

INTEGRATED CORPORATE STRATEGY MODEL

CATALINA SORIANA SITNIKOV

*PhD. Associate Professor, Faculty of Economics and Business Administration,
University of Craiova, Craiova, Dolj, Romania
inasitnikov@yahoo.com*

BOCEAN CLAUDIU GEORGE

*PhD. Lecturer, Faculty of Economics and Business Administration,
University of Craiova, Craiova, Dolj, Romania
boceanclaudiu@yahoo.com*

Abstract

Corporations are at present operating in demanding and highly unsure periods, facing a mixture of increased macroeconomic need, competitive and capital market dangers, and in many cases, the prospect for significant technical and regulative gap. Throughout these demanding and highly unsure times, the corporations must pay particular attention to corporate strategy. In present times, corporate strategy must be perceived and used as a function of various fields, covers, and characters as well as a highly interactive system. For the corporation's strategy to become a competitive advantage is necessary to understand and also to integrate it in a holistic model to ensure sustainable progress of corporation activities under the optimum conditions of profitability. The model proposed in this paper is aimed at integrating the two strategic models, Hoshin Kanri and Integrated Strategy Model, as well as their consolidation with the principles of sound corporate governance set out by the OECD.

Keywords: *Business strategy, competitive advantage, corporate mission, vision and values, strategic planning*

JEL classification: *G30, G38*

1. Introduction

The central element in administering a corporate initiative is an adequately founded corporate strategy. Strategies subsist at various levels in any company - lining up from the whole business (or group of businesses) through to people functioning in it. In this framework, corporate strategy (CS) is focused on the comprehensive aim and extent of the business to meet stakeholder hopes. This is a decisive level since it is deeply affected by investors in the business and acts to lead strategic decision-making throughout the business hence, corporate strategy is a fundamental tie between effective business mission and understanding determined portfolio of corporate goals in the market conditions. Corporate strategy is frequently declared clearly in a "mission statement."

"Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities." (Andrews, 1987). According to others, corporate strategy can be considered as a value-creating path of activity for all stakeholders by virtue of using and harmonizing resources in distinctive marketplaces and corporate activities. Michael Porter stated that "corporate strategy is what makes the corporate whole add up to more than the sum of its business unit parts" (Meyer and Volberda, 1997).

Corporate strategy is the system of decisions in a company that settles and uncovers its corporate aims, presents the main policies, and plans for completing those aims and, as a result, sets the extent, nature, and outcomes of activities of the company and its divisions. The interdependency of aims, policies, and systematized activity is critical to the individuality of a distinctive corporate strategy and its opportunity to produce the competitive advantage. It is the consensus, consistency, and internal steadiness of strategic decisions that place the company in its business conditions and settle its uniqueness, the authority to activate its strengths, and probability of accomplishment in the marketplace. Successful corporate strategy outcomes in synergic effects of business components' mixture with comprehensive performance that is larger than distinctive performance of every unit (Sitnikov, 2013).

Corporate strategy points up strategic positioning and getting or establishing useful resources as the foundation for designing continuous competitive advantage and high, long-run performance. Nevertheless, in active and turbulent markets, specific strategic situations are rapidly corroded and the time span of competitive advantage is variable. Particularly, the established corporate strategy frequently goes wrong, and the established notion of corporate strategy has come to be inadequate for better corporate performance. In these marketplaces, it is unreasonable to foresee which capabilities or strategies will be successful and for how long. Hence, it is more relevant to create corporate-level strategic systems that qualify active strategic repositioning and reconfiguring corporate resources of the company. The implication is that the new corporate strategy concentrates on strategic operations as a changed and more adaptable framework of customary corporate methods. These new corporate strategic processes are led toward various modifications for producing economic benefit and sustaining acquired competitive advantages by more successful mobilization and employment of corporate resources.

Theories on corporate strategy are not only supported by researchers but involve sceptical opinions who questioned the impact of strategy on business. Such statements were not supported by some empirical studies which have shown that there are huge differences in terms of performance between corporations which have defined a clear strategy and those acting randomly. More recent studies have shown that the strategy represents a tremendous competitive advantage when applied by professionals (Furrer, 2011).

