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Business Policy and Corporate Strategy

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ABSTRACT:

Successful company management requires a strong foundation in corporate strategy and business policy. The main ideas and tenets supporting these strategic management techniques are examined in this abstract. Business policy refers to the rules, values, and norms that influence internal decision-making and shape an organization's overarching goals and objectives. The long-term plans and activities a firm takes to accomplish its objectives, obtain a competitive edge, and provide value for its stakeholders are referred to as corporate strategy, in contrast. This abstract explores the significance of matching company strategy with business policy to create a unified and efficient approach to organizational decision-making. It also emphasizes how crucial strategic management is for navigating the intricacies of the corporate environment, foreseeing difficulties, and seizing chances for expansion and sustainability. This abstract illustrates the importance and influence of business policy and corporate strategy in fostering organizational performance in a continuously evolving global marketplace via a discussion of important theoretical frameworks and case examples from the actual world.

KEYWORDS:

Businesses, Corporate, Company, Management, Strategy.

I. INTRODUCTION

Organisations encounter a variety of issues in today's dynamic and competitive business environment, which need strategic thinking and sound decision-making. Corporate strategy and business policy are essential for directing organisations towards their objectives, generating sustainable development, and acquiring a competitive edge. The area of strategic management revolves on these two interconnected ideas because they provide frameworks for coordinating an organization's skills, activities, and resources with its long-term goals.Business policy is the collection of rules, values, and procedures that a company uses to direct its decision-making. Managers use these rules as a guide to make consistent, knowledgeable decisions in a variety of areas, including finance, marketing, human resources, and operations. In order to provide a feeling of direction and purpose and to make sure that everyone in the organisation is working towards a single goal, business policies must be developed and put into action[1], [2].

Corporate strategy, on the other hand, includes all of the complete plans and steps that a company takes to accomplish its purpose and reach its strategic goals. Making decisions on which markets to join or depart, what goods or services to provide, and how to efficiently deploy resources to produce value for stakeholders are all part of this process. Corporate strategy describes the organization's long-term vision for success and is often developed at the highest levels of the organisation with input from senior management and the board of directors.Business strategy and company policy work together in harmony. Corporate strategy is constructed on the basis of business policies. The strategic decision-making process is guided by a clear and comprehensive set of policies, ensuring that decisions are consistent with the organization's purpose and core values. The corporate strategy also establishes the overall framework for the development and implementation of company policies. It gives the company policies a sense of direction and purpose, ensuring that they all work together to get the intended results[3], [4].

Businesses seeking long-term success in a world that is uncertain and changing quickly must implement company policy and corporate strategy. Organisations may adapt proactively to external variables including technology breakthroughs, economic changes, and shifting consumer preferences thanks to strategic management. Organisations may put themselves in a position for development and resilience by seeing opportunities and reducing risks[5], [6].

We will explore diverse theoretical models, frameworks, and best practices as we examine company policy and corporate strategy. Real-world case studies will show how effective businesses have used these ideas to overcome obstacles, adjust to changing markets, and gain a competitive edge. We will also examine how international trends, such as sustainability and digital transformation, affect strategic decision-making, highlighting the need of ongoing innovation and adaptation.Ultimately, organisational leaders and managers who want to guide their businesses towards a profitable and sustainable future must understand and use company policy and corporate strategy effectively. Organisations may position themselves for success in a business environment that is becoming more complicated and linked by integrating policies with strategy and cultivating a culture of strategic thinking. It is crucial to emphasise the influence of company policy and corporate strategy on numerous facets of the firm in addition to their crucial function in directing decision-making and accomplishing organisational goals. These strategic approaches have an impact on the company's connections with external stakeholders as well as its internal operations[7], [8].

The organisation may concentrate its efforts and investments on areas that provide the best return on investment and are in line with its long-term goal by optimising resource allocation with the aid of business policy and corporate strategy. Strategic management helps businesses to decide which goods or services to prioritise and how to position themselves within an industry by examining market trends, competitive factors, and consumer wants.These strategic frameworks also have a significant impact on how the organisational culture is developed and how people develop a feeling of purpose. Employee engagement and motivation to contribute to the company's success increase when they are aware of the strategic direction of the organisation and their involvement in accomplishing its goals. Employees that are empowered to make choices in support of the organization's objectives via effective corporate communication have a workforce that is more flexible and agile.

