

Corporate Strategy

- The main concerns of Corporate Level Strategy are
- To identify the businesses in which a Company should participate
- The value creation activities it should perform in those businesses
- And the best means for expanding or contracting in different businesses including mergers, acquisitions and spin-offs.

- Corporate Strategy deals with three key issues
- The firm's overall orientation towards growth, stability or retrenchment (Directional Strategy)
- The Industries or Markets in which the firm competes through its products and Business Units (Portfolio Strategy)
- The manner in which management coordinates activities, transfer resources and cultivates capabilities among product lines and business units.(Parenting Strategy)

- Corporate level strategies include the following:
- Horizontal Integration
- Vertical Integration
- Strategic Outsourcing
- Diversification
- Mergers & Acquisition

Directional Strategy

- Directional Strategies include the following
- Growth Strategies
- Stability Strategies
- Retrenchment Strategies

Growth Strategies

- Growth is a very attractive strategy for two key reasons
- Growth at times hides the flaws in a Company, which would otherwise be seen in a stable or declining market
- A growing firm offers more opportunities for advancement, promotion and interesting jobs.

- The two basic growth strategies are
- Concentration on the Current Product lines in one Industry, and
- Diversification into other product lines in other Industries

Concentration

- The two basic concentration strategies are
- Vertical Growth, and
- Horizontal Growth

- Vertical Growth can be achieved by taking over a function previously provided by a supplier or distributor.

Vertical Integration can be

- Full Integration
- Taper Integration
- Quasi Integration
- Long-term Contract

- In case of Taper Integration a firm produces less than half of its requirement and buys rest from outside suppliers.
- In case of quasi integration a company purchases most of its requirements from outside suppliers that are under its partial control. For example by purchasing 20% of shares of Focus System, Motorola guaranteed its access to the technology of Focus

- Horizontal Growth results in horizontal integration which may range from full to partial ownership to long-term contracts. For example KLM, a dutch airline, purchased a controlling stake in Northwest Airlines to obtain access to American and Asian Markets.

Diversification Strategies

- Two basic diversification strategies are:
- Concentric Diversification
- Conglomerate Diversification

International Entry Options

- Exporting
- Licensing
- Franchising
- Joint Ventures
- Acquisitions
- Green-Field Development
- Production Sharing
- Turn-Key Operations
- BOT Concept
- Management Contracts

Exporting

Licensing

- Under Licensing agreement, the licensing firm grants rights to another firm to produce and/or sell a product. The licensee pays compensation to the licensing firm in return for technical expertise. This is an useful strategy if the trademark or brand name is well-known but the Company do not have sufficient funds to finance its activities.

Franchising

- Under Franchising agreement the franchiser grants rights to another company to open a retail store using the franchiser's name and operating system. In exchange the franchisee pays the franchiser a percentage of its sales as a royalty.

Joint Venture

- Joint Venture enables a Company to combine resources and expertise needed to develop new products or technologies.
- It enables a Company to enter a Country that restricts foreign ownership.

Acquisition

- It implies purchasing a Company operating in the same area.
- Synergistic benefits can result if the Company acquires a Firm with strong complementary product lines or a strong distribution network.

Green-Field Development

- If a Company don't want to purchase another Company's problems then it could opt for Greenfield Development
- In this case the Company builds its own manufacturing plant and distribution system.

Production Sharing

- It means the process of combining the higher labour skills and technology available in the developed countries with the lower cost labour available in developing countries.

Turnkey Operations

- These are contracts for the construction of operating facilities in exchange for a fee.
- The facilities are transferred to the host country or firm when they are complete.
- MNCs performing turnkey operations transfer some of their equipments
- E.g.Fiat built an auto plant in Russia to produce an older model of Fiat under Russian brand name.

BOT Concept

- Build
- Operate
- Transfer

Management Contracts

- Management Contracts allow a firm to assist another firm for a specified fee and a period of time.
- These are common when a country's Govt takes over a foreign company's holding in its country
- The contracts allow the foreign firm to earn till the locals are trained.

