



THE WINDING ROAD OF CORPORATE STRATEGY

O SINUOSO CAMINHO DA ESTRATÉGIA CORPORATIVA

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Abstract

This paper addresses the issue of Corporate Strategy aiming to answer four research questions: “what is Strategy about?”, “who shapes the Strategy?”, “what is new about Strategic Management?” and “what is wrong with Strategic Management?” To do so, the study was based on a systematic exploratory research and bibliographic review. For each question, a specific set of authors were selected, mainly based on books and papers published in relevant academic journals. A set of theoretical propositions is presented at the end of each analysis, in an attempt to summarize the main findings. Overall, the paper shows that corporate strategy is a complex and intricate issue, in constant evolution but, at the same time, with many problems still to be solved.

Keywords: Strategy. Strategic Management. Strategic Planning. Corporate Strategy.

Resumo

Este artigo aborda o tema da Estratégia Corporativa com o objetivo de responder a quatro questões de pesquisa: “o que é Estratégia?”, “quem influencia a Estratégia?”, “O que há de novo na Gestão Estratégica?” E “o que há de errado com a Gestão Estratégica?” Para tanto, o estudo baseou-se em pesquisa exploratória e revisão bibliográfica sistemática. Para cada pergunta, selecionou-se um conjunto específico de autores, principalmente com base em livros e artigos publicados em periódicos acadêmicos de grande relevância. Um conjunto de proposições teóricas é apresentado no final de cada análise, na tentativa de resumir os principais achados. Em linhas gerais, o artigo mostra que a estratégia corporativa é uma questão complexa e intrincada, em constante evolução, mas, ao mesmo tempo, com muitos problemas ainda por resolver.

Palavras-chave: Estratégia. Gestão Estratégica. Planejamento Estratégico. Estratégia Corporativa.

Introduction

Corporate strategy is a relevant issue, discussed not only in Management courses, but also in the day-to-day business. The importance of the theme is evident when we look at the numbers and revenues of consulting companies worldwide, most of which deal directly with Strategy. As an example, “analysts find that globally spending on management consultants has grown to US\$125.2 billion in 2014, up 6.1% from \$118.1 billion in 2013” (Consultancy.UK, 2015).

As a general subject, Strategy has been a concern for most of the classic authors within Management studies. Porter (1996), for example, in his provocative article entitled “What is Strategy?”, explored how the shifts and advances in technology led managers to focus on Operations instead of Strategy. According to the author, this shift was not translated into sustainable profitability, pointing that the focus on operational effectiveness, although important, is not sufficient to achieve superior performance if not aligned with well-defined strategic choices. Barney (1986) explored the relation between three concepts (industrial organization, Chamberlinian competition and Schumpeterian competition) and Strategy, building a framework showing the different competitive forces the firm may face over time. Mintzberg (1987, p.11), asserting that “strategic management cannot afford to rely on a single definition for Strategy”, translated this concept into five Ps, normally cited by practitioners and researchers as components of the strategic effort: plan, ploy, pattern, position, and perspective.

In Brazil, Strategy has been the object of study of many students of master and doctoral courses. Within the pool of intriguing works written, Pelissari’s (2007) doctoral thesis stand out. It investigated the model of strategy formulation in small companies, based on the constraints of corporate culture and management skills. Also stand out the thesis of Baptista (2013), who researched the efficacy of the firm’s board (administrative council) in monitoring strategy implementation, and Margueron (2008), who analyzed corporate strategies of agents operating in the Brazilian electric sector regarding the relationship between competitive threats and cooperation opportunities. In addition, Silva’s (2010) master dissertation can be highlighted, once it analyzed the influence of the corporate strategy for value creation, finding that many corporate strategies described in theory had practical applications in a big company

from Minas Gerais, Brazil. Lamb’s (2011) dissertation also deserves attention, once it studied the process of mergers and acquisitions (M&A) under the perspective of the strategic decision making process.

Given the importance of the topic, this paper aims to discuss the concept of corporate strategy, exploring the main authors and their contributions to the development of the concept. Besides, regarding the current research scenario of corporate strategy, a set of recent studies were selected, to illustrate the interests and contributions of new researchers to the field. In this stage, we paid attention to analyze the contributions of Brazilian researchers, especially analyzing doctoral theses produced in the field of Strategy. Thus, both classic and contemporary authors will be discussed.

Specifically, the paper explores the following research questions:

- *What is Strategy about?*
- *Who shapes the Strategy?*
- *What is new about Strategic Management?*
- *What is wrong with Strategic Management?*

To answer these four research questions, this study was based on a systematic exploratory research and bibliographic review. For each question, a specific set of authors were selected, mainly based on books and papers published in relevant academic journals. In addition, part of the bibliography and some aspects of the design of the paper were based on notes and materials produced by the author, while he was a student of the disciplines *Strategy & Planning* and *Fundamentals of Strategic Thinking*, offered, respectively, by the School of Applied Sciences of the State University of Campinas - Unicamp (in 2011) and by the Coppead Graduate School of Business of the Federal University of Rio de Janeiro - UFRJ (in 2015). This approach was chosen because those disciplines covered the majority of classic authors in the field of Strategy, as well as important recent theories on the field.

