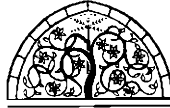

Working Paper

Corporate Strategy Revisited: towards developing a dynamic framework

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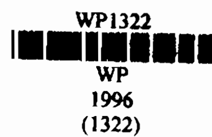

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Corporate Strategy Revisited: towards developing a dynamic framework

Introduction

Strategy of a firm serves two primary purposes: defining the segment of environment in which it will operate, and providing guidance for subsequent goal-directed activity within that niche (Hofer and Schendel, 1978). These two purposes lead to the hierarchical division of strategy into strategy at the corporate level which discharges the first purpose, i.e., domain selection, and strategy at the business level which is concerned with the second purpose, i.e., domain navigation (Burgeois, 1980). The growth in complexity of businesses and their operating environments raised challenges related to their strategies at the business and corporate levels. As a result, the past two decades or so have witnessed the emergence of first the industrial organization paradigm and next the Resource Based View (RBV) of the firm. Similarly, studies on diversification have occupied important place in strategy research especially those based on empirical research. It is only in the last one decade or so when in a bid to revive their declining health, overdiversified US firms started rationalizing their portfolio of businesses through a series of merger, acquisition and divestiture, that researchers have shown some interest in studying the other generic strategies as well. However, no coordinated effort seems to have been made to synthesize the extant literature on the generic strategies at the corporate level to evolve a theory to explain in what context firms follow which strategy, why do firms follow them, and what outcomes these strategies lead to.

An attempt is made in this paper to develop an integrated framework to answer questions such as why some firms decide to invest in new businesses while others prefer to continue and consolidate the existing ones and/or on divest some of their businesses. Another question is why firms perform differently while following the same strategy. This effort seems to be relevant in the highly turbulent times that we live in. The framework is discussed after reviewing the relevant literature on generic corporate strategies and the resource based view of the firm.

Concept of Corporate Strategy: A synthesis of literature

Diversification and corporate restructuring are the two dominant themes of research in corporate strategy. Although both of them are related to corporate level decision making and thus forms integral parts of corporate strategy of firms, research and theory development seem to have taken different and often parallel routes. This is so despite the fact that significant overlaps exist in decision areas of diversification and corporate restructuring as both involve decisions regarding selection and management of portfolio of businesses, allocation of resources and structuring of organization. A synthesis and cross fertilisation of the two streams of research can probably build a meaningful theory of corporate strategy. However, before that we will attempt to delineate the clear but sufficiently broad boundary of corporate strategy to include both diversification and corporate restructuring followed by a proper taxonomy of corporate strategy through which the theories from the two streams of research can be integrated.

We observe that corporate strategy concerns about the definition of organizational purpose (Bernard, 1938), selection of business (choice of product\mission according to Ansoff, 1965; domain selection to Bourgeois, 1980), allocation of resources among different businesses (Chandler, 1962), and the way of managing the array of businesses. Classical definition of corporate strategy, as given by Andrews (1971) by combining all these aspects, states: "it is a pattern of major objectives, purposes or goals and essential policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be." The scope of corporate strategy was quite broad in Andrews' definition. However, in the subsequent years particularly since the seminal work of Rumelt (1974), corporate strategy seems to have become synonymous with diversification strategy as much of the

research focus was directed towards addressing the phenomenon of rapid spread of business by the American and European firms. However, Porter (1987) reiterates the broader scope of corporate decision making as he observes that strategic management at the corporate level involves mainly either of the following four activities: portfolio management, restructuring, transferring skills, and sharing activities across businesses. Transferring skills is conceptually similar to the concept of leveraging core competencies as propagated by Prahalad and Hamel (1990). Sharing activities is essentially the same as that of exploiting the economy of scope (Teece, 1980).

We provide below a comprehensive and more operational definition of corporate strategy which incorporates to the definition of Andrews some of the new facets of business decisions identified by the subsequent strategy scholars.

Corporate strategy of a firm, thus, can be defined as the pattern of choices of purpose or goal; product-market domains, i.e., businesses; core technology for each of the businesses, i.e., the combination of factors of production; scale and scope of each business; location of activities and factor markets; and augmentation and development of resources and allocation of them across businesses. Business here signifies the combination of both the product/services (vehicle to fulfill certain need of customers) and the market (customers whose need is being fulfilled and their geographical spread).

