The link between corporate and business strategy

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Abstract: *Corporations, according to available strategy literature, have developed a distinct top-to-bottom style of communication. This has made it harder for companies to build a feasible strategic path that will result in success. We have only seen more open internal communication in the last few decades, which has resulted in an increase in efficiency. As a result, establishing the optimal strategic plan for achieving the objectives and goals requires a delicate balancing act between the corporation's and businesses' strategic objectives. The article suggests to define this same association between corporate and business strategies in order to obtain a good understanding of what needs to be done to ensure greater success. The existing literature review aided in the development of a more complete understanding of the topic, while still leaving possibilities for extra research.*

Keywords: corporate strategy, business strategy, strategy, business, strategic path

J.E.L. classification: M1, M19

1. Introduction

Since the inception of corporations, a distinct top-to-bottom communication style has been implemented. Only in the last couple of decades has top management demonstrated a willingness to listen to the needs and opinions of managers who are much closer to the day-to-day operations of the business and to understand which approach is more practical and efficient, thus establishing a new link between corporations' strategic approach and that of businesses.

In an increasing hypercompetitive business world, business organizations worldwide are trying to do their best to obtain and preserve their competitive advantage (Toma and Marinescu, 2015). In this respect, they use various tools, techniques, methods (Marinescu and Toma, 2008; Toma and Marinescu, 2017) but also different types of strategies (Toma and Marinescu, 2013). The Fourth Industrial Revolution has already had a significant impact on their business strategies and models (Toma and Tohănean, 2018). This is why innovation, learning, and entrepreneurial initiatives have become major concerns for their top management (Toma, Bratu and Burcea, 2013; Marinescu and Toma, 2017; Toma and Săseanu, 2017; Tohănean and Toma, 2018).

The purpose of this paper is to delineate the relationship between corporate and business strategies. To accomplish the above, an analysis of the last five years' worth of scholarly research was conducted in order to perceive and pinpoint the most prevalent and relevant characteristics of corporate and business strategies and typologies in order to aid in determining the optimal overall strategic path to follow. Following the review of some of the available literature on these subjects, the authors of this study propose an explanation for what this new connection between such opposing forces means, based on the most significant concepts from scholars who have conducted extensive research in this field. The authors have implemented a quantitative research approach to accomplish the article's aim. The following section discusses the literature review and research methodology, respectively. The section on results and findings encapsulates and reaffirms the study's observational findings. Lastly, the concluding section summarizes the research findings, allowing room for further analysis in a subsequent paper.

2. Literature review

i. Corporate Strategy

In the business field, the concept of strategy has derived from the military domain (Toma and Grădinaru, 2016). At its most fundamental level, corporate strategy has always been concerned with defining the business organization's mission and vision. They should be founded on a comprehensive understanding of the business's history and identity, as well as its unique culture, values, but also capabilities, as well as the overall ambitions and objectives of the corporation's key stakeholders (Toma, Marinescu and Constantin, 2016). While the mission articulates the organization's purpose, the vision articulates a desired future state(Toma,Marinescu and Grădinaru, 2016). A compelling corporate vision is much more than a summary of the status quo. It is an audacious goal grounded in the company's existing resources and competencies. It should be feasible and act as a guide for subsequent strategic choices. It should be written in a straightforward and simple manner that makes straightforward to determine whether the vision has been realized. Organisational vision must always be translated in to the corporate portfolio as well as growth strategies at the second level. Corporate strategy is centred on portfolio strategy. It defines the portfolio composition of the desired portfolio and the path to achieve it. Additionally, it establishes the portfolio's overall logic and distinguishes the different duties that the companies are expected to play within the portfolio. Corporate growth strategy focuses on the component of portfolio strategy only with greatest potential for long-term value creation. Corporate growth strategy has been generally treated as a distinct element during the development of corporate strategy, as it may entail the hunt for new growth opportunities outside of the existing portfolio. On the other hand, the final growth strategy should be mirrored in the destination portfolio and the corporate portfolio strategy as a whole (Pidun, 2019).

Other authorsprovide another perspective on the definition of corporate strategy. Corporate strategy, they believe, define the company's future development. Its corporate strategy enables it to address the following questions: diversification, integration, and acquisition of new businesses (Aliekperov, 2021).As such, we can see that corporate strategies serve as a framework for the development of lower-level strategies. The team at this level determines where the entity will compete, how resources are deployed, and how the organization's business portfolio could be bolstered, among other things(Heath and Johansen,2018).In addition, corporate scope decisions including mergers and acquisitions, collaborations, and divestments have the opportunity to generate or dismantle vast quantities of value for shareholders, to greatly affect operating efficiency for the better or worse, and to impose significant organizational repercussions on businesses. As such, these types of decisions frequently become focal points of discussion during meetings of the top-level management and in corporate boardrooms. Discrepancies in firm performance are critical to corporate strategy because they serve as a result — preferably, the decisions made by a firm's manager in rebuttal to the aforementioned questions result in the firm outperforming its competitors (Feldman, 2020).