Business policy and corporate strategy also affect how an organisation interacts with its many stakeholders, such as clients, partners, backers, and the general public. A well defined business strategy may improve the company's reputation and investor appeal, opening up more prospects for expansion and expanding the company's access to finance. Additionally, it helps the organisation to create solid alliances with partners and other important stakeholders, encouraging cooperation and innovation.Strategic management becomes a continuous and iterative process in a corporate environment that is changing quickly. To be current and competitive, organisations must periodically examine and change their corporate strategy and company policies. This flexibility is essential for tackling new difficulties, seizing new opportunities, and preserving a long-lasting competitive edge[9], [10].

To sum up, the implementation of corporate strategy and company policy paves the way for efficient decision-making, goal alignment, and value generation inside an organisation. Their interactions influence the company's direction and make sure it continues on track to fulfil its goal and vision. Additionally, in a corporate environment that is always changing, strategic management affects the organization's culture, stakeholder relationships, and overall performance. By embracing these ideas, organisations may negotiate complexity and unpredictability and set themselves up for a successful and significant future.

II. DISCUSSION

Business policy relates to the duties and obligations of senior management, important concerns impacting overall performance, and long-term business choices. Corporate strategy is the plan created and put into action to achieve the objectives established by the company's business policy. Corporate strategy is largely focused on providing a response to the question, What set of companies should the firm be in? as a company-wide plan. It should be contrasted from business strategy, which is concerned with finding a long-term competitive edge in a particular industry or market. Corporate strategy is more precisely the method in which a firm adds value by organising and coordinating its multibusiness operations. As a result, the diversified multibusiness firm is the focus of corporate strategy. This article begins by outlining the elements of a theory of corporate strategy, follows with a timeline of corporate strategy development, and ends with a discussion of the significance of a theory of corporate strategy.

Fundamentals

The major goal of a theory of corporate strategy, from an academic perspective as opposed to a more managerial or practical point of view, is to comprehend why such multibusiness corporations arise and what the link is between diversification and performance. Because the neoclassical theory of the firm presupposes only the presence of single-business enterprises working in almost ideal marketplaces and in an equilibrium of competitive forces, the issue of why multibusiness businesses exist is especially crucial. This premise is contested by the reality of successful multibusiness enterprises. Therefore, particular theoretical innovations are needed to address the causes of multibusiness enterprises. A theory of corporate strategy must also demonstrate how multibusiness enterprises produce value at the corporate level that is not possible for neoclassical single-business businesses or shareholders to achieve. A similar approach need to clarify the functions of corporate headquarters in overseeing various firms and corporate assets. Corporate strategy, then, affects both corporate governance and the management of managers' activities. The administration of corporate strategies is affected significantly by a sizable body of theory that has developed in the fields of strategy, economics, finance, marketing, organisation theory, and international business.

Since the emergence of multibusiness enterprises at the start of the 20th century, there has been a steady increase in academic interest in the development of a theory of corporate strategy. Multibusiness organisations are presently the preeminent sort of organisations for the conduct of business operations, but they were essentially unknown before 1900. About 60% of the economic production in the US is carried out by multibusiness enterprises. While particular types of multibusiness organisations, such keiretsu in Japan and chaebols in Korea, have comparable percentages in Western Europe,are widespread in the rest of the globe as well. To comprehend the function of big multinational corporations and

Three groups of concerns have received particular attention in academic study in the development of business strategy: First, the factor that determines the scope of a firm: Why do some businesses focus on a narrow range of goods, markets, and activities while others cover a broad spectrum? What is the relationship between scope and performance, second? Third, how does this connection affect organisational structure, management practises, and leadership in the management of multibusiness firms?David Collis and Cynthia Montgomery have provided the most thorough framework outlining the essential components of a theory of corporate strategy. They contend that the existence of multibusiness enterprises is due to the alignment of four factors, including a corporate vision concerning the aims and objectives of the company, which is then executed based on the stock of resources and portfolio of businesses inside the organisation. Additionally, a set of corporate structures, methods, and procedures outlining the responsibilities of the corporate headquarters should be created and coordinated to ensure that the corporate vision is implemented and is in line with the firm's resources and business operations. The multibusiness organisation has a competitive edge when these four components vision, resources, business, and duties of the headquarters work together to produce shareholder value that cannot be recreated by financial investors alone.