Regarding the method, the research was conducted in four stages, followed one after another. The first stage was a critical analysis of the syllabus of the two aforementioned disciplines, in search of the most relevant topics within the field of corporate strategy. Based on the selected topics, the second stage was the creation of relevant research questions, based on which the paper was structured. The third stage

was the selection of the bibliography that would serve as reference to answer each of the research questions, paying attention to include classic and contemporary authors. Finally, the fourth stage was a critical analysis of the selected literature, followed by the choice of aspects to be presented and discussed regarding each question.

The theoretical relevance of the paper is threefold. First, it brings a conjoint analysis of classic issues for Strategy, as proposed by Porter (1987), Mintzberg (1987) and Barney (1986), with the discussion of more recent issues, such as the approaches of scenario planning (Shoemaker, 1995) and acknowledged strategic management tools. Second, it explores the problem of oversimplification of many theories of strategic management (David and Montgomery, 1997), in opposition to theories that are considered to explore the issue in a more holistic manner, such as the concepts of synergy and core-competences (Prahalad and Hamel, 1990; Goold and Campbell, 1998). Third, it raises the question and illustrates the discussion of Ethics in corporate strategy, bringing two distinct views: Mintzberg (1984) and Ghoshal (2005) versus Porter and Kramer (2006).

The paper is divided into five sections, besides this introduction. The next section elucidates the core concept of Strategy, analyzing its development and the distinct nuances of its definition. Following, it is discussed who are the main formulators and influencers of the corporate strategy. The subsequent two sections address Strategic Management, evaluating what is new and what is wrong about this corporate practice. Finally, some concluding remarks are presented in order to close the discussion.

What is Strategy about?

According to a classic definition, Strategy can be summarized as: “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” (Chandler, 1962, p.13). Nevertheless, this logic proposition hardly ever is applied in such a simplistic manner.

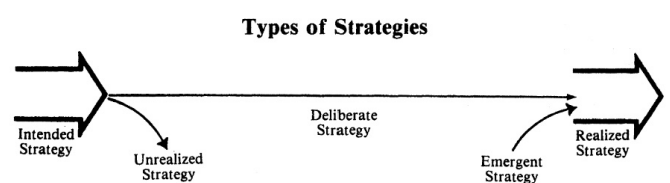
This leaves us with the question: is strategy a simple mechanism of choosing a course of action to reach a goal, or is it a complicated issue, which requires long hours of analysis and hard work? Many authors have tried to answer these questions over the years.

For some of them, strategy is assumed to be logic, consistent, almost like a mathematical function that assigns a particular result (future situation of the firm) to a set of variables, such as patterns of behavior and actions (present situation of the firm). According to this reasoning, “strategy is a pattern in a stream of actions” (Mintzberg, 1987, p.12). This view does not open space to improvisation or fortuity: “conscious strategy does not preclude brilliance of improvisation or the welcome consequences of good fortune. Its cost is principally thought and hard work which, though often painful, are seldom fatal” (Andrews *et al.*, 1986, p.116).

However, this assumption does not take into consideration that people are unable to control all events in their lives. It is impossible to predict everything that will happen and to control all the variables. According to Andrews *et al.* (1986), strategies have to be adapted along the way and final results are almost never equal to initial predictions. “Current strategy of a company may be deduced from its behavior...but strategy for a future may not be distinguishable from performance in the present” (Andrews *et al.*, 1986, p.109).

In this sense, Mintzberg and Waters (1982) devised an appropriate scheme to illustrate the tortuous path of the Strategy (refer to Figure 1). An intended strategy is the strategy that the company “hopes to execute”, and is usually carefully described in the company’s strategic plan. An unrealized strategy is the part of the intended strategy that is not implemented. A deliberate strategy is the part of the intended strategy that the company “continues to pursue over time”. Emergent strategy is “what the company did in reaction to unexpected opportunities and challenges”. Finally, a realized strategy is “the strategy the company actually follows” (Edwards, 2014, s/n). Therefore, Mintzberg and Waters (1982) believe that the strategy must be (and actually is) adapted to the unexpected events that occur over the course of its implementation.

Figure 1 . Types of Strategies



Source: Mintzberg and Waters (1982, p.476).

For other authors, it is not easy to develop strategies either consistent with the needs of the firm and with the requirements of the 'environment'. To Mintzberg (1987, p.15), "strategy is a mediating force between organization and environment, that is, between internal and external context". Thus, positioned between two often divergent forces (internal and external tensions to the company), the strategist must think of ways to attend the company's necessities, without provoking any harm to the 'environment'. For 'environment', the author considers all factors external to the control of the firm.