In the last two decades development of a taxonomy of strategy has gained importance in strategy literature. However, out of many typologies only two have received wide acceptance in strategy literature. The most acclaimed one is Porter's (1980) typology of generic strategy. This is concerned with the choice of generic strategy at the business unit level of a firm. The other widely acclaimed strategy typology as proposed by Miles and Snow (1978) is also related to business-level generic strategies. Its applicability for viewing corporate strategy is not clear, but probably very limited (Hambrick, 1983). It is observed that focus of taxonomic approach of strategy research restricts mainly to the business-level strategy (Chrisman, Hofer and Boulton, 1988) and except Mintzberg (1988) none so far has made any meaningful effort to classify the generic strategy at the corporate level. The word 'generic' here subsumes a broad strategy within which there are several strategic choices available to the firm. In other words, it signifies a cluster of decisions and actions which have some common characteristics and implications to the firm. Generic strategy at the corporate level, in fact, specifies the fundamental approach of a firm to the management of its portfolio of businesses and highlights the characteristics and significance of the corporate strategy.

Broadly, there are three types of strategies adopted by firms at the corporate level, namely diversification, consolidation and downsizing.

Diversification can be seen as the entry of a firm into new lines of activities for broadening the base of its businesses by investing in new products, new consumer or geographic markets, or market segments (Booz, Allen and Hamilton, 1985; Ramanujam and Varadarajan, 1989). There are several choices in the diversification strategy itself depending on the variation in the scope of product and/or market, and its relation with the existing businesses of the firm, namely vertical and horizontal integration (Harrigan, 1985), related diversification (Kazanjijan and Drazin 1987, Porter 1987, Prahalad and Bettis, 1986; Wernafelt 1984), conglomerate diversification (Mintzberg, 1988; Rumelt, 1974) and globalization (Dess et al., 1995).

Consolidation can be viewed as the strategic act of configuring or reconfiguring a firm through either a sequence of acquisition and divestiture to develop a new portfolio of businesses; or a change in the capital structure, i.e., debt-equity mix or the pattern of equity holding, i.e., ownership structure; or a change in the core technology of the existing businesses, internal structure, systems, and management processes of the firm; or any combinations of these acts without much alteration in its total scale and scope of business. Consolidation, thus, may include simultaneous acquisition and divestment of different businesses, rationalization of capital structure, and internal organization of the firm that can

be adopted by a firm one by one or simultaneously depending on the contingencies faced by the firm (Singh, 1993).

Downsizing is the act of reconfiguring a firm by systematic redundance or divestiture of some of its assets and businesses to reduce its scale and/or scope of business. Downsizing includes the reduction in scale and/or scope of organizational activities by closing down certain operations, divestiture of businesses, withdrawing from certain geographical market or market segment, that lead to a reduction in product-market scope.

The act of reconfiguration consisting of both consolidation and downsizing is commonly termed corporate restructuring (Bowman and Singh, 1993). Though these are mostly reactive decisions taken to rationalize the business activities of a firm mainly to improve corporate performance, they are used proactively as well.

Diversification, consolidation and downsizing are generic strategies because each is having different characteristics with regard to firms' scale and scope of businesses and the implications to subsequent resource positions. They are fundamentally different and mutually exclusive as a firm can not follow any of these two strategies simultaneously.

Resource Based View of the Firm

The resource based view (RBV) of the firm looks at a firm as a bundle of resources (Wernerfelt, 1984) and argues that every firm has a unique configuration of idiosyncratic resources (Barney, 1991). The central theme of RBV is not absolutely novel to the keen followers of strategic management literature as discussions on firms' unique resources and distinctive competence were found in the works of earlier authors (Selznick, 1957; Penrose, 1959; Andrews, 1971). However, only in recent years idiosyncratic resources are put at the heart of analysis of strategic behaviour and competitive advantage of firms.

Application of RBV can help us throw some new light and give some interesting insights on certain issues related to corporate strategy of a firm such as the firm's motives for changing its corporate strategy, the internal context that guides the direction of the change, the choice of a corporate strategy and its likely implications on firm's performance. The RBV can also provide a theoretical rationale for predicting superior performance associated with the choice of certain categories of corporate strategy in certain internal and external contexts (Mahoney and Pandian, 1992).

RBV conceptualizes resources much more broadly than the classical economic view of resource as land, labour, capital (Wernerfelt, 1984). Along with land or property, labour and capital it also includes various legal (e.g. patent), informational, relational (e.g. good will, brand image, etc.) and other organizational resources (e.g. competence and capabilities) (Grant, 1991; Hunt and Morgan, 1995).