ii. Business Strategy

There is no one-size-fits-all strategy for a manager. There is no prescription since there is no one-size-fits-all strategy or method for developing strategy. Strategy is situational. It is created in response to individual business challenges and constraints within the organization. Organizations face particular challenges and limitations. Any strategy theory that is not contextualized is of little use to a strategic manager. A strategy is a plan of action chosen by an organization to address specific problems, either both now and in the future. All strategy is context-dependent. Diverse situations necessitate distinct strategies. Neither the content nor the procedures of strategy are context insensitive. Theoretical frameworks for strategy can only serve as a backdrop for context-specific strategies. Additionally, there is the perception issue. If the objective of strategy is to resolve current or future organizational problems, the strategist's perception of the problem is critical. Issues are not perceived solely through analysis. Given the same assessment, two decision makers may have diametrically opposed perceptions of the problem and, consequently, two diametrically opposed plans of action. No amount of analysis will help. Perception is influenced by a variety of factors, including the strategic manager's character, fears, and aspirations. The strategist acts in accordance with his perceived notion of the situation, not with reality. Reality is impenetrable. In this context, strategy theories' emphasis on increased and improved analysis for strategy formulation may be misplaced. If strategy is a matter of perception, no amount of new analysis will contribute to enhance the strategic decision. Strategy hypotheses are too fixated on analysis to recognize that reality, particularly in the case of organizations, is perceptual. A more qualitative approach will aid in the comprehension of strategy formulation(Iruthayasamy, 2021).

Through a review of the available literature on business strategy, one could identify three distinct schools of thought regarding strategy. The 'planning' school ensures that the organization's strategy is compatible with the environment throughout which it operates. It necessitates meticulous and inflexible planning, which is incompatible with turbulent markets. Additionally, it makes use of the 'Product Life Cycle' as well as other marketing concepts. This school of thought is founded on historical trends, forecasts, and reliable frameworks and environments, and is highly bureaucratic and rational in its approach. Ansoff is among the most notable figures associated with this school of thought. He has created a matrix that enables people to visualize the relationship between products and markets and to plan accordingly. On the other hand, the 'positional' school emphasizes a sensible, analytical approach to strategy development and seeks to position the organization and its commodities in a favourable market or environment. This school of thought emphasizes competitive advantage through performance appraisal and decision-making tools. Finally, the 'resource-based' school is concerned with the internal environment rather than the external environment. It is centred on an 'inside-out' approach, implying that an organization's competitive advantage is derived from its own unique resources, capabilities, and competences. However, there is a risk in this last case of overlooking the external environment (Ritson, 2019).

iii. Aligning Corporate and Business Strategy

Alignment has traditionally been approached in strategic management from two points of view: external and internal alignments. External alignment refers to the alignment of an organization's strategy, competencies, and so on, with its environment. This is occasionally referred to as "fit." Internal alignment refers to the alignment of organizational factors within the organization, such as processes and approaches or strategy and objectives. Internal alignment is classified as vertical or horizontal in research. Vertical alignment is synonymous with aligning strategy elements such as goals and activities across hierarchy levels. Horizontal alignment aligns these elements horizontally across units and functions. Corporate and business strategic planning alignment is critical to the competitiveness and performance of multi-business firms. To fully grasp what alignment for both business and corporate strategy entails, the findings suggest that the link between the two also requires definition. To help convey the meaning of this relationship, the term "alignment relationship" is coined. Two distinct types of alignment connections have been identified in previous study: numerical and non-numerical. Numerical relationships are defined by the ability to mathematically accumulate or decompose components of strategies into a widespread sum, difference, quotient, or product. There is no such numerical rationale in a non-numerical alignment link. Alignment with such a mathematical relation is readily apparent; alignment with non-numerical ties is more challenging to detect (Wadström, 2018)

It is not unusual for an organization to have conflicting strategic objectives, as the self-interests of individual managers, corporate executives, and business owners may differ from the defined corporate goals. The concept of "moral hazard" refers to a pervasive agency problem that has been extensively discussed in management literature. It describes a situation whereby an agent abdicates his agreed responsibilities due to a conflicting self-interest with that of the principal, and the principal would be unable to ascertain if the agent is going to act in accordance with the agreement or not. In a target conflict, the collaborating parties' divergent interests result in costs and inefficiency, which are incurred by various stakeholder groups. Entrepreneurial businesses work and compete in an ever-changing, disruptive environment. Information critical to corporate visions is frequently asymmetrical and, at times, commoditized at a high cost to the agency. The dichotomy of values and objectives has become pervasive in corporate organizations, exacerbated agency problems, and frequently resulted in unrealized growth potentials. The effectiveness of strategy implementation in a corporation is contingent not only onthe entrepreneurial spirit, leadership, strategy implementation, and resource orchestration but also on the characteristics and unpredictability of the operating environment, as well as the pervasive culture of goal congruity, which are traditionally unpredictable to the organization (Omotosho and Anyigba, 2019).