Strategic planning is an element many authors appeal to in an attempt to explain what is strategy. Some argue that strategic planning helps the strategist to achieve a goal because it allows him/her to see the whole picture of its present situation, understand his/her position and apply previous knowledge to get where he/she wants. Accordingly, the strategic making process should be "capturing what the manager learns from all sources (...) and then synthesizing that learning into a vision of the direction that the business should pursue" (Mintzberg, 1994, p.107). In the same line of thought, Ackoff (1983, p.64) states that: "the ideal sought by problem-solvers and planners should not be perfect prediction and preparation, but continuous increases of control and responsiveness to what is uncontrolled. Such increases are matters of learning and adaptation." In sum, while to Mintzberg (1994) planning is a matter of preparation and setting a direction, to Ackoff (1983) it is a matter of control and continuous learning.

For strategic planning to be successful, some authors argue that there has to be a middle ground between deep analysis and creative thinking. In this sense, Mintzberg (1994, p.114) describes what he calls a right-handed planner: "he programs intended strategies, which have to be communicated clearly. Carries analytic studies to ensure consideration of the necessary hard data and carefully explores strategies intended for implementation." Nevertheless, this type of planner can lead to excessive planning and lack of action, relationship problems between employees, sometimes culminating in undesirable results for the company. It can also cause:

Dialog of the deaf, when there is interminable exchange of documents and reports between hierarchical levels, which fundamentally disagree. Vicious cycles, when there is persistent paper fights between people at the same level. Decision vacuum, when

analysts become theoreticians isolated in their ivory towers, cut off from reality (Langley, 1995, p.65-8).

On the other hand, there is also the left-handed planner, which is "a creative thinker who seeks to open up the strategy making process. 'Soft analyst', prepared to conduct quick and dirty studies. Inclined towards an intuitive process for the development of the strategy" (Mintzberg, 1994, p.114). But this kind of planner can also lead to problems in companies, such as lack of organization and unpredictability. Other possible problems are "parallel power, when individuals or groups low in the hierarchy are powerful enough to do what they want, even when contrary to organizational objectives" (Langley, 1995, p.69-71).

Theoretical Proposition 1: Corporate strategy is not a straightforward concept and its implementation cannot be mechanically driven, varying according to unexpected changes and opportunities that appear in the course of its operation, with the balance between the needs of the company versus the constraints of the environment, and depending on the type of manager that devises and executes the strategic effort.

Who shapes the Strategy?

In addition to the concept of Strategy, the knowledge of who or what influences the strategy is fundamental for business management. Two influencers are often referred in the literature: the firms themselves and the environment. Companies should be prepared to adapt to an unpredictable environment, but at the same time should have the self-awareness that they can also manipulate certain aspects of that environment, while developing their strategies.

Barney (1986, p.796) attributes a crucial role to luck on the destiny of companies: "the lack of complete *ex ante* information, and the strategic uncertainty it implies, creates an important role for luck in defining the returns firms obtain from their strategizing efforts." So, according to this rationale, if the company is lucky, the environment will be propitious for it to succeed, regardless of how well elaborated is its strategy. Corroborating this view, Modis (1994) works on the concept of life-cycle and natural growth, applicable to companies, products and industries: "if 'decision

makers' became more aware of well-established natural growth processes and of how much free choice they may not have after all, they would make fewer mistakes – and get fewer ulcers” (Modis, 1994, p. 25). Moreover, Ulrich and Barney (1984) explain that, in the perspective of population, the power of the environment is paramount. According to these authors, organizations are “systems that are determined, to a great extent, by environmental factors. The focus should be in populations of organizations, not in a single organization” (Ulrich and Barney, 1984, p. 474).

And what about the importance of good strategic management for the company's success? According to Porter (1998, p.82),

in the formulation of the strategy, the strategist can devise a plan of action that may include: [a] positioning the company in a way to defend it against competitors, [b] influence the balance of forces through strategic moves, improving the company's position and [c] anticipating shifts in the factors underlying the forces and responding to them.

According to those three aspects, the firm (or its strategic planner) is the responsible to control the success of the plan. Such aspects are predictable and can be optimized (Modis, 1994). Moreover, theories of *resource dependence* and of *efficiency* also have explanations to those three elements. According to the resource dependence theory: “acquiring external resources needed for the organization comes by decreasing the organization's dependence on others and/or by increasing other's dependence on it, that is, modifying an organization's power relations with other organizations”. Based on the *efficiency* theory: “Successful organizations are those that are able to manage their transactions efficiently” (Ulrich and Barney, 1984, p. 472-3).

Besides, the *Chamberlinian monopolistic competition theory* corroborates that individual firms have enough resources to be successful in strategic planning. This theory “focuses on the unique assets and capabilities of individual firms, and then traces the impact of these idiosyncratic organizational traits on the strategies firms pursue and returns to those strategies” (Barney, 1986, p. 793).

Another dimension of shaping the strategy concerns the sustainable management of resources and

capabilities. In this regard, the concepts of core-business, sustainable competitive advantage and competitive forces play a crucial role (Porter, 1987, 1998; Mintzberg, 1998). Mintzberg (1998) defends that locating, distinguishing and elaborating the core-business are important matters for the development of the firm's strategy. Of course, to identify its core-business the firm has to identify what are its primary and support activities. After that, it has to analyze if it competes by cost or by differentiation, to finally identify its position in the market. By knowing its core-business and its position, the firm will be able to evaluate what are its competitive advantages.