However, the term resource has been used quite loosely in strategy literature as very few authors have really tried to develop a proper definition and understanding of the concept. Besides, ceratin terms such as skill, competetence, core competency, capability and strategic asset are in prolific use. We will attempt to understand the concept of resource and the process of its development in a little detail.

Land or property, finance, plant and equipment, information, patents, brand names, knowledge, skills, attitude and habits of individual employees and so on constitute the basic resources of a firm. People are the embodiment of collective knowledge, skills, attitude and habits existed within a firm. Sometimes knowledge and skills are embedded in the technical systems as well (Nelson and Winter, 1982). When more than one basic resource is linked together by a wide range of bonding mechanisms, technology, management information and control systems, and various formal and informal organizational processes, they lead to complex resources with characteristics distinctly different from each of the basic resources. For instance, ability to develop miniaturised forms of any product or

ability to successfully implement projects under severe limitations fall into this category. These complex resources are generally termed as competence, strategic asset, etc.

Competences, Capabilities and Complex Resources

How different basic resources when linked to each other give rise to complex resources of higher order has been depicted in the figure 1. Resource 1, 2, and 3 as depicted in the figure, represents basic resources such as human, plant and equipment or finance. For example, a group of designers in a firm together represent its design competence made of several human individual resources linked through interacting processes and organizational routines. Similarly, a combination of manufacturing personnel, technology and machinery glued together by various organizational processes give rise to manufacturing competence. The larger the number of basic resources constituting a complex resource, the greater is likely to be the number of their interlinkages, leading to the formation of a higher order complex resource with lesser imitability and higher value to the firm. These special type of complex resources are the sources of sustainable competitive advantage. Prahalad (1993) in his definition of competence combines technology, governance process and collective learning and observes that core competencies are those competencies which organizations leverage across businesses. However, we believe that competence is not restricted to the exclusive interaction of people with technology alone but extended to other physical assets such as land, capital and information.

