

# The Power of Strategic Integration

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*How can multibusiness corporations exploit the opportunities that take full advantage of their capabilities and their potential to pursue new strategies?*



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6. Ansoff matrix – Cadbury Schweppes' complex strategy (2000)

Sources

# 1. Why do multibusiness companies need to develop a capability for complex strategic integration?

Strategic imperative to maximize the profitable growth of business through new strategy-making capabilities

Focus on operational efficiencies in the past by integrating business activities and extension of existing strategies by combining resources from various business units

Maximum-strategic-opportunity set: firms' opportunities to take the fullest advantage of their capabilities and potential to develop new strategies

Complex strategic integration → discovery and creation of new business opportunities by combining resources from multiple units within the firm to extend the corporate strategy in new directions

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## 2. Five Forms of Strategic Integration

Conceptual framework with two dimensions affecting the five forms of strategic integration: scope and reach

### Scope

- Pursuing a new business opportunity requires the collaboration of existing business units within the corporate strategy
- Core strategy

### Reach

- Developing a new business opportunity requests modifying the existing corporate strategy
- New strategies

## 2. Five Forms of Strategic Integration

### Overambitious

- Maximum scope and reach: no trade-offs between the two dimensions

### Minimal

- Perceived limits on scope and reach
- Traditional strategy-making approaches based on capital-investment and portfolio-planning decisions

## 2. Five Forms of Strategic Integration

### Scope-driven

- Maximum scope
- Perceived limit on reach

### Reach-driven

- Maximum reach
- Perceived limit on scope

### COMPLEX

- Maximum-strategic-opportunity set  
→ maximum scope and reach taking both external and internal constraints' realities into account



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# 3.1. Tension between Reinforcing the Core and Redirecting Strategy

Reinforcement → moving vigorously and rapidly along a given strategic trajectory

Redirection → shifting the strategic trajectory , usually in anticipation of or in response to major discontinuities

Importance to find the right balance between reinforcement and redirection

Tougher trade-offs between reinforcement and redirection for multibusiness firms developing more-limited forms of strategic integration

## 3.1. Tension between Reinforcing the Core and Redirecting Strategy

### Scope-driven strategic integration:

- Strongly centralized companies emphasizing the interdependencies among their various businesses
- Reinforcement of the strategic thrust of the firm's core business
- Capitalization on deepening competence and market share gain through the continuous concerted action of multiple business units
- Quick mobilization of resources across multiple business units
- Giving up opportunities that could stretch resources too thin
- Strong top-management intervention
- Difficulties to go to a reach-driven strategic integration and redirection for companies traditionally emphasizing scope and reinforcement

## 3.1. Tension between Reinforcing the Core and Redirecting Strategy

### Reach-driven strategic integration:

- Strongly decentralized firms traditionally emphasizing corporate entrepreneurship and organic diversification around core competencies
- Profitable growth reached through redirecting the strategy
- Peripheral competencies become more central to the company's evolution owing to discontinuities
- Technical or market signals linked with discontinuities hard to detect for corporate managers → involvement of middle and senior managers
- Key integration challenge for firms traditionally emphasizing reach and redirection = comfort with scope-driven strategic integration and reinforcement

