

Meyer's Management Models

47. Corporate Strategy Framework

Which key choices need to be made when formulating a corporate level strategy?

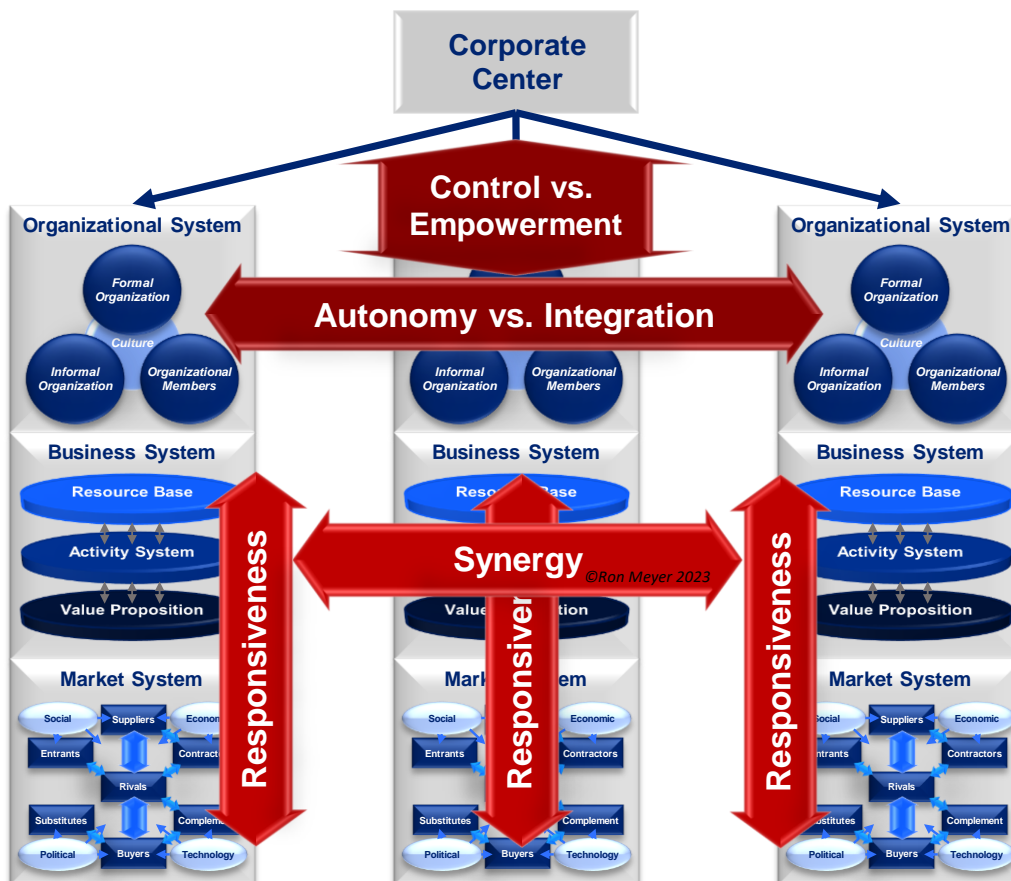
Key Definitions

When an organization operates in two or more lines of business, it needs a separate *business level strategy* for each business unit, choosing where to position itself in the *market system* (“where to play”), which model to use for its *business system* (“how to play”) and which model to use for its *organization system* (“who should play”). These three key business level strategy choices are described in the Strategic Alignment Model (Meyer’s Management Models #32).

But besides strategies for each of the business parts, multi-business organizations also need an overarching *corporate level strategy* for the whole. This is true for organizations with just a few business units, but equally for organizations with dozens or even hundreds of them.

Conceptual Model

The *Corporate Strategy Framework* outlines the four key choices when formulating a corporate level strategy. This framework builds on the business level strategy choices described in the Strategic Alignment Model, shown here as three gray vertical ‘silos’ (the market, business, and organizational system choices of each business unit). Only three lines of business are depicted here to keep it simple, but there can be many more. The key corporate level strategy choices are the red arrows, that come on top of the business level strategy choices. The light red arrows are *business model* choices, while the dark red arrows represent *organizational model* choices.