As stated by Barney (1991, p. 102), sustainable competitive advantage occurs when “a firm is implementing a value creating strategy not simultaneously being implemented by any of its current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.” Thus, aware of its core-business and knowing which competitive advantages it can bring, the company can be able to make a thorough evaluation of its strategy. According to Porter (1987, 1998), internal and external forces help to shape the strategy of the firm.

A third dimension refers to the use of Information Technology (IT) as a source of competitive advantage. As stated by Barney (1991, p.115): “an information-processing system may be a source of sustained competitive advantage, even if a close substitute for such a processing system exists.” The author states that an “experienced management team” is capable of using IT in a way that makes it rare and imperfectly imitable. Porter and Millar (1985, p.156-8) argument that IT can create competitive advantage in any of these ways: “lowering costs, enhancing differentiation, changing scope or spawning new businesses.” Thus, according to these authors, IT can bring competitive advantage to the firm, and a competitive advantage can protect the firm against competitors. Mintzberg (1998, p. 88) asserts that there are three strategies a firm can use to overcome competition: “cost leadership, differentiation and focus.”

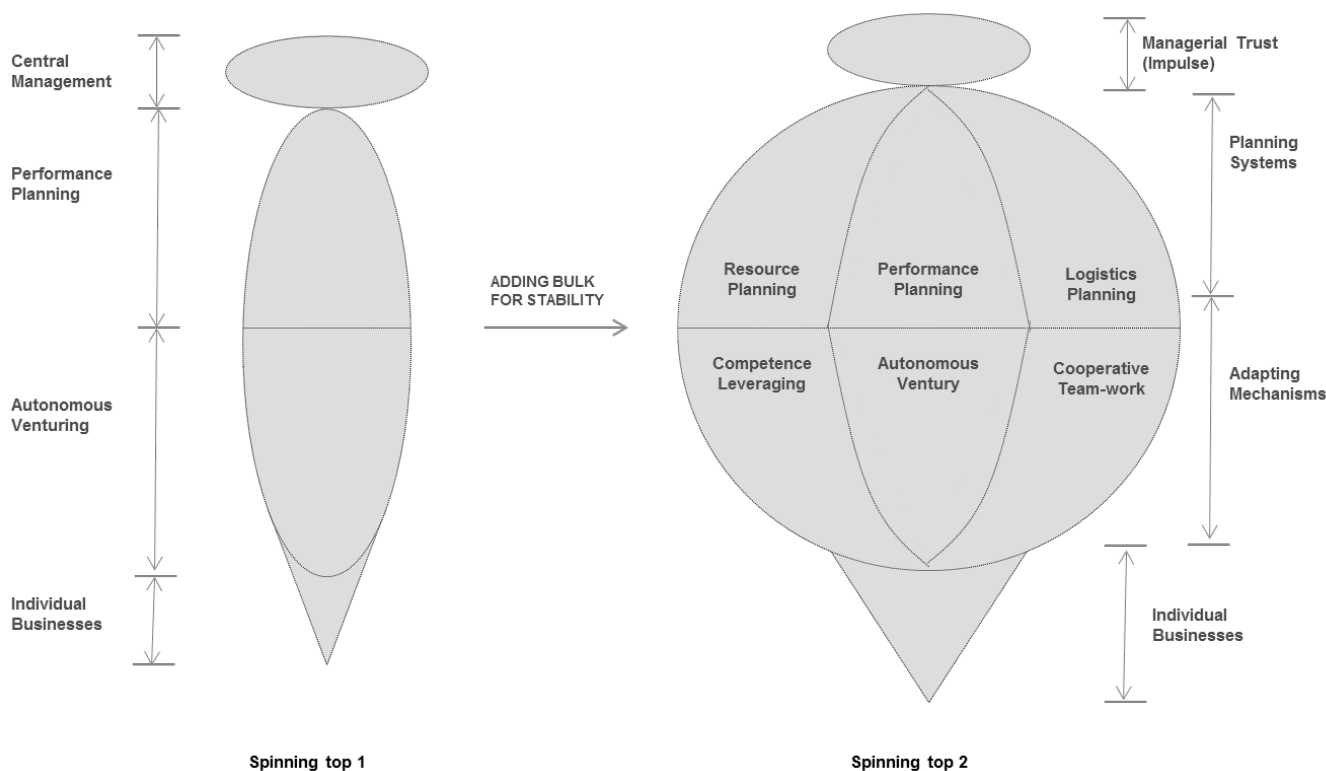
In shaping the strategy, the strategist does not only have to deal with rational thinking, but instead s/he often has to deal with intangible concepts and issues with no clear solution. Corporate strategy is a complex issue, which leaves no space for simplistic thinking. Nevertheless, although corporate strategy is not a simple issue, some theories tried to oversimplify it. David and Montgomery (1997), for example, cite

three examples of oversimplification in shaping the strategy of multi-business companies. First, *Portfolio Planning* from the early 1970s, widely known because of the BCG matrix. This theory simply classifies companies in four types, varying in two dimensions: business growth and position. Then, advises managers on how to deal with each type of business, according to this classification, forgetting to address other important issues, such as the relationship between the various businesses.