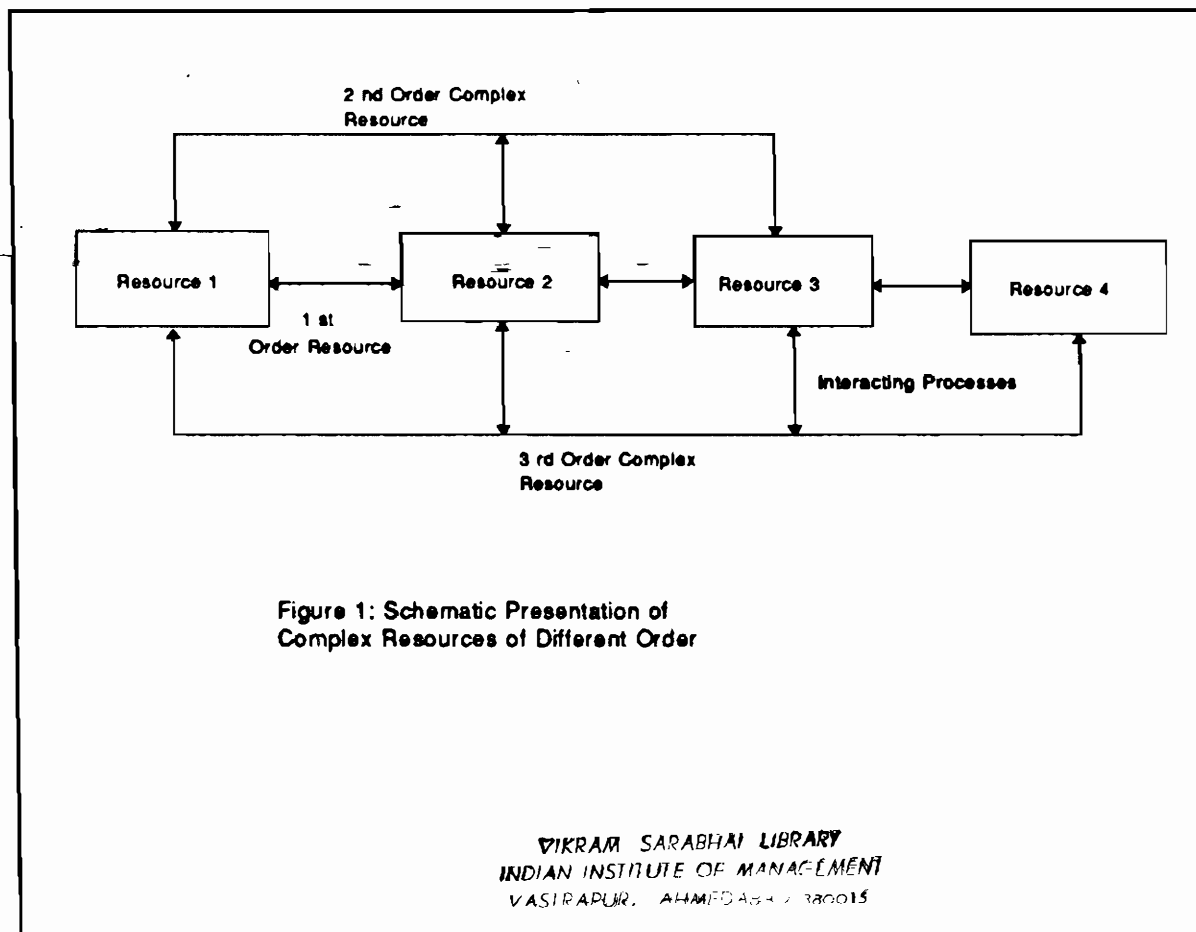

Figure 1: Schematic Presentation of Complex Resources of Different Order

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Capability has been defined in various ways by different authors. Dierkix and Cool (1989) view capabilities as intangible assets of the organization which can neither be traded nor imitated easily as they are deeply embedded in the organizational routines and practices. According to Day (1994) it is "the glue that brings the organizational assets together and enable them to be deployed advantageously. They are complex bundles of skills and accumulated knowledge, exercised through organizational processes, that enable organizations to coordinate activities and make use of their assets.

They are manifested in activities like order fulfillment, new product development, project management and service delivery" (p. 38).

Some authors use competence and capability interchangeably and treat them as fundamentally different from all other organizational resources as they observe that capabilities refer to a firm's capacity to deploy resources through different organizational processes to effect a desired end (Amit and Schoemaker, 1993, Grant, 1991). The confusion is further compounded when some authors (e.g., Mahoney and Pandian, 1992: p. 369) designate resource conversion activities as capabilities. It may be true that capabilities of a firm are embedded in organizational processes, closely interrelated routines, organizational memory, tacit knowledge (Nelson and Winter, 1982; Walsh and Ungson, 1991), skills, attitudes, and habits of personnel or organization culture (Barney, 1986). Some of them may be the antecedent to and some may be the manifestation of organizational capabilities, but by no means they are capabilities themselves. If we try to conceptualise capability as the capacity to deploy resource, some questions could be raised, such as: who deploys the resources in the firm, where does the capacity to deploy comes from, and how do these resources to be deployed come from if they do not already exist in the firm?

Capabilities of a firm are not only the capacity of deploying resources but also acquiring and developing them when required. Resources here include both the basic as well as the complex resources as defined earlier. However, the capacity of acquiring, developing and deploying resources is dependent on certain organizational activities performed threough various formal and informal organizational processes. In doing so the organizational processes link together the individual employees and various other basic and complex resources. Thus, at a higher level of conceptualization, capability can be viewed as a compound resource made of a complex combination of various similar and dissimilar basic and complex resources which are glued together by different organizational processes. It has unique characteristics different from each of the basic and complex constituent resources. For example, various basic resources such as coordinating personnel and finance coupled with competencies in different functional areas of a firm such as R&D, marketing and manufacturing collectively may give rise to a compound resource like product development capability.

The range of capabilities that exists in firms is found to be extremely diverse. However, in the broad sense three types of capabilities can be identified in an organization- entrepreneurial, technological and managerial capabilities (Lall, 1990).

In our view, a firm can be viewed as a complex and fluid architecture of some basic, complex and compound resources where the complex and compound resources are popularly known as competencies and capabilities in strategy literature. The architecture of resources is fluid because ceratin basic resources such as individual employees are mobile and can be shifted from one function to the other to give rise to different complex resources leading to new resource architecture.