Corporate vision refers to the determination of the domain of the business's operations in this framework, which the authors refer to as the corporate strategy triangle. It is largely focused on defining the limits of the organisation. What kind of companies should we be in? should be included in the company vision. The firm's major corporate value-creating processes should be identified in the vision together with a set of corporate goals and objectives. Sharing resources between businesses, transferring core competencies between businesses, creating an effective internal capital market through portfolio management, and restructuring are four generic mechanisms that Michael Porter proposed should give the multibusiness firm a competitive edge.The most important building blocks of corporate strategy are resources because they decide what a corporation can achieve, not what it wants to do. This means that resources decide which industries the company may have a long-term competitive edge in. The company may generate synergies and economies of scope, sources of corporate benefit, by pooling and shifting resources across linked businesses. Additionally, the availability of surplus mobile and fungible resources gives the company an incentive to diversify as well as a focus for its diversification strategy.

Businesses are used to describe the marketplaces or sectors in which a company works. The execution of the corporate vision and the long-term viability of the corporate strategy depend heavily on the make-up of the company's portfolio of enterprises. As these value-creating processes need associated firms, the business portfolio of the company affects how much it can pool resources across businesses or transfer skills and capabilities from one business to another. As an alternative, the company might diversify its investments to reduce risk or leave weakening markets. In order to create an effective internal capital market and adopt a restructuring plan, companies must also be somewhat unconnected in order to provide a competitive advantage for the company.

The corporate office of the company is crucial in coordinating and organising the operations of the companies in order to put into practise a corporate strategy or corporate value generation mechanism. Decisions made by business divisions are influenced by corporate headquarters via the organisation, systems, and procedures of the company. However, the amount of corporate headquarters participation in the operations of its business units should rely on the corporate vision, the firm's resources, and the degree of interdependence between its companies. Michael Goold and colleagues refer to this as a firm's "parenting style." To spread risk and reduce overhead costs, the headquarters should play a minimal role and leave the majority of operational decisions to the business units. Alternatively, the headquarters can play a significant role in the business units' decision-making process to increase coordination across business units in order to force collaboration and create synergies that will give the corporation an advantage. There isn't a single optimum business strategy to develop a competitive advantage, according to corporate strategy theory. On the contrary, there are other strategies that, although relying on different combinations of the four components of the corporate strategy triangle, are equally lucrative. Industrial organisation theory, transaction cost theory, agency theory, the dominant logic, the resource-based view, strategic contingency and institutional theories, and real option theory have all been used to support the value creation potential of these various combinations.

The theoretical framework required to explain relationships between the components of the corporate strategy triangle is provided by these theoretical viewpoints.From a theoretical perspective, there are several reasons why multibusiness corporations could develop. The main reason single-business corporations strive to diversify their operations into related and unrelated industries is to raise the firm's corporate value by enhancing overall performance, whether via economies of scope or greater revenues. Additionally, some businesses diversify to acquire a competitive advantage over rivals, often by forgiving one another or integrating vertically. However, there may be other factors driving a company to diversify its operations that have nothing to do with raising the firm's worth. Diversification may raise coordination and control expenses, lower revenues and shareholder value, or have no impact on a firm's competitive edge. These factors are relevant to both diversification done to equalise and therefore neutralise a competitor's market strength and diversification conducted to grow the firm's portfolio of enterprises in order to improve management remuneration or minimise managerial employment risk, which might result in agency difficulties. Both the internal and external environments of a corporation might provide incentives for diversification. While antitrust rules and tax restrictions are examples of external incentives, poor performance, unclear future cash flows, the quest of synergy, and lower risk for the company are examples of internal incentives. Although a company may be motivated to diversify, it also has to have the means and skills to do so in order to increase corporate value.