Key Elements

The four key choices that need to be made for a corporate level strategy are the following:

1. **Corporate Value Creation: Which balance between responsiveness & synergy?** Each business unit needs to align its market and business system choices, being *responsive* to its own specific competitive situation. Yet, at the same time, cross-business *synergies* can be pursued, such as leveraging resources, linking activities and aligning value propositions, but this requires being less unique and using a joint approach. So, a choice must be made about what to do differently or similarly across business systems to create maximum value.
2. **Corporate Composition: What businesses to be in?** When choosing which lines of business to be in, a corporation needs to follow the above-mentioned value creation logic, building or acquiring businesses that are responsive and can be successful in their own right (creating *standalone value*), while simultaneously preferring businesses that fit with the key synergies being pursued (creating *synergy value*). So, businesses need to be selected that maximize the sum of the standalone and synergy value.
3. **Corporate Linkages: Which balance between autonomy & integration?** To support its responsive business system, each business unit requires some *autonomy* to develop its own specific organizational system, including its own type of culture, structure, processes, people, and leadership. At the same time, to achieve the intended synergies, the business units require some *integration* into a joint corporate organization. So, a choice must be made about what to do separately or together across organizational systems.
4. **Corporate Management: Which balance between control & empowerment?** The more responsive a business unit needs to be and the more autonomy it has been given, the less guidance it will require from the corporate center – it can be *empowered* to make its own decisions, with limited central *control*. The more cross-business synergy and cross-unit integration envisioned, the more steering that will be required from the center. So, the center needs to choose what and how much to control, and where to empower.

Key Insights

- **Corporate level strategy encompasses business level strategy.** Each business unit part in a corporation needs its own strategy, on top of which a strategy is needed for the whole. Both levels need to be aligned, but which is in the lead can vary.
- **Corporate level strategy is about adding value to businesses.** Having a corporate level adds extra cost, so it must add at least as much synergy value to make sense, while avoiding too much loss of responsiveness. This makes finding the right balance between responsiveness and synergy the key business system choice.
- **Corporate level strategy is about choosing the best corporate composition.** A corporation will want to be in businesses that can create stand-alone value, but also create synergy value in accordance with chosen responsiveness-synergy balance.
- **Corporate level strategy is about choosing the supporting organization model.** To achieve the intended value creation with the chosen businesses, a corporation needs to balance business unit autonomy and corporate integration (called *horizontal design*), as well as business unit empowerment and corporate center control (called *vertical design*).
- **Corporate level strategy is more than central vs. decentral.** Corporate strategy discussions are often framed as centralization vs. decentralization. This is a dysfunctional approach. Synergies are achieved by integration, which doesn't have to be at the center, nor does it always require central control. It's time to ditch the central-decentral dichotomy.

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Insightful Tools to Kickstart Your Thinking