Each of the resources individually and collectively serves certain utilities; at any point in time firms may face slack or crunch in any of these resources in meeting certain organizational exigencies. Firms with slack resources will tend to behave in certain ways which are dependent on their external and internal contexts which include resource architectures as well. Firms facing a crunch in basic resources may augment them from outside relatively easily. But firms facing a crunch in resources like competencies and capabilities may find it difficult to augment them. They may have two options - either to acquire the basic resources, combine them to develop the desired competencies and capabilities, or to acquire them directly from the market. However, complex and compound resources such as core competencies and capabilities are neither available in plenty in the market nor can be developed easily as the development of the organizational processes through which resources are augmented, developed and deployed requires time and investment. With learning comes to the people increased understanding of technology and other resources, their underlying principles, interacting processes, and the environment, which results in a change in their knowledge, skill, attitude and habit thus leading to the attainment of a new set of resources.

Environment-Firm Coalignment and Corporate Strategy

Being an adaptive entity a firm acts in response to different stimuli from environments either external or internal to the firm. It is generally accepted that in the process of a firm's adaptation to environment, strategy acts as the link between a firm and its environment (Hofer and Schendel, 1978; Ginsberg and Venkatraman, 1985). Thus the choice of strategy is contingent upon both the environmental and organizational contexts of a firm (Keats and Hitt, 1988; Miller, 1986). Observing this contingent nature of the choice of strategy Hofer (1975) urged strategic management scholars to develop a contingency theory of strategy. Since then numerous studies have been reported at conceptual level to develop the correct constructs and mostly at empirical level to establish predictive models linking environment and strategy with performance.

In developing a contingency theory of strategy two issues have drawn attention of researchers - the relation between the content of strategy and the contextual variables (both internal and external), and the processes through which the "fit" between strategy and other contextual variables are achieved (Pettigrew, 1987; Venkatraman and Camilus, 1984).

Factors Influencing the Choice of Corporate Strategy

Researchers have identified various factors that create contingency for diversification, consolidation, and downsizing decisions in firms. Under the economic and finance assumptions of market perfection there are no stimuli for diversification as it does not benefit the firm (Hoskinsson and Hitt, 1990, Teece, 1980). As shown in the Table 1, a number of factors are found to influence managerial decisions regarding diversification, consolidation and down sizing. It is clear from the table that it is the pressure to exploit an opportunity or to compensate for losing business that often diversification is resorted to. There are also a number of internal factors such as excess supply of resources in isolation or in synergy that prompt diversification. Corporate restructuring consisting of consolidation and down sizing is largely resorted to in bad times as a reaction to environmental changes.

It is apparent from the table that influence of various resources other than finance in the choice of corporate strategy, has received scant attention from the empirical researchers.

Viewing Corporate Strategy from RBV Perspective

Strategy theorists (Andrews, 1971; Ansoff, 1965; Hofer and Schendel, 1978, etc.) have recognized quite early that firm's resources, strengths and weaknesses and distinctive competencies have a bearing on the choice of corporate strategy. However, questions such as why and how resources are linked to the choice of generic corporate strategy are still not explained although the concept of RBV has been in use for a decade. Wernerfelt (1984) in his seminal paper on RBV argued that resource perspective provides a basis for addressing some key issues regarding corporate decisions. Still, not much has been done to explain the choice of corporate strategy using the RBV perspective.

A firm can ideally be viewed as an entity which is exchanging resources with the entities outside the firm rather than exchanging products or services. The output of a firm is the input and hence a resource to another firm. The firm adds value to the resources acquired from the market by combining them through various organizational processes and thus produce some higher order resources which are used as the resource by some entities in the market. Thus from this perspective the firm's activities should be guided towards efficient and effective identification and acquisition of resources from the market, adding values to these resources while transforming to higher order resources and locate consumers for these resources and distribute to them.

The attention of the RBV theorists for the last one decade has been concentrated on the development and deployment of resources within the boundary of the firm and the act of aligning the resources to the task environment for a more effective navigation within the business domain already selected. Thus