The latest developments show that it is necessary to change the paradigm of corporation value maximization for the benefit of capital holders by taking into consideration the various types of corporation stakeholders' interests. Therefore, we created a corporate strategy model that takes into account economic, social and environmental corporate responsibility and allowing businesses taking place in a sustainable manner.

2. Exploring Corporate Strategy

Corporate strategy is a strategy created for the comprehensive corporation. Others point out that normally a large corporation will have a corporate strategy, which sets the extensive focus of the corporation as a whole. A simple strategic inquiry that top management deals with is in what specific industries or businesses should the corporation be operating. A corporation can opt for to compete in only one business, where the corporation can bear benefits through a specialized comprehension and highest utilization of resources, concerted on a characteristic industry, resulting in extra competence and potential economies of scale compared to competitors. It was suggested, by Sekulic (2009), that operating inside one industry might, nevertheless, result in sensitivity to a perpetually dynamic business cycle, due to modification in request or market entry or market-existed competitors can impact market attractiveness. They suggest that sensitivity, due to uncertainties originated from existing in a single industry, can be handled at the same time, by diversification, having the corporate presence in more than one industry, which can result in a firmer industry or activity.

In addition, according to Jones and Haigh (2007), it is probably for a corporation either to diversify into new or connected businesses. It is suggested that the most usual rationale for diversifying into different business, characteristically with no equivalences or complementarities with the present business field, is the corporation's request to assess profit opportunities. The most common motive for diversifying into connected businesses is the chance to capitalize on correspondences and complementarities.

Mainly, diversification strategy allows increasing corporation value by improving the overall performance, reducing costs or increasing revenue. Other companies address the diversification through vertical integration to achieve a higher market share. Diversification is influenced by both internal and external factors. The main external factors relate to antitrust regulations and the tax system, while the main internal factors include poor performance, achieving synergetic effect and risk reduction (Furrer, 2011).

Porter reveals that corporate strategy involves finding the correct answer to two fundamental questions (Meyer and Volberda, 1997):

- composition corporation question: what business areas must choose a corporation to get the desired energy effect? (De Wit and Meyer, 1994);
- control corporation question: how to run your business to be able to get the desired energy effect?

In addition, it was established that founded corporations take on various approaches for administering their road to the future:

- Varied portfolios of R&D programs and engineering;
- Fusions, acquisitions, associations, and joint ventures;
- Combined strategies.

Wright et al. (1996) assert that strategic management relates to the process that initiates with deciding the mission and the objective of a corporation inside the framework of its external opportunities and threats and its internal strengths and weaknesses. Doyle (1994) concludes that strategic management concentrates on the corporation's marketplace opportunities and tries to produce change by recognizing and utilizing strategic

windows or prototype changes.

According to Jones and Haigh (2007), strategy can be, and is, designed by corporations, while others, on the other hand, conclude that strategy cannot be designed. Nevertheless, if one accepts that strategy is probably to design, there were distinguished three main types of corporate strategy designing. The first is named strategic planning, the second type is titled financial control and the third type is titled strategic control and plunge in between the two extremes depicted earlier. The major component in administering corporate business is an adequately founded corporate strategy. The corporate strategy is a fundamental tie between effective business mission and comprehending determined portfolio of corporate goals in the market environment.

3. Corporate Strategy Regulations

Corporate strategy, according to Johnson et al. (2008), is the system of decisions in a company that settles and displays its corporate goals, affects the main policies, and plans for completing those goals and, therefore, sets the extent, nature, and outcomes of projects of a company and its parts. The interdependency of goals, policies, and systematized action is decisive to the uniqueness of a distinctive corporate strategy and its chance to create competitive advantage. It is the agreement, consistency, and internal steadiness of strategic decisions that place the company in its business setting and decide its particularity, the authority to activate its strengths, and probability of accomplishment in the marketplace. Successful corporate strategy, according to Lynch (2009), leads to synergic effects of business units' mixture with comprehensive performance that is bigger than individual performance of each unit.