Strategic controls play a critical role in corporations by monitoring the interrelationships between various business units and ensuring that the scale economies anticipated from efficiency gains between core businesses are realized. However, such interrelationships frequently have an effect on the short-term financial management of business units. By implementing strategic controls, corporations can incorporate the strategic impact of business unit activities into their performance assessment and reassure business unit executives that any subsequent lower financial results may be justified by the strategic outcome of risky decisions such as research and development investment. Strategic controls are frequently embodied in organizations through regular interactions between both the company business manager as well as corporate staff to ensure that corporate headquarters understands the business unit's decisions. The efficiency of a business unit is determined not only by its strategic orientation, but also by the "fit" of various organizational variables that can impact that business unit's results. The concept of "fit," which originated in cognitive and behavioural organization studies, was also used to describe the connection between firm controls and microlevel business unit practices. Such arguments imply that in order to support business unit effectiveness and deliver superior performance, micro-level practices must adhere to the macro-level control requirements. Previous research has discovered that a fit among both business unit strategy and internal organization of the corporation has an effect on business unit performance, with greater autonomy resulting in higher market performance and less autonomy resulting in increased short-term financial performance (Seifzadeh and Rowe, 2019).

3. Research methodology

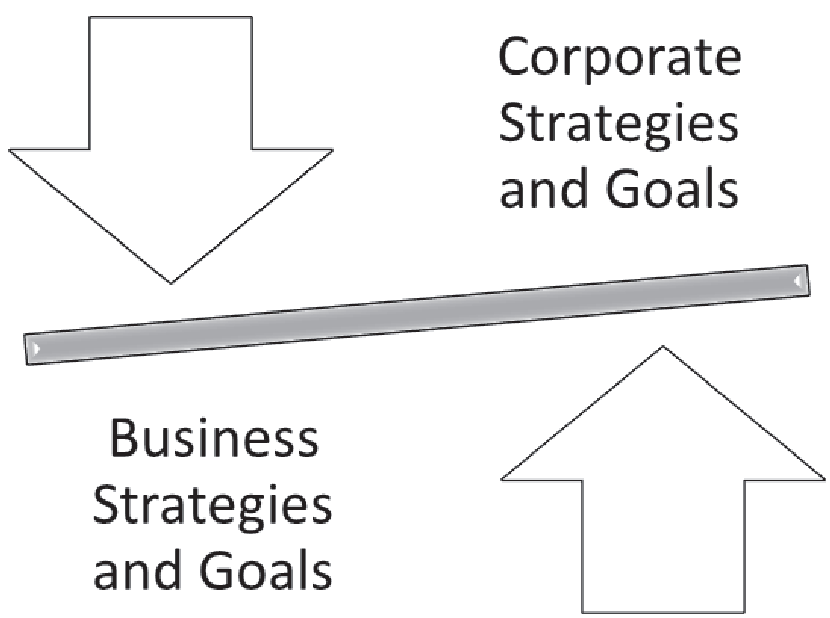
An empirical quantitative study was used in this article, which involved the collection and examination of secondary information about the development of a variety of corporate and business strategy concepts, which could then be utilised to inform the study's design. Following that, the authors conducted a review of the literature and discussed their findings.

4. Results and discussions

After reviewing some of the available research on business and corporate strategy, the authors noted that there is a clear need for alignment between the two at both the macro and micro levels. For this alignment to be successful, there must be a strong connection between lower management's strategic goals and those of upper management in order to accomplish the company's overall goal. If this connection is not maintained, a breakdown in communication or a deviation in the tactics chosen could potentially disrupt the overall strategic path and result in inefficiencies in the corporation's overall performance.

The authors envisioned the corporate strategic approach and the business approach as two polar opposites that balance one another (Fig 1). The fine line that keeps these strategies in check is the strategic path that connects them to the company's overall goals.

Figure 1: The strategic balance



Source: Author's own contribution based on literature review analysis

If one pushes the other more than is prudent or attempts to overwhelm the other with additional tactics and decisions, an imbalance is created, the path is disrupted, and a portion of the overall goal is jeopardized. As such, maintaining this path should be the primary objective in this instance.

5. Conclusions

The purpose of this article was to establish a connection between corporate and business strategies. To achieve this, it was essential to develop a better comprehension of what the concepts of corporate strategy as well as business strategy mean in today's business environment and how to best align them in establishing a well-defined strategic path needed to reach the company's overall objective. The authors proposed an explanation for the nature of the connection between such strategic approaches following a thorough review of the literature. As a consequence, the paper highlights the crucial nature of maintaining equilibrium in order for their strategic paths to align. This confirmed to be a viable direction for the paper, and it paves the way for future research in subsequent papers.

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