Table 1	
Choice of Strategy Research	
Factors	Authors
Diversisfication	
Market imperfections	
- legal & fiscal restrictions	Hoskinsson and Hitt (1990)
- uncertain product demand input supply	Beattie (1980); Caves (1980); Chandler (1962)
- competition & declining profit	Keates and Hitt (1980)
- wrong capital market signals	Mork et.al. (1990); Shleifer and Vishny (1991)
Internal factors	
- Pursuit of monopoly - Synergy - Risk reduction	Beattie (1980), Ansoff (1965)
- Executive power & compensation motive	Jenson (1986)
- Financial manipulation	Hoskinson and Hitt (1990); Rumelt (1974)
- Excess tangible resources	Ansoff (1965); Bourgeois (1981); Farjoun (1991); Chatterjee and Wernerfelt (1988); Porter (1987)
- Leveraging assets, competences	Teece (1980); Rumelt (1974); Chandhuri et.al. (1982); Prahalad and Hamel (1990); Penrose (1959)
- Entrepreneurial growth vision	Chandler (1962, 1977); Singh (1993)
Consolidation and Down Sizing	
- Continued poor performance	Hoskinsson and Hitt (1990); Bowman and Singh (1993); Singh (1990)
- Rationalisation of resources of over diversified firms	Markides (1995); Porter (1987)
- Avoid bankruptcy	Lovejoy (1971)
- Capacity constraints in shared assets	Duhamie and Grant (1984); Porter (1977)
- Personal likes and dislikes opportunistic behaviour - e.g. Harvest when time is ripe	Duhamie and Grant (1984); Weston (1994)
- Raise resources for new investments	Weston (1994), Singh (1990)

the focus has been more on explaining the role of a firm's resources to particular businesses rather than managing the firm as a whole. How the unique combination of resources of a firm contributes to the development of corporate strategy by influencing the choice of businesses has not been systematically addressed. Although some authors (e.g., Prahalad and Hamel, 1990, Prahalad, 1993) have elaborated with specific instances how firms have leveraged the competence (or core competence for that matter) of one business to get a foot hold in new businesses, most of the authors have restricted themselves to the analysis of specific businesses rather than corporation as a whole. Mahoney and Pandian (1992) rightly observe that though some progress has been made in developing a viable approach from RBV for explaining and predicting growth and diversification, an application of this theory on other choices of generic strategy at the corporate level is clearly lacking.

A Holistic Model for the Choice of Corporate Strategy

Despite the early appreciation of the importance of an environment - strategy - resource match (see Andrews, 1971; Ansoff, 1965; Hofer and Schendel 1978), research focus has been limited to financial resources. Even the RBV scholars have limited their scope to the choice of diversification strategy leaving out the other two generic strategies. Thus a distinct gap exists in the literature as there is no framework that can capture the dynamic relationship of the corporate strategy with both the environmental and organizational contexts.

In the rest of the paper, we will attempt to develop a new framework to understand the dynamic nature of corporate strategies followed by a firm taking into account both the resoutces of the firm and its external environment. As discussed below, this approach seems to capture the firm-environment links better especially when we discuss generic corporate strategies and core resources. In the circular figure given in Figure 2 the inner most circle at the centre represents the key resources of the organization. This is the heart of the firm representing all resources including core competencies and core capabilities. The circles around this core represent the environment in which the firm operates. The various businesses will be plotted in the different circles depending on the strategic fit each business has with the environment. The weaker the fit indicating low levels of resources in the organization to meet with the success requirements of the business, the outer the circle they would be in. Therefore, the stronger the fit, the closer that business would be plotted to the inner core comprising resources. In short, the strategy of a management would be to try to keep a mix of businesses closer to the core business.

