cheerful staff with strong commitment to their company;
- _ high standards of teamwork without rigid job demarcations;
- _ remarkably quick turnaround times giving increased aircraft utilization;
- _ an egalitarian culture symbolized by relatively modest (by US standards) top management remuneration;
- _ very careful screening of recruits at all levels from baggage handler to aircrew.

Kay (1993) makes the distinction between corporate and business strategy clear by the examples he uses. He cites the following as typical issues at the corporate level:

- _ Was Benetton, a knitwear manufacturer, right to move into retailing?
- _ Should Saatchi and Saatchi have attempted to build a global advertising business?
- _ What segment of the car market was the right one for BMW?

At the business or competitive strategy level he mentions:

- _ Should Eurotunnel offer a premium service or use its low operating costs to cut prices?
- _ How should a European airline react to increasing deregulation?
- _ How should Honda have approached the US motorcycle market?