Every company has its own easy regulations providing just reasonably framework to enable the company to catch the best quick opportunities. Primarily, a strategy has to be clear. Clarity means devising a strategy as clear rules, which guide streams of strategic procedures and clarify suitable course of action. The idea is founded on choosing a little number of strategically important procedures and designing several clear rules to direct them. Clear rules found a strategic framework to assist managers catch quick opportunities successfully.

It is evident that a corporation success primarily rests on the vision declared by the top management of the corporation (Goold et al. 1994). Functioning corporate strategy joined with the vision performs a crucial part in improving performance of a successful company. In a well-ruled corporate structure, prerequisites of uncovering, clarity, and responsibility give adequate support to the company's future path of action. Consequently, the matured strategy is conceivable, dependable, and value added. It justifies the trust of all main stakeholders. Any deficits or variance from an acceptable plan will be reported accurately and well timed to the stakeholders and suitable alternative rules will be applied (Johnson et al. 2008). Based on this implicit validating and validating tie, the corporation draws faith of investors, creditors, strategic associates, and community at large to meet its significant demands for value-creating drives.

As a result, corporate governance must be perceived as a supervising, validating, confirming, and supporting method for corporate strategy by which investors, creditors, and other stakeholders increase faith about corporate affairs, thereby guaranteeing accessibility of resources and carrying out other business relations with the corporation. It brings integrity and trust in management decisions, hence attracting further investment, credit, alliances, and business. Consequently, it is clearly connected with corporate strategy. Without suitable corporate governance, corporate strategy would be useless.

4. Corporate Strategy Model

To build a holistic model of strategic planning within corporation we consider necessary the integration of Hoshin Kanri model with Integrated Strategy Model developed by Jean Famhy. The new model will be strengthened by the principles of corporate governance as set out by OECD.

One of the most advanced systems planning used in corporations is Hoshin Kanri, developed in Japan in the 1960s, as a derivative of Management by Objectives. Hoshin Kanri is considered to be far superior to other forms of planning, particularly in integrating Total Quality Management (TQM) with the business plan of an organization.

Hoshin Planning is not, in itself, an instrument of corporate strategic planning, but can be considered as a tool for the implementation of a strategic plan already in place within organization, although it can facilitate strategic planning process. It depends on the existence of a clear set of objectives expressed by the organization Executive Director/Chairman. Hoshin Kanri implementation will, then, turn strategic intent in actions and behaviours daily needed.

This approach requires a planning system that integrates Deming's PDCA Cycle language and actions as well as specific activities, based on a clear long-term thinking. The measuring system must be realistic, with a focus on process and results and identify what is important. Planning should be integrated with daily work, supported by a good vertical communication and crossfunctional. Finally, all members of the organization

should be involved in local levels planning, in order to ensure a full and significant involvement in the whole process.

The main elements of the model can be summarized as follows (Tennant & Roberts, 2001):

- five-year vision that includes a plan draft, created by the president and the executive group;
- one year plan, which involves choosing an activity, based on the feasibility and ability to achieve the desired results;
- department-wide development that includes the selection of objectives and means;
- detailed implementation involving the implementation of development plans;
- monthly diagnosis represents the analysis of elements which supported or hindered the progress and activities that will benefit from this process of analysis and learning.
- president's annual diagnosis which represents the analysis of progress made in the development of activities that will continue to support every managerial function at full potential.

In order to effectively implement the principles of Hoshin planning, any organization has to develop a strategy based on five stages.

Hoshin Kanri benefits include the integrate of strategic objectives with daily tactical management, PDCA implementation to business process management, methodology of parallel planning and execution, entire company approach, improving communication, consensus and increased participation for setting goals and integrating crossfunctional management.

Integrated Strategy Model (ISM) created by Jean Fahmy seeks to accomplishing corporate goals using project management and enabling technology. This model is based on five fundamental questions which are to be found within all strategic planning models (Fahmy, 2012):

- Who are we?
- Where are we today?
- Why are we here?
- Where are we going?
- How are we going to get there?