## 3.2. Managing Resource Scarcity and Mobility

Tangible resources' scarcity → zero-sum game

Availability of intangible resources → positive-sum game

Different mobility among resources

Interdependent joint projects across units

Importance of the role of top-level leadership

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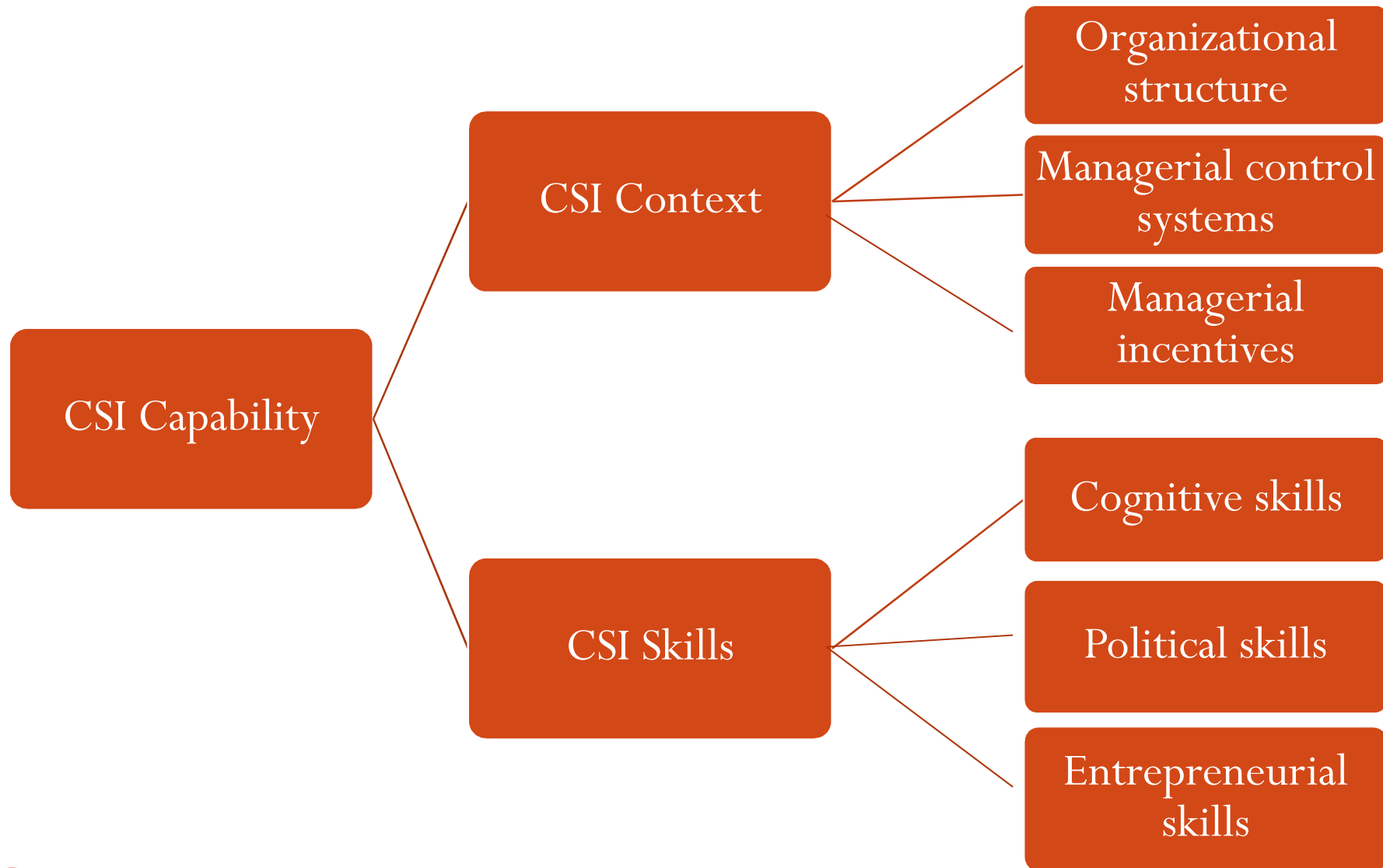
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## 4. Building a Complex-Strategic-Integration Capability

*How can company leaders create a corporate context that facilitates Complex Strategic Integration as **an ongoing institutionalized process** rather than as an infrequent occurrence depending on the efforts of some senior managers?*

## 4. Building a Complex-Strategic-Integration Capability





## 4.1. CSI Context

### Organizational structure:

- Framework for assessing the interdependencies resulting from complex-strategic-integration initiatives
- Repertoire of organizational-design options to increase the firm's entrepreneurial capability
- New information generated by evolving CSI efforts → re-evaluation of previous assessments and reconsideration of existing structural arrangements
- Setting up integrators: senior executives or a corporate staff unit stimulating operational units to pursue complex strategic integration
- Dual responsibilities for senior executives:
  - Major functional or business activities
  - New-business development based on complex strategic integration

## 4.1. CSI Context

### Managerial control systems:

- **Diagnostic control systems**
  - Cooperation, if registration of cross-unit contributions
  - Most focus on individual business-unit performance
- **Belief systems**
  - Behavioral norms that support cooperation and reciprocity
  - Difficulty to develop cooperation and reciprocity within the framework of complex strategic integration
- **Boundary-setting control systems**
  - Identify major risks
  - Dynamic boundaries necessary for complex strategic integration\*
- **Interactive control systems**
  - Help top management to point out the importance of complex strategic integration

## 4.1. CSI Context

### Managerial incentives:

- Developing and maintaining incentives that encourage managers to carry through CSI initiatives
- Incentives consistent with structural arrangements and control systems
- Conflicting incentives
- Managers' difficulty "to look beyond the borders of their own business" → single-business-unit performance

## 4.2. CSI Skills

### Cognitive skills:

- Finding new strategies bringing together activities and projects located in different parts of the organization
- Capacity for recognizing good strategies
- Important role of executive development  
→ “learning by doing”
- Ability to decide when to exit businesses