Second, the *Value Based Strategy* theory fits in the same category of oversimplification. According to David and Montgomery (1997), in this view only maximization of shareholder value matters, as issues such as long term-investments, impacts of financial decisions in different businesses and accuracy of financial projections are treated as less important. Third, the *Generic Corporate Strategies* developed by Porter (1987 *apud* David and Montgomery, 1997), which include portfolio management, restructuring, transferring skills and sharing activities. They try to oversimplify corporate strategy as some of them treat the businesses as unrelated, running autonomously, while others only focus on minor related activities. The problem here is: the theory does not treat the company as a whole body, instead focusing on managing each business separately.

Goshal and Mintzberg (1994) developed a distinct approach. According to them, one way to improve corporate strategy is diversification (refer to Figure 2). In their model, in a multi-business enterprise, there is a bulk between central management and individual businesses, composed by performance planning and autonomous venturing mechanisms. Such bulk links the decisions from the top management to their application in the individual businesses. The diversification comes when resource and logistic planning are added to performance planning, fattening the top of the bulk and increasing its stability. Simultaneously, competitive team working and competency leveraging are added to autonomous venture, fattening the bottom of the bulk, also increasing stability. In resume, these authors believe that through rationalizing allocation of resources, organizing the flow of information and products among businesses, focusing on the core-competences of the firm and encouraging people from different businesses to work together, top management will develop better corporate strategies.

Figure 2 . Improving Corporate Strategy through Diversification



Source: Author, based on Ghoshal and Mintzberg (1994)

On the other hand, though, some theories are less prescriptive, and consider the complexity of corporate strategy. For example, the concept of *core-competences* developed by Prahalad and Hamel (1990) addresses the issue of understanding the complexity of the corporation and of its various businesses first and, only after that, develop the corporate strategy. It is important to build and keep knowledge safe, as the authors believe that “the embedded skills that give rise to the next generation of competitive products cannot be ‘rented in’ by outsourcing and OEM-Supply relationships. Knowledge should be nurtured and protected” (Prahalad and Hamel, 1990, p. 82-4).

Goold and Campbel’s (1998) concept of *synergy* also considers the intricacy of corporate strategy. For them, create synergy in a multi-business corporation is a difficult task, once managers face a series of biases (synergy, parent, skills and upside biases are some examples). According to these authors, to avoid those biases managers should: [1] clarify objectives of synergy initiatives; [2] size the opportunities these initiatives would bring; [3] assess costs and benefits of potential synergies; [4] encourage business units to participate in synergy initiatives; [5] put the right people with the right skills to lead the implementation of synergy actions and [6] show the downsides of synergy interventions (Goold and Campbel, 1998).

Theoretical Proposition 2: Many aspects have the power to shape, modify or affect the Strategy, including: managers themselves, as internal resources of the firms, able to devise, implement and adjust strategies envisioning the construction of sustainable capabilities; the environment, including regulatory, economic, social, political and natural constraints; and even luck or fortune, once there is always a component of unpredictability to which firms and their managers must be prepared.

What is new about Strategic Management?

The theory of strategy of the firm had many classic contributions, especially by authors such as Chandler (1962), Porter (1987, 1996, 1998), Mintzberg (1987, 1994) and Barney (1986). Nevertheless, contemporary authors have developed new approaches to corporate strategy, to follow the complexity that emerged in the field of Management in current times. Given the impossibility to cover all the innovations that emerged within the field of Strategic Management, in this paper

I chose to briefly explore the approach of scenario planning and three acknowledged management tools: VRIO framework, Balanced ScoreCard (BSC) and the Office of Strategic Management (OSM).

Shoemaker (1995), for example, is one of the major references exploring the concept of *scenario planning* within Management. This tool helps to centralize in a few possible future scenarios the “avalanche of data” to which the company is subject. By building scenarios, with the collective participation of managers, firms can identify key trends and uncertainties for the future, helping them to develop the Strategy and to prepare for unexpected situations. This approach attends to Ackoff’s (1983) demands for learning and adaptation, and to Barney (1986), concerning the unpredictable role of luck in shaping Strategy.

In practice, Shoemaker (1995) observed that scenario planning can prevent managers from two usual errors in decision making — overconfidence and tunnel vision. In a step-by-step process, the author described ten typical stages in building scenarios: 1- define the scope, 2 – identify the major stakeholders, 3 – identify basic trends, 4 – identify key uncertainties, 5 - construct initial scenario themes, 6 – check for consistency and plausibility, 7 – develop learning scenarios, 8 – identify research needs, 9 – develop quantitative models and 10 – evolve towards decision scenarios. However, according to this model, having a breath of options and possibilities is not enough, given that managers also “must have the courage and vision to act on them” (Shoemaker, 1995, p.20).

