Introduction

We decided to write this book with three goals in mind:

- To reflect on how to make good corporate strategy decisions, building on sound theoretical contributions.
- To broaden the awareness of the importance of such decisions for the sustainability of firms of any size.
- To help firms thrive and transform through the implementation of new corporate strategy models, rather than only through new business models.

We distinguish corporate strategy from business strategy by the fact that the former represents a system of decisions and actions aimed at building a sustainable corporate advantage, while the latter represents a system of decisions and actions aimed at building a sustainable competitive advantage.

This distinction marks a difference that is worth noting: a corporate strategy is focused on the entire firm – the multi-business firm – while a business strategy is focused on a single business. Therefore, there are two levels in strategic decision-making with the corporate one placed hierarchically higher than the business one. Of course, there are strong interrelationships between them and, in order to achieve excellent performance, both strategies must dialogue, as will be explained in the course of this book.

Corporate strategy decisions are divided into portfolio strategy and parenting strategy decisions. Dealing with portfolio strategies allows to choose the businesses in which to invest, the new businesses in which to enter, and the businesses from which to totally or partially divest. Dealing with a parenting strategy allows to decide the corporate governance model, the fundamental organizational choices, the role of the corporate headquarters and how they operate, and the leadership system.

This book has been written for various readers:

- Entrepreneurs who are motivated to promote the firm's growth in the long term.
- Corporate strategists – leaders and top managers – who want to diversify and internationalize the firm where they are working.
- Members of boards of directors who are keen to contribute to the strategy process.
- Owners who would like to play their role in an active and responsible way.

- Consultants who assist firms in formulating and carrying out corporate strategy decisions.
- Financial analysts whose job is to value firms and give recommendations to buy or sell their shares.
- Students in undergraduate, graduate, post-graduate and specialization courses, such as MBAs and Executive MBAs.

On a theoretical level, our thinking is placed in the domain that investigates how to make and implement good strategic decisions. On that regard, we are thankful to those who have developed remarkable theories we have broadly employed in writing this book, such as the profit – maximizing and competition – based theory, the resource-based view, the transaction cost theory, the stakeholder theory, the contingency theory, and agency cost theory.

We have also tried to introduce some new elements to the debate in this field. In a nutshell, such new elements can be summarized as follows:

1. We developed a model for evaluating and appraising corporate strategy decisions that integrates the financial dimension with the environmental and social ones. We don't believe that decisions of this nature can be taken just by considering a "single number" as the shareholder value approach suggests. They must be rooted in a multidimensional approach and must be contextualized in broad time horizons. In other words, it not enough to make profit, it is also important *how* to make profit.
2. We attributed a relevant importance to growth decisions in our thinking, because too many firms have huge untapped growth potential to leverage and drive success.
3. We considered the interplay between corporate strategy, ownership, and corporate governance. In firms with "strong ownership," such as family-owned firms, corporate strategy decisions can be influenced by the activism of vocal owners. In firms with "weak ownership," such as public firms, the board plays a crucial role in providing strategic guidance and monitoring the leadership and top management. In addition, an effective governance prevents some people from extracting individual benefits or perks instead of working to maximize the firm's interests.
4. We developed an overall approach to corporate strategy that marries the importance of making good decisions with the importance of their careful execution.

How the book is organized

The book is divided into seventeen chapters. Chapter 1 illustrates the concept of corporate strategy and the method to evaluate this kind of decisions, i.e. whether or not they are able to build a corporate advantage. We distinguish two approaches in making corporate strategy decisions: the synergy approach and the financial approach. They represent the two opposite ends of a continuum.

Chapter 2 explains portfolio matrices: a managerial tool to analyze the effectiveness of corporate strategy decisions, and to assess alternative actions to be taken in the future.

Chapter 3 investigates the concept of corporate social responsibility and how it can be gradually integrated into a corporate strategy.

Chapter 4 clarifies what synergy means by distinguishing between financial and operational synergies. In addition, it introduces the concept of corporate valuable resources understood as drivers of a corporate advantage.

Chapter 5 analyzes the theme of core business: how to identify it and what are the managerial implications for those who lead the firm.

Chapters 6 to 12 are dedicated to portfolio strategy decisions. In particular, Chapter 6 sheds light on the notions of scale, corporate scope and growth decisions. Chapter 7 delves into growth strategies with a synergy approach, while Chapter 8 digs into the peculiarities of growth strategies with a financial approach. As growth strategy is all about diversification, this chapter also provides some reflections on the relationship between diversification and performance.

Chapter 9 discusses the modes of growth: internal development, alliances, or mergers and acquisitions. We outline the respective advantages and disadvantages and two models that can be used to choose the best option in a given context.

Chapter 10 develops the theme of Mergers and Acquisitions (M&As), proposing a model to manage the M&As process, with particular attention paid to the phase of integration.

Chapter 11 deals with equity and non-equity alliances, providing insights into how to classify them and successfully manage the collaborative relationships between partners that may be in competition.

Chapter 12 looks at the internationalization strategies, starting from the assumption that they partially overlap with corporate strategy.

Chapters 13 to 16 examine parenting strategy decisions. Notably, Chapter 13 explains the different ownership structures by which a firm can be controlled, the role they play in strategic processes based on the distinction between strong and weak ownership, and best practices to design and lead a board of directors.

Chapter 14 reflects on the role and functioning of corporate headquarters: an issue we deem crucial and on which we invite midsize firms to invest resources, especially those with ambitious growth goals in terms of diversification, internationalization, and vertical integration.

Chapter 15 is dedicated to organizational choices, in particular those concerning the organizational structure of the multi-business firm.

Chapter 16 tackles the challenge of leadership by proposing various interpretations of its components and sources of authority. A specific discussion is also devoted to the negative leadership syndrome, which unfortunately is not so rare.

Lastly, Chapter 17 examines the process of strategic and organizational change, focusing on the causes that trigger it, the approach through which it can be guided, and the resistance or barriers to change that can be encountered along the way.

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To conclude, we look at this work as one stage of our learning journey on corporate strategy. On the one hand, academic research goes forward, and we will follow the developments to keep this book up-to-date. On the other, in a constantly and rapidly evolving world, strategic thinking must evolve to codify new developments underway. This last point brings us to a question that our parents, spouses, and children asked so many times: “When will the book be done?” The answer is simple: “Never!” We hope to *never* stop exploring and learning. And we wish for our readers to never stop exploring and learning too!

Guido Corbetta
Paolo Morosetti