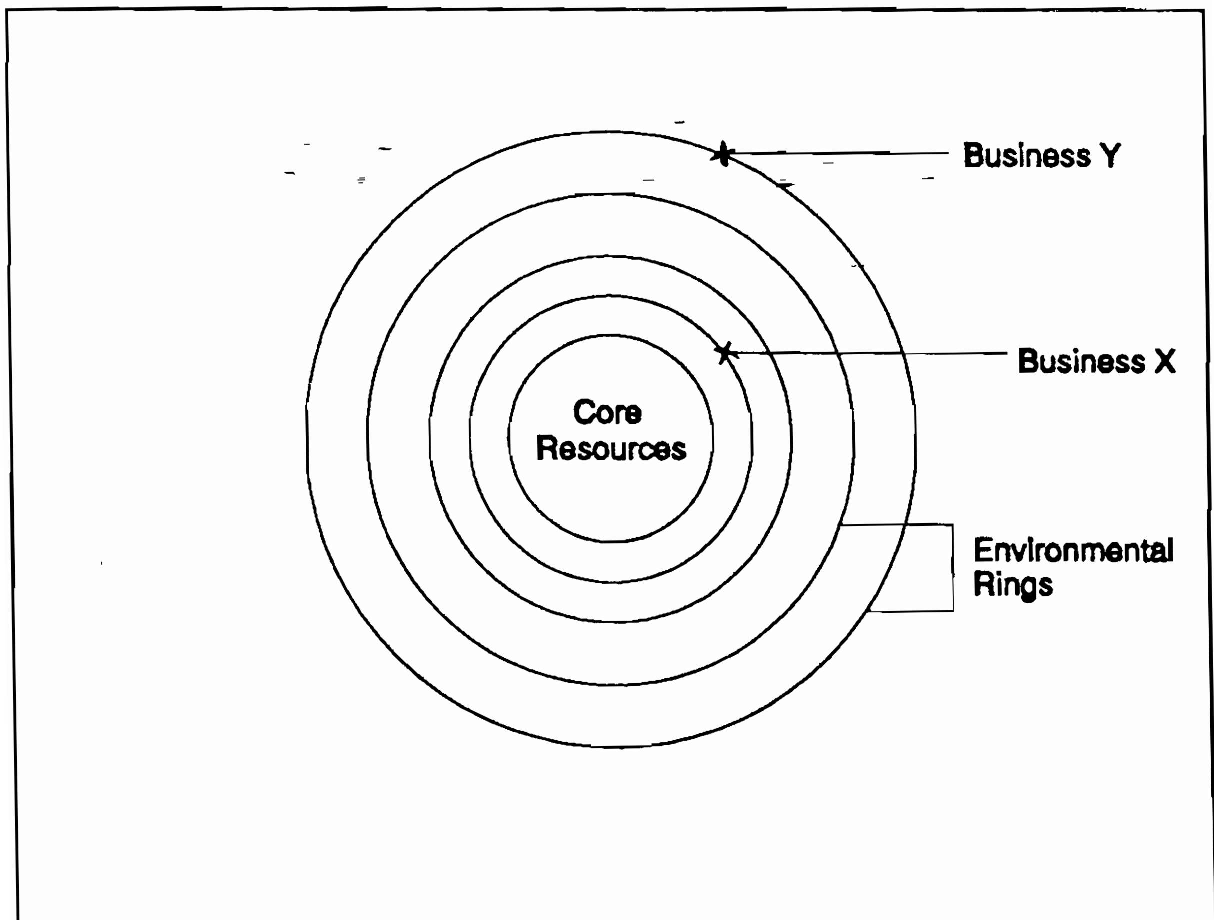

Figure 2 : Dynamic Strategy Framework

We should note that the core resources do not remain the same over a period of time. A visionary management would change the structure and content of the core according to the changing challenges

of the businesses it is in. This is true whether the organization is essentially in the same business or different businesses. Walt Disney's successful forays into a variety of businesses is an excellent example of the dynamism of the core. Disney started off as a cartoon and animation producer but later identified opportunities in virgin areas and built up resources to be competitive there. Disney utilised the inhouse core resource of creativity and cartoon characters to redefine the concept of an amusement park. Thus was born the Disney Land theme park. The combined core resource of Disney enabled it to redefine hotel business into a creative place with living facilities. Building on the original capabilities in film making, Disney moved into broadcasting. In short, Disney added new resources to its existing supply gradually. In all the new businesses it entered, a significant portion of the resources came from existing businesses. Fujitsu Corporation is another example of a company which has successfully changed the structure and contents of its core resources over the years.

Similarly, the realignment of environment and core resources and the location of the businesses in the orbit may change due to change in the industry characteristics as well. For example, firms possessing specific manufacturing competence will find their businesses in the inner orbits if the critical success factors are related to those competences. On the other hand, they will find businesses where marketing skills are key to success in the outer orbits if they do not possess related resources. However, for a variety of reasons like changing customer preference, break-through innovations, and change in the regulatory environment the rules of the game in the industry may change dramatically leading to high product differentiation among competirors. Competence in areas such as branding, advertising and promotion may become the new key success factors in the business. Firms with high manufacturing competence but low marketing competence, which were earlier finding the business closer to the core may find the business drifted away from the core.

This raises the question as to which direction a firm should turn to grow. How does a business in an inner circle differ from that in an outer circle? Why do businesses in the outer circle often succeed despite having weak links?

We will first see how the conventional 'related' and 'unrelated' arguments originally propounded by Ansoff (1965) fits in here. According to him and some other authors (Kazanjijan and Drazin, 1987; Porter, 1987), 'related' means related to the current operations of the business. This is reflected in terms of products, technology and market. The main weakness of this and similar models is that products and technology represent only some of the key resources an organization possess. There are a variety of other resources such as cash, land and buildings in physical form, brand equity and network of contacts in non-physical form, and managerial talent, flexibility, commitment to work and entrepreneurship in the form of human resources. Some of these resources together provide the overall staying power, and expertise in fighting from a disadvantage. One point to be noted here is that almost any business can be related to the basic resources of a firm and thus are not the right indicator of resource relatedness (Mintzberg, 1988). It is the complex and compound resources which should be used as the basis of relatedness. Besides, these models are silent about which of the new businesses a firm should get in.