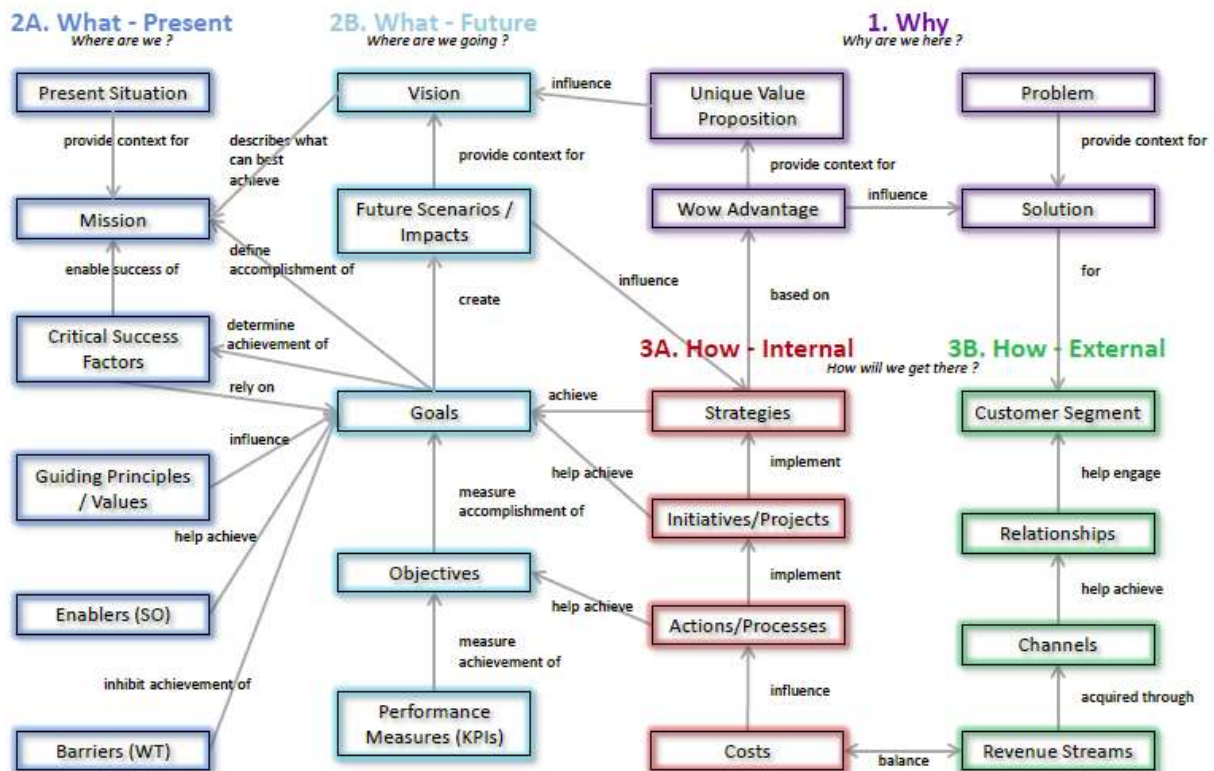


Figure 1 Integrated Strategy Model created by Jean Fahmy

Source: Fahmy, 2012

OECD has assembled a system of principles that are proposed to underpin the creation of a framework for good corporate governance. These principles cover five areas: “the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board” (OECD, 2004).

Briefly those principles stated that the corporate governance framework should (OECD, 2004):

- “protect shareholders’ rights.
- ensure the equitable treatment of all shareholders, including minority and foreign shareholders.
- acknowledge the rights of stakeholders as established by law.
- ensure timely and accurate disclosure on all areas regarding the company.
- ensure the strategic guidance of the company”.

To build an integrated model of corporate strategy we have combined the elements and stages of Hoshin Kanri strategic planning with the components of the Integrated Strategy model (ISM) created by Jean Fahmy. The new model created is subject to requirements formulated by OECD in terms of good corporate governance. All the components of the model have been integrated with the PDCA cycle in order to ensure the continuous improvement of corporate strategy (Figure No.2).