There has been many applications and studies about scenario planning since Schoemaker’s contribution. Garvin and Levesque (2006), for instance, established a five stage methodology to develop scenarios. Besides presenting an interesting teaching material explaining the tool, the authors suggested a series of graphical options that can orient managers to follow their methodology. Coates (2016, p.1) investigated the different interpretations for “scenario” in scenario planning efforts, some of which understand scenarios as “forecasts of some future condition while others disavow that their scenarios are forecasts.” Star et al (2016), by their turn, explored the use of scenario planning in the decision-making process in the field of climate change adaptation. In their paper, the authors observed that, in practice, the scenario planning processes in climate change lie between exploratory and normative approaches, i.e., they use mixed methods. Therefore, they conclude that

mixed methods are most effective in decision-making within this specific field. Derbyshire and Wright (2017) investigated biases in typical scenario planning approaches, developing a new approach, and its consequent step-by-step method of application, to obviate this tendency.

In Brazil, there has also been developments in the field. Moritz's (2004) doctoral thesis presented an in depth study of the scenario planning process, creating the mechanism of "scenario stimulator cycle". The study aimed to propose a strategy for companies to deploy and establish scenario planning in their corporate culture. Junior, Oliveira and Kilimnik (2010), by their turn, applied the concept to study the Strategic Plan development process on two public organizations. Using two classic models for scenario planning – Prospective School and Shell's model – as references, these authors created an experimental model to "mobilize, encourage and add more content to the organization's decision making process", whose efficacy was proved by the study.

There has been a recent interest in the use of strategic management tools in the literature and in management practice. In this sense, the value-rarity-imitability-organization (VRIO) method is often referred as one relevant management tool. As stated in Barney and Hesterly (2011, p.66), it helps to manage "all different resources and capabilities that a company can pursue, as well as their potential to create competitive advantages." According to Barney (1991, p.106-107):

- *valuable resources* are those which "enable a firm to implement strategies that improve its efficiency and effectiveness". They are related to the traditional "strengths-weaknesses-opportunities-threats" model because firms attributes only become valuable resources when "they exploit opportunities or neutralize threats in a firm's environment";
- *rare resources* are those valuable resources absolutely unique that a firm possess, therefore, "they will generate at least one competitive advantage and may have the potential of generating a sustainable competitive advantage";
- *imperfectly imitable resources* are those possessed by firms that are in one (or a combination) of the situations: "(a) ability to obtain a resource is dependent upon *unique*

historical conditions; (b) link between resources possessed and firm's sustained competitive advantage is *causally ambiguous* (i.e., not understood or imperfectly understood) and (c) resource generating a firm's advantage is *socially complex* (i.e., beyond the ability of firms to manage and influence)";

- *non substitutable resources* are those for which "there must be no strategically equivalent valuable resources that are themselves either not rare or imitable." Thus, substitutable resources are strategically equivalent, i.e., "they can be exploited separately to implement the same strategies."

More recently, the VRIO framework was used in studies covering varied topics within Strategic Management. Pesic, Milic and Stankovic (2012) used the framework to analyze the strategic role of human resources in providing competitive advantages in Serbian companies. Knott (2015) studied the operationalization of the use of this framework in practical strategic analysis. Salgado and Colombo (2015), by their turn, evaluated the environmental management system (EMS) in a Brazilian hotel through the use of the VRIO framework.

The Balanced Score Card is a systematic management system that helps to translate the vision and strategy of the company in practical actions. According to Kaplan and Norton (1996, p.75), there is basically four management processes that, "separately and in combination, contribute to linking strategic objectives with short-term actions". They are: [1] *Translating the vision* in order to build a consensus and easy-to-understand strategic plan about the firm's vision and strategy. In their original paper, Kaplan and Norton (1996) established four perspectives for this process: financial, customer, learning & growth and internal business process. [2] *Communicating and linking*, a process by which managers communicate the company's strategy up and down to reach all levels of the organization, linking corporate goals to departmental and individual objectives. [3] *Business planning*, integrating business and financial plans in a way that allows managers to coordinate and focus on activities related to long-term strategic objectives. [4] *Feedback and learning*, a continuous process of evaluation in three levels (company, departments and employees) through monitoring short-term results and evaluating

the strategy based in recent performance, enabling firms to modify or adapt strategies “to reflect real time learning.”

According to Hu, Wildburger and Strohhecker (2017), the BSC is one useful tool to control strategy implementation. Through an experimental research, which analyzed strategy implementation on the perspective of strategic-operations, BSC provided the most focused and useful information, in comparison to other management tools. Gomes and Lírio (2014) investigated the applicability of the BSC in small-scale municipalities. Even though the tool needed small adjustments in order to fit public organizations, the authors concluded that it can be easily implemented in this context.