## 4.2. CSI Skills

### Political skills:

- Reconfiguring the flow of firm resources through cross-unit projects
- Redefining unit boundaries and individual business-unit charters
- Developing a consistent corporate context to encourage cooperation among units
- Lobbying for changes in the company's structural and strategic contexts:
  - Obtaining support from top management and peers for CSI initiatives
  - Executing partnerships with peers
  - Building common ground and shared vision
  - Managing conflicts between business units
  - Finding solutions that meet the interests of various business units

## 4.2. CSI Skills

### Entrepreneurial skills

- Detecting profitable business opportunities
- Attracting the necessary corporate resources
- Transforming a project from a small venture to an opportunity for major corporate renewal
- Determining the strategic context for major initiatives
- Convincing top management to allocate enough resources

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# 5. Role of Top Management

Developing a strategy-making process that can balance the challenges arising from exploiting existing and new opportunities at the same time → CSI capability

Pursuing a corporate strategy that facilitates exploring and exploiting the maximum feasible strategic opportunities

Promoting executives on the basis of their demonstrated CSI achievements

Developing a CSI corporate context and CSI skills

Strongly supporting complex strategic integration and its crucial role in the company's future



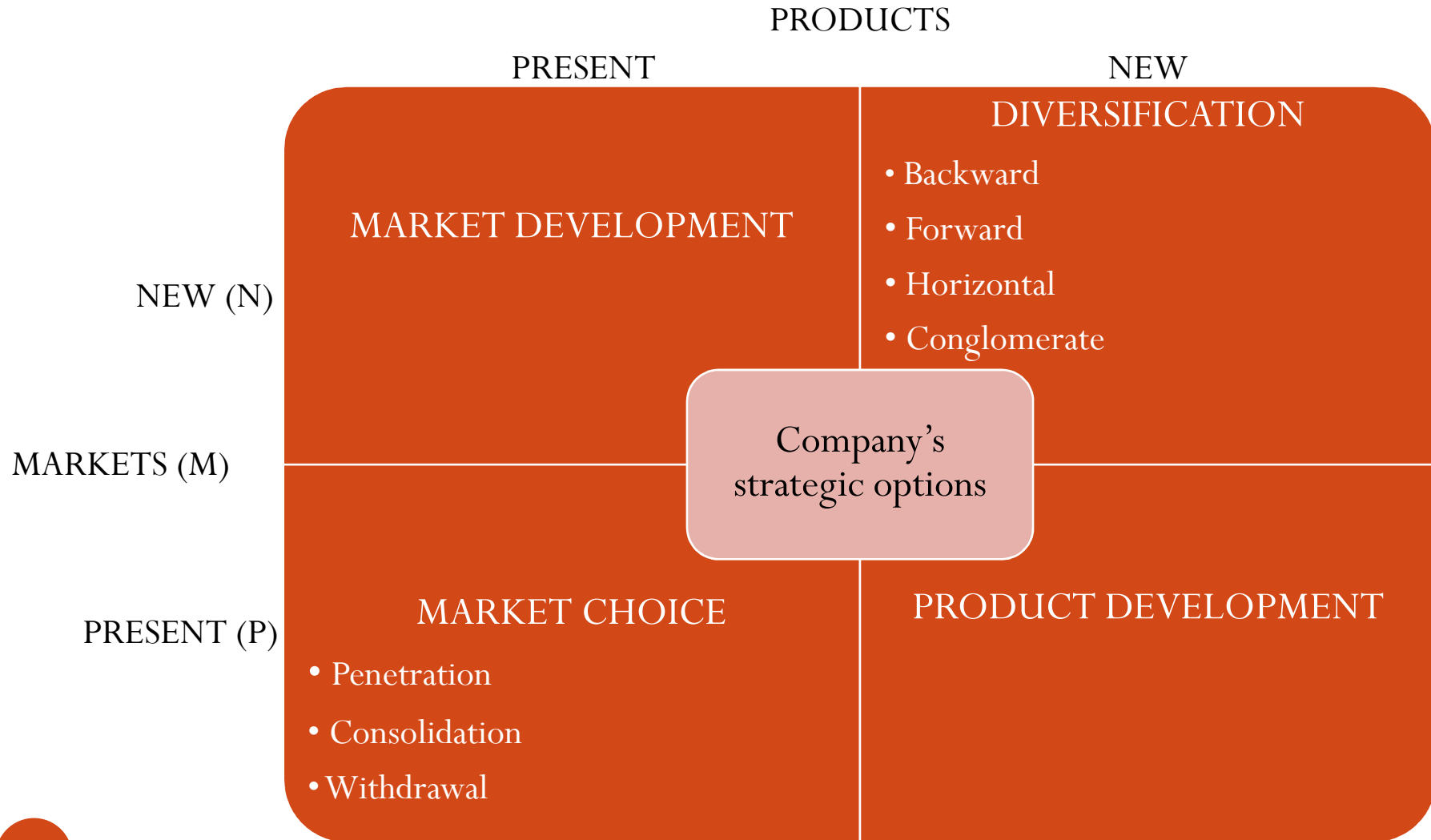
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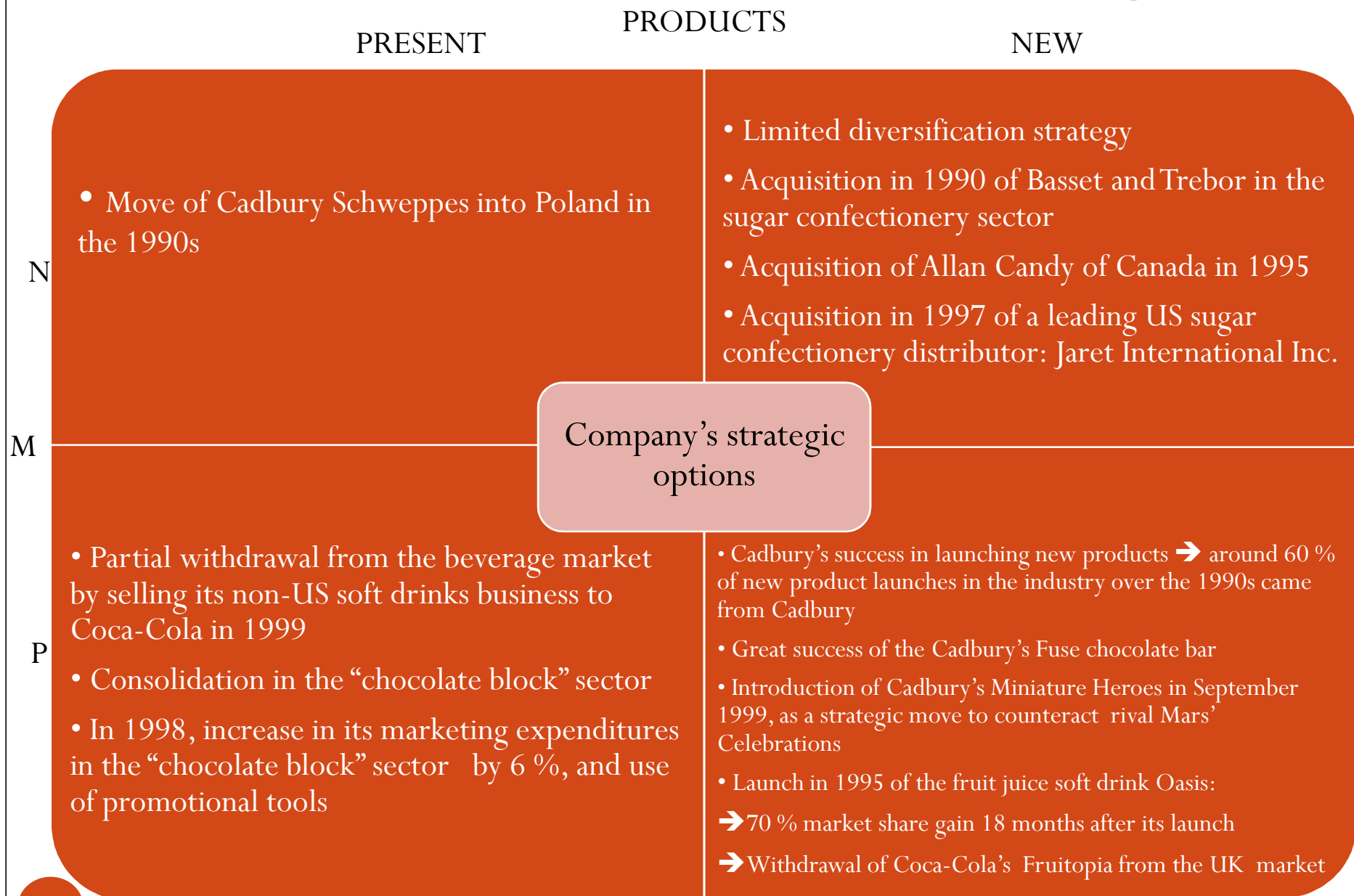
Sources

## 6. Ansoff matrix - Cadbury Schweppes' complex strategy (2000)

### Ansoff Matrix (modified)



## 6. Ansoff matrix – Cadbury Schweppes’ complex strategy (2000)



Company’s strategic options

# Sources

- Burgelman, R., Doz, Y.: The Power of Strategic Integration, in: Sloan Management Review, Vol. 42, No.3, 2001, pp.28-38
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Thank you very much for your attention

Any questions?