Stability Strategy

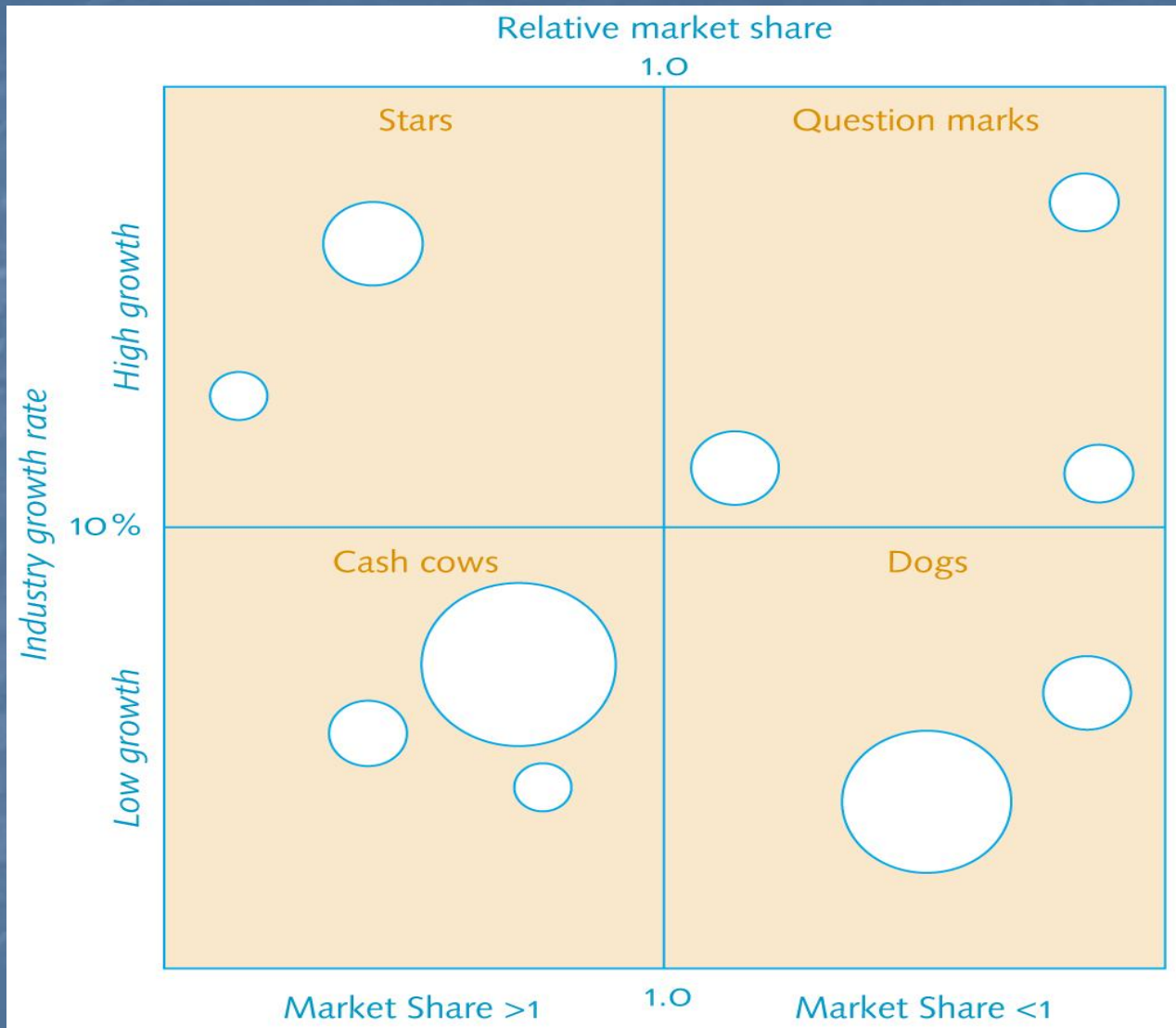
- Pause/Proceed with Caution Strategy
- No Change Strategy
- Profit Strategy

Retrenchment

- Turnaround Strategy
- 1. Contraction
- 2. Consolidation
- Captive Company Strategy
- Sell-Out/Divestment Strategy
- Bankruptcy/Liquidation Strategy

Portfolio Analysis

- In Portfolio Analysis, top Management views its product lines and business units as a series of investments from which it expects a profitable return.
- Two of the most popular approaches are the BCG Growth-Share Matrix and GE Business Screen



Advantage of Portfolio Analysis

- It encourages top management to evaluate each of the Company's business and to set objectives and allocate resources for each.
- The graphic depiction facilitates communication
- It raises the issue of cash flow availability for expansion and growth

Limitations

- It is not always easy to define product/market segment.
- It is not always clear what makes an Industry attractive.