Finally, the Office of Strategic Management is, in the view of their creators (Kaplan and Norton, 2005), a method to reduce the gap and disconnection between strategy formulation and strategy execution. The OSM is a “unit at the corporate level to oversee all strategy related activities.” Considered a complement for the BSC, the OSM typically performs the following activities: create and manage the scorecard, align the organization, review strategy, develop strategy, communicate strategy, manage strategic initiatives and integrate strategic priorities with other support functions. The OSM is usually put to practice through the project management office (PMO) methodology. Crawford (2010) presents a deep analysis of the four primary areas of knowledge within PMO: governance and portfolio management, resource optimization, organizational change, and performance measurement. Together, these four axes provide a sophisticated approach to strategy implementation.

Theoretical Proposition 3: Given that corporate strategy is a complex issue, many authors have developed new approaches and tools to translate the ethereal concept of strategy to more pragmatic practices. The scenario planning approach is innovative once it allows corporations to prepare for unpredictable future situations. Among the tools developed to handle corporate strategy, VRIO, BSC and OSM are often referred in management practice and in the academic literature as applicable in a variety of situations.

What is wrong with Strategic Management?

It is notorious that some of the main corporation's goals are: maximize profits and shareholders value,

operate with minimum costs, increase market share and sustain growth. According to Makridakis (1996), over time such goals created overcapacity, increased competition, and forced firms to continuously improve themselves in order to survive. However, in an environment of fierce competition, “pathologies in management behavior” started to appear and to root themselves in all kinds of corporations. Those diseases include “lack of trust of managers on employees, self-centered managers who prioritize their goals instead of the company's goals, excessive use of hierarchical controls, corruption and spoliation, to name just a few” (Ghoshal, 2005, p.77-80).

Frederick and Carroll (2007, p.144) list four categories of ethical issues within corporations. [1] *Equity*, related to executive salaries and product/service pricing. [2] *Rights*, including issues such as employee health screening, privacy, and equal employment opportunity. [3] *Honesty*, in situations such as employee conflicts of interest, security of employee records, inappropriate gifts, unauthorized payments to foreign officials. [4] *Exercise of corporate power*, regarding workplace/product safety, environmental issues and closures/downsizings, among others.

While those “management pathologies” are related to the internal environment of the company, affecting managers, employees and shareholders, even more serious problems can be caused to the external environment of companies. Indeed, in the lure to achieve above average performance and please the shareholders, some companies disregard social and environmental responsibility. Consequently, examples of firms harming their environment and society abound. The disastrous oil spill in the Gulf of Mexico caused by British Petroleum in 2010 (The Economist, 2010), the largest in the history of the petroleum industry, and the Mariana mining disaster in Brazil, caused by Samarco in 2015 (The Economist, 2010), are some cases in point.

According to Ghoshal (2005), the problem lays in the education of corporate executives. To him, management theories in vigor nowadays fail to address ethical issues in the training of executives, focusing instead in ‘nice mathematical models’ guiding them to profit maximization (Goshal, 2005). The author supports the inclusion of ethics and morality in business education as the beginning of a solution. To Mintzberg (1984), the question about how companies can be responsibly managed can be clarified studying who controls the corporation. From private owned

companies, to public owned and NGOs, all firms have different agents influencing their courses of action. “Without responsible and ethical people in important places, our society is not worthy very much” (Mintzberg, 1984, p. 104).

Porter and Kramer (2006, p.92) have a different view about “responsible management” of corporations. For them, “corporations (already) have a profound and positive influence on society”, as they create jobs, purchase goods, provide products needed, enhance the economy, etc. Therefore, “charities and development of disadvantaged communities” are more a matter of Public Relations than a real attempt to increase share value.

Another view is given by Frederick and Carroll (2007), according to which the problem lies in the *immoral management*, a model by which management’s goals are essentially selfish or only focused on profitability/organizational success. In a perspective similar to Mintzberg’s view (1984), these authors state that the only solution for such problem would be the moral management, a model that fundamentally requires ethical leadership. Through the use of ethical decision making, managers would be able to build an ethical climate in their organizations, including thoughtful reflection about their behavior, sensitivity and understanding to all the stakeholders of the organization and their stakes.

In summary, Goshal (2005) and Mintzberg (1984) are interested in explaining the root causes of irresponsible management, concluding that the issue lays in the corporation (how it is managed and the faulty education of executives), while Porter and Kramer (2006) argument that the external environment (government, legislators and pressures of society) is also to blame for unethical management, whilst for Frederick and Carroll (2007) the problem lies in the immoral management. Even though these authors present distinct arguments, there is a consensus about the harmful impact of unethical management to the corporation (including all stakeholders) and to society.

Regardless of who is responsible for the “management pathologies”, some authors have investigated the feasible positive contributions organizations can promote to their external environment. This field is often referred in the academic literature as Corporate Social Responsibility (CSR). In this regard, authors such as Faria and Sauerbronn (2008), Sauerbronn (2009) and Sauerbronn and Sauerbronn (2011) engaged in a deep analysis about the relationship between strategy and the CSR.