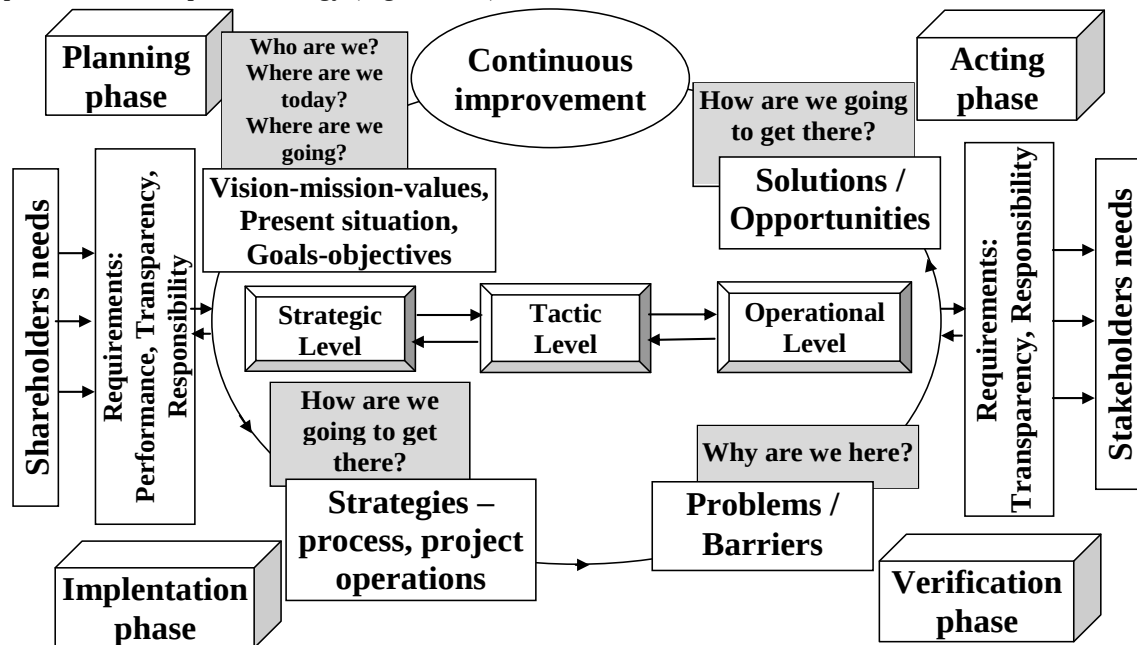


Figure 2 Integrated corporate strategy model (ICSM)

Source: developed by authors

The model is designed to operate at all three implementation levels: strategic (long-term, the responsibility of top management), tactical (medium term, the responsibility of each department), operational (short term, the responsibility of working teams and individuals).

5. Conclusions and further research

The corporate strategy in modern times has altered. These days, corporations should investigate a variety of possible plans to reveal new opportunities and threats to their business and react with winning strategies. As a result, the formula for efficient strategy must center on single strategic practices with easy rules, on the modular patching of units to quick market opportunities and on evolutionary scheduling for strategic movements.

The late years have witnessed a growing number of scientific reports directing to potential win-win schemes, where a corporation can increase profits while at least making some movement close to the application of sustainable business conventions. Many experts have deduced that corporations have to embody sustainability inside the strategy to stay competitive.

A theory of corporate strategy should include a theory of business expansion, a theory of organizational structure, a theory of total quality through the process of continuous improvement, as well as a theory of corporate governance and social responsibility. Therefore, any strategic model must take into account the requirements necessary to achieve good corporate governance and the need for corporate social responsibility to all stakeholders, in terms of sustainable growth of corporate value. Accordingly, the proposed strategic model (ICSM) achieves a harmonization of the corporation's strategic interests with the principles of good corporate governance. The model can be improved through the integration of its components with the principles and requirements of ISO 26000 Social Responsibility ISO Standard.

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