Publication Schedule

<i>July 2019</i>	<i>Mind the Gap Model</i>	<i>Change Management</i>
<i>August 2019</i>	<i>Digital Platform Map</i>	<i>Digital Strategy</i>
<i>September 2019</i>	<i>Interaction Pressure Gauge</i>	<i>Interpersonal Interaction</i>
<i>October 2019</i>	<i>Revenue Model Framework</i>	<i>Revenue Model Typology</i>
<i>November 2019</i>	<i>House of Engagement</i>	<i>Organizational Engagement</i>
<i>December 2019</i>	<i>Confidence Quotient</i>	<i>Trust Building</i>
<i>January 2020</i>	<i>Competition Tornado</i>	<i>Competitive Strategy</i>
<i>February 2020</i>	<i>11C Synergy Model</i>	<i>Corporate Synergy Management</i>
<i>March 2020</i>	<i>Leadership Fairness Model</i>	<i>Leader-Follower Interaction</i>
<i>April 2020</i>	<i>Strategic Agility Model</i>	<i>Strategy Process Approach</i>
<i>May 2020</i>	<i>Control Panel</i>	<i>Corporate Control Dimensions</i>
<i>June 2020</i>	<i>Rising Star Framework</i>	<i>Talent Management</i>
<i>July 2020</i>	<i>Strategy Development Cycle</i>	<i>Strategy Process Steps</i>
<i>August 2020</i>	<i>7I Corporate Center Model</i>	<i>Corporate Organization</i>
<i>September 2020</i>	<i>Storytelling Scripts</i>	<i>Leadership Communication</i>
<i>October 2020</i>	<i>Strategic Bets Framework</i>	<i>Strategic Decision-Making</i>
<i>November 2020</i>	<i>Rebound Model of Resilience</i>	<i>Organizational Resilience</i>
<i>December 2020</i>	<i>4C Leadership Capabilities</i>	<i>Leadership Competences</i>
<i>January 2021</i>	<i>Digital Product Model Dial</i>	<i>Digital Strategy</i>
<i>February 2021</i>	<i>Digital Distribution Model Dial</i>	<i>Digital Strategy</i>
<i>March 2021</i>	<i>Empowerment Cycle</i>	<i>Employee Empowerment</i>
<i>April 2021</i>	<i>Innovation Box</i>	<i>Innovation Approaches</i>
<i>May 2021</i>	<i>Knowledge Sharing Bridges</i>	<i>Best Practice Sharing</i>
<i>June 2021</i>	<i>Followership Cycle</i>	<i>Leader-Follower Interaction</i>
<i>July 2021</i>	<i>Everest Model of Change</i>	<i>Change Management</i>
<i>August 2021</i>	<i>Fruits & Nuts Matrix</i>	<i>Priority-Setting</i>
<i>September 2021</i>	<i>Powerhouse Framework</i>	<i>People & Organization Strategy</i>
<i>October 2021</i>	<i>Strategy Hourglass</i>	<i>Strategy-Making Steps</i>
<i>November 2021</i>	<i>Disciplined Dialogue Model</i>	<i>Interpersonal Communication</i>
<i>December 2021</i>	<i>Team Building Cycle</i>	<i>Team Building Process</i>
<i>January 2022</i>	<i>Market System Map</i>	<i>External Analysis Framework</i>
<i>February 2022</i>	<i>Strategic Alignment Model</i>	<i>Business Level Strategy</i>
<i>March 2022</i>	<i>Creativity X-Factor</i>	<i>Creativity Enhancement</i>
<i>April 2022</i>	<i>Organizational System Map</i>	<i>Organizational Analysis</i>
<i>May 2022</i>	<i>Corporate Value Creation Model</i>	<i>Corporate Level Strategy</i>

June 2022	Change Manager's Toolbox	Change Methodologies
July 2022	Sustainable You Model	Personal Sustainability
August 2022	Value Proposition Dial	Business Level Strategy
September 2022	The Tree of Power	Organizational Power
October 2022	Psychological Safety Compass	Team Dynamics
November 2022	Strategic Action Modes	Strategy Process
December 2022	Corporate Management Styles	HQ Management
January 2023	Thinking Directions Framework	Reasoning Skills
February 2023	5I Innovation Pipeline	Innovation Process
March 2023	Resistance to Change Typology	Change Management
April 2023	Ambition Radar Screen	Motivation Analysis
May 2023	Corporate Strategy Framework	Corporate Strategy
June 2023	Cultural Fabric Model	Organizational Culture
July 2023	New Pyramid Principle	Presentation Approaches
August 2023	Activity System Dial	Value Creation Analysis
September 2023	Customer-Centricity Circle	Organizational Design
October 2023	Status Snakes & Ladders	Leadership Branding
November 2023	Dynamic Business Paradigm	Competitive Advantage
December 2023	Dynamic Organization Paradigm	Human-centered Organization
January 2024	Interpersonal Interaction Levels	Communication Approaches
February 2024	Stakeholder Heat Map	Stakeholder Management
March 2024	Best Practice Sharing Framework	Sharing Methods
April 2024	New Learning Curve	Personal Learning
May 2024	Partnership Distance Model	Interorganizational Relations
June 2024	Embedded Identity Model	Personal Awareness