**Corporate strategy** is primarily about the choice of direction for the corporation as a whole. The basic purpose of a corporate strategy is to add value to the individual businesses in it. A corporate strategy involves decisions relating to the choice of businesses, allocation of resources among different businesses, transferring skills and capabilities from one set of businesses to others, and managing and nurturing a portfolio of businesses in such a way as to obtain synergies among product lines and business units, so that the corporate whole is greater than the sum of its individual business units. Managers at the corporate level act on behalf of shareholders and provide strategic guidance to business units. In these circumstances, a key question that arises is to what extent and how might the corporate level add value to what the businesses do; or at least how it might avoid destroying value.

Corporate strategy is thus concerned with two basic issues:

1. What businesses should a firm compete in?

2. How can these businesses be coordinated and managed so

that they create “Synergy.”

**Grand Strategies**

Definition: The Grand Strategies are the corporate level strategies designed to identify the firm’s choice with respect to the direction it follows to accomplish its set objectives. Simply, it involves the decision of choosing the long term plans from the set of available alternatives. The Grand Strategies are also called as Master Strategies or Corporate Strategies. There are four grand strategic alternatives that can be followed by the organization to realize its long-term objectives:

* **Stability Strategy**
* **Expansion Strategy**
* **Retrenchment Strategy**
* **Combination Strategy**

**Stability Strategy**

Definition: The Stability Strategy is adopted when the organization attempts to maintain its current position and focuses only on the incremental improvement by merely changing one or more of its business operations in the perspective of customer groups, customer functions and technology alternatives, either individually or collectively. Generally the stability strategy is adopted by the firms that are risk averse, usually the small scale businesses or if the market conditions are not favorable, and the firm is satisfied with its performance, then it will not make any significant changes in its business operations. Also, the firms, which are slow and reluctant to change finds the stability strategy safe and do not look for any other options.

Stability Strategies could be of three types:

* **No-Change Strategy**
* **Profit Strategy**
* **Pause/Proceed with Caution Strategy**

To have a better understanding of Stability Strategy go through the following examples in the context of customer groups, customer functions and technology alternatives

**Expansion Strategies**

Growth strategies are the most widely pursued corporate strategies. Companies that do business in expanding industries must grow to survive. A company can grow internally by expanding its operations

or it can grow externally through mergers, acquisitions, joint ventures or strategic alliances.

Reasons for Pursuing Growth Strategies

Firms generally pursue growth strategies for the following reasons:

1. **To obtain economies of scale**: Growth helps firms to achieve large-scale operations, whereby fixed costs can be spread over a large volume of production.
2. **To attract merit**: Talented people prefer to work in firms with growth.
3. **To increase profits:** In the long run, growth is necessary for increasing profits of the organisation, especially in the turbulent and hyper–competitive environment.
4. **To become a market leader:** Growth allows firms to reach leadership positions in the market. Companies such as Reliance Industries, TISCO etc. reached commanding heights due to growth strategies.
5. **To fulfill natural urge:** A healthy firm normally has a natural urge for growth. Growth Opportunities provide great stimulus to such urge. Further, in a dynamic world characterized by the growth of many firms around it, a firm would have a natural urge for growth.
6. **To ensure survival:** Sometimes, growth is essential for survival. In some cases, a firm may not be able to survive unless it has a critical minimum level of business. Further, if a firm does not grow when competitors are growing, it may undermine its competitiveness.

**Retrenchment Strategies**

They are the last resort strategies. A company may pursue retrenchment strategies when it has a weak competitive position in some or all of its product lines resulting in poor performance – sales are down and profits are dwindling. In an attempt to eliminate the weaknesses that are dragging the company down, management may follow one or more of the following retrenchment strategies.

* **Turnaround**
* **Divestment**
* **Bankruptcy**
* **Liquidation**

**Combination Strategies**

A company can pursue a combination of two or more corporate strategies simultaneously. But a combination strategy can be exceptionally risky if carried too far. No organisation can afford to pursue

all the strategies that might benefit the firm. Difficult decisions must be made. Priorities must be established. Organisations like individuals have limited resources, so organisations must choose among alternative strategies. In large diversified companies, a combination strategy is commonly employed when different divisions pursue different strategies.

Also, organisations struggling to survive may employ a combination of several defensive strategies.

**Restructuring**

Restructuring is another means by which the corporate office can add substantial value to a business. Here, the corporate office tries to find either poorly performing business units with unrealized potential or businesses on the threshold of significant, positive change. The parent intervenes, often selling off the whole or part of the businesses, changing the management, reducing payroll and unnecessary expenses, changing strategies, and infusing the business with new technologies, processes, reward systems, and so forth. When the restructuring is complete, the company can either “sell high” and capture the added value or keep the business in the corporate family and enjoy the financial and competitive benefits of the enhanced performance. For the restructuring strategy to

work, the corporate office must have insights to detect businesses competing in industries with a high potential for transformation.

Additionally, of course, they must have the requisite skills and resourcesto turn the businesses around, even if they may be in new and unfamiliar industries.

Restructuring can involve changes in assets, capital structureor management.

1. Assets restructuring involves the sale of unproductive assets, or even whole lines of businesses, that are peripheral. In some cases,it may even involve acquisitions that strengthen the core businesses.

2. Capital restructuring involves changing the debt-equity mix or the mix between different classes of debt or equity.

3. Management restructuring involves changes in the composition of top management team, organisational structure, and reporting relationships. Tight financial control, rewards based strictly on meeting performance goals, reduction in the number of middle level managers are common steps in management restructuring.In some cases, parental restructuring may even result in changes in strategy as well as infusion of new technologies and processes.