Managing Corporate Strategy from the Expansion Perspective[1]

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Abstract

This research paper tries to highlight what are the paths used by companies to develop their business model worldwide and what strategies they should approach in their chase to maximize their profits, market share or global connectivity towards clients. The authors try to bring upfront and objective the main components that make a company choose a path or another, starting from leadership, resources, market needs and their synergic result, the competitive advantage.

The paper tries also to bring together economic reality and economic theory for the better value of both of them, making it work for the better good of the society, of the economy and especially by accelerating self interest and what motivates the people behind companies to develop better and better products and how they manage to do that.

Keywords: *corporate strategy, competitive advantage, resources, expansion, corporate development process*

JEL classification: G32, G34, L2

1. Introduction

This paper is divided into two parts that offer or create the synergy to better position the company towards better market penetration, unbeatable competitive advantage and developing the best oversight alternative for the company.

We foresee what are needs of a company by analysing the views created inside an executive board. The first part of the paper underlines the strategic options that an executive board has at its disposal to create a direction and a purpose for

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corporate governance (Bodislav, 2012, pp. 50 – 55). Organizations use a set of metrics for implementing a type of optimal choices that are taken regarding the available resources.

2. Corporate strategy based on resources

The feasible options are created based on the resources integrated in the available value chain of extracted resources (Bodislav et al., 2015, pp. 107 – 113). Basic resources are shaped also by the basic competencies that together develop new founding strategies.

Strategy based on resources are shaped with the following work scheme (Lynch, 2002):

Leadership + Minimal competencies in the domain + Added value => Needed resources for conceive strategy + Know how => Competitive advantage.

To explain the work scheme for the resourced based strategy we should highlight the added value's value in the circuit (Lynch, 2002). The principle of the "added value" is founded on the interconnectivity in the vertical workflow:

- **The above process component:** the relation between suppliers should be developed with and for efficiency, and the corporation should develop an implementation system for global work standards; be it by producing standardized goods (quality standards, environmental friendly, building efficiency, etc., be it by offering services that are audited for its standards, the best solution for standards is the ISO. Furthermore, from the practical side, the added value is brought by supplying raw materials in continuous flow state from suppliers.
- **The under the stream component:** creating some market niches that create a competitive advantage for the company or even creating a temporary monopoly. Creating and maintaining these new niches could be cost inefficient, from continuous modifications in production facilities, from continuous advertising expenses to promote differentiated products. Added value seen above the process is created through Research and Development (including also the patenting process), advertising and market positioning.

Options based on resources are derived from the organization's core, being based on humans, finances and operations (Lynch, 2002). To these we supply also three multidisciplinary areas:

1. **The area for competencies based on resources:** the company's assets, i.e.: General Electric is the largest producer of industrial products and a global end consumer, which owned till 2014 NBC, the biggest tv channel from the United States, and it sold it to Comcast, the largest cable operator in the US.

2. **The area for basic competencies:** here we find know-how and work flow technologies, i.e.: the power to aggregate news at global level and creating your own media products and propagation channels, suitable to characterize News Corporations (the company that owns Fox Networks).
3. **The area for lowering costs:** lowering costs represents a needed factor to develop all organizations.

The area for competencies based on resources represents the first level confronted to distinguish a company from another (Porter, 1985). To create a workflow in this area of the company the following key factors should be overviewed:

- **the Architecture:** the network developed between relations and contracts developed with partners, suppliers, challengers and clients;
- **the Reputation:** the rounded image for the company is a general example also for the employees and also as a propagation vehicle for internal information;
- **the Innovation:** the creativity and development process for bringing to the market new products and services.

The area for basic competencies is rounded by know-how and available technology that creates the competitive advantage for a corporation. Gary Hamel and CK Prahald (1994) developed four steps for succeeding in creating efficient competencies:

- Connect the dots (connecting market needs with the corporation's know-how);
- 10 years plan (creating a forecast for the following 10 years, not only from the organizatorical point of view, but also from the evolutionary perspective had on know how);
- The white spaces (bringing together the niches between markets that could be filled with the corporation's know how);
- Megaopportunities (any opportunity could present new business, only the risk being and needing leverage).

The area of lowering costs presents the perfect timing when the executive board of a corporation must give up some business components to increase the company's performance and its attractiveness in front of the investors.

3. Corporate strategy based on market insight

This type of strategy is the result of opportunities and constraints that are met in the real economy through market principles, and this strategy is also based on resources, but is oriented from an external to internal flow.

To underline the core of the market based strategy we will present Michael Porter's solution for competitive strategies that could be used and implemented in all companies (Porter, 2004):

- the cost of creating and maintaining the competitive advantage;

- market and product differentiation;
- focusing (on the company, on the market, on the product).