Sauerbronn’s (2009) doctoral thesis approached the issue investigating the formation of the field of CSR, defying the traditional perspective that sees CSR through integrative and strategic lens (Porter and Kramer, 2006), and analyzing the issue through a structuralistic perspective. The author investigated the lack of action in CSR strategies, specifically by means of a case study of a multinational corporation operating in Brazil. Among the findings, this research proved that there is a growing voluntarism in CSR actions, and that the motivations for such actions are beyond the market, incorporating a *non-market* perspective which allows the analysis of a public-private dimension of CSR.

Faria and Sauerbronn (2008, p.8), by their turn, observed that there has been an approximation of the field of corporate strategy to CSR in the last 20 years, especially in the USA, but also in Brazil. Through a critical analysis, these authors argue that “the approximation between the strategy area and social responsibility requires the recognition of the public dimension so that social matters do not become mere strategic and political resources of large corporations.” In a further development of this perspective, Sauerbronn and Sauerbronn (2011) recognized the limitation of the Management literature in analyzing the CSR as a phenomenon exclusively centered on the firm, neglecting important questions associated with the political and social dimensions.

Theoretical Proposition 4: Ethics is an ongoing problem within Strategic Management and it has been a concern for Management authors over the decades. Whilst some authors state that the problem lies in the executive education, that often neglects the preparation for dealing with ethics, others recognize that external constraints such as government regulations and pressures of society are also causes for such problem. Under these circumstances, the Corporate Social Responsibility emerged as an important field within Strategic Management.

Conclusion

Corporate Strategy is one of the most traditional subjects within Management Studies. Even though often considered an activity restricted to C-level executives within corporations, its importance is paramount, especially when we observe the growing revenues of Strategy consulting firms over the years

(Consultancy.UK, 2015). As a consequence, this object inspired many classic authors within Management to develop theories and formulations about it (Barney, 1986, 1991; Chandler, 1962; Mintzberg, 1984, 1987, 1994, 1998, 2005; Porter, 1987, 1996, 1998). However, because of the breadth and volume of these studies, it is difficult for students, practitioners and researchers to have an aggregate perspective about the theme.

Under these circumstances, the main objective of this paper was to compile, beneath four research questions, central topics within Corporate Strategy. First, the article presents an analysis about the concept of Strategy. In this regard, two trade-offs were emphasized in the literature: automatic implementation versus adaptation, and needs of the company versus constraints of the environment. Second, the essay explores the forces that may shape the Strategy. Among these forces, the literature evaluated highlights the people within the company, especially managers, the external environment and fortuity. Third, we analyzed new developments within the Corporate Strategy literature. Focusing on management tools to facilitate the implementation of Strategy, the paper presents a brief analysis of scenario planning, VRIO, BSC and OSM. Fourth, the paper brings to the table the discussion of ethical issues within management practice. From this debate, we briefly analyzed the emergence, growth and relevance of the Corporate Social Responsibility field.

The main contributions for the state of the art in Corporate Strategy are, therefore, twofold. Firstly, the paper presents a segmentation of Corporate Strategy in four axes that fundamentally discuss the *concept*, its *influencers*, *innovations* and *challenges* within it. It represents a systematic attempt to evaluate Corporate Strategy's elementary aspects, an effort not previously attempted by Brazilian researchers. For each research question it is presented a theoretical proposition that in combination reflect the main findings of the paper. Even though these propositions have no intention to exhaust the possibilities of each question, together they serve as a systematic representation of the field of Corporate Strategy in the classic literature. Secondly, even though we did not present a timeline itself, the paper presents a historical evolution of Corporate Strategy, through the lens of its most prominent authors, such as Alfred Chandler, Michael Porter, Henry Mintzberg and Jay Barney (many times referred as founding fathers of Modern Business Strategy). By outlining the main contributions of these authors

to the topic under discussion, we demonstrated how recent authors are using this classic knowledge to discuss current issues, such as environmental management and information technology (IT).

Regarding the limitations of this study, we understand that the personal preferences of the author may have affected aspects such as the issues explored and the references analyzed. To obviate this tendency at least partly, we used the two aforementioned syllabus as a strategy to preserve the objectivity, selecting only topics and references that appeared in both documents. Besides, we also understand that the discussion of each question did not include all topics and authors that could have been inserted. Thus, many other possibilities are plausible. Another limitation was the low number of recent studies reviewed, once the paper focused mainly on the classic authors. Therefore, important new developments within Corporate Strategy may have been unnoticed.

The main implication of this article can be summarized: the Corporate Strategy has had a tortuous (or sinuous) road since its inception, since there is still no consensus or precise definition about this concept. In spite of this, in addition to not being affected, the relevance of the theme only increased over time, becoming one of the most discussed topics in Business Management, whether in academia or in management practice.

Finally, some suggestions for future research can be outlined. For example, systematic literature reviews of contemporary authors on Corporate Strategy would add to this paper, clarifying which classic topics are still being analyzed in the present. In addition, researches through case studies or other methods could evaluate managers' perceptions of Corporate Strategy in order to understand whether the subject has multiple viewpoints (as the conclusions of this paper suggest) or has a more limited scope of application within companies.

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