Evolution

Kenneth Andrews (1971) defined corporate strategy as "the pattern of objectives, purposes, or goals, stated in such a way as to define what business the company is or is to be in and the kind of company it is or is to be" (p. 28). This definition dates back more than 50 years. The decision of the business(es) the firm is or is to be, according to this definition, should be founded on the twin evaluations of the company's external and internal surroundings. The identification of unique competences should result from an evaluation of the company's internal strengths and weaknesses, and the evaluation of the company's external environment's dangers and opportunities should result in the identification of possible success factors. However, in the previous 50 years, multibusiness enterprises' corporate strategies have experienced a significant shift that has altered both their organisational structure and their scope. The expansion of multibusiness organisations during the merger and acquisition (M&A) booms of the 1960s and 1980s sometimes resulted in the destruction of company value due to high coordination costs and wasteful utilisation of free cash flows. In reaction to the recessions and interest rate increases of 1974 to 1976, 1980 to 1982, and 1989 to 1991, which revealed the subpar profitability of many big, diversified corporations, a focus on profitability and the generation of shareholder value became commonplace. The development of shareholder activism and tighter regulation of managers' diversification efforts were influenced by increased pressure from shareholders and the financial markets, especially a new breed of institutional investors (such as pension funds).

Many diversified companies had to review their business portfolios, the participation of their headquarters, and the coordination and configuration of their multimarket operations as a result of capital market pressures in the 1990s. For instance, a wave of CEO terminations in the early 1990s brought attention to the growing influence of corporate board members. The use of debt finance by corporate raiders and leveraged buyout (LBO) organisations in their efforts to purchase and subsequently reorganise failing corporations posed an even greater danger to incumbent management. Other underperforming multibusiness businesses were given a clear lesson: either willingly de-diversify and restructure, or risk a hostile acquisition. Corporate managers increasingly focused on the stock market value of their company as a consequence of this shareholder pressure. Downsizing and refocusing were the two main tendencies of the latter two decades of the 20th century. By focused on their core activities, large diversified companies decreased both their vertical and product breadth. This was accomplished via outsourcing.Greater vertical specialisation was not the only result of outsourcing-related reductions in vertical integrationnonetheless, a reinterpretation of vertical linkages. Long-term relationships are prevalent in the new vertical alliances.Relational partnerships that mostly avoid the inflexibility and red tape of administrative vertical integration. The companies' retreat from product diversity has also been a clear indicator of the condensed organisational scope. New forms of collaboration have gained popularity more recently, including joint ventures, strategic partnerships, and franchising.

The theoretical perspectives and normative recommendations for corporate strategy theory have changed throughout time, reflecting these changes in corporations' corporate strategies. Corporate strategy theory has evolved and become more sophisticated over time, changing from a focus on financial performance in the 1960s to managing the corporation as a portfolio of strategic business units and looking for synergies between them in the 1970s to emphasising free cash flow and shareholder value in the 1980s to refocusing on core competencies in the 1990s, and finally, to industry restructuring at the start of the 21st century. The development and use of organisational capacity has been a major focus of strategy study at the beginning of the twenty-first century. It is now widely acknowledged that diversification is not always necessary for a strategy to exploit links (i.e., relatedness) across various business sectors and that a wide range of strategic alliances and other synergistic relationships may exploit economies of scope among independent firms.

Importance

The notion of corporate strategy does not only have ardent advocates; detractors have questioned its significance and applicability, claiming that corporate strategy is irrelevant. This opinion is primarily based on empirical findings from a number of early variance decomposition studies that revealed minor corporate effects linked to variations in company profitability. However, more recently, academics have reevaluated the relative significance of industry, business, and corporate factors in determining profitability differences between firms using more sophisticated techniques, and they have discovered that corporate strategy accounts for a sizable portion of performance differences that, in some cases, approach 25%. Recent outcomes show that business strategy does important.The theory of corporate strategy is also criticised for relying excessively on economic theories, such as the agency cost and transaction cost theories, and using shareholder value as the yardstick to evaluate the effectiveness of corporate strategy. These opponents contend that a crucial but debatable premise of management opportunism underlies these economic theories.

These economic theories, for instance, presuppose that managers are often opportunistic and driven only by self-interest, yet this presumption has frequently been contested. Some academics believe that the majority of managers truly perform as extremely responsible stewards of the resources they have under their control and do not act opportunistically. They provide a stewardship theory based on this alternate interpretation of managers' motivations, which suggests that shareholders should put in more adaptable corporate governance structures rather than burdening their benign managers with pointless and expensive bureaucratic regulations. The presumption of management opportunism has significant effects on how businesses deal with their strategic partners and how corporate headquarters supervise business unit managers.