Prahalad and Hamel (1990) and Hamel and Prahalad (1994) model emphasises the role of organizational resources such as core competence in the choice of businesses to be retained, divested and entered. However, this and other similar models are inward looking as they do not incorporate environment in their analysis. They can not predict in which environmental context and with what kind of resource architecture firms should adopt a particular generic corporate strategy. Decisions about which business to retain and expand and which business to divest or which new businesses to enter in this dynamic world can be better facilitated by a dynamic model.

A circular diagram as shown in figure 2 captures the dynamics of strategy comprehensively. This is because, in the circular diagram the extent of closeness of a business to its core resources and the relative distances they have from the core are fairly clear. (Whether these distances can be quantified

is a different but important question). The circle and the space around it enable us to demarcate the various markets in which a firm's businesses are into various industries.

The arguments for 'sticking to the knitting' which in the context of diversification means related diversification are back to the centre stage, especially in the context of the turbulence in the environment. In the circular diagram anything that has synergy with the key resources is related. It is not limited to the conventional definition of product lines. This is also the essential point coming out of the core competencies argument. The core competence of canon is expertise in optical technology which enabled it to look at growth opportunities in a variety of industries, totally unrelated (Prahalad and Hamel, 1990). In short, a circular diagram can capture the core competence, capabilities and resources models much better than a matrix diagram.

Totally unrelated diversification where the resource - environment fit is the minimum will be plotted in one of the outer most rings around the core. The farther the business is from the core, the lesser will be the 'visibility' the management has with reference to that business. This is a reflection of the level of clarity of understanding the management has about the business, reflected in terms of the poor fit that will exist between the core resources and the business. The task ahead of the management under such circumstances is great as it has to build visibility by building resources in tune with the needs of the business. As the fit improves, the business would be found closer to the core. In other words, then the core would be able to attract the business closer to it, as the sun attracts planets in its orbits into it. In a general sense, probability of business success is higher when the business-environment fit is greater.

The above discussion also shows that this diagram can be dynamic. The position of different businesses around the core changes according to this visibility factor. (Again, one has to worry about measuring the 'visibility' somehow). An alert management will take appropriate actions on a continuous basis to keep the businesses closer to the core. It is when the management finds it difficult to bring any business close to the core that it has to worry about divestment of that business.

How do businesses in the outer orbits prove to be successful and move close to the core? This happens if it is a new industry or new concept developed elsewhere as a result of which the firm does not have any special resource readily available to match with the requirements of that business. This is what is currently happening in India where several established companies are moving into infrastructure industries such as power and telecommunication although they do not have any expertise in them at all. These companies are acquiring the various resources required to move such businesses closer home. The ability to move it so depends on the entry barriers and level of competition. When the entry barriers are fewer and huge market potential exists, new entrants will be successful as it happened in the colour TV industry in India in the early 80s. This is because of the huge latent demand existed at that time. In recent years, TV satellite receiver systems also experienced a similar boom. Their sustenance essentially depends on their ability to build the right mix of resources in a fairly short period of time before competitors split up the opportunity and build entry barriers. This ability depends on the mix of existing resources. Again, it may be reemphasised that the closer the synergy the new resource requirements has with the existing resources, the easier it would be for the management to build competitiveness in the new business. The phenomenal growth of Walt Disney as discussed earlier is a typical example of this.

It is appropriate to mention the linkage this approach has with the strategic intent concept. Accordingly the management can use its antenna to pick up signals of emerging opportunities at a distance and develop resources to build such business. It can be likened to the captain of a ship using his telescope to identify shores around.

Conclusion

Strategy literature has seen the emergence of different paradigms and shifting emphasis on the areas of research. We have attempted to integrate the various streams of research and develop a new analytical framework that can explain difersification and restructuring in the context of a firm - environment fit. As discussed in this paper, the resources of firms show dynamic behaviour leading to the formation of complex core resources which are difficult to copy. In essence, we need to build in dynamism into an analytical framework as is attempted here to explain the various generic strategies firms follow. This framework needs further refinement, but we hope that we have set the discussion on for developing an intaegrated and dynamic framework for corporate strategy.

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