For using quality services or products that also cover the need for a 360 degrees model of a given market, a corporation must extend its business to satisfy market needs and especially client's needs (Lynch, 2002). This extension is done through:

1. Acquisitions;
2. Mergers;
3. Joint ventures or alliances;
4. Franchising;
5. International licensing.

Table 1. Expansion matrix

Locally	Internal development	Merger
		Acquisition
		Joint venture
		Alliance
		Licensing
Geographical area		
International	Export	Merger
	Work place	Acquisition
	Relocated production	Joint venture
	Multinational operations	Alliance
	Global operations	Licensing
		Project
		Franchising
	Internal	**External**
Corporate environment		

Source: the authors, starting from Lynch (2002).

Developing the relation between corporate strategy, managing a global company and the process through which the expansion matrix (Table 1) emerges towards choosing one path for development by counterweighting the advantages and disadvantages observed through international expansion (Table 2).

International expansion is based on the progressive evolution in the global flow of the corporation and by starting global activities like:

- exports;
- opening offices worldwide;
- relocated production or opening plants for geographic targeted products;
- multinational operations;
- global operations (the difference is that G.O. are broader in world coverage than M.O. because it creates broad distribution for products and services and also the suppliers are spreaded worldwide).

Table 2. International Expansion

Advantages	Disadvantages
Acquisitions Fast. Decreasing costs for creating scale economies and by lowering fixed costs. Technical know how with a higher security degree. Coverage for all new geographical markets. Increasing the market share and company's size. Acquiring unknown companies that have immense potential.	**Acquisition** Higher added value when a well-known company is bought. Increasing the organizational risk through unclear strategies between the acquiring company and the acquired company. The deadweight cost created by inefficient departments from the acquired company. The inefficient organizational multiculturalism.
Joint venture Increased workflow. Faster access to complementary needed know-how. Involves lower costs than acquisitions.	**Joint venture** The control is diluted. The workflow should be established on common grounds, if not the joint venture becomes unproductive. Managing from the corporate governance's perspective and from the fiscal perspective could arise financial issues. The profit is shared with the partner.
Alliance Higher efficiency between partners Could create a synergy effect on the imposed common know how. The risk for hostile takeover lowers between competitors.	**Alliance** Creating functional connections at executive and operational level could be slow and highly consuming in human and financial resources. The involvement in the alliance between the two companies will be not at 100%. There are low chances to create scale economies.
Licensing (franchising and contracting) Decreased investments. Compliance testing is done on the subcontractor and that represents differentiated risk sharing.	**Licensing (franchising and contracting)** The subcontracting partner could damage the image of the licensing partner. The profit is diminished for licensing partner. The informational asymmetry could attract hidden costs for the licensee.

Source: the authors, starting from Lynch (2002).

The main objectives of corporate strategy found in a company are to create added value and maintain on the long run a competitive advantage. To create an efficient and optimal system there must be created an equilibrium depending on the needs of the corporation regarding between the corporate strategy based on resources and the one based on markets. The efficiency and optimality are measured through performance criteria, for example (Peters, Waterman, 1982, Lynch, 2002):

1. Coherence. This criteria could be defined as framing horizontal vision and optimal integration towards the vertical flow of an corporation and all needed measures taken for the long run;
2. Compatibility. This criteria completes coherence through the fact that it also considers the internal and external environment of the corporation and the strategy that follows;
3. Validity. The used and available strategies must be validated by testing them using economic information as work hypothesis;
4. Feasibility. This criteria follows three paths:
   a. Culture, know how and available internal resources;
   b. Competition and the near site of markets;
   c. Lack of motivated human resources.
5. Economic risk. This criteria offers a quantitative solution to each followed strategy, this way they will remain valid only those that have an accepted risk level;
6. Attractiveness. The interest created in the market, on the stock exchange, with the suppliers, competitors and clients.

4. Conclusions

During the research done for creating this paper the authors tried to create a macroeconomic perspective on the microeconomic process that is seen through the management of a company's C-level suite and through the corporate governance process seen while trying to cope with two paths of development, the tension between needs and resources, needs that are seen also into the valuable path of what clients need and what the company could offer without destabilizing its oversight and proposed followed path.

To sum up the ideas brought here, in this situation we could state that economic development, outsourcing, market needs (Pascu et al., 2015, pp. 32-36), market growth and also consumer's behaviour are a blend between economics and business that are overwritten by the leadership of a good manager through its managing skills developed almost at art level and the gut feeling of knowing the market place, with its economic agents and consumers before they make their initial step towards a future decision into acquiring a product or service, reverse engineering this supposed path leading towards what could be seen as today's business paths followed in the decision took for M&As, franchising, joint ventures or strategic alliances.

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