Corporate strategy theory also adopts a limited perspective on corporate obligations by concentrating on shareholder profit. By claiming that businesses and their managers are accountable to more stakeholders than just their shareholders, stakeholder theory broadens this perspective. However, managers must make corporate strategy choices that balance these many purposes rather than just maximising shareholder wealth when the interests of different stakeholders constitute ends to be achieved. According to the stakeholder theory of corporate strategy, managers' objectives need to be formed in consultation with a wide range of internal and external stakeholders, even if they support potentially diametrically opposed claims.However, as the number of stakeholders to whom businesses and managers must answer grows, so does the range of their corporate obligations. There have been claims that there are really four different kinds of corporate social responsibilities: charitable, legal, ethical, and economic. Therefore, the managers of multibusiness enterprises must strike a balance between a number of factors, of which shareholder value is just one.A thorough theory of corporate strategy still has to take into account these most recent advancements. Some of the core presumptions of the economic theory of corporate strategy, such as managerial opportunism andmaximised value for shareholders. It would take effort to dispel the notion that all managers are opportunistic.that the advancements of stewardship theory should serve as the foundation for a complete philosophy of corporate strategy. It would be necessary for a thorough theory of corporate strategy to extend its viewpoint to accommodate other stakeholders in order to relax the assumption that the maximisation of shareholder value is the ultimate aim of a business strategy and managers' only duty.

Finally, developing new theoretical foundations for a theory of corporate strategy would be necessary to broaden enterprises' corporate obligations beyond profit-making to include larger economic, social, and environmental responsibilities.the theory of corporate strategy and its essential elements have been discussed in this post.It establishes that corporate strategy includes decisions about the scope of the firms in terms of their businesses, resources, and the leveraging of those resources across businesses as well as the role of corporate headquarters for the organisational structure, systems, and processes. These decisions are guided by a vision and more specific goals and objectives. There is no one optimum corporate-level strategy; instead, a variety of value-creating corporate strategies may be formed based on various arrangements of the many corporate strategy components. Corporate strategies and the theoretical justifications behind them have changed throughout time as a result of pressures from the firm's internal and external contexts. One of the key components of corporate strategy is diversification, which means that corporate strategy matters and that a firm's amount of diversity affects its success. However, a theory of corporate strategy covers more than only the relationship between success and diversity. An organization's organisational structure, multipoint competition, theory of company development, and theory of corporate governance are all included in or influenced by a theory of corporate strategy.

III. CONCLUSION

Corporate strategy and company policy are the cornerstones of strategic management and direct organisations towards their long-term objectives and competitive advantage. Business policies serves as guiding principles for choices in a variety of functional areas, promoting uniformity and coherence across the organisation. Corporate strategy, on the other hand, offers a broad framework for coordinating the organization's resources and skills with its vision and goal.Organisations are better equipped to negotiate complicated and changing business contexts when company policies and corporate strategy are successfully implemented. Strategic management helps businesses to adapt and prosper in the face of uncertainty by proactively recognising opportunities and managing risks. Additionally, it promotes a culture of strategic thinking, inspiring staff members of all ranks to aid in the accomplishment of organisational goals.Effective company strategy and business policy have an effect on both internal operations and external stakeholders. They improve the company's standing, investment appeal, and relationships with partners, clients, and communities. The organization's position in the market is subsequently strengthened, and its capacity to seize new possibilities is enhanced.

However, it is crucial to understand that strategic management is a continuous process rather than a one-time task. Organisations must continually reevaluate their policies and strategies to be relevant and competitive since the business environment changes continuously. Companies may react to shifting market circumstances and client demands efficiently by adopting a dynamic and adaptable approach to strategic management.In conclusion, corporate strategy and business policy are effective instruments for influencing the viability and sustainability of organisations. These ideas provide businesses the ability to overcome obstacles and take advantage of opportunities while generating value for stakeholders and fostering development. When strategic management is carried out well, it becomes a key factor in a company's capacity to prosper in a dynamic and cutthroat environment. Strategic management will remain a crucial part of firms' journeys to long-term success and wealth as they continue to develop and innovate.

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